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All India

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The Indian Co-operative Series—Vol. III.

# THE CO-OPERATIVE MOVEMENT *IN INDIA*

All India

# THE CO-OPERATIVE MOVEMENT IN INDIA

*Its Relation to a Sound National Economy*

BY

ELEANOR M. HOUGH, Ph.D.

With an Introduction by

THE RIGHT HONOURABLE SIR HORACE PLUNKETT,
K.C.V.O., D.L., P.C., F.R.S., Hon. D.C.L. (Oxon.), Hon. LL.D.,

and a Foreword by

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THIS BOOK IS DEDICATED TO ALL UNSELFISH
WORKERS FOR THE CAUSE OF CO-OPERATION,
IN WHICH, IN ITS BROADEST ASPECT,
LIES THE HOPE, NOT ALONE OF THE
GREAT COUNTRY OF INDIA,
BUT OF THE WORLD.

# INTRODUCTION

By the Rt. Hon. Sir Horace Plunkett, K.C.V.O.

In December last a young American lady, passing through London on her way from India to the United States, called upon me. She told me that she had written a book upon "The Co-operative Movement in India," and that if I would write a brief Introduction, she would be greatly obliged. She was unknown to me; I was in poor health and in hopeless arrears with some literary work I had hoped to do. She explained that she had spent the greater part of a year in India; that her book was a "thesis" required for the Degree of Doctor of Philosophy at the George Washington University; and that her request was prompted by the frequent evidences, brought to her notice in the course of her Indian studies, of my keen interest in her subject. I could not do more than promise to consider her request. She left me a ponderous tome in typescript and a most favourable impression of my strange visitor. With thanks in anticipation and a charming courtesy, she wished me better health and was gone.

From her ship she wrote that an eminent firm of London publishers had taken her book and would send me the proofs. These came in due course, together with an admirable Foreword by Professor Kaji, which seemed to take all the wind out of my sails. Nevertheless, I set to work upon the formidable task of reading the book, and I simply could not put it down. I soon came to the reason for my suggested intervention. In 1928 I had written a Memorandum upon Co-operation for the Royal Commission upon Indian Agriculture, over which Lord Linlithgow presided; and Miss Hough, in her exhaustive search, had procured a copy.

I had prefaced my essay with an account of the agricultural

co-operative movement in Ireland from its origin in 1889. I did so because some Indian students had taken a keener interest in our endeavour to reorganise Irish agriculture upon co-operative lines than had any other outsiders. More particularly were they interested in our work among the more backward peasantry along the western seaboard of the island, where they found a rural community with so many characteristics with which they were familiar at home that some of them told me the Irish Celt must have migrated from the East in prehistoric times. In both countries the prosperity of every section of the population depended, directly or indirectly, upon the amount of wealth produced from the soil, upon the efficiency of its production and the economy of its distribution. We told them of the two fundamental principles upon which our efforts were based—namely, the immeasurably more effective value of organised voluntary action than of State assistance, however essential this might be; secondly, we insisted upon regarding and treating agriculture in three aspects—as an industry, as a business, and as a life. We had not yet adopted our formula, Better Farming, Better Business, Better Living.

I must, however, restrict the mention of my own opinions to those which appear to have appealed to Miss Hough. She notes, not apparently with disagreement, my submission that the widely spread and numerously supported Indian Co-operative *Movement* would more accurately be called a Co-operative *Policy*. It was created by " resolutions " (to all intents and purposes laws) of the Central Government and has been administered almost wholly by the ablest civil service in the world. A huge posse, now nearly all Indian, of Registrars, Assistant Registrars, Auditors and Accountants, inspects, supervises, and largely controls the co-operative societies scattered over the continent. These societies are so predominantly for the purpose of credit that comparatively little attention has been given to the other co-operative objects and functions needed to bring the movement into the co-operative category. It could not have been otherwise, since indebtedness and its relief is necessarily the primary purpose in view. All the talk about " Indianisa-

tion " and " de-officialisation " but leads to the general conclusion that Indian organisers will have to be trained gradually to build up an indigenous and spontaneous movement upon the foundations laid. In such a development, which Miss Hough realises it will take a generation or more to achieve, she visualises tremendous possibilities, which His Majesty may well have had in mind when, at the Durbar at Delhi in 1911, he declared that, " if the system of co-operation can be introduced and utilised to the full, I foresee a great and glorious future for the agricultural interests of the country."

It would be impossible in brief space to give an adequate summary of the contents of this remarkable survey; but I feel bound to add a few words in appreciation of its quality. As I recalled my own relatively exiguous effort to grasp the actual achievement and future potentialities of the attempt to apply to Indian conditions the principles and methods of co-operation as they have been worked out in the West, I became more and more fascinated with this latest contribution to India's co-operative problems. Miss Hough was not appalled, as I was, by the voluminous literature on the subject, but determined to master it. She embarked upon an itinerary which brought her into personal touch with typical communities with which the central and local governments were seeking to try out their co-operative experiments. The interested student will not fail to observe how, in the Appendices, many books of reference and innumerable official documents are listed—not, as is a too common practice, in order to impress the reader with the comprehensiveness of the documentation, but to enable him to find the relevant needles in the huge stacks of hay. Close upon a thousand notes give the authorities upon which she relies for statements made.

The supreme merit of the work is its placing of co-operation in its proper setting—that is, as one factor of immense present and far greater prospective importance in the national economy of a country whose future prosperity depends mainly upon the organisation of the overwhelming majority of the population engaged in the production of

food and the raw material of some industries. While full account is taken of the social conditions, the illiteracy, the racial, linguistic, and other complexities which bulk so largely in the political difficulties, there is the most skilful avoidance of controversial politics. I give it as my humble opinion that all who are genuinely concerned for the welfare of India's millions of peasant folk and wish to grasp their baffling economic problems, with due regard to the eternal human factor, will do well to follow the trail this enterprising thesis has so finely blazed.

HORACE PLUNKETT.

*The Horace Plunkett Foundation,*
10 *Doughty Street,*
*London, W.C.* 1.
*March* 1932.

# FOREWORD

By H. L. KAJI, M.A., B.Sc., Professor, Sydenham College of Commerce and Economics, Bombay.

IT is a welcome sign of the times that investigators and workers are taking more and more to the careful study of the Co-operative Movement in India and placing their observations and conclusions before the public. The movement has now been with us for over a quarter of a century and stands now at the parting of ways. Mistakes, indifference, or inertia at this stage would be calamitous indeed. It is very gratifying, therefore, to find serious workers attempting in an ever larger measure to carefully study the Movement and to publish the results of their study in a desire to prevent any further complacent drifting or groping in the dark. The increase in the volume and the improvement in the quality of co-operative literature in recent years is thus a very hopeful sign indeed.

The present volume is the result of the study of the Co-operative Movement in India by a qualified American investigator, and is a very welcome addition to recent co-operative literature, particularly as it represents a dispassionate examination of the movement without any bias, communal or regional. It is not a "tourist production," but is the result of a very careful study indeed of Co-operation and its problems in India, not merely by reading a number of books, reports and pamphlets, but also by personal discussions with eminent co-operative workers and by observations made during visits to typical co-operative organisations.

The unprecedented fall in the prices of agricultural produce, the general trade depression and the economic crisis throughout the world have affected India profoundly

and the Co-operative Movement has been put to a strain unparalleled in character and magnitude, and co-operators are watching with anxiety how it stands that strain. The financial structure of the movement in India links up the individual to his primary society, the society to its central financing agency, and this to the apex bank of the Province. The inability of the individual agriculturist to meet his obligations in the matter of the repayment of loans thus causes troubles and difficulties to the primary society, the central financing agency and the Provincial Bank, and the figures for overdue loans are mounting up high enough to cause serious anxiety. The political situation in the country further aggravates the position and adds unwillingness to his inability to repay. The financial stringency of the Central and Provincial Governments, leading to increased taxation and to drastic cuts in establishments and in salaries, precludes the possibilities of increasing the staff of the Co-operative Departments in the Provinces adequately to enable effective supervision and administration to be carried on. Even apart from all these factors, various weaknesses of the Co-operative Movement had begun to make their influences felt. The Movement in Burma has practically collapsed; the situation in the United Provinces of Agra and Oudh is serious and the picture in the rest of the country is none too rosy. The financial, political, and economic crisis superimposed upon this fabric creates a problem thus of unparalleled magnitude, so that even Provincial Banks like those of Bombay and Bengal are feeling the strain. The Committees of Enquiries into the Co-operative Movement in the different Provinces and Indian States that sat at different times between 1922 and 1930, the Royal Commission on Agriculture of 1926–28 and the Central and Provincial Banking Enquiry Committees of 1928–31 have thrown searchlights on the co-operative situation, found mistakes, exposed weaknesses and suggested remedies.

The evaluation of the Co-operative Movement in the present volume is a clear exposition of its handicaps and weaknesses and is a digest of opinions of Commissions, committees, reports, and individuals. The suggestions offered

for strengthening the Movement and removing the handicaps are quite sound.

A broader view, however, of the position and requirements can be obtained if we do not go into details. To anyone who has been carefully watching the Movement and who has been in close touch with its working, it must be fairly obvious that Co-operation has not so far become the live force in the rural economy of India that it ought to have become, and that its sponsors originally hoped it would. To identify Co-operation with the lending operations of a co-operative credit society is to misunderstand entirely the aims and ideals of the Co-operative Movement, which, though essentially an economic movement, has a moral background of vital importance to the healthy progress of societies. A successful society in a village financing the needs of its members may be a good banking institution, a good though tiny business concern, but it is not a co-operative organisation. Unless the co-operative society becomes a dominant force in the village, unless its inhabitants learn to look up to it as a potent means for the betterment of their life, unless they recognise in it a powerful instrument for better farming, better living, and better business, not much good can come out of the movement. Co-operation cannot thus succeed really, unless the outlook of the people is radically changed, unless their fatalistic, listless attitude towards life, their blind adherence to tradition and custom, in matters social and agricultural, is removed, and unless they see in the co-operative society not a quasi-governmental, quasi-paternal financing agency, but their own institution. Rural reconstruction and mass education as distinguished from rural literacy must therefore be the immediate objectives if Co-operation is to lift the masses—the rural population, from the despondence of ages and make them fit citizens of the India of to-day and to-morrow, contributing to its progress towards the achievement of political freedom and economic prosperity. The problem of rural reconstruction and rural education is a stupendous problem, sought to be solved so far by a few benevolently inclined social servants, each in his own way.

It must be remembered, however, that the vast field cannot be covered by a few Braynes and Gurgaons, by even a few Tagores and Vishwabharatis, but by the people themselves, and for this there is no force so potent as the co-operative society of the village. For this purpose, however, we cannot afford to parcel out the agriculturist into a bundle of different needs, each being met by a different type of institution. It cannot serve our purpose if there is a credit society for financing his current agricultural needs, a sales society or a sales union for the co-operative marketing of his produce, an artisan's society for his subsidiary occupation, an insurance society for his cattle, a co-operative store for the purchase of his household requirements, a better-living society for social reform, an anti-malarial society for improvements in sanitation, and so forth. The energy, the ability, the leadership, the identity of interests, the sense of " All for each and each for all," so essential for the germination and fostering of the co-operative spirit and the building up of a sound co-operative structure, we cannot afford to dissipate on several different institutions, however good each one of them might be. There must be one, and only one, society for a village catering to all the needs of the people. The *sowcar*, whom co-operation seeks to replace, is not merely the usurer. He is the tradesman and the dalal, as also the adviser and guide of the people there. There is a human bond between the *sowcar* and the people, and if we would displace him, we must substitute for him an agency that would take his place in every direction, that would do all that he did, and that too in a better way, that would not only be an economic organisation, but be the village *panchayat* modernised in a sense, functioning as a council of elders, arranging for finance, purchase, and sale, as also for sanitation, medical relief, cattle insurance, life insurance, social reform, and not merely in theory but in actual practice carrying out a policy of rural reconstruction. Then, and then only, will the co-operative society be a live force in the village; then, and then only, will Co-operation stand out triumphant.

To achieve this purpose, progressive deofficialisation of

the Movement is a matter of immediate concern. The real problem before the Movement is not how to achieve greater efficiency in the machines that have been created, but to vitalise them, to infuse the soul in them so as to make them living organisms in the rural economy of the country. Efficiency through greater official strictness is not the test of real success so much as creating a village community sense among the people and focussing it in the management of the village co-operative society—a multiple-purpose society, rather a comprehensive society—and in the gradual effacement of all official intrusion and paternalism. It is not the cancellation of bad societies that spells success, so much as the cancellation of good societies—cancellation in this case being a recognition of the fact that these do not require official guidance and patronage or concessions and privileges from the State, and that these could be left with safety to themselves, registered under the ordinary law of the land. Speedy effacement, when conditions are ripe, should be the goal, not tightening of the official control. Of course this cannot be achieved at once or even, for the matter of that, in the immediate or near future. But the goal of a de-officialised movement must always be kept up before them by the friends, philosophers, and guides of the Movement of to-day.

One more point strikes one as almost obvious. The Co-operative Movement has been with us now for over twenty-five years. Though credit societies dominate the field, non-credit co-operation is fast developing; even problems of co-operative finance, both long-term and short-term, are becoming more and more complicated; new and complex situations are arising. Under these circumstances, the Co-operative Movement in a Province, often as large and as populated as some of the European or American States, is no longer a one man's job, however gifted that one man might be. If Co-operation is to be, as Sir Horace Plunkett says, an integral part of a comprehensive agricultural policy, and if Co-operation is to lead to rural reconstruction, it should be directed not by an individual, but by a Committee, a Board, a Cabinet. The Registrar

of Co-operative Societies, the Director of Agriculture, the Director of Industries, the Director of Public Health and such other heads of departments which are connected with problems of rural welfare naturally all ought to find a place on this Board of Rural Welfare. The Chairmen of the Provincial Co-operative Bank and the Provincial Co-operative Institute or Union would be excellent and necessary members too. With such a membership and the co-option of a few more members as experts in co-operative economics, and with the Minister of Agriculture and Co-operation as President, the Board of Rural Welfare would be a very useful co-ordinating body, laying down the policy, taking a periodical stock of the situation, settling the programmes and leading up to a progressive deofficialisation of the Movement, in which the ultimate solution of the co-operative problems of to-day largely lies.

Even as it is, the position is very far from being hopeless or even gloomy. The Registrars, assisted by workers, stipendiary and honorary, have striven, and very often successfully, to guide the Movement on right lines, to evoke a sense of responsibility among the village people, to foster the community-sentiment, inherent in Indian culture and so helpful to co-operation, to experiment with successful credit societies attempting to expand their scope to non-credit activities such as purchase and sale. The success so far achieved is very encouraging indeed. A succession of able Registrars has brought the Punjab in the forefront as regards progress in Co-operation and has been responsible for a notable contribution to the Co-operative Movement in India by successfully bringing about consolidation of holdings through Co-operation. The development of Co-operative Housing, and of Co-operative Urban Banking in Bombay, the Anti-malarial co-operative organisations and the milk societies of Bengal, the system of supervising unions evolved in Madras, are all evidences of very good work done so far. Co-operation has taken root in the soil and has come to stay. The plant is being watered carefully and has begun flowering in very many cases. It is growing and branching out quickly and the danger lies in this very expan-

sion and development. It is to meet this danger that one perceives the need for a well-directed campaign of adult education in rural areas, for making co-operative societies centres for rural reconstruction work, for fostering the sense of village responsibility for village welfare and for progressive deofficialisation. The recent political awakening of the village population is a hopeful sign in this, that the awakened masses, when things settle down a bit, would be more conscious and responsive to their economic needs and co-operate more effectively towards making their co-operative institutions successful. It is this rapid development in various directions of the Co-operative Movement in India, and the very vast scope it has for about 90 per cent. of India's 350 millions who live in rural areas, that suggest the need for a change, so that instead of doing things well for them, the co-operative leaders, official and non-official, might direct their energies to raising them to the level where they could take care of themselves and take up the responsibilities of further expansion, development, diversification and ordered progress of the Co-operative Movement.

H. L. KAJI.

# AUTHOR'S PREFACE

THIS study was made as part of the work for the degree of Doctor of Philosophy from the George Washington University of Washington, D.C.

It is impracticable to make specific acknowledgment of the help received from individual workers in the Indian Co-operative Movement, for wherever I turned during my stay in India I met with unfailing courtesy and co-operation from all connected with it.

I wish, however, to take this opportunity of expressing my hearty thanks to all of those busy people who gave me so generously of their time in interviews and correspondence, and my gratitude to the staff of the Provincial Co-operative Institute of Bombay, who were tireless in meeting my demands upon the facilities of their excellent library, and to the Hyderabad Central Co-operative Union, my hosts at the Conference held in Hyderabad (Deccan), April 4–5, 1931, of the All-India Co-operative Institutes' Association.

If my findings are of any assistance to the cause of Co-operation in India, that will be their best reward.

ELEANOR M. HOUGH.

*Bombay, November* 17, 1931.

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# CHAPTER I

## INDIA'S PRESENT NATIONAL ECONOMY

### General Characterization

THE eyes of the world are upon India to-day. The problems of her position in the British Empire and of internal politics press for solution. Even more vital to the country's well-being, however, is the strengthening of existing weaknesses in the economic structure of India which must hamper and obstruct her development whatever her political status. To determine what those weaknesses are and the possibilities of co-operation in relation to them, it is necessary to analyse the conditions, geographic, social, economic, and industrial, as well as political, which contribute to the present situation. Arraignments of isolated elements have ignored the numerous contributory factors, the accurate evaluation of which must precede constructive remedial measures.

According to preliminary figures from the Census of 1931, the Indian Peninsula, with an area less than two-thirds that of the United States, contains—one hesitates to say "supports"—more than 350,000,000, or almost three times as many people. Rich as India is in natural resources and in man-power, it obviously is seriously over-populated for its present stage of economic development, as witness the large proportion of the population who, impoverished and in debt, are living dangerously near the limit of subsistence.

### Fundamental Features

#### *The Geographic Background*

India has an area of 1,802,657 square miles, of which 1,093,074 are in British India and practically all of the

remaining 709,583 in the Indian States. While British India includes, therefore, 61 per cent. of the land area, it accounted at the 1921 Census, the last for which details are available, for over three-fourths of the total population.

In shape not unlike the South American continent, India is a geographic unit, the Indian Ocean and the Himalayas cutting it off for centuries from contact with the West except by sea or through the famous Khyber Pass in the North-west.[1] * Great alluvial plains with fine soil represent about two-thirds of the cultivable area. The richest soil is in the plain which stretches across the northern, non-peninsular part of the country between Burma and Baluchistan. Most of the peninsula and Central India almost to the Ganges and Jumna rivers consist of rocky highlands, with really good lands patchy and peasant agriculture usually hard and yielding small returns.[2]

Only 34 per cent. of the total area of British India's nine major provinces was sown to crops in 1927–28, the last year for which figures are available. The estimated potential increase of 30 per cent. in the tilled area depends largely on capital and enterprise.[3] Another 13 per cent. was covered by forests, and 22 per cent. represented uncultivable land in hilly tracts or dry and desert regions.[4] That so large a cultivable area remains uncultivated is ascribed chiefly to the scarcity of water, requiring expensive irrigation projects to correct, and in some places to the large number of wild animals, this being an even more important factor in some of the Indian States.[5]

There is some climatic variation between different sections, but the markedly seasonal distribution of rainfall, which averages about 45 inches for the country as a whole,[6] allows double cropping almost universally.[4] Except where irrigation has introduced a measure of stability, the yield depends largely on the monsoon rains, which are subject to great local variations.

In British India as a whole, 12 per cent. of the cropped area, or 30·7 millions of acres, is irrigated, the percentage of irrigated land rising in the Punjab to well over 30 per

* Numbers refer to bibliographic references, starting at p. 317.

cent. Huge new works in progress in that province and Sind to utilize the waters of the Sutlej and Indus are expected to affect some 11,750,000 additional acres.[7] The arid tracts of the South are safeguarded in many cases by similar smaller works, while chains of storage lakes catch the rains of the Western Ghats and spread them through canals over the Deccan.[8] Only less important than the Government's triumphs of engineering are the wells and tanks which from time immemorial have furnished irrigation for millions of acres throughout the country.[9]

India has varied mineral resources, coal and petroleum leading in importance. An annual production of over £500,000 each is reported also for lead and lead ore, manganese ore, gold, building materials, salt, silver, mica, and zinc concentrates.[10] India is said to have some of the richest iron ore deposits in the world, though they are inadequately exploited as yet.

Rice is the leading crop, the Royal Commission on Agriculture reporting 80,000,000 acres planted to it, as compared with 33,000,000 acres in the greater millets, 24,000,000 in wheat, 18,000,000 in cotton, and 14,000,000 each in the principal oil seeds and gram.[11] Dyes and tanning materials, tobacco, coffee, opium, and fodder crops also are grown in considerable quantities,[12] and there are other products of great regional importance like jute, Bengal's great money crop, and tea in Assam.

Although cattle and buffalo are exceptionally important in India, a predominantly vegetarian country, for milk as well as for transportation, their number is abnormally high, amounting to more than 60 per cent. of the human population.[13] The surplus cattle are a serious drain on the country's resources, estimated in 1924, at the Bangalore meeting of the Board of Agriculture, at Rs. 176 crores a year, or over four times the entire land revenue of British India.[14] The quinquennial live-stock census of 1924–25 showed 216,819,000 head in British India, including sheep, horses and ponies, mules, donkeys, and camels.[12] Swine are conspicuously absent, as neither Hindus nor Mohammedans would raise them.

### *The Social Background*

For all its geographic unity, India is an ethnologic mosaic. Many of the population belong to the Aryan race, but there are also many descendants of the Dravidians who inhabited the country before the successive invasions of Aryans, Scythians, Pathans, and Moghals. There are numerous other distinct racial types, including the Mongoloid and Turko-Iranian, and mixtures of the invading races with the Dravidian elements of the population,[15] but the antecedents of the population are of less immediate interest for our purpose than their distribution.

The population of India averages 195 per square mile, the mean density in British India being 248 and in the Indian States 114, according to preliminary Census returns for 1931. Bengal has the densest population, 651 per square mile. This compares with a density of 32 per square mile in the United States, 1·18 in New Zealand, 184 in France, 332 in Germany, and 649 in England and Wales.[16] Almost 90 per cent. of India's population is purely rural, even if settlements with over 4,000 population are classed as towns. In the whole country there are two cities with 1,000,000 inhabitants, Bombay and Calcutta, and only thirty-three others with 100,000 or more, while fifty-four more have from 50,000 to 100,000 population.[17] A tendency towards urban migration is apparent, however, in the fact that between 1891 and 1921 urban population increased by 22·8 per cent. and rural by but 10·5 per cent.[18] As compared with 2,316 communities classed as towns or cities, most of which are small, India has 685,666 villages;[19] for the cultivators do not, as a rule, live scattered on separate farms as in the United States, the smaller size of the average holding facilitating the grouping of agriculturists in villages, mostly clusters of flat-roofed mud huts, from which they go out to cultivate their respective fields in the environs.

The population has grown steadily in the half-century since a regular Census has been taken. Infant mortality, however, is very high, 173 per thousand births,[20] and the average expectation of life at birth is reported approximately

25 years in India, compared with 54 years in Great Britain.[21] In 1928, 25 per cent. of the total mortality occurred during the first year of life, the corresponding figure for England and Wales being 9·5 per cent.[22] It is claimed in the last report of the Director of Public Information that the climate and other natural circumstances render the people of India liable to many devastating epidemic and contagious diseases,[23] which is no doubt true, but the All-India Conference of Medical Research Workers in 1926 went on record as believing that 5,000,000 to 6,000,000 deaths a year result from preventible diseases, the wastage of life and loss of efficiency resulting from which cost India several hundred crores of rupees annually.[24]

India stands pre-eminent in philosophy, and her contributions to literature, to art, and to science, modern as well as ancient, entitle her to an honourable place among the nations, but the average Indian, despite a penchant for metaphysics, is no more a Bose or a Tagore than the average citizen of other countries. He is typically a small cultivator, usually unlettered but not unintelligent, eking out his existence in poverty and discomfort on the produce of his few acres. He is generally frugal, but it is not surprising that, living in such straitened circumstances, he finds it difficult to lay up in a good year for the lean years to come. It must be a strong temptation to use the little surplus from an exceptionally good harvest for small comforts usually denied, and the occasional custom-dictated marriage or other festival may wipe out the savings of years and heavily mortgage the future.

Sir Edward Maclagen, Chairman of the Committee on Co-operation which reported in 1915, has described him thus:

"The agriculturist of India is a small man, confined in his possibilities and confined in his outlook. He is in some respects well fitted to receive the gospel of co-operation. He has not the secretiveness or the angularities of the Anglo-Saxon farmer. He lives both actually and figuratively in the open air; in constant contact with his fellows; his affairs known to them as theirs to him; all alike accustomed by tradition to life in commonalty, to joint family and village responsibilities. He has at present

little political power, and is singularly submissive to authority or to impulse; but these very defects render him ready to adopt and carry out co-operative ideas when suggested to him; to meet the propagandist half-way and submit to experimental regulation. On the other hand, his illiteracy is an appalling drawback to the intelligent appreciation of rules. His unpunctuality and his aversion to the exercise of discipline against his fellow endanger the solvency of his co-operative finance." [25]

Religion always has been dominant in Indian culture, and it is an important factor in Indian life and thought to-day, the religious and the secular being interwoven far more closely than in the modern West. Hindus predominate, making up 68 per cent. of the total population of British India, as compared with Mohammedans, 22 per cent. The remaining 10 per cent. is made up of Buddhists, Christians, Sikhs, Jains, Parsees, Jews, Brahmos, followers of tribal religions, and holders of indefinite beliefs.[26] There is a Muslim majority in the Punjab, Bengal, and the North-West Frontier Province, and the largest native State, Hyderabad, is ruled by a Muslim Nizam, though most of the population are Hindus. Religious toleration is the rule throughout India, and there are good grounds for suspecting that most of the intercommunal clashes to which so much publicity is given have been fomented by lawless elements who stood to gain from the attendant confusion.[27]

The caste system of Hinduism, originally " simply a logical method of dividing labour with the object of securing a maximum of social efficiency and responsibility with a minimum of social friction," [28] has hardened with the centuries into a rigid mould which now hampers national progress. In the beginning the castes were not iron-clad arbitrary divisions, but gave an actual indication of the stage of individual development. The four main castes correspond to the four principal functional groups in any civilization—the Brahmans, teachers and priests; the Kshatriyas, rulers or warriors; the Vaisyas, merchants and agriculturists; and the Sudras, or labourers, the serving class. Occupation has been an element, though not the only one, in caste formation, every vocation giving birth to a new hereditary caste, until there are now over four hundred subdivisions of the original

four castes, though birth in one of them is no longer binding in the choice of a vocation.[29] In time endogamy came to be insisted on, and social intercourse with those of lower castes, except in the larger towns, and with those of no caste, to be frowned upon and prohibited. There are millions of so-called "untouchables" in India to-day, the amelioration of whose condition is a national problem of major importance. There are even a few "unapproachables" and "invisibles," but they are said to be comparatively rare. The National Congress in 1920 adopted the removal of untouchability as a vital part of its constructive programme,[30] and already some change in the attitude towards this group is reported.

Only less serious, from an economic point of view, than the plight of these unfortunates, is the low esteem in which manual labour is held, which unquestionably is to be charged primarily to the caste system. Throughout the country manual labour implies loss of dignity for the higher castes, and most of the community are debarred from certain types of work.[31]

The diversity of language in India represents a problem for the workers in any ameliorative effort like the co-operative movement. There are in British India six distinct families of speech with 220 dialects,[32] of which over 20 are spoken by more than a million people each. The development of the vernaculars is encouraged by the Government, and there is a strong movement to popularize Hindi, which, with its correlates and branches, is spoken by over 100,000,000 people.[33] Active propaganda and educational activity, sponsored by the Hindi Prachar Sabha of Madras, are carried on to that end in South India, where alone Hindi is not at all understood.[34] English remains the common language of the educated classes and is used even in the National Congress.

The educated classes, however, form a lamentably small percentage of the total population. Excluding children under five years old, 82 out of every 1,000 are literate to the extent of being able to write a letter and read the reply.[34] The percentage of literacy in India was claimed to be less

than 10 per cent. in 1928, compared with 95 per cent. for Japan.[35] The figure is 139 per 1,000 for males; 21 for females; but only 160 males and 18 females out of 10,000 are literate in English.[34]

In Bombay Presidency, where the total literacy is practically the same as for British India as a whole—8·5 per hundred—the variation among different religious communities is great, 732 per 1,000 of the Parsees being literate, as compared with 81 and 54, respectively, of the far more numerous Hindus and Muslims.[36]

It is claimed that the Government spends only 5 per cent. of its revenues on education.[37] Government funds in 1928–29 represented but Rs. 17,12,24,514 out of the total of Rs. 27,07,32,253 spent on education in British India.[38] The expenditure on education in India was 11*d. per capita* in 1919–20, compared with £2 *per capita* in England.[35]

While persons with a secondary school education are too numerous for the number of posts available, leading to keen competition for clerical positions, which in turn causes generally low compensation and widespread unemployment among clerical workers, the inadequate provision for primary education in British India must be set down as an outstanding administrative failure.

Since the reforms of 1919, when education was transferred to provincial control, eight provincial legislatures have passed Primary Education Acts, authorizing the introduction of compulsory primary education by local option,[39] but political considerations are blamed for the hesitation of some municipalities and district boards. By 1929 compulsion had been introduced in 138 municipalities and 2,962 rural areas.[40]

In a culture whose roots go so far into the past, it is natural to find that custom has a greater sanctity and binding force than in newer civilizations, but some customs of long standing are changing under the impact of Western civilization. Critics of the existing system have made much capital out of undesirable social customs claimed to inhibit India's progress, but the movement towards later marriage, reported most marked among the Hindus,[34] is encouraged

by the Sarda Act of 1929, which penalizes parents who give in marriage children under certain ages. There never has been any seclusion of women in South India, and in the North it has affected chiefly city people of respectability, principally Muslims. The prejudice, however, against women earning money, and, in some parts of the country, against their helping in the fields, is deep-rooted and represents a serious handicap to economic prosperity.[41]

The Hindu family, reckoning relationship by descent from a common ancestor within seven generations,[42] was long the economic unit of Hindu society. It fostered a spirit of self-sacrifice and mutual co-operation, but discouraged individual initiative by removing the necessity and the reward for individual effort.[43] It has, to a great extent, broken down in most parts of the country.

The village system is the foundation rock of Indian economy. Down to the advent of British rule it had existed practically unchanged from the days of Manu's Code. It has been called " the original type, the first germ, of all the divisions of rural and civic society in mediæval and modern Europe."[44] The traditional Indian village was typically almost self-sufficing, as many are still, with considerable division of labour among its members. The agriculturists grew all the food needed by the village, the smith made their ploughshares and a few iron household utensils, the potter made pots, the weaver cloth, and the oil-man produced oil, each recompensed by the mutual services of his fellow-villagers.[45] This traditional village organization handicaps the spread of subsidiary occupations among agriculturists, though in many parts of the country the cultivators must be idle about one-third of the year.

The village was the major political unit as well, elections being held for committees for various administrative duties, with age and property as well as educational requirements for candidates.[46] Wave after wave of invasion swept over the country without affecting the village structure. The state followed quite consistently the policy of non-interference, leaving the villages autonomous and confining the activities of the central government largely to the protection

of life and property and the collection of the revenue for these duties.[47]

The centralization of authority under British rule, coupled with the imposition of taxes in most cases on an individual basis and the migration of the higher class villagers to the towns, has sapped the vitality of the village structure. Tardy efforts have been inaugurated only recently to revivify it and to restore local administrative power on a modern legal basis to the village Panchayat or elected Council of Elders (literally, Council of Five).

### *The Economic Background*

No official estimates of the capital wealth of India, either national or private, have been attempted.[48] The country is rich in natural resources and in man-power, and its fabled wealth was the lodestone that first drew the East India Company to its shores in 1600. There is no doubt that the drain upon the country's riches in the meantime has been enormous, more than offsetting, it is claimed by some, the increased value of property which has followed in the wake of railways, irrigation projects and other British developments. The *ex parte* Report on Financial Obligations between Great Britain and India, prepared by the National Congress Select Committee in the summer of 1931, for example, shows a debit against Great Britain of hundreds of crores of rupees.

The few isolated figures available, such as the capital invested in Indian railways, Rs. 8,56,74,62,000,[49] and in irrigation works, Rs. 1,15,00,00,000,[50] are inadequate for any thoroughgoing calculation of total capital wealth, such as the United States Bureau of the Census undertook for that country.

It is no doubt a safe generalization that the land represents the chief wealth in a country where so large a percentage of the population live on the soil. In 1928–29 there were 228,166,096 acres actually sown in British India; 48,432,503 acres reported current fallows; and 154,679,691 acres reported culturable waste other than fallow,[51] representing an enormous source of revenue, tapped and untapped.

Live-stock form a higher proportion of India's total wealth than in most countries, and farm implements and machinery are relatively unimportant, though the use of improved types of both is spreading gradually. That manufacturing machinery, tools, and implements form a comparatively small fraction of the total wealth may be judged from the fact that in 1929–30 there were but 348 cotton mills with 91,24,768 spindles and 1,79,250 looms in all India, although cotton goods is the chief manufactured product.[52] It was estimated for 1921–22 that manufactured products amounted to Rs. 186 crores, compared with Rs. 2,097·8 crores for net agricultural production.[53] Mineral products for which figures were available amounted in 1929 to Rs. 2·2 crores.[10] Among a population so impoverished, clothing and furniture, which in the United States have been estimated to represent about one-eighth of the national wealth, must account for a very much smaller fraction of the total. Furniture especially is at a minimum in the houses of the poorer classes. Even a bed is not always found.[54]

Official bodies in various provinces have attempted estimates of the average income of different sections of the population from time to time, and the Whitley Commission on Labour recently made the first attempt at a comprehensive survey of wages throughout the country, but its investigation was limited to conditions of labour in industrial undertakings and on plantations, leaving the great majority of the populace outside its scope.

The Whitley Labour Commission reports that in a majority of provinces few unskilled manual labourers in industrial establishments earn more than Rs. 15 a month regularly, and that their wages are sometimes as low as Rs. 10 per mensem. Unskilled male labourers temporarily employed in industries on daily rates earn from over 12 annas a day in industrial centres of Burma and Bombay Presidency down to 5 annas in some parts of the Central Provinces. And the Commission states that this class of worker earns appreciably more than the agricultural labourer![55] For example, the average monthly wages in the Assam Valley tea plantations in 1929–30 were Rs. 13–8–7 for men,

Rs. 11–1–7 for women, and Rs. 7–8–6 for children; and wages were still lower in other parts of that province.[56]

The rewards of skill may be judged from the average earnings of two-loom weavers in the cotton mills in the city of Bombay—Rs. 1–13–4 a day.[57] And the Commission found wages in Bombay Presidency higher, on the whole, than in any other province except Burma.[54] Masons in Madras, Bengal, Bihar and Orissa, and the United Provinces average about Rs. 30 a month.[57]

The Bombay Banking Enquiry Committee points to the Census data on several thousand family budgets in Bombay Presidency proper in 1921 as indicating an average *per capita* income of Rs. 100 a year in urban areas and Rs. 75 in rural sections, the percentage of budgets showing less than Rs. 75 annual income ranging in one district as high as 66.[58] The Committee stresses the raising of the low average *per capita* income as "a task of the utmost national importance."[59]

The Bengal Banking Enquiry Committee estimated the average income of a Bengal agricultural family dependent upon agriculture alone at Rs. 406 per year, or Rs. 79 *per capita*, and their average expenditure at Rs. 420 per family. Assuming an income of Rs. 44 for some subsidiary occupation, a margin of Rs. 30 per family, or Rs. 6 *per capita*, is shown.[60]

The occasional unofficial estimates which have been attempted also have concerned themselves with the computation of national and private income rather than with capital wealth. One of the most recent and thoroughgoing of these is the inquiry of Professor K. T. Shah of the University of Bombay and K. J. Khambata, who estimated the total national income of India in 1921–22 at Rs. 2,364·0 crores.[61]

On the basis of this estimate, they figure the gross *per capita* income at Rs. 75, from which they deduct Rs. 7 for the drain represented by Home charges, including such items as return on overseas capital invested in India, interest on debt services of all kinds, and civil and military salaries, pensions, etc., and Rs. 11 *per capita* for the State

demand in revenues, excluding the Home charges. This leaves an average *per capita* net income of Rs. 57 per year.[62]

Gloomy as the situation obviously is, the Director of Public Information, while admitting that "a large proportion of India's inhabitants are still beset with poverty of a kind which finds no parallel in Western lands, and are living on the very margin of subsistence," yet claims a gradual rise in recent years in individual income, citing the larger number of third-class passengers on the railways and the increased use of silver ornaments by classes long accustomed to baser metals, and also the fact that the agricultural population seems to survive famine and scarcity better in recent years.[63] Much of the credit of the last should go to such improvements as have been effected in the communications system, and irrigation has undoubtedly lessened the danger of famines also, but certainly not much complacency is justified by the present condition of the bulk of the population.

The obvious need for credit facilities under the existing conditions throws into great prominence the question of the country's banking structure. Banking Enquiry Committees for each major province, as well as some of the smaller political divisions, and for the country as a whole, recently investigated and reported upon the situation, at the instance of the Central Legislature. Their terms of reference included a comparative inquiry into the measures necessary for promoting banking development, strengthening the organization of credit facilities for agriculture and industries, co-ordinating the work of the various credit and banking agencies and linking up banking with the financial machinery of the Government.[64]

At the apex of the country's banking structure stands the Imperial Bank of India, a State bank in all but name,[65] it is claimed, although it does not assume all of the responsibility that a State bank should. It was formed in 1921 by the amalgamation of the three Presidency Banks of Bengal, Bombay, and Madras. It cannot be said to discharge the functions of a central bank.

The establishment of a reserve bank to discharge central

banking functions was recommended by the Committee of 1925–26, but the Bill to establish it failed to pass the Legislature and was withdrawn.[66] The immediate necessity for the formation of a strong central bank was stressed by the Financial Assessor to the Simon Commission, and the Central Banking Enquiry Committee considers the establishment of a central or reserve bank "*at the earliest possible date* . . . a matter of supreme importance from the point of view of the development of banking facilities in India."[67]

The Bombay Banking Enquiry Committee expressed the view :

> "It is a weakness of the existing organization, or lack of organization, of banking in India that the principal industry of the country does not get for its sustenance the loanable capital available in the country at a reasonable rate of interest. The waters of the different streams flow in their own narrow channels, there is no reservoir to collect and distribute the supply so as to fertilize the field of agriculture, trade, and industry of the country."[68]

The capital and reserve of the Imperial Bank of India in 1928 totalled Rs. 11 crores. In that year, the last for which complete statistics are available, there were 74 Indian joint-stock banks, with a paid-up capital and reserve of at least 1 lakh each, of which, however, only 28 had capital and reserve of Rs. 5 lakhs and over. There were 18 exchange banks doing business in India, and, in addition, 158 co-operative banks, including all provincial and central co-operative banks and registered non-agricultural co-operative credit societies with limited liability, which had a capital and reserve of at least one lakh each. Eighteen of these had a capital and reserve of Rs. 5 lakhs or over.[69] The capital and reserve of these 158 co-operative banks amounted in 1928–29 to Rs. 4,40,41,000, compared with Rs. 12,30,00,000 for the 74 joint-stock banks.[70]

There had been general agreement that India was under-banked, but, in spite of the defects of the banking structure, the Central Banking Enquiry Committee questions whether the country's banking facilities are not as large as the present

banking possibilities warrant, taking into consideration deposit prospects as much as the demand for cheaper credit.[71]

There are few banks in the interior and still fewer clearing houses. Remittance facilities are inadequate and the rates rather high as compared with other countries.[72] In many outlying parts the shroffs or indigenous bankers, with their network of offices and agencies, are the only medium for the transmission of funds.[73] A striking commentary on the adequacy of remittance facilities in some Provinces is furnished by the statement of the Banking Enquiry Committee of Bihar and Orissa, that the greater part of the business of remitting sums from and to village co-operative societies is done by the actual paying in or drawing of cash at the central co-operative bank by three members of the village society's Panchayat.[74]

There are innumerable towns and villages entirely without organized banking facilities. The Punjab Banking Enquiry Committee brought out that only 26 per cent. of towns with population below 10,000 have any banking facilities at all beyond a possible out-station of the Imperial Bank or an occasional co-operative credit society.[75] The operations of joint-stock banks are confined largely to giving Europeans facilities for deposits and remittance, and to financing foreign trade.[76]

The bulk of the country's trade and industry is financed and controlled by the numerous shroffs.[77] They perform all the principal functions of a modern bank, except that they do not allow cheques to be drawn against customers' accounts.[78] The shroff is the chief recourse of the cottage industries and small organized industries and a not negligible factor in financing the larger manufacturing industries. These indigenous bankers offer the advantages of personal and confidential relations with customers, constant accessibility, freedom from the formalities and delays of modern banking, and the keeping of accounts in the vernacular. Their dealings with their clients are generally straightforward, and a shroff's word is said to be better than an expensive bond.[79] The business of an indigenous banker

usually is organized on a joint family basis with unlimited liability.[80] Most of them combine trade or a commission agency with their banking business.[81]

The absence of bankers' acceptances and the infrequent use and discounting of negotiable instruments, necessitating a large movement of bullion and currency to adjust internal trade balances, constitute a weakness of banking in India which applies less to the shroffs than to organized banking agencies. The shroff makes considerable use of credit instruments in exchange transactions, the sight or usance bills employed being termed *hundis*.[72]

The shroffs are handicapped by lack of capital, which is not forthcoming from the organized banking agencies, as it might be, to the mutual advantage of themselves and the indigenous bankers. The forging of a link between the central banking institution and the indigenous bankers was pointed out by the Bombay Banking Enquiry Committee as of vital importance, not only to the evolution of a co-ordinated credit system, but also to the spread of banking facilities in *taluka* and other small centres.[82]

This insufficient tie-up between the shroffs and the money markets, and their inadequate accommodation by the Imperial Bank of India or the joint-stock banks, is one phase of what is perhaps the basic weakness of the Indian banking structure—the lack of correlation between the various agencies. In addition to the high interest rates which handicap the development of industry as well as agriculture, the Bihar and Orissa Banking Enquiry Committee pointed out the lack of adequate links between the rural and urban agencies and between these and the central money market. The Postal Savings Banks are merely agencies for securing deposits and have the same disadvantage as the organized banks of draining the rural districts of their surplus funds, which are urgently needed for financing agriculture.[83]

The rôle of co-operative banking institutions will be discussed in detail later, but the subject of banking facilities cannot be dismissed without pointing out the entire inadequacy of the other credit facilities for the cultivators,

artisans, and small traders who make up the bulk of the population. Neither the Imperial Bank of India, the exchange banks, nor the joint-stock banks in general serve the small man, and the average cultivator is quite outside their province. Justice to their shareholders and depositors forbids their undertaking business in which the returns are uncertain and depend on such variable factors as the adequacy of the monsoon rains, without tangible security, which the peasant frequently cannot furnish. The present banking structure, with the exception of recently established and very scattered co-operative land-mortgage banks, is quite unable to provide long-term credit at low interest rates for such purposes as land improvement and debt redemption—and such credit is vitally important to the country's economic regeneration. None of the existing banking agencies can afford to tie up their capital in such business. Even the shroff serves the mass of the cultivators but indirectly by furnishing the money-lenders with much of the capital which they borrow from him at a low rate and lend in turn to their hapless clients at a high one.[68]

The systems under which land is held represent another factor in the economic background. The basic theorem in the system of land-holding in British India, as in England itself, is the idea that all land belongs, in the final analysis, to the State, which, as the supreme landlord, receives revenue from the land as rent, in return for protection and legal security. Actually, however, the British Government has everywhere conferred or recognized a private right in land.[84]

Where land revenue is fixed in perpetuity and paid by the landlord, it is called a " Permanent Settlement." Under this system the actual cultivators are not small proprietors, but tenants. This is the situation in Bengal and the greater part of Oudh, which has been joined with Agra to form the United Provinces, and also in some sections of Madras Presidency. Elsewhere the land revenue is figured at intervals of about thirty years on the basis of a thorough survey, and the settlement is known as " Temporary." Land tenures under it may be landlord holdings, on which

the landlord pays on a rental assessment, or peasant holdings, which again are of two kinds. Under one, each occupant holds his land directly from the Government, as in Bombay, Burma, Assam, and most of Madras, while under the other, which prevails in the North, the land is held by the village community, the heads of the village being responsible for the revenue on the whole area of the village. The assessment is based on actual revenue at the time of the settlement, and improvements effected by private enterprise are exempt from assessment.[85]

The maximum revenue charge for landlord holdings is usually 50 per cent. and may be as low as 25 or 35 per cent. of the rental, while for peasant-holding assessments one-fifth of the gross produce is the extreme limit, with considerable variation below that.[85] There has been much complaint against the land revenue as excessive, but the Government has stoutly denied that taxation is either immoderate or burdensome and that over-assessment is, as alleged, a general or widespread cause of poverty or a contributory cause of famine.[86]

Small holdings, cultivated with the peasant's own labour, predominate, very large holdings being confined almost wholly to the great plantation industries like tea, coffee, and rubber, which take up nearly 1,000,000 acres, chiefly in the North-east and extreme South.[87] This is considerably less than half of 1 per cent. of the cropped area of British India. In 1927–28, 52 per cent. of the land was held by the peasant cultivators directly from the State, while 48 per cent. was held by landlords.[88] Whether the *ryot* holds his land directly from the State or as the tenant of a *zemindar* depends chiefly on the section in which it is located.

Investigation convinced Dr. H. H. Mann, former Director of Agriculture in Bombay Presidency, that the average rental paid to landlords is half the return the cultivator can make, the burden of rent being much greater in the case of large estates.[89] The peasant proprietor obviously is better off, too, from the standpoint of security for credit.

Subinfeudation probably has gone farthest in Bengal, where many intermediate tenures between the proprietor

and the cultivator are the rule. One Bengal estate was found by the Provincial Banking Enquiry Committee to have thirty such intermediate tenures, one under another.[90] Even where tenancy is general, however, the agriculturist often has certain occupancy rights.

The average cultivated holding is about 1·8 acres per head, or approximately 7 acres per rural family.[91] Peasant holdings are largest in Burma, Bombay, and the Punjab.[92] In the South and East the average holding is 5 acres, and elsewhere not more than half the holdings exceed this, while countless cultivators own an acre or less.[93] The subdivision of holdings into such small units must be laid at the door of the inheritance laws of the Hindus and Mohammedans, although the gradual dying out of the joint family system among the Hindus no doubt has played its part. But more serious than subdivision is the fragmentation which is general throughout much of the country. The peasant's small property often is split into innumerable fragments, sometimes too small to be cultivated without trespassing on neighbouring land. This is due to the common interpretation of the requirement that all heirs shall share equally in the immovable property of the deceased, as meaning that the few acres received by each must be split into as many fragments as there are different soils in the village, so that all may get equal shares of all different kinds of land.[94] Efforts are being made in the Punjab and elsewhere to cope with the difficulty through co-operative activity.

Estimates of the volume of internal trade are bound to be inaccurate, even in countries the most advanced economically. It is probably safe to assume that in India, with its great population, internal trade is considerably in excess of foreign commerce, but the discrepancy tends to be reduced by several factors, such as the large proportion of the people living in villages which have been traditionally self-sufficient and still are so to some extent, the meagre cultivation of cash crops as compared with maintenance crops, inadequate transportation facilities, and especially the general poverty, which so greatly limits effective demand. It may be mentioned in connection with these other inhibiting factors that

the standardization of weights and measures throughout the country is a crying need if commerce is to be put on a sound basis.

Few estimates are available as to the volume of internal trade, but the Banking Enquiry Committee of Bihar and Orissa, which, with its 34,000,000 inhabitants, ranks fourth in population among the major provinces, hazards the "intelligent guess" that products to the value of Rs. 75 crores are sold annually in the villages or come into the primary markets of that province. Its total imports and exports in 1920–21 and 1921–22, the latest years for which trustworthy figures were available, were about Rs. 43 crores each.[95] Bihar and Orissa has no large cities, however, and has certain other peculiarities which would make hazardous a generalization from this guess for the whole of India.

India ranks sixth in the world in value of total imports and exports, according to the latest comparative statistics of the League of Nations.[95] Its foreign commerce has more than quadrupled in the last sixty years.[96] The balance of trade is almost invariably favourable.[97] In 1929–30, imports totalled Rs. 2,40,79,69,000, against exports of Rs. 3,10,80,55,000. As might be expected in a country at India's stage of economic development, imports consist largely of manufactured goods, and exports of food-stuffs and raw materials.[98] Although it is claimed that India does not produce enough to feed her own people, about one-eleventh of her agricultural produce is exported.[99] The great export staples are jute, cotton, food grains, especially wheat, oil-seeds, tea, hides and skins, and wool.[100] Cotton and cotton goods represented 26·13 per cent. of imports in 1929–30; metals and ores 9·81; machinery and millwork 7·57; sugar 6·55; oils 4·85; and vehicles 4·5 per cent.[101]

Inadequate transportation facilities were mentioned as conditioning the development of internal trade. As early as the middle of the last century the importance to India of transportation was recognized by the far-sighted Lord Dalhousie, who outlined the system that has been followed in the development of the Indian railways. He pointed out in a Minute to the Court of Directors of the East India

Company, April 20, 1853, that the commercial and social advantages which India would derive from the establishment of enlarged means of conveyance were beyond calculation. " Great tracts are teeming with produce they cannot dispose of. Others are scantily bearing what they would carry in abundance if only it could be conveyed whither it is needed. Every increase of facilities for trade has been attended, as we have seen, with an increased demand for articles of European produce in the most distant markets of India." [102]

India's total track mileage was 56,474·74 in 1929–30, and its total route mileage 41,723·73.[103] The State owns about 75 per cent. of the total mileage and manages directly about 47 per cent.[104] The present policy is directed to filling in the gaps in the network of main trunk lines.[105] Undoubtedly the railways have played an important part in averting serious famine in recent years by making the reserves available to the whole of India.

In spite of all that can be said in their favour, however, the railways are failing to solve adequately the problem of goods transportation. A surprisingly high percentage of their total revenue, 40·7 per cent., is derived from the transportation of over 600,000 passengers, including charges for parcels and luggage and miscellaneous earnings, and only 59·3 per cent. from goods transportation.[106] Their net earnings averaged Rs. 2·09 per train mile and totalled Rs. 40,59,53,000 in the last year for which figures are available, the percentage of return on capital outlay being 4·74.[107] The average rate per ton per mile is 6·14 pies. There is complaint that the heavy inland freights favour traffic with the seaports and so encourage the importation of foreign goods and the export of native produce needed in India. For example, India, the world's greatest producer of oil seeds, exports them in quantity and imports considerable quantities of processed oil.[108]

In addition to the railways, India has 60,000 miles of metalled roads.[109] Motor transport is still a negligible factor in the transportation situation, and no doubt will remain so until the cultivators' economic condition shows

marked improvement, but the road system is sadly inadequate even for bullock-carts. Innumerable villages are practically isolated during the monsoon months, only a small proportion of the villages being near railways or good roads.[17] Better communications are indispensable to the development of subsidiary occupations no less than to the encouragement of intensive cultivation. The Royal Commission on Agriculture stated in 1928 that it considered the provision of greater facilities for communications of the utmost importance.[110]

### *The Industrial Background*

A Chinese philosopher has been quoted as saying: "The well-being of a people is like a tree; agriculture is its root, manufacture and commerce are its branches and its life; if the root is injured, the leaves fall, the branches break away and the tree dies."[111] This applies pre-eminently to India, where over 70 per cent. of the people live by agriculture,[112] if we call living the hand-to-mouth existence of the majority. An additional 10 per cent. of the population is supported by industries, of which nine-tenths are unorganized, largely connected with the supply of personal and household necessities and simple implements. Trade and transport support, respectively, 6 and 2 per cent. of the people, and the administration and protection of the country about 1½ per cent., the remainder depending on domestic, miscellaneous, and unproductive occupations.[113]

The rural population are devoted to the land and loath to leave it for industrial labour if this can possibly be avoided, but leaving a district in search of work is a common feature of rural life in some provinces, notably the Punjab and Bihar and Orissa. Migration from the rural areas to the factories, where it occurs, is not in the main a permanent exodus, but only a temporary transfer.[114] The resulting abnormally high labour turnover is a disadvantageous feature of Indian organized industry.

India is beginning to feel the growing pains of modern civilization in a reflection of the unfortunate conditions which have accompanied the industrial revolution in every

Western country, and distressing conditions are found among the labouring classes in the larger industrial centres.

Small as the proportion of the population is which is supported by industries, transportation, or mining, India's 16,900,000 workers in these fields entitle her to be classed by the International Labour Organization as one of the world's most important industrial states and give her a seat on its governing body.[115] The number of factories liable to inspection in British India increased between 1901 and 1927 from 1,259 to 7,515, but the average number of hands in daily employment showed a slower growth. It just fell short of trebling in the same period, indicating a greater proportionate increase in the number of small establishments.[98]

The income from the manufacturing industries was estimated in 1920–21 at about one-eleventh of the value of agricultural produce.[116] If this estimate is trustworthy, the ratio undoubtedly is higher to-day, owing to the recent marked decline in agricultural prices. Textiles, with cotton and jute leading, account for about 40 per cent. of the total income from manufacturing; handicrafts and cottage industries, in which also textiles are prominent, for 21 per cent.; and food and beverages for 28 per cent.; the remaining 11 per cent. representing leather, paper, and all other manufactures, together with power supply.[116]

There are small industries springing up all over the country, and a marked tendency is reported for the primary manufacturing processes for agricultural products, such as sugar-cane crushing, oil pressing, and rice hulling, to extend to the small towns and larger villages.[117]

The iron and steel industry is on a firm basis, and it is expected that within a few years India will produce more than 50 per cent. of her steel requirements.[118] It may be mentioned that the great Tata Iron and Steel Works Company, with its 44,500 Indian and 200 European employees, is an exclusively Indian undertaking.[119] The desirability, from the standpoint of military requirements, of encouraging the Indian steel industry was doubtless a large factor in the degree of protection accorded it during the war, and this was further extended under Acts of 1927 and 1930.[101]

The local match industry has flourished behind the wall of a protective tariff and is now able to meet practically all of the country's requirements.[120]

The jute industry has made almost uninterrupted progress, in spite of the discouragement offered to jute manufacture by the export duties levied in 1916–17.[121] India has a practical monopoly of the raw material, and its manufacture is a flourishing industry, the annual production being valued at well over Rs. 500 crores.[122]

Whatever may be Great Britain's present attitude, there can be no doubt that her economic policy in the past has been directed towards discouraging native industries, and especially the textile industry, in which India was once pre-eminent. For centuries the products of Indian skill, her fine textiles and embroideries especially, had found a ready market in the West. The policy of suppression which the British Government continued when it took over the direct control of India's destinies in the 'fifties of the last century had been inaugurated by the British East India Company. The cheapness of the inferior cloth of British manufacture gave it a natural advantage in the Indian market, and, without protection, the native textile industry must have suffered in any case from the competition, but the process of peaceful penetration of the Indian market was artificially stimulated, first by the Company and then by the British Government. No less than 235 articles were subjected to internal duties under the East India Company.[123] Between 1814 and 1835 Indian imports rose from 818,000 yards to 51,777,000, with a corresponding decline in native crafts. In 1840 it was reported in the House of Commons that Dacca, renowned for its exquisite fabrics, had only between 30,000 and 40,000 inhabitants, compared with 150,000 at the beginning of the century.[124] India became more and more an agricultural country, producing raw materials and receiving manufactured goods from abroad.

After the period 1875–80 attempts in India to manufacture cotton goods by modern methods led to more vigorous tactics. Native textile factories, with their advantages of cheap labour and nearness both to raw materials

and to a vast market, promised competition the Lancashire cotton interests were unwilling to face. Even the small revenue duty on cotton goods of ordinary quality was abolished in 1877. When, in 1896, the state of the budget demanded the reimposition of these duties at the higher rate of 3½ per cent., an equal excise duty was laid on goods of Indian manufacture, except the products of hand-looms, the competition from which was no longer formidable.[124]

Not unnaturally, discontent had been growing among industrial interests in India at the Government's attitude towards Indian industries. As the national consciousness grew and the people, through their leaders, became more articulate, the Government found it expedient to placate native industry with a protective tariff. In 1916–17 the Government of India proposed raising the tariff to 5 per cent. and leaving the excise at 3½ per cent., but the Cabinet in England overruled them,[121] and it was not until 1917 that, to Lancashire's displeasure, the duty on cotton goods was at last made larger than the excise tax, 7·5 as compared with 3·5 per cent.[124] In 1921 the import duty was raised to 11 per cent.,[124] but the cotton excise duties were finally abolished only in 1925.[121] More effective protection was given in the Cotton Textile Industry (Protection) Act, 1930, which imposed a 20 per cent. *ad valorem* duty on all cotton piece goods of other than British manufacture and 15 per cent. on British goods. All plain grey goods carried a minimum specific duty of 3½ annas a pound, regardless of country of origin.[125] Cotton yarn has been protected since 1927. Lancashire undeniably has been hit hard by these measures and by the popular reaction against British goods, and its resentment has been loudly and persistently expressed.

In spite of the growth in organized manufacturing, which has occurred in the face of all these handicaps, the cottage industries continue to occupy an important place in the economic structure. Hand-loom weaving still provides employment for more people than the textile mills.[126] In Bombay Presidency, where, perhaps, the factory system has made the greatest advance, the cottage industries in 1928

still employed 385,044 workers, against 356,083 employed by factories.

The Madras Department of Industries published the statement in 1930 that:

> " In spite of the competition of the power factories, indigenous weaving, though badly hit, has still survived and is even maintaining its own in certain special lines. It is capable of being revitalized and stability can be imparted to it and the economic condition of the weaver improved, if necessary steps are taken." [127]

The *Swadeshi* movement has brought *khaddar*, hand-spun and hand-woven cloth, into unprecedented popularity, but even this incentive, which may be expected to be effective at least until political stability is definitely achieved, has failed to bring prosperity to the hand-loom weavers, whose economic condition is generally wretched.

While a large percentage of workers in the cottage industries are in the textile field, there are other important cottage industries, including tanning and leather-work; earthenware, tile, brick, and porcelain; precious stones and metals; basket-making; metal-work; oil-pressing; the food industries; printing and lithography; bangles and beads.[128]

Pessimists are not wanting to point out the impossibility of damming permanently the stream of industrial progress and to claim that organized industries must come sooner or later to dominate the situation and that the artisan must go under in the struggle against superior organization and resources. The cottage industries in the cities are reported falling increasingly under the control of the money-lender. The Bihar and Orissa Banking Enquiry Committee compare the transition stage, from a domestic economy or merchant capitalism to a regular factory industry, to the situation prevailing in England in the eighteenth century, under which the craftsman worked in his home but marketed his goods through his merchant financier. The silk industry of Bhagalpur is cited, where 1,600 hand-looms are owned by the weavers and 250 by the factories, which, however, market the products of the weavers, who are in chronic debt to them and other merchants.[129]

### *The Political Background*

No discussion of India's national economy can be complete without at least a brief consideration of the political situation and the causes which have led up to it.

Village autonomy has been a tradition in India from the dawn of history, and our knowledge of political conditions in India goes back several centuries B.C. The village was a self-governing unit, administered by the local Panchayat, and with the most tenuous connection with the central authority, the tax paid by the village to the Government collector having been for centuries practically the only link with it. Municipal functions in ancient India are said to have included the preservation and maintenance of public halls, temples, tanks, rest-houses, wells for the supply of drinking water to travellers, construction of water courses and places of worship, protection against invasion and relief of the distressed.[130]

Foreign historians between the fourth century B.C. and the seventh century A.D. recorded that India was prosperous under the Hindu kings, that justice was administered impartially, and that taxes were levied with equity.[131] From 646 A.D. on, the Mohammedan conquerors controlled varying portions of the country, their dominion culminating in the Mogul Empire which lasted from 1526 to 1761,[132] but the central authority, Hindu, Buddhist, or Muslim, rarely, if ever, interfered with the internal administration of the village.

Such was the situation when the East India Company after 1600 assumed an increasing measure of control of the government of more and more of the country, the break-up of the Mogul Empire in the eighteenth century giving it its great opportunity by almost forcing it to strengthen its position. The anarchy following that break-up, before the Company could put an end to it, is claimed to have undermined the foundations of the ancient system of village government.[133] The internal administration of the villages remained practically unaffected during the Company's tenure of power, but, aside from that, both under the East

India Company and the British Government, the people for long were practically excluded from any participation in the administration of the country.[134]

From 1784 on, the Company was subject to the Board of Control in London, presided over by a Cabinet Minister.[136] The Sepoy Rebellion of 1857 led to the termination, in the following year, of the Company's rule and to Great Britain's assumption of direct political authority over all of the country but the so-called Indian States. The latter, under their Native Princes, have practically complete local autonomy, but not full sovereignty, as the Empire has entire control of their foreign affairs and maintains gratuitous advisers at their courts. Hyderabad, eight times the size of Belgium and with twice as many inhabitants as the Netherlands, is much the largest of the Indian States, but Mysore has more people than Sweden and Gwalior more than Denmark.[136] It may be mentioned in passing that several of the Indian States give evidence of a more enlightened policy than British India proper, with their higher percentage of literacy and more advanced social legislation.

The rapid centralization of authority in British India which followed the British Government's assumption of direct control, ignored the indigenous self-governing bodies of the villages. Despite the efforts already mentioned to restore the village Panchayat to power, local self-government, up to the reforms of 1919, consisted largely of Municipal Boards and District Boards for urban and rural areas, respectively, of comparatively recent introduction[137] and with no roots in the soil. The powers restored to the Panchayats in many cases since then include control of water supply, lighting, and grazing rights, and responsibility for cleaning the village, repair and construction of roads, etc.[138]

Provincial legislative bodies were provided by the Councils Act of 1861,[139] and numerous municipalities were set up in the next few years. The elective principle was permissive in some of these Acts, but in almost all places commissioners were nominated.[139]

A resident Viceroy acting under the British Secretary of

State for India and responsible only to the British Parliament has headed the Government set up after 1858, superseding the Company's Governor-General. The Secretary of State for India is advised by a Council of India of 8 to 12 members with extensive first-hand knowledge of current Indian conditions and problems.[140] Since 1907 there have been two Indians on it,[141] and, since 1919, three. The Viceroy has two councils, the Executive and the Imperial, to assist him.

In spite of Queen Victoria's Proclamation in 1858 that:

> " . . . it is our further will that, so far as may be, our subjects of whatever race or creed be freely and impartially admitted to office in our service, the duties of which they may be qualified by their education, ability, and integrity duly to discharge," [142]

the Indians were permitted little participation in the Government, except in the Civil Service, the lower ranks of which they crowded, until the Morley–Minto Reforms of 1909, when the Government of India Act gave large powers over legislation, subject to the veto of the Lieutenant-Governors, and the Viceroy, to the Provincial and the Imperial Legislative Councils,[143] to which a considerable number of elected members were admitted. One Indian served on the Viceroy's Executive Council after 1909 and, after 1920, three.

In August 1917, the Government of Great Britain solemnly avowed in the House of Commons that their Indian policy was " the gradual development of self-governing institutions with a view to the progressive realization of responsible Government in that country." [144] The delay in carrying those pledges into effect has been a most important factor in the national unrest, in spite of their reaffirmation by the Viceroy in 1929.

Under the Act of 1919, better known as the Montagu–Chelmsford Act, which became effective in 1921, the Viceroy's Imperial Legislative Council became bi-cameral. The central quasi-Parliamentary body set up consists of a Lower Chamber, called the Legislative Assembly, and an Upper Chamber called the Council of State. Each province is assigned a certain number of seats in the former, which are distributed in each on the basis of religious

communities and other groups. Of the 144 members, 104 are elected and 14 nominated to represent special interests, while there are 26 official members. In the Council of State 33 of the 60 members are elected by general constituencies spread all over the country and 27 are nominated by the Government, of whom 20 are officials and 7 non-officials.[145] Responsibility, however, is confined for the present to the provincial governments,[146] and there are various budget items which the Central Legislature may not even discuss without permission.[147] The most serious limitation on its power, however, is the provision that the Viceroy can certify that the passage of a Bill is essential for the safety, tranquillity, or interests of British India, whereupon it becomes law even without any approval of either House of the Legislature. This right of certification was used to double the unpopular salt tax in 1923.[148]

Under the principle of "Dyarchy" embodied in the Act of 1919, responsibility for certain administrative subjects was transferred to Provincial Ministers responsible to popularly elected Provincial Legislative Councils. Such subjects were designated "transferred" as distinguished from the "reserved" Provincial subjects, control of which remained with the Governor working with the Executive Councillors appointed by the Crown and thus responsible ultimately to the Secretary of State and the British Parliament. The former included: Local Self-Government, Medical Administration and Public Health, Education except European and Anglo-Indian, Public Works, Agriculture, Fisheries, Industries, Co-operative Societies, Registration, and Excise; while the reserved Provincial subjects were Law and Order, Land Revenue, Irrigation, and Forests. The Central Government retained full control of Military and Foreign Affairs, Tariffs and Customs, Railways, Posts and Telegraphs, Income Tax, Currency and the Public Debt, Commerce and Shipping, and legislation relating to Civil and Criminal Law.[149]

The Provincial Legislatures are copies of the Legislative Assembly except that they are unicameral. Their powers are limited much as the Assembly's are, with the Governor in place of the Governor-General.[150] The Governors of the

nine major provinces are armed with fairly wide reserve powers to enable them to act over the head of the Legislature in an emergency.[146] The Provincial Legislature has a measure of control over Provincial ministers through its power to withhold salaries, but control of the Budget in respect of reserved subjects is only nominally in its hands, for the Governor may restore a demand which the Legislature has reduced or rejected. The Executive, too, is neither responsible to nor removable by the Legislature, but only by the Head of the State.[151] There is quite general conviction that Dyarchy is unworkable and is a fruitful source of friction.[151]

Manhood suffrage is conferred under the Act of 1919 on about 7,400,000 out of British India's 247,000,000.[148] Franchise qualifications are based on religious community, residence and property ownership. The property qualification is much higher for the Council of State than for the Legislative Assembly and lower for the Provincial Councils.[148] Many constituencies are on a religious basis.

The idea of Nationalism in the modern sense is an exotic plant, imported from the West. Literary revivals in the vernacular languages and religious movements such as the Arya Samaj have played their part in its development by arousing national pride and faith in India's mission. Some of the first stirrings of national spirit led to the establishment of various bodies, under the stimulus of the vernacular press, which was constantly urging the people to unite under a common standard and which exercised considerable influence on the public mind up to the 'eighties, when a more rigid control was introduced,[152] which from 1910 to 1922 was carried to still greater lengths.[153] First, the British India Association was formed in July 1876, with the object of organizing a system of active political propaganda throughout the country and arousing the people to a sense of political unity and concerted activity;[154] then, in 1885, the Indian National Congress, which, although an unofficial body, has had considerable influence; and, in 1906, the All-India Moslem League.

In the years following the World War the non-violent non-co-operation movement under M. K. Gandhi assumed

large proportions, its early programme including refusal to accept Government titles, serve in Government police, attend Government schools, or use foreign cloth, especially that of English manufacture.[155] The movement, which brought about for a time a measure of co-operation between Hindus and Moslems, was strengthened by native resentment at the passage in 1919 of the "Rowlatt Bills," never enforced, which aimed at the suppression of conspiracies by conferring summary powers for the arrest, trial, and punishment of agitators, and by the tragic incident at Amritsar.

Even the sweeping reforms of the Montagu–Chelmsford proposals of 1919 were condemned by the Indian National Congress as too moderate.[156] The Simon Commission, appointed in 1927 to investigate their working, included no Indians though Provincial Committees and an All-India one were named to work with it, and was boycotted by even the liberal Nationalists. The civil disobedience launched by the National Congress in 1930 aimed at complete independence and included in its programme breaches of the Salt Act, the boycott of all foreign cloth and of British goods, and a no-tax campaign, with the evicted Bardoli peasants in the rôle of martyrs. A year of commercial as well as political chaos followed.

In November 1930, the first Round Table Conference met in England to try to find a way out. At it, to the great general surprise, the Indian Princes, whose rights had been thought to offer a practically insurmountable obstacle to federation, agreed to it, with a responsible central government and certain safeguards during the transition to the establishment of a fully self-governing unit of the Empire.[157] Equally grave problems, however, concern the safeguarding of the rights of minorities, including the submerged classes, and the second Round Table Conference of September 1931 gave them a prominent place on its agenda. The situation is and must be confused for some time to come, whatever the outcome, and all attempts at amelioration of conditions will have the factor of political unrest to reckon with until a generally acceptable stable government is finally evolved.

### Factors conditioning a Sound Economy

We have examined rather cursorily the outstanding features of the situation in India. Let us consider in somewhat greater detail some of the factors conditioning a sound national economy, bearing in mind that none of them is an isolated phenomenon, but that they mutually affect each other.

One of the most serious of these at the moment, though by no means necessarily a permanent obstacle to progress, is the major dependence upon a single industry—agriculture. The Montagu–Chelmsford Report, out of which arose the administrative reforms of 1919, remarked that "the economics of a country which depends to so great an extent as India upon agriculture must be unstable.[158] The seriousness of the over-pressure on the land was recognized by the official Famine Commission of 1880. "At the root of much of the poverty of the people of India and of the risks to which they are exposed in seasons of scarcity lies the unfortunate circumstance that agriculture forms almost the sole occupation of the masses of the population." [159]

While in the decade 1911–21 agriculturists increased somewhat faster than the total population, the proportion supported by industries declined substantially, the decrease affecting, among other classes, textile workers, potters, and workers in wood and metal.[160] The increasing of the percentage of the population supported by industry is recognized as vitally important, but there are limiting factors, among which the scarcity of capital is prominent. The Royal Commission on Agriculture, reporting in 1928, took a rather pessimistic view of the possibilities in this direction, believing that with all the encouragement possible the contribution which the rural industries can make in relieving the heavy pressure on the land is infinitesimal. Their possible expansion is strictly limited, the Commission felt, and claimed that in the nature of things they could not hope always to survive the increasing competition of organized industries. Even large industries, they believed, could not be developed to an extent likely to relieve materially

the pressure on the land, which they indicated could come only from the diversification and intensification of agriculture.[161]

That there is room for such improvement there can be no doubt from a comparison of the average production of rice and wheat, two of the country's chief crops, in India and elsewhere. Rice production averages 860 lbs. per acre in India, compared with 3,080 lbs. in Japan and 5,016 lbs. in Spain. Wheat production in Italy averages 868 lbs. per acre, and, while average production in the United Provinces, 887 lbs., exceeds this, the average is considerably lower in other parts of the country.[162] Sir Francis Younghusband and Dr. Harold Mann, both of whom addressed a meeting of the Indian Village Welfare Association on June 19, 1931, stated that the land is capable of largely increased yield per acre if better methods of cultivation are employed. Dr. Mann expressed the belief that even a 20 per cent. increase would in most cases remedy the present insolvency, while in many villages in the Deccan crops might be increased 50 per cent.[163] Conditions in many parts are still very primitive, due partly to the ignorance of the cultivators but largely to their poverty. Appreciably larger returns can doubtless be obtained as operations are conducted on more scientific lines, with modern implements and especially with the carrying into effect of land improvement schemes, many of which wait only on the availability of long-term loans at low interest rates. Want of capital on reasonable terms frequently prevents, too, the growing of more lucrative crops, such as sugar-cane, which require a larger outlay for seed and for irrigation.[164]

Improvement of the methods of cultivation alone, however, will not insure much greater prosperity to the peasant unless improvement is effected also in the channels of distribution, including not only better transportation facilities but better marketing methods. The latter are necessary to secure to the peasant a more equitable share in the profits of production, but they cannot hope to attain the greatest possible success until the general level of education of agriculturists is raised and unless the cultivator controls

the disposition of his own crop, the latter depending in turn on the adequate solution of his credit problem.

A major obstacle to an improved distribution system, as it is to better cultivation methods and to a higher standard of living, is the present widespread illiteracy. The inability of so overwhelming a majority to read inevitably results in narrowness of outlook, though it by no means follows, especially in India, that an illiterate man is an unintelligent one. But the glaring deficiencies of the country's educational system are surely responsible in large measure for the rural stagnation which some consider the most serious of India's problems.[19] The Bombay Banking Enquiry Committee has no hesitation in saying that " the most serious handicap of the agriculturist at present is his illiteracy." [165] Education undoubtedly would help to bring about a healthier respect for all honest manual labour. It might incidentally break down the average Indian's philosophical indifference to the accumulation of wealth, at least to some extent. It would be a disservice to the Indian to cause him to substitute for his ideal of contentment with little the common Western concept of happiness as dependent on the satisfaction of an increasing number of wants, but there can be no objection to arousing such legitimate desires as those, for example, for the conditions indispensable for health and a modicum of comfort.

No thinking person with India's good at heart would wish her to surrender her spiritual heritage in exchange for the civilization of the West in its totality, but, just as the West has much to learn from India of philosophy and spiritual attitude towards life, so India stands in need of the best the West has achieved in the conquest of physical nature. India's task is to discover the middle ground between spurning material comfort and prosperity and regarding them as ends in themselves. If she can find the way to prosperity without ceasing to regard material things as, at best, but means to the end of a deeper and fuller life, the background against which is enacted the perennial drama of soul evolution, she will have laid the world under an incalculable debt.

The estimate of Rs. 57 as the average *per capita* income has been cited. This is hopelessly inadequate to meet the primary requirements of food, clothing, and shelter. The cost of food alone, on the basis of the food allowance of prisoners, is Rs. 90 per annum. The obvious conclusion is that the people of India are underfed. As it is not feasible to starve one in three individuals outright, it becomes common practice to cut out one of every three meals required, with resulting deterioration in physique and energy.

The Royal Commission on Labour in India, reporting in 1931, does not mince words about the evils of the situation. Commenting on the fact that the output per Indian industrial worker is lower than in any other leading industrial nation, it points to the powerful influence on efficiency of the general low standard of living. "Inefficiency is attributable to lack of both physical energy and mental vigour. These are to a large extent different aspects of the same defect, for physical weakness cuts at the root of ambition, initiative, and desire." [166]

The present distribution of national wealth leaves more than two-thirds of the population in abject penury,[167] beside which most poverty in Western lands seems affluence. In addition to the evils of under-nourishment, light and ventilation are inadequate in the peasants' homes, where, as in the Punjab, cold weather is experienced for part of the year. There can be no doubt that the low standard of living is a major contributory factor in the deplorable health record of India.

Dr. H. A. Mann, then Director of Agriculture in Bombay Presidency, made a study in 1917 of the condition of certain villages in the South of India. His conclusion was that under the most favourable conditions 81 per cent. of the holdings are unable to maintain their owners, even ruling out such semi-luxuries as artificial light. In one village only 8 of the 103 families were in sound financial condition, 28 could maintain themselves only by supplementing their income by work in a neighbouring factory, while 67 families could not maintain themselves without borrowing, even on the basis of fullest earnings from land and working outside.

In a second village, which had no factory close by, he found 85 per cent. unable to maintain themselves.[89] He told the Indian Village Welfare Association, June 19, 1931, that village conditions in most parts of the country are terribly depressing—villagers are in despair due to economic pressure; overwhelming indebtedness has reduced the physical stamina; and disease is aggravated in many cases by the temptations of the liquor shop,[163] which has come in with Western civilization.

The Indian Government and the individual proprietor find themselves caught in the same vicious circle. The improvement of economic conditions depends in large part on the development of resources. But the prosecution of reclamation and transportation projects by the State and small-scale schemes of irrigation and land improvement by the cultivator alike demand an expenditure out of all proportion to their present means. The great poverty of the nation after centuries of exploitation and the poverty of the average cultivator prevent the taking of adequate corrective measures. The Bihar and Orissa Committee on Co-operation frankly attribute to the want of capital the prevention of the reclamation of land and the protection of crops by suitable water storage schemes.[168] The national and provincial revenues are too small and much heavier taxation is unthinkable without an increase in average individual income. This at present, in most cases, affords barely enough for subsistence and cannot stretch to necessary improvements, however promising of increased return.

Bad as conditions are among the rural population, the industrial workers in the cities are, if anything, worse off. The Royal Commission on Labour reports nearly all workers in Madras, Calcutta, Howrah, and Cawnpore living in single rooms. The 1921 Census showed 70 per cent. of the houses in the city of Bombay to be one-roomed, and an official investigation there in 1921–22 indicated that 97 per cent. of the working-class population were living in one-room houses with six to nine persons to a room. In Ahmedabad, 73 per cent. of the working classes live in one-room tenements, and in Karachi about one-third of

the population is crowded six to nine in a room. In the busiest centres the houses are crowded together, ventilation is inadequate, and sanitation neglected.[169]

Poverty being so general and income so frequently inadequate to cover the cost of barest subsistence, credit becomes a vital necessity and it is not surprising that we find indebtedness a major problem alike of the agriculturist and the industrial worker. The total burden of debt for the whole population has been variously estimated, the range being as wide as from Sir Edward Maclagan's estimate in 1911 of Rs. 300 crores to Rs. 900 crores estimated by the Central Banking Enquiry Committee in 1931,[170] for total rural indebtedness alone.

It is normal for the agriculturist to borrow. As the Nicholson Report of 1895 put it:

> " The lesson of universal agrarian history is that an essential of agriculture is credit. Neither the nature of the land-tenures nor the position of agriculture affects the one great fact that agriculturists must borrow. . . . This necessity is due to the fact that an agriculturist's capital is locked up in his lands and stock. . . . Hence credit is not necessarily objectionable, nor is borrowing necessarily a sign of weakness." [171]

The debt burden of the Indian people would not be insupportable if the country were prosperous and the debt represented borrowing for productive purposes only. Neither of these provisos is met, however, and the load of debt is undoubtedly one of the most serious obstacles in the way of India's economic advance. Debts are handed down from father to son, and many a peasant and industrial worker is struggling under the burden of inherited obligations which custom and strong sense of duty, as well as dependence on the creditor for future accommodation, alike forbid repudiating, although the law would permit it.[172]

As early as 1880 the Famine Commission ventured the surmise that one-third of the landholding class in India were inextricably involved and that at least another third were in debt, though not seriously.[173] This was perhaps an unjustifiably sweeping statement at that time, since the Committee appointed to examine into the causes of the

Deccan riots in 1875 had found but one-third of the people in the districts concerned to be involved in debt.[173] In 1901, however, another Famine Commission established that at least four-fifths of the cultivators in Bombay Presidency were in debt and that at least one-fourth had lost possession of their lands.[174]

Investigations of indebtedness have been made from time to time among co-operators in various parts of the country, and it is probably not unfair to assume that members of co-operative societies represent the median agricultural population.[175] In 1919, 4,000 Bengal co-operators had an average debt of Rs. 120.[176] Ten years later the average indebtedness of members of rural co-operative credit societies in that province was Rs. 147.[177] In Mysore State in 1919, out of 24,350 co-operators but 37 per cent. were free from debt, and the average per indebted proprietor was Rs. 273.[176] Figures for 43,733 Punjab proprietors indicated that only 17 per cent. were free from debt, the average per indebted proprietor being Rs. 463.[178] It was computed that the total debt represented twelve times the land revenue paid by all the 43,733, or about three years of net income for all covered by the investigation.[178] In that province the annual interest charges alone on rural debt amount to more than Rs. 13 crores, or nearly three times the total land revenue assessment.[179]

The problem of indebtedness has become more serious in recent years. The Central Banking Enquiry Committee state that "indebtedness has risen considerably during our rule, and more especially during the last half-century."[180] The Royal Commission on Agriculture in India stated, "It is more than probable that the total rural indebtedness has increased in the Provinces; whether the proportion it bears to the growing assets of the people has remained at the same level or whether it is a heavier burden or lighter burden on the more prosperous cultivator than of old are questions to which the evidence we have received does not provide an answer."[181] The recent investigation by the Provincial Banking Enquiry Committee in the Punjab convinced them that the agricultural debt is increasing rapidly.[182] The

Assam Banking Enquiry Committee believes it to be on the increase in the plains districts in that province also.[183] A quite exhaustive sample analysis of indebtedness was undertaken by the latter Committee, the indications being that the percentage of families free from debt was over 20 in only one out of nine districts, while in all but two districts 70 per cent. or more of all families had a debt of at least Rs. 100.[184] They estimated a debt of about twenty-one times the annual land revenue for the agricultural population in the plains area, with its $5\frac{3}{6}$ millions of population, or two-thirds the average annual gross value of the main crops.[185]

Dr. H. A. Mann's investigations, made in ordinary times, in two villages in South India,* showed an annual interest on debt in one as Rs. 2,500, compared with a total net return from the land of Rs. 12,000, while in the other village interest on debt amounted to Rs. 6,700 a year and total income from the land to Rs. 14,000.[89]

In a recent investigation in two Bombay villages where nearly 90 per cent. of the peasants were found deeply in debt, a very large part of the amount borrowed, Rs. 23,200 out of Rs. 71,145 and Rs. 18,000 out of Rs. 55,700, respectively, goes for the payment of old debts. The average indebtedness of 111 agricultural families studied in one of these villages is reported as Rs. 641, and of 34 agricultural families studied in the other, Rs. 3,979 per family.[185a]

For the causes of the peasants' indebtedness we must look partly to the weaknesses already mentioned in the economic structure and partly to the uncertainties inherent in an industry dependent to so great an extent on climatic conditions, but largely, too, to the credit abuses which are so general. The Royal Commission on Agriculture reported uncontrolled usury one of the worst evils from which the Indian cultivator has to suffer.[186]

The institution of the money-lender in India dates from very ancient times. His function is indispensable as Indian society is constituted at present, and the disrepute into which he has fallen in recent years is due to the malpractices

* *Vide supra*, p. 36.

which have come to be associated with its exercise. It would be a mistake to picture money-lenders as a separate and distinct class. Their ranks merge almost imperceptibly into the general population, since so many non-professionals with a little spare cash engage in money-lending, at least as a subsidiary occupation.[187] The money-lender, known in different parts of the country as the *sahukar* or *mahajan*, is frequently the *ryot's* merchant and broker as well as his banker, supplying him with his expenses for living and agricultural purposes and selling his produce for him. His interest rates vary from province to province and within the same province, but they are uniformly high.

The interest rate of 37·5 per cent. was usual in Bengal before the co-operative societies came.[188] In Madras they were as low as 9 to 18 per cent.[189] The Maclagan Committee stated in 1915 that the local money-lenders' rates "in many places are as high as 36, 48, or 60 per cent. a year."[190] Where interest is levied in kind it is consistently higher than the prevailing money interest. In Bengal in 1929–30 the Provincial Banking Enquiry Committee found 50 per cent. the usual interest on a paddy loan, the range being from 25 to 100 per cent. As loans are repayable at harvest the period is often less than a year and the actual rate correspondingly greater. A mortgage is often taken on the borrower's crop, or, where the sum is large or the term long, on his land,[191] though in some provinces, like the Punjab, the Central Provinces and the United Provinces, peasants are protected from the permanent loss of their land to a creditor who is not himself an agriculturist, mortgages held by non-agriculturists lapsing automatically at the end of twenty years without any payment on account of redemption.[192]

The Bombay Banking Enquiry Committee expressed the opinion: "It is the high rate of interest and the malpractices which are followed by the money-lenders that tend to perpetuate his indebtedness."[193] In backward tracts in Bihar and Orissa the prevailing nominal rate of interest is from 37·5 to 75 per cent., but this is often considerably increased by the sharp practices already described.[168] The

Committee on Co-operation in that Province pointed out that borrowed capital at 75 per cent. interest scarcely could fail to ruin the borrower, who loses his lands to the *mahajan* and then labours as a mere serf for the *mahajan's* benefit, until, if his condition becomes intolerable, he migrates to the tea-gardens or elsewhere.[168] The Committee on Co-operation in Mysore found whole families who a generation ago owned the land they now cultivate as tenants for their creditors.[194]

To be sure, the risk is often great and the losses heavy, so that money-lenders' rates are perhaps not wholly indefensible. It has been estimated that Indian money-lenders probably do not average over 15 per cent. a year on their capital.[195] But no one could undertake to defend the methods many of them employ. The agriculturist's illiteracy and his compelling need of credit on any terms available have combined to make him the easy victim of cunning *mahajans*. Among the most common devices to augment legitimate profits are an initial charge of 6 to 10 per cent. for "purse loosening," deduction of interest for the whole year in advance and calculation for a year when the loan may be for a shorter period,[191] and entering on the bond a larger amount than is borrowed.[196]

The effect of the vicious and not uncommon system of levying compound interest on loans may be seen from the following instances:—A Bengal debtor who had borrowed Rs. 100 at 150 per cent., compounded monthly, was sued in less than ten years for Rs. 1,500, the creditor voluntarily relinquishing 75 per cent. of his claim.[196] One man in the Punjab who in twenty years had borrowed Rs. 350 and repaid Rs. 450 was Rs. 1,000 in debt at the end of the period.[197] In the same province a man mortgaged his small plot of land for Rs. 26 at 37½ per cent.; ten years later the debt, without further loan, had grown to Rs. 500 and the creditor was given judgment in full.[198]

Far worse than the average local money-lender is the unscrupulous migratory usurer, the Pathan from the North-west who operates among the lower classes in backward areas, in famine tracts, and in industrial towns where the

workers are as deeply in debt and as ill-paid as the cultivators.[199] In Bombay Presidency the Pathans lend from Rs. 5 to Rs. 50, but they may go up to Rs. 500, the usual repayment period being from a week to three months, with penal interest levied in case of default.[199] Interest charges of 12½ per cent. a month are very common, and in some cases the monthly rate rises to 30 per cent.[199] This compares with annual interest of 42 per cent. permitted by the Uniform Small Loans Act in the United States and a maximum of 48 per cent. under the English Money-lenders' Act of 1927.[200]

The recovery methods of the Pathan are particularly objectionable. He relies upon intimidation and sometimes violence for recovery of his loan, and his usual victims are afraid to make complaints.[201] The present law permits imprisonment of male debtors at the creditor's expense, in the execution of a decree—six months for more than Rs. 50 and six weeks for smaller sums.[202] It does not apply in all provinces.[203] The penalty is seldom invoked, but the threat is a powerful weapon for the money-lender.[202]

The credit problem of the industrial workers is only quantitatively smaller than that of the agriculturists because of the greater numbers of the latter. In Bhagalpur in Bihar and Orissa, for example, only 30 per cent. of the silk-weavers are said to be free from debt.[204]

The Whitley Labour Commission reports:

"Among the causes responsible for the low standard of living of the worker, indebtedness must be given a high place. . . . We are satisfied that the majority of industrial workers are in debt for the greater part of their working lives. . . . It is estimated that, in most industrial centres, the proportion of families or individuals who are in debt is not less than two-thirds of the whole. We believe that, in the great majority of cases, the amount of debt exceeds three months' wages and is often far in excess of this amount. . . . The burden is aggravated out of all proportion by the rate of interest.[205] . . . In a number of cases a stage is reached when the money-lender takes from the worker the whole of his wages, paying him only sufficient for subsistence, and even puts the members of the worker's family to work on a similar basis. . . . We believe that debt is one of the principal obstacles to efficiency because it destroys the incentive to effort.

. . . We have been impressed by the number of cases in which an industrial worker is obliged to stint himself and his family of necessities to meet interest charges without the faintest prospect of ever being able to reduce the principal." [206]

The break-down of the traditional village structure, with its system of interdependence and mutual help, has weakened the restraining influence which public opinion formerly exercised on the money-lender's practices.[207] In the old days, for example, custom limited compound interest to 50 per cent. for cash and 100 per cent. for grain, but under the British law which superseded it, interest is allowed to accumulate without limit.[198]

The Punjab Regulation of Accounts Act of 1930, which received the special commendation of the Central Banking Enquiry Committee, attempts to regulate the money-lenders' system of account-keeping, in the interests of their clients,[208] but previous attempts to substitute legal regulation of usury for the former force of public opinion have proved largely unsuccessful. Control of usury by a system of licensing money-lenders and regulation of interest rates might be possible, but the enforcement of such regulation would be exceedingly difficult with an illiterate proletariat so completely under the money-lenders' domination.

The Bombay Banking Enquiry Committee holds that the working of one of the earliest of the Acts directed against usury, the Dekkhan Agriculturists' Relief Act, passed in 1879, has shown that the more restraints are placed on a money-lender, the worse becomes the position of the borrower.[209] Honest money-lenders have been driven from the field and such practices have been encouraged as taking bonds from illiterate debtors for much larger amounts than they have received.[210]

The Royal Commission on Agriculture asserted in 1928 that the Usurious Loans Act of 1918 was practically a dead letter in every province in India.[211] This opinion seems to be shared by the Whitley Labour Commission, which considers the reluctance of civil courts to deal with issues not raised by the pleadings to have been the chief obstacle to its effectiveness.[212] Under that Act, the court hearing a

suit for the recovery of debt might reopen the transaction and relieve the debtor of excessive interest provided the transaction had been substantially unfair in the first instance.[213]

The Labour Commission has a constructive suggestion for legal regulation of usury which seems equitable, although drastic, and which may be the key to the solution of much of India's debt problem in so far as unsecured loans are concerned. To be sure, the Commission's terms of reference limited it to labour conditions and problems in industrial undertakings and plantations, and its recommendation is confined to the protection of industrial workers on wages and salaries of less than Rs. 100 a month, but the proposal merits serious consideration as to its wider adaptability. The Commission aims at diminishing the worker's power of obtaining credit by reducing his attractiveness as a field for investment. It takes the stand that the money-lender who enters into contracts "which he knows the debtor cannot fulfil or at best can fulfil only by suffering severe and prolonged hardship" should not be able to look to the court for their enforcement, beyond the worker's current surplus of income over a reasonable expenditure for the maintenance of himself and his family, such amount to be determined by the court—or beyond a period of two or three years.[214]

Restrictive measures recommended by the Bengal Banking Enquiry Committee include the licensing and registration of money-lenders, fixing the maximum interest rate on secured loans, the abolition of compound interest, and the making of habitual usury a criminal offence.[215]

The solution of the credit problem involves the provision of improved banking facilities. The competition of would-be borrowers for the limited funds of the *mahajan* was cited by the Bengal Banking Enquiry Committee as a contributory cause of usury.[216] The Committee on Co-operative Societies in the Central Provinces wrote: "We cannot exaggerate the importance to the prosperity of India of the provision of banking facilities."[217]

The Bombay Banking Enquiry Committee recognizes the

intimate connection of banking with the economic situation in the following words:

" No improvement in the existing credit system and banking facilities is likely to be effective unless it is accompanied by measures for raising the standard of living and economic condition of the mass of the population and for building up its productive strength. . . . The progress of banking will depend on the spread of education and the promotion of agricultural improvement and on the encouragement of industrial effort. Economic progress and development of banking being interdependent, banking cannot make any advance in a community sunk in poverty, ignorance, and helplessness." [218]

Sir Daniel Hamilton is quoted in the late Henry W. Wolff's *Co-operation in India* as saying years ago that " the power which stands in the way of India's development is the power of evil finance . . . the want of a banking system *for the people.* The people have many bankers but no bank." [164] It was the recognition of that situation and the effort to meet it that were primarily responsible for the launching of the co-operative movement in India.

# CHAPTER II

## CO-OPERATION

### General Aims

Numerous definitions of co-operation have been attempted. Two good ones are Sir Horace Plunkett's " Self-help made effective by organization," [219] and Mr. Hubert Calvert's " Co-operation is a form of organization, wherein persons voluntarily associate together as human beings on a basis of equality for the promotion of the economic interests of themselves." [220]

In its broadest sense, co-operation may be defined simply as voluntary association in a joint undertaking for mutual benefit—admittedly a lower ideal than a joint effort directed at the common good. Co-operation is rooted in a common recognition by the participants of the desirability of improving their condition and general agreement among them as to how that improvement may best be effected.

The Registrar of Co-operative Societies in Bombay Presidency, Mr. V. S. Bhide, has said: " Co-operation represents a happy mean between the forces of extreme individualism on the one hand and socialism and communism on the other. It stands for individual rights tempered by considerations of justice, equity, and fair dealing as between man and man, and its one great aim is to prevent the exploitation of the weaker by the stronger party." [221]

Co-operative societies differ from agricultural banks and loan societies in that " honesty and sense of moral obligation are substituted for material assets." [222]

L. P. Jacks has called co-operation " the most difficult and beautiful art in the world." Two things are indispensable to any art—vision and technique. As in all

arts, the effective expression of co-operation depends even more upon vision than upon technique, important as are the forms of organization and operating methods. From this standpoint, Mr. V. L. Mehta's definition is more satisfactory than any of those given above:

> " Co-operative credit is only one aspect of a vast movement which promotes the voluntary association of individuals having common economic needs who combine towards the achievement of the common economic end they have in view and who bring into this combination a moral effort and a progressively developing realization of moral obligation. Co-operative credit, therefore, postulates self-help, thrift, and mutual aid, and connotes mutual control and autonomy." [223]

## The Development of Co-operation in Modern Times

Co-operation there has always been or there could have been little, if any, human progress, but for the beginnings of modern co-operation as a formal movement we have to go back only to the first half of the nineteenth century, when Robert Owen formulated its philosophy.[224] In England the outstanding development has been consumer co-operation, starting with the spectacularly successful venture launched in 1844 by the " Equitable Pioneers of Rochdale," with their sound principle of one man, one vote, and their sale at market prices and division of the profits among shareholders on the basis of the extent of their patronage. In Denmark, as in the United States of America, co-operative marketing has been the leading development. Other phases of co-operation have attained varying degrees of success elsewhere. Co-operative insurance societies are popular in France and Belgium,[225] and co-operative land consolidation long has been important in Scandinavia.[226]

Most significant, however, for Indian co-operative development have been the schemes for co-operative finance which originated in Germany and Italy. The German pioneers, Herr Schulze, Mayor of Delitzsch, and F. W. Raiffeisen, Burgomaster of a group of villages around Neuwied, working independently, embodied their ideas in co-operative organizations at about the same time. Both began with individual effort to relieve distress in their

respective districts, and both came to the conviction that lasting improvement must depend on the people themselves. In 1849 Schulze founded a Friendly Society with the object of relief in sickness and a shoemakers' association for raw material purchases. His loan society was formed in 1850 with ten members, all artisans, and remodelled two years later as a self-supporting institution with capital and shares. Raiffeisen started a co-operative society in 1848 to distribute potatoes and bread to the poor at Weyerbusch (Coblenz), and in 1849 a loan society for the help of small farmers. The members of the latter were rich philanthropists who sold cattle to farmers on easy terms. Not until 1862 did Raiffeisen found at Anhausen a co-operative credit society of which borrowing farmers themselves were members.[227] Raiffeisen's activities were chiefly for poor peasants; Schulze's for artisans and small tradesmen.[228] A parallel development was the Luzzati People's Banks of Italy, which had limited liability, as the German societies did not.[229]

Besides joint and unlimited liability, other features of the Raiffeisen societies, which served as models for the Indian rural credit societies, were a closely restricted area, gratuitous service on the managing committee, allocation of net profits to an indivisible reserve, limitation of loans to members, and reliance on personal rather than real credit.[230]

# CHAPTER III

## THE CO-OPERATIVE MOVEMENT IN INDIA

### Indian Co-operation and the State

No consideration of the co-operative movement in India can lose sight of the Government leading-strings. India is not unique in having had the original impetus to co-operation come from the Government or from Government officials, or in having the movement receive Government encouragement and even support, but there has been in India a degree of dependence upon official initiative, direction and control that is without parallel. As Sir Horace Plunkett put it in his evidence before the Royal Commission on Agriculture: "It is not a spontaneous growth but a Government policy." [231] He has written also:

"The distinction between co-operation imposed by the Government and necessarily supervised, regulated, restricted and controlled, on the one hand, and co-operation promoted by voluntary initiative and sustained by the co-operative spirit, which insures the loyalty of the members, on the other hand, cannot be over-emphasized." [232]

### History of the Co-operative Movement in India

#### *Early Steps towards Co-operation*

While the co-operative society as we find it in India to-day is not native to the country, interdependence or co-operation is the very keynote of the Hindu family, "joint in food, worship, and estate," and of the traditional village organization, under which, for example, cane cultivators frequently own one or two cane mills together which they take turns in driving with their bullocks.[233] The ancient Indian scripture, *Kautiliya Arthasastra*, provides:

" Whoever stays away from any kind of co-operative undertaking shall send his servants and bullocks to carry on the work, shall have a share in the expenditure but none in the profits." [234]

Ancient India had craft guilds, with banking a feature of their activities.[235] They are referred to in the *Vedas*,[236] as well as in *The Laws of Manu*.[234]

Some of the types of indigenous co-operation found in the Punjab to-day are described by Mr. M. L. Darling, the Registrar in that province, in his " Rusticus Loquitur." There, as doubtless in many other sections of the country, two to ten peasants frequently join for a year to cultivate a given area in common, dividing the produce after each harvest in proportion to the labour and bullock power supplied by each. These yearly partnerships, called *lána*, often are renewed year after year. Sometimes a number co-operate in the repair of roads or the herding of cattle; and, more often, a number of peasants have drinking-wells in common or employ a common watchman to protect their crops against monkeys.[237]

Madras Presidency, even before the movement was officially launched, had organized co-operative undertakings in the form of the indigenous *Nidhis* or mutual loan associations not unlike the provident funds and friendly societies of Europe.[112] In spite of numerous failures due to fraud, ignorance, unsuitability of the law, and absence of supervision, these achieved considerable success,[238] and were imitated in the United Provinces, in the Punjab, and in Bengal, under semi-official auspices. In 1901 there were over 200 *Nidhis* with some 36,000 members and a subscribed capital of more than two crores of rupees. Their clients were drawn from a more highly educated and advanced class than the agricultural population,[238] and they persisted, even after co-operative societies were developed for the latter, but as mere financing bodies, not concerning themselves with the objects of loans or with their members' thrift or indebtedness. Among their characteristic features are the limitation of operations to members, insistence on punctual payment, under penalties, of a monthly instalment towards

the share capital, and dissolution after a fixed term of years, with distribution of accumulated share capital and profits among the members.[239]

A co-operative society was started in the Punjab as early as 1891 for controlling the common land of the village for the benefit of the co-sharers, and functioned until 1922, when the land was partitioned.[240] Another co-operative society started in that province in 1895 embraced twenty-two villages and hamlets. The fifty or sixty members each contributed Rs. 40 to the undertaking; the President deposited Rs. 1,000 and obtained three loans of the same amount, one from the local money-lender and two from the Government.[241]

Agricultural banks were introduced in Mysore State in 1894, each " to be an association of landholders on strictly co-operative principles, not for the purpose of earning any profit divisible among its members, but for the purpose of obtaining money by their own united credit and lending it according to the actual requirements of each member to the extent the others have confidence in him." [242] Purposes of loans might be the ordinary annual requirements of cultivation, agricultural improvements, or debt liquidation. By 1898, 64 of these banks had been started in Mysore. That they did not thrive, the Committee on Co-operation in that State ascribed retrospectively to too low interest rates which over-stimulated borrowing, insufficient incentive to banks to raise local capital, inefficient management, and inadequate supervision.[242] A few village banks were started in the United Provinces under the ordinary company law, and in 1903 there were some beginnings of distributive co-operation in Calcutta.[243]

The first official step towards financing the Indian agriculturist, however, was the scheme for establishing an agricultural bank, put forward in 1882 by Sir William Wedderburn and Justice N. G. Ranade.[112] While it did not receive official favour as a whole, its essentials were embodied in the Land Improvement and Agriculturists' Loans Acts, Act XIX of 1883 and Act XII of 1884, respectively, under which the agriculturist could borrow

public money for productive purposes approved by the Government, at 3 to 6¼ per cent. The former Act permitted borrowing Government funds for such improvements as wells and terraces; the latter for short-term employment, as in the purchase of seeds and implements;[244] but all such loans have come to be restricted chiefly to land improvement,[245] except in emergencies like flood or drought.[246] Under this *takavi* system each loan has to be secured by sureties or a charge on the land. The use of the money is supervised by subordinate revenue officials who insist on accurate accounts and prompt repayment of principal and interest. The ordinary practice is to require repayment of *takavi* loans after the next main harvest, or, at the latest, after two main harvests.[247] Extensions are very rarely, if ever, allowed.[248]

Government loans under the Agriculturists' Loans Act are made at a loss.[249] The Bihar and Orissa Banking Enquiry Committee consider that the Act is unsuitable for use in normal circumstances, as they point out it is impossible for the Government to take up the enormous task of direct provision of the agriculturists' loan requirements, and claim that sporadic attempts to meet a minute portion of that whole are futile if not mischievous.[247] In that province the finance supplied agriculturists under the two Acts amounts but to approximately Rs. 9,00,000 a year out of an estimated annual borrowing of about Rs. 33,50,00,000.[250]

In Bombay Presidency, since 1922, in villages where co-operative societies are situated, advances under the Land Improvement Loans Act may be made only through such societies.[251] Each year the Government places Rs. 5,00,000 at the disposal of the Provincial Bank for loans under this Act, and as regularly much of the allotment is turned back, the Provincial Bank declining the responsibility of making loans without adequate investigation, which the narrow margin allowed it does not permit on any large scale.* A

* The Provincial Bank must pay the Government 5·5 per cent. on the loans, which it passes on, along with responsibility for repayment, to the central banks at 5¾ per cent. They lend to the primary societies at 6 to 6¼ per cent., and the latter to individual borrowers at 6¾, the same rate they would have to pay borrowing direct from the revenue authorities.

main defect of the *takavi* system is claimed to be that it only furnishes cheap capital and makes no provision for cultivating thrift and self-help.[112] The borrower has no interest in the welfare of his fellow-borrowers, no participation in profits, supposing there were any, and no control over the management.[252] The most serious negative defect, however, is that loans cannot be advanced under either Act for redemption of old debts or consolidation of holdings,[253] both of which are vital factors in any serious plan for agricultural improvement. Moreover, there is general ignorance about the facilities for credit and the procedure necessary to secure *takavi* loans,[254] which are positively unpopular besides. This is attributed partly to the delay and uncertainty in getting the loan, due to the careful inquiries the administrative officers are required by the Act to make, and partly to the rigidity of the system of collection.[255] In short, the *takavi* system is claimed to have failed in its primary purpose of stimulating agriculture.[252]

These provisions for loans to agriculturists not having met the situation, other plans were considered. In 1892 Mr. (later Sir) F. Nicholson was assigned by the Government of Madras Presidency to report on the advisability of starting a system of agricultural or land banks in that province. His exhaustive report in two volumes recommended co-operative societies. It was reviewed by the Madras Government in 1899 and came to the attention of the Government of India the following year, as did Mr. H. Dupernex's "People's Banks for Northern India," based on the successful experimenting with village banks in the United Provinces. A committee meeting in Calcutta in December 1900 considered the introduction of co-operative credit societies; reaching the conclusion that societies on Raiffeisen lines might prove suitable.

Following two terrible famines, a Famine Commission of which Sir F. Nicholson was a member, and which met in May 1901, pronounced the strengthening of the moral backbone of the agriculturist the chief means of preventing famines and recommended mutual credit associations.[112] The question was referred to a committee which sat at Simla

in June and July 1901, and drafted a bill and model rules.[256] Much further discussion followed before co-operative credit societies were given a legal basis and official endorsement.

## The Legislative Basis of Co-operation

The new law passed in 1904 was modelled largely on the English Friendly Societies Act,[256] but was quite simple and elastic, leaving a wide discretion to the Provincial Registrars to be appointed under it in building up their own co-operative structure.[257] It followed Nicholson's recommendation for the initiating of village banks: "*solvitur ambulando.*" [258] The announced aim of the Government of India was "to lay down the general outlines and to leave the details to be filled in gradually, on lines which the experience of failure or success and the natural development of the institutions may indicate as best suited to each part of the country." [259]

The chief provisions of the Co-operative Credit Societies Act, which became law March 25, 1904, were as follows:

1. That any ten persons living in the same village or town, or belonging to the same class or caste, might be registered as a Co-operative Society for the encouragement of thrift and self-help among the members.
2. The main objects of a Society were to raise funds by deposits from members and loans from non-members, Government and other Co-operative Societies, and to distribute the money thus obtained in loans to members or, with the special permission of the Registrar, to other Co-operative Credit Societies.
3. The organization and control of Co-operative Credit Societies in each province were put under the charge of a special Government officer called the Registrar of Co-operative Credit Societies.
4. The accounts of every Society were to be audited by the Registrar or by a member of his staff free of charge.[260]
5. Rural societies were to have four-fifths of their members agriculturists; urban, four-fifths non-agriculturists.[261]
6. The liability of members of a rural society was to be unlimited, except with special sanction by the Local Government. Liability of urban society members might be either limited or unlimited.
7. No dividends were to be paid from the profits of a rural

society, but the profits were to be carried at the end of the year to the reserve fund, although when this fund had grown beyond certain limits fixed under the by-laws, a bonus might be distributed to the members.

8. In urban societies no dividend was payable until one-quarter of the profits in a given year were carried to the reserve fund.[260]
9. Loans could be made only to members, and usually only on personal or real but not ordinarily on chattel security,[262] although ornaments, the common form of savings of many peasants, might legally be accepted as security.[263]
10. The interest of any one member in the society's share capital was strictly limited.[262]
11. Societies formed under the Act were exempt from fees payable under the Stamp, Registration, and Income Tax Acts.

The local Governments for all the Presidencies and major provinces soon appointed Registrars with full powers to organize, register, and supervise societies.[264] Annual conferences of Registrars were held for some years which brought certain defects in the Act of 1904 to the attention of the Government.[264] That Act did away with the need to secure registration under the Indian Companies Act, which, with its complicated procedure and detailed provisions, was unsuited to the co-operative societies,[265] but it gave no legislative protection to societies for purposes other than credit, or to the central agencies, banks and unions, which were gradually coming into existence to finance and supervise the primary credit societies.[264]

These deficiencies were remedied in the Co-operative Societies Act (II of 1912).* The full text of this Act is given in the Appendix, but its distinctive provisions may be summarized as follows:

1. Instead of registration being limited to credit societies, any society may be registered " which has as its object the promotion of the economic interests of its members in accordance with co-operative principles, or a society established with the object of facilitating the operations of such a society."
2. Unless otherwise directed by the Local Government:
   (*a*) The liability of central societies shall be limited.

* See Appendix A.

(*b*) The liability of rural credit societies shall be unlimited.

3. The requirement of an annual audit is retained, as are numerous other provisions of the Act of 1904.
4. Any registered society may, with the Registrar's sanction, after carrying one-fourth of the annual net profits to a reserve fund, contribute up to 10 per cent. of the remaining net profits to a wide range of charitable purposes.
5. Local Governments are given considerable discretion in connection with the making of rules for the working of societies under the Act, including conditions of membership, methods of operation, procedure at general meetings, and provisions for arbitration between members and between members and the committee or officers of the society, such rules to have the same force in the respective provinces as the Act itself.
6. " Co-operation " may not be used as part of the title of any business concern not registered under the Act, unless it was already doing business under that name before the Act came into effect.
7. Shares or interest in co-operative societies are exempt from attachment.
8. Societies have a prior claim to enforce the recovery of certain dues.

From the first, the Local Governments were charged with the administration of the Acts of 1904 and 1912, through the Registrar and the assistants they appointed, so it was not surprising that under the Dyarchy set up by the Government of India Act of 1919, Co-operation is one of the " Transferred " subjects which are wholly under the control of the Provincial Governments.

Draft bills have been drawn up in the United Provinces, the Central Provinces and Madras, as well as in Bombay, and Burma, but only the last two have passed their own Co-operative Acts, so far, the National Act of 1912 being effective elsewhere in British India. Both the Bombay and Burma Acts follow the National Act of 1912 in most respects, but the Bombay Co-operative Societies Act of 1925 widens the scope of the movement. Its preamble substitutes for " agriculturists, artisans and persons of limited means " as the intended beneficiaries of co-operation, " agriculturists and other persons with common economic needs," and speaks of " better living, better business, and

better methods of production " as the aims of co-operation. It also classifies co-operative societies according to main purpose, as " resource," " producers'," " consumers'," " housing," or " general," the last group including all other types. " Resource " societies include both credit and purchase societies, the distinction between the latter and " consumers' " societies being quite nebulous. The Bombay Act makes definite provision for the arbitration of disputes, improves the procedure for liquidation and recovery, provides definite penalties for specified offences of societies, officers, or members, and raises the optional contribution to charity from 10 to 20 per cent. of net profits, after the requirements for the reserve have been met. It is unique in recognizing the non-official Provincial Co-operative Institute, through certain minor functions given to it.

The Burma Act (No. VI of 1927) differs from the other Acts in placing the responsibility for annual audit on the society instead of the Registrar, but it provides that it shall be made by a person authorized by the Registrar to do so.

The Madras draft Bill aims at increasing the powers of the Registrar. It includes drastic provisions for recovery of overdues by distraint and sale of delinquent members' movable property.[267]

Most of the larger Indian States and some of the smaller ones have adapted the co-operative legislation of British India to their special needs, beginning with Mysore, which, in its Co-operative Societies Regulation of 1905, anticipated the Act of 1912 by providing for the formation of societies for other purposes than credit.[268] The formal launching of the co-operative movement in Hyderabad and Indore dates from 1914. Baroda, Bhopal, Cochin, Gwalior, Kashmir, Travancore, and other States have their own Co-operative Societies Acts or Regulations, but data for those named only are included with the British Provinces in the statistical abstracts published by the Government of British India.

## Types of Co-operation in India

### *Co-operative Credit*

#### (a) *Primary Agricultural Societies*

The earliest launched of India's co-operative undertakings in this century, credit societies, still dominate the picture, agricultural credit societies far exceeding, both in number of societies and in membership, all other types of co-operative organizations put together.*

The Act of 1904 arranged for starting urban and rural banks simultaneously, but instructions were issued to the authorities to make the latter their first care.[269] They gave them almost exclusive attention for several years. The importance of the rural credit societies in the Indian co-operative movement scarcely can be exaggerated. The Committee on Co-operation in Madras expressed the view that:

> "The agricultural primary credit society is the foundation stone on which the whole co-operative edifice is built: if these societies are generally in a good condition, confidence may be felt that the structure is generally sound. But if they are generally unsound, nothing can prevent the ultimate collapse of the edifice, however good parts of the superstructure may be."

The model by-laws of such societies differ from province to province. Those of Madras define the objects of an agricultural primary society as:

1. To borrow funds from members or others to be utilized for loans to members for useful purposes;
2. To act as agent for the joint purchase of the agricultural, domestic, and other requirements of its members, and for the joint sale of their produce;
3. To purchase and own implements, machinery, or animals for hire to its members;
4. To disseminate a knowledge of the latest improvements in agriculture, handicrafts, and weaving, and encourage its members to adopt them; and
5. Generally to encourage thrift, self-help, and co-operation among the members.[270]

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* See Table I.

The minimum initial membership permitted for such a society is ten, and the Registrar may dissolve any society which falls below that number. There has been a noticeable decline in the average membership of primary agricultural societies, in which practically all provinces have shared. The general average was 41 in 1912–13; now it is 34. While the tendency towards decrease in size of these societies is general, there is still a marked difference between provinces in respect to average membership. No definite correlation is traceable between average membership, within the present range, and efficiency of societies, but the Maclagan Committee felt that "large societies are to be deprecated" as in danger of degenerating into mere village money-lending concerns. In too large societies, they pointed out, the co-operative safeguards of mutual watchfulness and supervision are absent and everything depends on the committee's honesty and business ability.[271]

The average membership of 34 to each agricultural society, however, is considerably above the general average in two of the provinces where the movement is weak on the agricultural credit side, Burma and the United Provinces, while the figure of 72 for Bombay Presidency, in which the movement is relatively flourishing, is much the highest of any of the provinces and is exceeded among the Indian States only by Cochin and Travancore. The figure is 31 for the Punjab, where co-operation has been very successful, and efforts are being made there to increase it.[272] Average membership of non-agricultural societies also has declined but is still consistently larger than that of agricultural, Bombay leading with an average membership of 264, compared with the general average of 103 for all India. Table XIII shows the average membership of agricultural and non-agricultural societies in each province and Indian State for which statistics on co-operation are compiled, for 1929–30, the last year for which comparable data are available.

A tendency is reported in Bombay Presidency to split up too large societies. One, with over 400 members, which was being mismanaged, was split into four societies, three of which, within six months, had shown good progress in

recoveries.[273] The Registrar is hopeful of reducing the average membership of primary agricultural societies to about 50, by the gradual elimination of improvident members.[273]

Members in a primary credit society must be residents of the same town or village or group of villages, or be members of the same tribe, class, caste, or occupation. The Bengal Banking Enquiry Committee goes even beyond this: "We think that care should be taken to form societies of members of the same status and possessing common interests."[274] It is interesting that in the United Provinces members of the lower castes are reported generally better at paying their dues than persons higher in the social scale.[275] The Committee on Co-operation stated in 1915 that mixed societies, where tried, had not been a success and that the deliberate mixing of occupations was not to be recommended.[276]

It has not been infrequent for men of some local standing to join a society to support the credit of their poorer neighbours.[277] If they are wholly disinterested, their presence is helpful also from the standpoint of getting the society's work done competently, but in any case it may mean a loss of democratic control of the society, and too frequently advantage has been taken by unscrupulous individuals among the more powerful members to appropriate an undue share of the society's loanable funds.[278]

The necessity for a compact membership is obvious in the case of societies with unlimited liability, which is the prevailing type for rural credit societies,* in order that members may be able to evaluate each other's credit standing before loans are made and to keep track of the employment of funds obtained through the society. Justice demands also that the members of such a society shall have the decision, by formal election, on who shall be admitted, and also the power to expel undesirable members.

The predominance of peasant proprietors or tenants in the membership of agricultural societies varies with the conditions of land-tenure prevailing in different parts of the country. In Bombay Presidency, for example, where

* See Table V.

peasant proprietorship is the rule and tenancy rare except in Sind, the Registrar states that co-operators generally are of the small landholder class, while even in Sind not over 20 per cent. of the members are landless tenants.

There has been some feeling that women as well as minors ought to be excluded from unlimited liability societies, although there are numerous societies, most of them having thrift as their main object, which are composed entirely of women. In Baroda, for example, in 1930 there were eleven such thrift societies of women with a membership of 205 and savings of Rs. 3,064 during the year. Mysore also has several,[279] and the Punjab has 134 such societies for women and children.[280] Instances are not unknown where women are serving as officers in co-operative societies of mixed membership, but they are rare. In Travancore in 1928 women members represented 11 per cent. of the total membership of co-operative societies.[281] It is interesting to note that the Bihar Ladies' Co-operative Conference recently sent out a call for women to take their places in the co-operative movement. The Horace Plunkett Foundation suggests that the rallying of women to the cause of co-operation may prove to be of as great importance to this movement as it was to the popular political movement.[282]

In many provinces, special societies have been formed to better conditions in backward areas, as among the hill tribes and criminal tribes. Although formed with diverse objects, these societies devote their attention to credit principally. The details in regard to the work among the Bhils, a backward tribe in Bombay Presidency, are given in connection with the achievements of co-operation.* The membership of such societies is even more homogeneous than that of the average normal society.

The attitude towards prospective members ought to be cautious and critical, but the temptation to exclusiveness which has followed the success of some of the marketing associations in the United States has not failed to cause a like problem in India. In 1915 the Maclagan Committee pointed out a tendency, perhaps not yet very marked, to

* *Vide infra*, p. 242.

exclude from membership persons eligible under the by-laws, on the ground of caste or poverty.[276] This tendency is more marked in the urban credit societies, where solicitude for profits sometimes leads to too high interest rates and to fear of admitting new members in need of loans. The tendency to make societies close preserves after they are functioning successfully constitutes a failure to pass what has been called the ultimate test of genuine co-operation.[283]

Publicity within the society is necessary so that members may know what they are liable for. It would be highly desirable from the standpoint of the general membership of an unlimited liability society to have restrictions on the alienation of property by individual members, but the Act of 1912 carries none, except the restrictions on the transfer of a member's share or interest in the capital of the society itself. It goes without saying that no one should be permitted to join more than one society with unlimited liability. The question rarely arises, but Mysore at least has a rule against it.[284]

Existing debts, of course, ought to be fully revealed before members are admitted to unlimited liability societies, and the society should be notified of each instance of a member's resorting to the *bania*. The latter, however, is not forbidden, as, indeed, it hardly could be so long as the societies are unable to satisfy the credit requirements of all members.

The Maclagan Committee expressed the opinion that unlimited liability for rural societies had been unreservedly accepted by the people. "It constitutes an important factor in the confidence reposed in societies both by the central institutions inside the movement and by the Joint Stock Banks outside it."

The Bengal Banking Enquiry Committee claims that joint and unlimited liability has been found absolutely essential for agricultural credit and that, "as a matter of fact, instances in which one member has been made to pay more than his own dues to the society are so very rare as to be utterly negligible."[274] True, perhaps, for Bengal, but not for all India.

The degree of danger from unlimited liability actually

depends largely upon how well the society is conducted. There is little or no danger in a well-managed society, but there is grave risk if the management is slack or reckless, as many a rueful former member of a liquidated society has been made to realize. The real liability, of course, is in inverse ratio to the size of the society's reserve, the steady building up of which is required in all the Acts.

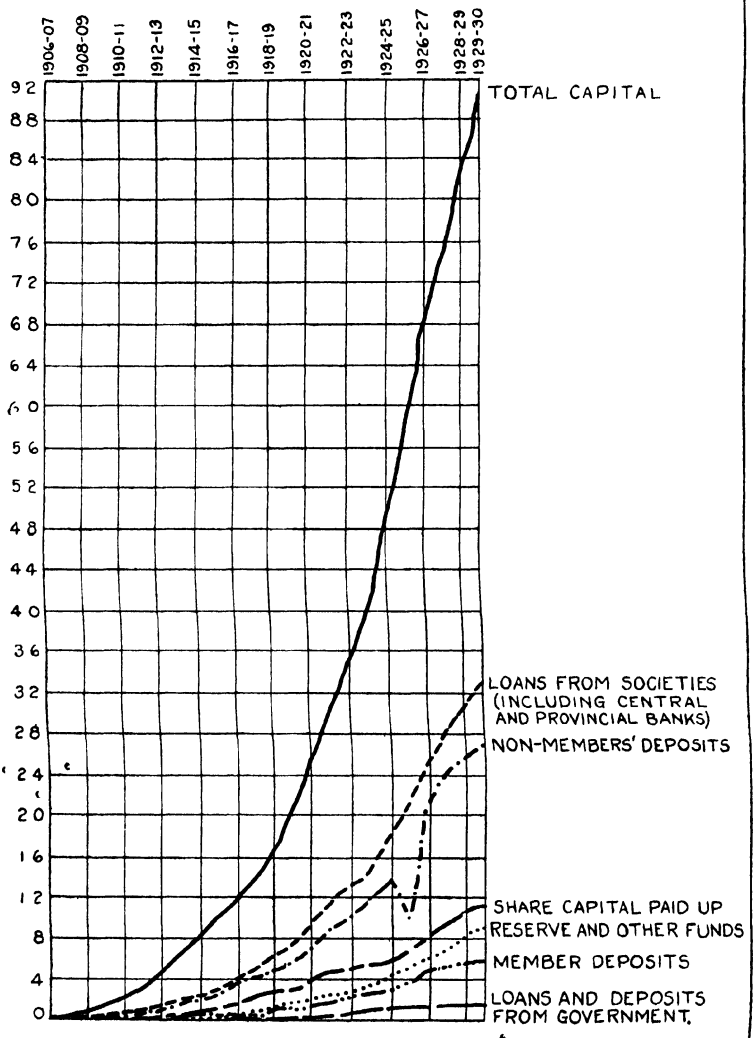
Exceptions to the general rule of unlimited liability for agricultural credit societies are found in the successful *Zemindari* banks formed in Sind, Bombay Presidency, for financing big landholders,[285] under the broadened sanction of the Bombay Act, and the numerous grain *golas*, which differ from the ordinary agricultural credit society also in conducting their transactions in grain instead of in money, for the transition to a money economy is far from complete in many parts of the country. They hold their stock of grain until the accumulated quantity either is sold at a profit or distributed among the members in time of scarcity. They are found chiefly in Bengal, Bihar and Orissa, Mysore, and Coorg, while Baroda has societies on a similar basis for fodder storage.[286] The Bihar and Orissa Banking Enquiry Committee reported the 83 grain *golas* in that province operating chiefly on their own capital and showing a profit of about 13 per cent. on their working capital, while that of ordinary unlimited liability societies was less than 2 per cent.[287]

In practice, in a well-conducted society, the members restrict quite narrowly their actual liability, not only by careful selection of members but by fixing at the members' meeting once or twice a year the maximum sum (exceeded by the committee only at its members' own legal responsibility) which the society may borrow from outsiders, as well as the maximum credit to each member until the next meeting, based on a careful consideration of his assets.[287a]

The Act of 1912 gives priority to the claims of registered societies against their members or past members over those of all their other creditors, except the State and the landlord, subject to certain reservations exempting shares or interest in the society from attachment. The liability of a past member for the debts of a registered society as they existed

# CHART I

## SOURCES OF CAPITAL FOR THE MOVEMENT AS A WHOLE (IN CRORES)




Based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements relating to the Co-operative Movement in India.*

[*To face p.* 65.

at the time he ceased to be a member continues for two years from the date he left the society, and the liability of his estate for the society's debts as they existed at the time of his decease for one year after that date. When a member dies, his share or interest may be transferred, or its value paid, to the nominee under the society's rules or his heir or legal representative, but the heir of the member of a society with unlimited liability need not succeed, unless he wishes, to the deceased member's interest and corresponding responsibilities, but may demand payment.

In all provinces in the initial stages the Government set apart a sum to be advanced as loans to new co-operative societies, usually up to an amount equal to what the society could raise in the shape of share capital, reserve fund, and deposits from members.[288] This form of assistance in proportion to the local capital raised either has been abandoned or is restricted now to new types of societies and to societies for artisans.[289] While it contravenes the accepted principles of co-operation, this State dole has failed to handicap the movement because of the rapid increase of co-operative financing agencies and the growth of confidence in the primary societies.[264] In several provinces it was found wholly superfluous, but as the loan was interest-free for three years, it was sometimes a temptation to societies to accept it and hold it longer than necessary.[290] Direct State aid, however, has represented a steadily declining percentage of total capital and is now an insignificant element in the total.

As Chart I brings out, the chief source of capital for the movement as a whole is loans from other societies, including the central and provincial banks,* with non-members' deposits a close second. Central and provincial banks far exceed all other sources of capital for the agricultural societies, providing 61·4 per cent. of their funds, but they are less important than owned capital and non-members' deposits as a source of funds for non-agricultural societies, as is shown by Table IV. In 1929–30 agricultural societies derived Rs. 21,21,65,169 from the central and provincial

* See Tables III and IV.

banks, and non-agricultural societies only Rs. 1,32,45,246, out of their total working capital of Rs. 15,06,44,304.

Theoretically, dependence on the central financing institutions is less desirable than the raising of funds locally, at least as a permanent thing. The Solon of the co-operative movement, the late Mr. Henry W. Wolff, said that a society in debt to a central bank should be regarded as a society "in hospital." He believed the joint-stock banks would perform the central bank's functions more inexorably and that the societies would profit by the greater strictness.[291] The Mysore Committee on Co-operation went on record as approving in theory the practice general among Mysore primary societies of resorting to the central banks only when they could not raise funds locally. It found, however, that in some cases the development of societies had been stunted by it and a few had been practically starved.[292]

Share capital is becoming an increasingly important source of working capital. Limited liability societies always had it and it is now general throughout the country for unlimited liability societies as well. Bombay Presidency did not have it at first for agricultural credit societies, but all new societies are of that type, and, as far as possible, members' deposits are being converted into shares.[293]

Shares are normally of small value, commonly Rs. 10 to Rs. 50 each, but the danger has been pointed out that in a country as poor as India the demand for even the smallest instalment of share capital may exclude many whom it is most desired to help.[294] In some places, however, the Central Provinces and Berar, for example, shares may be purchased out of the loans advanced by the society.[295] In the effort to preserve democratic control of primary societies, the amount of share capital which an individual may hold is prescribed in the rules, subject to the maxima laid down in the Act of 1912—one-fifth of the share capital of the society, or Rs. 1,000.

Most primary agricultural societies have a small admission fee, sometimes as low as As. 8,[296] and shares payable in half-yearly or annual instalments, sometimes withdrawable decennially with payment of dividends after the expiration

of the deposit period, subject to a maximum rate fixed under the rules or by-laws.[297]

Share capital cannot be considered part of a society's reserve, since it represents actually but an advance payment by the members against their unlimited liability. In addition to encouraging thrift in the purchasers of shares on instalments, however, it shares the advantage of the reserve fund of increasing a society's financial stability and strength, and, by reducing its dependence on outside capital, should make possible lower interest rates to members than otherwise could obtain.

More important, however, from the view-point of the members' security is an adequate reserve. This is built up partly by overcharging borrowers. The Co-operative Societies Act requires 25 per cent. of the net profits in any year to be carried to the reserve fund, which is further augmented by entrance fees, interest on share capital and reserve funds,[298] and the value of shares forfeited to the society.[299] Table X shows the average holding in the reserve fund in each province and Indian State in 1929–30. For the country as a whole it was Rs. 18·7, and Rs. 12·6 for agricultural and non-agricultural societies, respectively.

An indivisible reserve is a fundamental feature of the Raiffeisen system, to serve as a buffer between the members and the rigours of possible enforcement of unlimited liability. The accumulated reserve of all agricultural societies in 1929–30 represented 16·1 per cent. of their total working capital, a very creditable showing when compared with 4 per cent. reported for the Raiffeisen Societies in Germany a few years ago.[300]

With the exception of Madras and the Central Provinces, the reserve funds of primary societies generally are employed as an addition to working capital, unless large outside deposits make necessary special provision for liquid assets.[301] The whole reserve of Madras primary societies is invested in the central banks.[302] The Maclagan Committee was opposed to this practice as making the reserve not readily available to primary societies and enabling shareholders in the central banks to swell dividends at their expense.[303]

The proportion of owned capital to total resources is increasing. Table X shows the percentage of working capital represented in 1929–30 by owned capital, including share capital and reserve but not members' deposits, in each province and Indian State. Primary agricultural societies in 1929–30 owned 28·8 per cent. of their working capital, and non-agricultural societies 36·1 per cent. of theirs. While somewhat encouraging, this does not represent a very rapid growth, since the Maclagan Committee found in 1915 that the owned capital of Indian societies represented 22·3 per cent. of their total working capital. Including members' deposits the figures for agricultural and non-agricultural societies' owned capital, respectively, are 34·0 and 63·8 per cent. of working capital.

The advantages of a large owned capital are quite obvious, but, in spite of the Maclagan Committee's dictum that the encouragement of its growth was most advisable,[304] experience has shown that a large percentage of owned capital is not an unmixed blessing. That it is not the only or the key factor is apparent from the excellent showing in this respect of Burma, the black sheep of the Indian co-operative movement. Its agricultural credit societies owned 55·1 per cent. and its non-agricultural societies 81·4 per cent. of their working capital in 1929–30, almost twice the average for the former and more than double the country's average for the latter. On the other hand, Bombay was well below the average on both, with 21·3 and 26·7 per cent. respectively, of agricultural and non-agricultural primary societies' working capital owned by them. The danger has been pointed out that too much principal will lead either to profit seeking, which has been called "the curse of co-operation,"[305] or to so lowering interest rates as to tempt to unnecessary borrowing. Instances have not been unknown where a large surplus has led members to agitate for the society's dissolution and division of its capital. From this standpoint, the provision for a distribution of share capital at the end of a fixed period seems commendable, but not unless the total working capital is ample to meet

all credit requirements of members, a condition unhappily far from general to-day.

The Maclagan Committee looked upon " a considerable increase in deposits as an essential to real progress in future," and recommended that they be sought both from members and non-members, provided they are of a truly local character and made because of confidence in the working of a society. It goes without saying that the rural societies cannot handle current accounts, but only fixed or time deposits.

Non-member deposits were assiduously cultivated in the beginning, and efforts were made to convince the money-lending classes of the desirability of the rural societies as a field for safe investment, without the trouble of collection.[306] Non-member deposits still represent a considerable proportion of working capital.* The present tendency, however, especially in Bombay Presidency, where the movement is particularly strong on the banking side, is to discourage the acceptance of non-member deposits by primary societies.[307] Not only are such depositors likely to be less patient than members if a society gets into arrears, and less concerned for the good name of the movement, but it is felt by the Bombay Registrar that the supervision of primary societies by the supervising union and central bank is facilitated by their getting directly from the latter all of the finance they require in addition to their owned capital.[293]

The encouragement of member deposits, on the other hand, is universally favoured. Obligatory deposits sometimes are substituted for instalment shares.[308] In Bihar and Orissa primary societies are not registered unless members agree to take a share of Rs. 10 for every hundred rupees they borrow, but this is paid up very gradually.[296] In Bombay the practice is general of requiring compulsory deposits for five to ten years, representing 5 to 10 per cent. of loans advanced, but the Provincial Banking Enquiry Committee frowned on this as discouraging voluntary deposits.[309] The introduction of savings deposits has been attempted in that province, but is reported to have been successful in very few villages.[309] Various devices are adopted to encourage

* See Chart I, and Tables III and IV.

deposits by members, among which home savings boxes have been very successful in some provinces, notably Bengal. In some Bengal societies a handful of rice is collected daily from each member, a form of thrift which all but the very poorest can practise, and which is reported to have raised quite considerable amounts.[310] Some societies by their by-laws require each member to deposit a specified portion of his annual produce as decided at the general meeting of the society, with due consideration of the nature of the harvest.[310]

The Maclagan Committee regarded it as essential, at least for the time being, that the Registrar should maintain control over the total amount each society might borrow from all sources, setting the maximum in accordance with the society's strength beyond which deposits could not be accepted.[311] The Bombay Co-operative Rules restrict the amount a society with limited liability may borrow to eight times the share capital plus the reserve fund, with exceptions in favour of central banks. The Burma Rules, formulated in 1931 as the fruit of bitter experience, limit the borrowing of primary agricultural societies from non-members to three times the owned capital plus the amount of members' deposits. Borrowing from all sources by any Burma town bank or urban credit society may not exceed three times its owned capital. In other provinces, deposits or loans of limited liability societies customarily are limited under the rules to from eight to twelve times their owned capital,[308] while the maximum borrowing power of a society with unlimited liability may be fixed at a definite fraction of the net assets of all members, varying usually between one-fourth and one-eighth.[312] The Committee on Co-operation in the Central Provinces laid down the rule that "No society that has not a reserve fund of, say, 10 per cent. of its highest total liabilities to lenders and depositors during the last three years should be considered eligible for furnishing a continuing guarantee."[313] At that time (1922) the average in the Central Provinces was only 8·5 per cent.

It has been pointed out repeatedly that India's need when the co-operative movement was launched, as it still is to-day, is less of cheap credit than of controlled credit. The Bengal

Banking Enquiry Committee quote the apt remark of Louis XIV about unregulated credit in the hands of improvident persons—that it "supports the borrower as the rope supports the hanged."[314] It is a truism that debt increases *pari passu* with credit. The general rise, since the beginning of the century, in the values of land and in prices, up to the last year or two, was followed by an increase in indebtedness, which for the Punjab alone, the most agriculturally prosperous province, is estimated at Rs. 50,00,00,000 more than it was thirty years ago.[315] Several estimates have been given of the heavy average indebtedness of small proprietors.* It is significant in this connection that the average indebtedness of the landless rural population in Bihar and Orissa is estimated at only Rs. 10.[316]

The credit policy of the primary societies is of the utmost importance. The idea underlying co-operative credit is, of course, that a group combining to furnish a collective guarantee can obtain funds at lower interest rates than they individually could command. A society's assets have been called "the funded honesty of its members."[312] In the Punjab, where the law prevents the sale of the agriculturist's land in execution by the banks, personal security is relied on almost exclusively, both for agricultural and non-agricultural societies.[317] Loans are mostly on the security of two co-members.[318]

Certain general restrictions on loans are laid down in all the Acts, as that loans may not be made to non-members, except with the Registrar's special permission, which, under the National and Burma Acts, can be given only in case of a loan to another society. The Maclagan Committee would have had interlending between primary societies ruled out altogether.[319] The Registrar's sanction is required, under the National and Bombay Acts, for lending money on the security of movable property, while the National and Burma Acts provide that the Local Government may prohibit or restrict the societies' lending money on mortgage of immovable property. Loans on gold and silver ornaments are not unusual.[318] The custom has grown up in Bombay,

* *Vide supra*, pp. 39–40.

Burma, and Madras of making short-term advances on agricultural produce kept in the possession of the societies or by some central organization in their behalf.[320] In some provinces, too, the custom has been introduced of accepting standing crops as security. In Madras the village societies may lend to a member in excess of his ordinary borrowing capacity on the security of standing crops up to 40 per cent. of their value, and on harvested crops as security up to 75 per cent. of their value.[321] Mortgages on standing crops are reported to have been found very successful among backward groups in Bombay Presidency.[322]

In practice, mortgage security is very common and its use is reported growing.[323] So long as the tangible security is considered secondary, it is not considered that mortgage or chattel security contravenes the fundamental co-operative principle that credit must be personal. The Maclagan Committee stated that the main object of taking a formal mortgage is to prevent the alienation of the property, and recommended that, as a rule, mortgages be without possession.[324] Unless, however, the idea of the mortgage as strictly supplementary security is kept in mind, co-operative principles may suffer. The Burma Banking Enquiry Committee refer with disapproval to the neglect in that province, "largely through mistaken preference for mortgage security, of the co-operative principle of lending only as the character and capacity of the borrowers and their mutual contact with and influence with and over each other justify." [325]

In Madras, at the end of 1929–30, the loans outstanding were classified according to security as follows, as percentages of total loans:

| Security for Loans. | Agricultural Societies. | Non-Agricultural Societies. |
|---|---|---|
| Deposits | 0·1 | 2·7 |
| Pledge of movables | 3·1 | 0·1 |
| Mortgage of immovable properties | 48·5 | 38·2 |
| Joint security of two or more members | 47·7 | 57·4 |
| Simple bond of the borrower | 0·6 | 1·6 |
| | 100·0 | 100·0 |

In Mysore all loans for large amounts or long periods are on the security of immovable property. Smaller loans may be on the personal security of one or two members. A negligible amount is loaned on the security of shares or of the borrower's character alone.[326] In Cochin, on the other hand, about nine-tenths of loans are on the security of the borrower alone or on the joint security of one or more other members,[327] in spite of which that State made a fairly good showing on overdue loans.

The dangers of facile credit hardly can be overstated, but under-financing is almost as bad, since it drives the necessitous borrower almost inevitably to the *mahajan*. Or, if a loan is inadequate for the purpose intended, say the construction of a well, the borrower may give up the project and the amount lent may easily be dissipated in unproductive expenditures. The recommendation of the Bombay Banking Enquiry Committee for payment of loans by instalments to avoid wastage [328] obviously would not apply in such cases of land improvement where a lump-sum expenditure is required.

The Provincial Banking Enquiry Committee in the United Provinces remarks: "It is to be regretted that though a quarter of a century has elapsed since the introduction of co-operation, no serious attempt has yet been made to ascertain the normal requirements of a cultivator for maintenance and expenses of cultivation." It recommends early inquiries in different localities to ascertain the financial needs of different classes of cultivators, and how those needs are being met at present. For that purpose, it proposes inducing selected literate persons to keep detailed accounts of income and expenditure for a given period.[329]

The Mysore Committee on Co-operation, however, had, in 1923, estimated Rs. 100 as the minimum requirement for current agricultural operations, leaving debt redemption out of account,[292] and in 1930 the Bengal Banking Enquiry Committee estimated the average credit requirement of an agricultural family in that province as Rs. 160 a year on short-term or intermediate loans.[330] If either of these estimates is even approximately correct, the average loan

per member of agricultural societies is entirely inadequate.* In no province or state did the average loan in 1929–30 approach the Bengal estimate, and only in the Central Provinces and Berar, with an average of Rs. 92·8, did it come near that of the Mysore Committee. Bombay and Burma came next with Rs. 66·5 and Rs. 66·1 per member. In the Indian States of Travancore and Bhopal, the average loan per member was less than Rs. 20, while Bihar and Orissa and the United Provinces were lowest among the major provinces, with loans of Rs. 18·7 and Rs. 28·7 per member, respectively.

The Bihar and Orissa Banking Enquiry Committee believe the finance given agricultural primary society members not much more than three-fourths of their actual requirements.[331] The United Provinces Banking Enquiry Committee attribute the failure of members of societies to get enough to satisfy all their needs not to the lack of money so much as to the lack of security, and the fact that bad debts have been so numerous that banks and societies do not dare to advance more money.[332]

The importance of adequate finance is becoming increasingly recognized, but it is not encouraging to note that the average loan per member of agricultural societies was Rs. 7·6 less in 1929–30 than the Rs. 46·2 average in 1912–13 and Rs. 3·2 less than in 1928–29.† Even in Bombay Presidency the optimum estimate is that about half the members do not have to go to any outside agency for their current needs.[333] Loans in that province occasionally range as high as Rs. 750 for debt redemption, but in practice Rs. 200 or Rs. 300 is the limit of loans without the Registrar's special sanction.

It will be noted that with but two exceptions, the Central Provinces and Berar in British India and Bhopal among the Indian States, the finance available to members of non-agricultural societies was larger than that available to the rural society members, averaging, for the country as a whole, Rs. 99·8 against Rs. 38·6 per member of agricultural societies. The average loan per member of urban societies has risen

* See Table XII. † See Table IX.

by Rs. 28·5 from Rs. 71·3 in 1912–13.* In 1928–29 it was Rs. 22·3.

During the same period the ratio of average deposit per member to average loan per member has remained fairly constant for agricultural societies—approximately 1 : 8. It has varied more in non-agricultural societies but is still about 1 : 2.

A disquieting feature is the growing disparity between average liability and average loan per member of primary agricultural societies.† The difference between the two has increased steadily from Rs. 5·5 in 1912–13 to Rs. 41·1 in 1929–30 for the country as a whole. In Burma the rise has been from Rs. 3·4 to Rs. 63·5 in the same period, in the Punjab from Rs. 4·3 to Rs. 51·4, but in Bombay only from Rs. 14·2 to Rs. 27·4. It undoubtedly reflects to some extent the general increase in overdues in the last few years which is causing so much concern.

The general maximum per member set by the by-laws in the several provinces or determined for individual members at the annual meeting does not entitle each member as of right to borrow up to that limit. The Bombay Banking Enquiry Committee recommend that such normal credit statements as are required of primary societies by the central banks in that province be introduced in all societies. Under these, each society fixes in advance the credit limit of each member and arranges to secure the necessary funds in time to avoid the delays which are such a frequent source of dissatisfaction with the societies.[328] Each agricultural primary society maintains a register of assets and liabilities of each individual member, which is kept by the central bank and consulted in connection with loan applications.[334]

Considerable practical difficulty is reported from many parts of the country in preventing the concentration of loans in the hands of a few powerful members, such as members of the managing committee, while the others take what is left. In Berar, for example, at the end of 1928–29, 23 per cent. of the members owed about 63½ lakhs out of a total of 85 lakhs.[335] The Bengal Banking Enquiry Committee

* See Table IX. † See Table XI.

recommend, to combat this, that loans be granted to the *panchayat* only at general meetings of all the members.[336]

Credit for consumption, if granted without due safeguards, by general admission spells danger to lender or borrower or both. The Committee on Co-operation in India stressed the importance to the security of a co-operative credit society of the productive use of each loan.[337] But the situation in regard to legitimate purposes of loans is a little different in India, with its rigid social customs, than in most countries. The Acts are wisely silent on the purposes of loans, for in India the distinction has to be, not between productive and non-productive so much as between necessary and unnecessary purposes.[338] Probably nowhere is public opinion more strongly entrenched, and it would be a reckless man indeed who would scout it, for failure to make the expected expenditure on a son's marriage or other ceremonial may not only involve unpopularity for himself but handicap his other children in making advantageous matches. Besides their current cultivation and living expenses, then, agriculturists generally require funds for such occasional social expenditures, which not infrequently amount to a year's income.

Comparable data on the purposes of loans are not available for the country as a whole, but a few provinces from time to time have given out the results of their analyses. An analysis of loans made by co-operative societies in the Punjab during the five years ended in 1929 showed the main objects of borrowing to be as follows:

| Purpose of Loan. | Percentage. |
|---|---|
| Redemption and payment of old debts | 31 |
| Cultivation expenses, including land revenue and land improvement | 30 |
| Domestic purposes | 12 |
| Trade | 12 |
| Purchase of land | 7 |
| Other purposes | 8 |
| | 100 [339] |

In Madras, productive loans in 1929–30 represented 69·9 per cent. of the total loans of agricultural societies,

while the corresponding figure for non-agricultural societies was 54·2 per cent. This was in addition to 27·5 and 32·3 per cent., respectively, advanced by primary societies for paying off prior debts.[340]

The corresponding figures for agricultural societies in the Central Provinces and Berar in 1928–29 were not very different: 61·4 per cent. productive loans, 25·0 per cent. for debt redemption, and 13·6 per cent. unproductive loans.

In Travancore in 1927–28 productive loans by agricultural societies amounted to Rs. 10,57,439, compared with Rs. 4,95,273 non-productive, while non-agricultural societies' loans were Rs. 4,17,248 productive and Rs. 2,85,219 non-productive.[341]

In Mysore in 1929–30 debts totalling Rs. 95,15,745 were divided as follows:

| Purpose of Loan. | Percentage. |
|---|---|
| Maintenance charges, purchase of clothing, provisions, etc. | 21·2 |
| Redemption of prior debts . . . . . | 18·8 |
| Non-productive purposes, marriages, etc. . . . | 12·7 |
| Construction of houses, etc. . . . . | 6·6 |
| Productive purposes, land improvement, cultivation, etc. . | 40·7 |
| | 100·0 [342] |

That something is being achieved by the societies in the way of the control of credit is indicated by an analysis of indebtedness in the United Provinces reported by the Provincial Banking Enquiry Committee. While it was estimated, for the province as a whole, that only 30 per cent. of the indebtedness had been incurred for productive purposes, 47 per cent. of the loans of co-operative credit societies were for productive objects and only 16 per cent. of the latter's loans were rated as for avoidable unproductive purposes, compared with 36 per cent. for the entire province.[343]

One difficulty which only alertness and close mutual supervision can overcome is that the ostensible purpose for which loans are sought is not always the real purpose. Not only is there a frequent concealment of the object of a loan sought for the borrower's own use, but the *benami* loan, in which an obliging friend borrows in his own name for a member whose

limit of credit with the society has been reached, is not unknown. Fortunately it is not sufficiently common to constitute a real menace. Often it is the members of the *panchayat* who are the offenders in securing this type of loan through other members of the society.[344]

The period for which loans are granted has been a serious problem in connection with the Indian primary societies. Only recently is adequate distinction coming to be made between short- and long-term loans. The Madras Committee on Co-operation considered the general failure to recognize this distinction the most unsatisfactory feature of the co-operative movement.[345]

The period of loans is determined mainly by the possibility of repayment out of the income derived from its use or the resulting savings,[346] at least in theory. Short-term loans are properly those for current cultivation expenses, and repayment in a normal season should be expected out of the proceeds of the next harvest. But agriculture in India is peculiarly at the mercy of weather variation. In some sections, like dry Upper Burma, three bad harvests in succession are not unknown,[347] so elasticity in the resources of any institution which undertakes to finance the cultivators is indispensable. The Maclagan Committee laid down the rule that where the average cycle consists of one good, one bad, and two indifferent years the society should require repayment of loans after the first good harvest, as money-lenders always have done,[348] but that normally two years should be the maximum period for non-productive loans.[349]

" It is for the society to bear in mind the inevitable recurrence of good and bad years, to be economical in the issue of loans in times of plenty, and to be still more economical in times of stress, but at the same time to continue granting loans harvest after harvest until good times return, *ignoring if necessary the preconceived limits based on valuations of the member's property and earnings,** and finally to recover gradually but vigilantly all sums that a prudent money-lender would recover, without allowing the borrower to misuse on unnecessary objects the savings which he should refund to the society."[350]

* Italics mine.

The italicized portion seems to me dangerous counsel, however unavoidable in some cases this procedure may be. It raises the question whether co-operative societies are the solution for the hazards of precarious tracts.†

Two or three annual instalments usually are allowed for the repayment of advances taken for the purchase of bullocks, carts and implements, or domestic or ceremonial expenditures; and the repayment of loans to liquidate previous debt, to improve land, or to purchase and instal agricultural machinery must be spread over a longer period, often five to ten years.[351]

No one doubts the necessity of debt redemption provision if the agriculturists are to be put on their feet and given a fresh start, but credit societies of the ordinary type with their limited resources for long-term investments are not the proper agency to finance it on any large scale. The Committee on Co-operation in the Central Provinces deprecated especially the immediate redemption of old debts by new societies, as contravening sound banking principles.[352]

There is food for thought in the finding by the Madras Committee on Co-operation that the healthiest co-operation was in localities where the most stress was laid on short-term business. In certain districts where long-term business predominated some of the evidence indicated that the cultivators were deeper in debt than formerly.[345]

The period of loans in that province in 1929–30 was as follows:

| Period of Loan. | Agricultural Societies. | Non-Agricultural Societies. |
|---|---|---|
| Not exceeding one year . . . | 32·9% | 20·9% |
| One to two years . . . . | 7·9 | 29·2 |
| Two to five years . . . . | 37·7 | 32·3 |
| Five years and over . . . | 21·5 | 17·6 |
| | 100·0% | 100·0% [353] |

Unquestionably, one cause of the bad conditions in Upper Burma agricultural societies is the fact that much of the money was loaned for the purchase and settlement of land

† *Vide infra*, p. 217.

and the settlement of old debts, which the agriculturists were unable to repay out of their profits within a few years.[354]

The usual interest rates on loans to members of both agricultural and non-agricultural societies vary from 9¾ per cent. in Madras and Bombay to 12½ per cent. in the Punjab and 15 per cent. in most other major provinces.[351] Higher rates are not uncommon in backward tracts or in societies where special Government assistance is required, the principle of rate varying inversely with the degree of security obtaining within the movement as well as outside. Higher rates, too, are charged by most grain *golas*. A higher penal rate for default also is usual.

Any interest at all is objectionable to some very orthodox Muslims, who interpret so strictly the Koran's injunctions against usury that they will have nothing to do with a co-operative bank because it charges interest on loans.[355] The principle is reported to be weakening gradually, although the unclaimed interest on Mohammedans' deposits in the Post Office Savings Bank is said to amount to lakhs of rupees.[356] And this in spite of the Pathans, some of the most notorious usurers in India, professing that faith. Some Muslims are said to reconcile the taking of interest with their consciences on the specious sophistry that interest, while unlawful in a Mohammedan country, is permissible among infidels.[357] Where prejudice against interest and even against dividends on shares does exist among co-operative society members, it has the advantage of facilitating the building up of a society's owned capital.

Theoretically, the aim of co-operative societies is to give members better service for less than they would have to pay outside. The societies' rates have been, in general, well below those of the *mahajans* operating in the same territory, but the stand was taken early that moderately high rates are desirable, not only to discourage reckless borrowing and borrowing for re-loaning by members, but to provide for bad and doubtful debts, to cover management expenses, and to build up the society's surplus the more rapidly. The Maclagan Committee pointed out that a society's profits depend mainly on the difference between its borrowing and

lending rates and held that until the reserve fund had reached a substantial figure it was a mistake to reduce unnecessarily the rates at which money is lent to members.[319]

The disparity, however, between the primary societies' borrowing and lending rates* is considerably higher than in Europe, where the margin is said rarely to exceed 1 per cent.[359] The difficulty goes back of the primary societies in some provinces. The margin between the central banks' borrowing and lending rates is as much as 5 to 6 per cent. in the United Provinces, which surprisingly has the approval of the Provincial Banking Enquiry Committee.[360] In Bengal also the central banks are reported to borrow at 6 per cent. and lend to the primary societies at 10 $\frac{5}{6}$ per cent.

The Maclagan Committee warned of the dangers in sudden or large reductions below current market rates and blamed too low or prematurely reduced rates of the primary societies for half the central banks' difficulties in financing them.[361] As already mentioned, the Mysore Committee on Co-operation thought the failure of early agricultural banks in that State might perhaps have been due partly to too easy terms.[268] Present rates in Mysore are 9$\frac{3}{8}$ to 10 per cent. for agricultural societies and 8$\frac{1}{3}$ per cent. and less in the large urban banks.[342]

An additional objection raised to rates below that generally prevailing is that members are tempted to discharge first their obligations to the money-lender, while the societies' overdues pile up.[362]

Most new societies in the United Provinces are being prevailed on by the co-operative department to charge the market rate of interest and credit the difference between that and 15 per cent., the usual rate for societies in that province, to the savings accounts of members, available to them in emergencies.[363]

In spite of all that has been said, however, against the dangers of too low interest rates, I am convinced that, given proper control of credit, they are less objectionable than too high ones. And the rates which co-operative society members have to pay in most parts of the country are too

* *Vide infra*, p. 133.

high. Mr. Vaikunth L. Mehta, the able Managing Director of the Bombay Provincial Bank, perhaps the most successful one in India, believes that the rate charged should be the lowest possible consistent with safety and allowing for management expenses and bad-debt insurance.[346]

In this connection, a quotation from the Nicholson Report will be of interest. At that time (1895) the prevailing rates of Madras money-lenders were from 9 to 18 per cent., with 12 per cent. called " equitable interest." The Report states:

" When the interest on borrowed money is at 12 to 18 per cent., the profits, even of land improvements, must be swallowed up by the interest; *a fortiori*, credit at 12 to 18 per cent. for purposes other than land improvement must reduce the farmer to poverty and keep him a dependent pauper." [189]

Mr. Nicholson went on to point out that if the interest rate were reduced to 6 per cent., borrowing might be twice as large at no increase in annual cost.[189]

The following view appears in the report of the Bihar and Orissa Banking Enquiry Committee, published in 1930:

". . . it is exceedingly doubtful whether redemption of existing debt, *unless it is preceded, or at least accompanied by a substantial reduction of interest rates for current borrowing*, will confer any permanent benefit on the peasant. So long as he has to borrow for his year-to-year needs at even the relatively low rate prevailing in Bihar, 18¾ per cent., he will be likely to slip back into equal indebtedness in a few years." [364]

The Central Banking Enquiry Committee emphasize that " One of the main requisites of agricultural credit is that it should not be too costly. . . . Credit provided by the co-operative organization is still much too dear for the cultivator in some provinces. . . . We consider that if a rural society charges its members a rate higher than 12 per cent. per annum, it should form the subject of careful inquiry by the Provincial Government and the provincial bank concerned and steps should be taken to reduce the rate of interest.[365]

Insistence on payment of loans when due is vitally important, unless some obvious compelling reason like crop

failure or sickness justifies an extension. In such cases the extension should be formally allowed before the demand falls due. The Central Banking Enquiry Committee hold that " extensions for repayment should be given only in circumstances of exceptional difficulty." [366]

The Madras Co-operative Committee found extensions rarely granted without justification, but very often withheld when needed.[367] In many cases extensions granted by the central banks were not being passed on to members, with the result that penal interest was being charged improperly on members' loans.[368]

The Committee on Co-operative Societies in the United Provinces held that postponement should be liberally allowed, both by banks and societies, when crops are bad or an individual has suffered unexpected loss.[369]

Letting overdue debts slide or making book adjustments to show a loan paid and a fresh loan taken without any corresponding transactions taking place has been the bane of the movement in more than one province. Loans made immediately or very shortly after repayment of old loans should properly be objects of suspicion, especially in the case of agricultural societies, where current loans are not normally required at the harvest season, when repayment normally is made. At other times, where the money actually changes hands but a new loan is sought immediately, a short-time accommodation by an obliging money-lender may be the explanation.

The Banking Enquiry Committee in the United Provinces remarks:

> " Experience shows that in the majority of cases default often starts with one or two of the most influential members, and when no action is taken against them it spreads and becomes general. It is, therefore, of the utmost importance to take prompt action to effect recoveries." [370]

Not all village societies have the energy displayed by one at Dehra Dun in the United Provinces, where a member declined to pay his dues, with resulting danger of a loan being refused to the society as a whole. The other members waited until he had converted his produce into cash and

then surrounded his house and threatened to pull his roof down. He paid up promptly.[275]

In some provinces there has been considerable difficulty in getting the necessary co-operation of the authorities in enforcing arbitration awards. In the United Provinces in 1929–30, although armed with powers of arrest and attachment, they succeeded in collecting but 6 per cent. of the awards turned over to them.[371] The Registrar in that province feels that nothing short of drastic action against those who can pay but will not can restore faith in the co-operative credit societies.[372]

In regard to the distribution of profits of co-operative societies, the Act of 1912 provides:

" No part of the funds of a registered society shall be divided by way of bonus or dividend or otherwise among its members:

" Provided that after at least one-fourth of the net profits in any year have been carried to a reserve fund, payments from the remainder of such profits and from any profits of past years available for distribution may be made among the members to such extent and under such conditions as may be prescribed by the rules or by-laws:

" Provided also that in the case of a society with unlimited liability, no distribution of profits shall be made without the general or special order of the Local Government in this behalf.

" Any registered society may, with the sanction of the Registrar, after one-fourth of the net profits in any year has been carried to a reserve fund, contribute an amount not exceeding 10 per cent. of the remaining net profits to any charitable purpose, as defined in Section 2 of the Charitable Endowments Act, 1890."

It is recognized that the accumulation of profits should be no part of the aim of co-operative credit societies, so maximum rates for dividends are fixed in most provinces.[373] In Bengal the maximum dividend to shareholders in non-agricultural societies is 12·5 per cent. In Madras limited liability societies are restricted to 9 per cent. dividends.[374] In Bombay rebates and bonuses are distributed to members out of surplus profits according to the volume of their deposits or borrowing.[375]

Madras requires 50 per cent. of net profits to go to the reserve fund until it equals one-half a society's total liability, and after that 33⅓ per cent. must go to the reserve.[376] Madras village societies may pay dividends up to 6¼ per cent., but many pay none.[377] The Committee on Co-operation in that province discouraged the payment of any dividends by agricultural credit societies, in favour of holding the money for clerical work and the building up of reserve funds.[368]

In most other provinces, all surplus earnings of unlimited liability societies go to an indivisible reserve.[308]

The percentage of net profits which may go to some charitable or public welfare purpose varies with the province, subject to the maximum set down in the Act. It is limited in the Punjab to 7½ per cent., while under the Bombay Act, as mentioned above, 20 per cent. of net profits remaining after the reserve is taken care of may be devoted to such objects.

Special importance is claimed for this feature as strengthening the members' interest in and sense of responsibility for local conditions and helping to bring the movement close to the actual life of the people. The Bengal Registrar in his annual report for 1928–29 stated that there is a growing volume of opinion that the limit imposed by the National Act on the proportion of net profits which may be devoted to educational purposes should be raised.[378]

Keen interest in education for members and their children is a general feature of the movement. One Bengal cultivator's society alone has spent about Rs. 12,500 in subsidizing schools in its area.[379] In the Punjab and Bihar, as well as in Bengal, the societies are devoting considerable amounts to education, and night schools for adults have been started in Bombay by the generosity of an individual non-official co-operator.[380]

The societies registered under the Act of 1912 are bodies corporate.[381] The ultimate authority vests in the whole body of members in general meeting. At this meeting each member of a society with unlimited liability has a single vote, while a limited-liability society member has as many

as the by-laws prescribe.[382] At the end of the co-operative year the annual general meeting is held. At this accounts are submitted, the balance sheet is passed and the managing committee, chairman and secretary are elected. In some provinces the general meeting fixes the borrowing limit of individual members, sets the maximum amount the committee may borrow, dismisses members for misconduct or serious default, and settles the rates of interest for loans and deposits for the ensuing year.[301]

The scarcity of literate agriculturists with any knowledge of account keeping constitutes a real problem in some villages. Not infrequently in such cases the village accountant or village schoolmaster is pressed into service as secretary. Where no suitable person is available for the amount a single society usually can afford to pay, neighbouring societies sometimes are grouped together with a well-paid full-time secretary.[301] In the United Provinces in 1929–30 the accounts of 2,500 societies were kept by group secretaries, while 1,500 societies kept their own.[383]

Theoretically in the interest of efficiency and economy, the group-secretary plan is found to have decided drawbacks in practice. The Maclagan Committee frowned on group secretaries except as a temporary expedient, as giving the secretary too much power, and recommended that the secretary be kept, as far as possible, to clerical work, and that he be a local man.[384] In some provinces no society is registered unless it can produce a local literate secretary.[369] In several provinces training classes for secretaries have been organized in the last few years, the work having been undertaken in most cases by the provincial co-operative institutes.

Only the secretary ever is paid, as a rule, the committee of management of a primary society always serving gratuitously, and the secretary sometimes also. The practice in Madras of basing secretaries' remuneration on profits or loans granted was frowned on by the provincial Committee on Co-operation as providing a temptation which should be avoided.[385]

While a managing committee is not specifically required by the Act of 1912, its existence is assumed.[382] The com-

mittee normally consists of five to nine members. The chairman is generally one of the leading people in the village. The usual disqualifications for committee membership are:

1. Being under twenty-one years of age.
2. Holding office or a place of profit under the society or having relatives who do so.
3. Holding less than a specified number of shares or having been a member less than a specified time.
4. Carrying on any business similar to that of the society, *i.e.* being a money-lender.[381]

Subject to any restrictions or regulations laid down by the society or its by-laws, the committee exercises all the powers of the society except those reserved for a general meeting. It cannot delegate its powers unless authorized in the general meeting to do so. Its duties consist in observing the Acts, rules and by-laws; maintaining true accounts of money received and expended; keeping accounts of the society's assets and liabilities; facilitating the inspection of books by those authorized to see them; preparing and presenting to the general meeting an annual profit and loss statement; watching that loans are applied to the purpose for which they were approved; maintaining an up-to-date register of members.[381] The committee alone can receive deposits, arrange for outside loans, grant loans to members, and take action in case of defaulting members.[301] The committee superintends the secretary, who carries on the actual daily work.

The secretary keeps the accounts according to rules framed by the Local Government. The minimum requirements for the accounts of a credit society are described as a cash book, a ledger account for each member, a register showing when repayment of loans is due, a register of deposits and a minute book. In some provinces the secretary must keep also a share transfer register; an interest account; an expense account; a bank account; a receipt book with forms in duplicate; a limited liability register showing the indebtedness of each member to the society, whether on account of loans he has taken direct or on account of those for which

he stands surety; and, in the case of unlimited liability societies, a statement showing the assets and liabilities of each member at the date of his admission, as well as on the last day of each co-operative year. The law requires the publication of a balance sheet twice a year. In addition, a statement of capital assets and liabilities must be kept conspicuously posted and every member and creditor is entitled to a copy.[386]

The vesting of final authority in a general meeting of the members is only nominal in many cases. Due partly, no doubt, to the members' illiteracy, they are frequently uninformed on the society's affairs and, what is worse, uninterested. The Maclagan Committee recommended frequent general meetings,[271] but even the annual meetings often are not well attended, and it has been suggested seriously that members be attracted to them by various side features such as socials and exhibitions.[387] The Bihar and Orissa Banking Enquiry Committee believed that the contribution the actual cultivator makes to the effective running of the machine is much below what it should be if the co-operative ideal were fully realized.[388] Their apathy encourages interference by their central bank, besides giving an undue amount of power to the officers, which has not infrequently been abused by favouritism in making loans or even, more rarely, by criminal practices.

The Indian *ryot* is said to be "proverbially honest and straightforward in his dealings except when years of famine and hardship make him at times crafty and recalcitrant,"[389] but the Burma Registrar claimed in his annual report for 1928–29 that the dishonesty of union and society officers had been a potent factor in the undermining of the co-operative credit system in Burma. There were thirty prosecutions for embezzlement in that province in 1928–29.[390] In Madras Presidency there were twenty-one convictions of office-bearers and staff of co-operative societies in 1929–30 for misappropriation of funds, criminal breach of trust, or falsification of accounts,[391] but even if all the offenders were in separate societies a negligible fraction of the province's 15,237 primary societies was involved. In Bombay Presidency in the same year there were nineteen

criminal prosecutions, involving a total amount of Rs. 12,094. The Registrar remarks in his annual report, " It is gratifying to note that notwithstanding great temptations and the opportunities for committing fraud, the tendency towards criminal offences and abuse of powers shows no increase." [392]

The Committee on Co-operation pronounced re-election to the managing committee permissible, but stated that the ordinary period for which a committee is elected should not exceed one year.[384] The Mysore Co-operative Committee thought it undesirable to keep the same management year after year because it prevents early detection of mistakes and also fails to train a large number in management.[393]

The management cost of agricultural credit societies varies widely with the province and among individual societies. In 1917 the cost of management was worked out as a percentage of total turnover of co-operative credit institutions of different types. It amounted to 1·25 per cent. of the grand turnover for agricultural societies, as compared with 1·2 per cent. for non-agricultural primary societies and 1·96 per cent. for central banks, which Mr. Wolff, the great authority on co-operation, considered not excessive in view of the circumstances, the difficulties of communication and the small size of the societies concerned.[394]

For the country as a whole in 1929–30 management costs worked out to an average of Rs. 1·2 per member for agricultural societies, as compared with Rs. 2·2 per member for non-agricultural societies.* These figures represent 1·1 and 1·5 per cent. of total working capital of agricultural and non-agricultural societies respectively. Tables XIII, XIV, and XV show the cost of management of the different types of societies in each province and Indian State in that year.

The Bombay Registrar complains, in his report for 1929–30, that the cost of management of some societies is too high, amounting to 2·3 per cent. of working capital in some cases. It is noteworthy that, in the district affected, 105 out of 244 societies were working at a loss.[273]

* See Tables VI and VII.

No comment is needed on the situation in Burma, where the cost of management of agricultural societies in 1928–29 was Rs. 5·3 and of non-agricultural societies Rs. 5·7 per member. In one district the management cost the previous year was as high as Rs. 10 per member, and in several societies it averaged from Rs. 15 to Rs. 20 per member. Can one wonder that the Registrar remarked in a recent annual report: "There can be no doubt that excessive costs of management have contributed largely to the ruin of many societies in Upper Burma"? [395] In 1929–30 the figures for agricultural and non-agricultural societies were 5·4 and 5·0 per cent. respectively.

Of course gratuitous service by members convinced of the value of co-operation is the sovereign specific for high management costs.

The Act of 1912 provides that a registered society may invest or deposit its funds—other than those immediately required in its business—in the Government Savings Bank, in certain specified securities, in the shares or on the security of any other registered society, with any bank approved by the Registrar or in any other way the rules permit. The Maclagan Committee objected, for obvious reasons, to primary societies' investing in the shares of any society with unlimited responsibility, but numerous societies in Madras and the Punjab are members of other primary societies. In general the surpluses of primary societies are concentrated in the central banks which finance them,[318] though the Maclagen Committee favoured primary societies' using their surplus assets in loans to members, after due provision for fluid resources.[384]

Reference has been made to some of the types of mismanagement from which societies suffer, of which, short of actual criminal practices, book adjustments are perhaps the chief. They have been particularly serious in Burma, where the evil had spread practically throughout the system and, by concealing the facts, was largely responsible for postponing far too long the recognition of the seriousness of the situation. The difficulty was not confined to the perpetuation of loans by fictitious entries of payments and

new loans. It would seem fairly obvious that where debts are bad or doubtful partial recoveries should be allocated against principal rather than interest, but many societies were crediting them to interest and making an impressive showing of paper profits.[396]

Rule 19 of the Burma Co-operative Societies Rules, promulgated in 1931, seeks to forestall this abuse:

> " Moneys received by a co-operative society on account of a loan to a member, any part of which is overdue, shall in the accounts of such society be allocated to repayment of the principal, and no sum shall be entered in the accounts as interest received on account of such loan until the amount overdue on account of principal has been fully recovered."

Certainly these practices should have come to light if supervision had been sufficiently alert and vigilant.

An annual audit of every society, including an examination of overdue accounts, if any, and evaluation of a society's assets and liabilities, is required by law, but pressure of work and an inadequate staff sometimes have made it impossible to include all societies in the audit, even once a year. In Hyderabad less than half the societies were audited in 1928–29, due to leave of inspectors, etc.[397] Furthermore, the audit may be quite perfunctory. The Maclagan Committee defined the purpose of the audit of a primary society as " to assure Government, through whose agency the societies were formed, that they are developing on sound lines, and only secondarily for the satisfaction of central banks or outside investors, who have entrusted money to the movement, and of the society members themselves. . . . It is clear that it was never intended that the audit should be merely an arithmetical one."

The ultimate responsibility for audit rests upon the Registrar, but he may delegate the task either to his subordinates or to a non-official agency.

There has been not a little confusion about the differentiation of the functions of audit, inspection, and supervision, and where the responsibility for the latter two should rest. There is no uniformity of practice. In some provinces two agencies handle the three functions; in others they are

entrusted to three agencies; while in Baroda the Co-operative Department discharges all three.

The subject was exhaustively considered by the Second All-India Co-operative Institutes' Conference, which met at Hyderabad April 4 and 5, 1931, and which stressed the considerable duplication of work and wastefulness of the system. They recommended that the various provinces and states adopt, with such modifications as their local conditions require, a scheme whereby the central financing agencies should retain the duty of inspection but audit should be entrusted to the non-official Provincial Institute. District Audit Unions, composed of representatives of a manageable number of societies, would be affiliated, under this plan, with the Provincial Institute; and their staff, who would audit primary societies, instruct their committees, and assist them to rectify irregularities found in connection with the audit, would be appointed by the Institute and licensed by the Registrar. This proposal is not dissimilar to the present system in Hyderabad, Berar, and the Punjab.

The Conference followed the lead of the last Conference of Registrars in 1928 in favouring free audit for primary agricultural societies.[398] Free audit of primary societies is the rule in Madras, but in Bombay the poverty of the Provincial Government has led to its practical abolition. In Bihar and Orissa the Government bears the entire cost of audit of primary societies less than two years old, and of those in backward areas, and contributes Rs. 3–8 towards the cost of auditing other agricultural societies with unlimited liability, out of an estimated total cost of Rs. 15 per society.[399] The audit fee in the Punjab, since 1928, has been 10 per cent. of annual profits, which goes to the Provincial Co-operative Union.[400] There can be no excuse, however, for a Provincial Government collecting more from societies in audit fees than is expended on audit, as has been the case in Bengal. In 1928–29 the surplus was over a lakh of rupees.[274]

The Royal Commission on Agriculture, however, was opposed in principle to free audit: "As a rule, we consider that Government should spend money on education rather

than audit. The audit of healthy societies is not a proper charge on the public funds." [401]

The Maclagan Committee defined audit as involving " 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 the material assets of the members. The audit should . . . extend beyond the bare requirements of the Act and should embrace an inquiry into all the circumstances which determine the general position of a society. It would, for instance, be the duty of the auditor to notice any instances in which the Act, rules, or by-laws had been infringed, to verify the cash balances and certify the correctness of 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 and 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." [402]

A perfunctory audit with failure to analyse the findings and to see that defects are corrected is little, if any, better than none. The Burma Registrar in his report for 1925–26 assured the public that each society was very thoroughly inspected once a year by the Assistant Registrar or his deputy.[399] Doubtless the same would have been claimed prior to 1921–22 when the seeds of the present situation were sown, but how much that inspection amounted to is evidenced by the appalling number of subsequent liquidations in that province.

A commendable feature of the audit system in Madras is the requirement that the auditors summarize immediately the defects brought out by the audit, the statement being sent to banks and federations for necessary action.[403]

The requirement is general that primary societies shall be rated comparatively on the basis of the annual audit findings, but the basis of classification is more or less arbitrary, so the results are not strictly comparable, either as between provinces or from year to year in the same province. In Mysore the basis of classification is defined as follows:

A Societies—Requiring no help from official or non-official staff.
B ,, —Generally sound but not perfect in all respects.
C ,, —Bad societies capable of improvement.
D ,, —Societies which have to be cancelled if not improved within two years.[404]

Whether the majority of the societies are assigned to Class B or Class C depends on the strictness of standards and perhaps on the optimism of the local classifier.

Opinions differ somewhat as to the number of societies one auditor can handle satisfactorily. The Madras Committee on Co-operation believed that not more than 60 should be assigned to a single auditor.[405] The Maclagan Committee contemplated original audits being conducted by representatives of the co-operative societies, with super-audit at two-year, or, later, at three-year or longer intervals, so that each Government auditor could be in charge of 200 or 300 societies.[406] The Bombay Registrar believes one auditor necessary for about 100 societies. In Bengal in 1928–29, each auditor was supposed to audit 160 primary societies, which the Provincial Banking Enquiry Committee pronounced a physical impossibility.[274]

The Maclagan Committee stressed the importance of the Registrar satisfying himself on the following points before registering any society:

(1) Whether the proposed members have assimilated the principles of co-operation.
(2) Whether they are too involved in debt to make a society successful.
(3) Whether adequate working capital is available.
(4) Whether the applicants are men of good character " and the village as a whole free from the taint of litigiousness."
(5) Whether means are at hand to provide for the necessary supervision of the society when formed..
(6) The suitability of the proposed secretary and committee.[276]

Unfortunately, this sage advice was lost sight of many times in the zeal for numbers, which led to such a spectacular growth of the movement. In Burma, between 1915–16 and 1921–22, when a halt was called,, an average of 396 agricultural credit societies were registered each year, which the present Registrar in that province blames primarily for

the present state of affairs.[407] In the United Provinces over 3,300 societies were registered from 1919 to 1923.[408] The general tendency is towards greater caution in enrolling new societies.

But even after societies are formed, their supervision is made vitally necessary by the illiteracy of the great bulk of the members and the resulting difficulty in making them real participators in the direction of their societies. Inadequate supervision is blamed frankly by the Committee on Co-operation in the United Provinces for the unsatisfactory state of co-operation in that province,[409] and it is doubtless responsible for many failures in other quarters.

Where the function of supervision is exercised, as it often is, by the central banks, supplementary contributions from the Provincial Government towards the pay of supervisors have been common, as in Assam[410] and Bengal.[411]

The supervisor's primary duty, of course, is to educate the society and especially its officers in their work, but in many cases they also help the *panchayat* to collect the amounts due. Their inadequate pay is an undoubted handicap to the movement. In Bombay an inspector's pay averages Rs. 60 a month, while in Hyderabad inspectors start at Rs. 30 or Rs. 35, according to their educational qualifications, working gradually up to a maximum of Rs. 40 or Rs. 50 a month, with an additional Rs. 10 as conveyance allowance.[397] Wages in India are generally low, but, considering the type of man required for this post, these figures certainly are inadequate. The Hyderabad Registrar complains of the great difficulty in getting for that salary applicants who have completed high school.[412] Similar complaint of lack of the right type of men is made in the Central Provinces.

In Bombay the usual local controlling agency, except for financial administration, is the supervising union. These unions are being grouped rapidly in district federations. The Provincial Banking Enquiry Committee is in favour of giving them the power, with the consent of the Registrar, to suspend a society which is not working properly, and to entrust the management to a suitable person or persons for a definite period, not exceeding two years, at the end of

which the society should be either reinstated or wound up.[413]

In the Punjab each inspector has about 200 societies in his charge, with six sub-inspectors working under him. This is in addition to the inspection by the central banks, to satisfy themselves as to the condition of the societies they are financing. The Bengal Registrar considers thirty societies to a supervisor ideal.[414]

In Madras, for the intensive village reconstruction work undertaken in the Alamuru District, there are four supervisors for every twenty-five societies.

In the Central Provinces and Berar the group system, introduced by the central banks for the education and supervision of primary societies in 1926–27, is reported working well where a central bank's finances permit an adequate number of group officers. Groups in Berar are composed of thirty societies each.[415] A chief group officer in every bank co-ordinates and controls the group officers' activities.[416]

Obviously, the application of unlimited liability in any given case must result in loss and often in great misery to the members affected, besides shaking confidence in the movement over a considerable area. As the Madras Co-operative Committee point out, the enforcement of unlimited liability results "in the ruin of the members for whose benefit the societies were formed."[345] It is reported that in one province 40 per cent. of the defaulting members of 130 liquidated societies in a single district were so broken in spirit that they left to seek fortunes elsewhere, while half the remainder gave up the cultivation of their lands in despair.[417]

The Bihar and Orissa Banking Enquiry Committee urge that it is essential to prevent societies reaching the stage of liquidation, or, if it is inevitable, that it be carried through *before individual defaulters become insolvent.*[418] *It is in* letting matters drift that the danger lies—hence the necessity for thorough supervision and vigorous and prompt action when necessary.

(b) *Urban Societies*

While the chief attention of the Registrar has from the beginning been focussed on the rural co-operative bodies, the urgent need of co-operative credit among the employee class in the cities, artisans engaged in handicrafts and cottage industries, and small traders, has not been overlooked, though urban co-operation still is quite unevenly distributed.

The Bombay Banking Enquiry Committee classified urban co-operative societies in four groups:

First, and most important from the point of view of banking, those which aim at doing a general banking business, especially for traders, entrepreneurs, and artisans.

Second, societies for salary earners.

Third, societies which meet the needs of all classes in urban areas, working on a smaller scale than the first group and content to function as simple credit societies in compact smaller areas.

Fourth, societies organized for special purposes or special classes, such as thrift societies, education societies, debt redemption societies, and communal societies.[419]

This breakdown is not altogether satisfactory, as the last class brackets together credit and non-credit institutions, but Table V brings out the importance of credit among the purposes of non-agricultural societies, there having been at the end of 1929–30, 5,020 primary urban credit societies, compared with 5,235 urban societies of all other types. It will be noted that the disproportion between credit and other types of co-operative societies is less marked, however, in the case of urban societies than in that of rural ones. Table VII gives in detail the operations of non-agricultural societies in 1929–30.

In Bombay, which is especially prominent in urban co-operation, urban societies with a working capital in excess of Rs. 50,000 are called urban banks. Some, like the *Lalubhai Samaldas People's Bank of Bombay, had their* inception in a small-scale credit society. At the end of 1929–30 there were 76 such urban banks in the Presidency.[420]

Such banks are indistinguishable in their functions from

commercial banks. They have fixed, savings and current accounts. Their chief business is in short-term credit,[421] long-term credit being recognized generally as outside the field of urban co-operative societies. Lending in them, as in the agricultural societies, may be only to members, except, with the sanction of the Registrar, to another society. The Bombay Banking Enquiry Committee, however, believes that urban banks should not be allowed to finance artisans' societies, which, it holds, is the legitimate province of the central banks,[230] but many people's banks do lend to other primary societies. The amounts which may be lent to any one member without mortgage or other tangible security are limited under the by-laws.

Non-members are welcome for other business, except the discounting of bills, on an equal footing with members, but they do not, of course, share in the dividends or in any bonus paid sometimes to members on the basis of their volume of transactions with the bank.[422]

Outside of Bombay Presidency and Bengal, the co-operative banks are disappointingly slow in taking up the business of discounting *hundis*, or two-name trade acceptances, which are so important for the country's economic development. One Bengal bank has an annual *hundi* business of two lakhs of rupees.[423]

The Bombay Banking Enquiry Committee suggests also that the business of urban banks could be expanded considerably in the direction of advances on the security of gold and silver, as well as on the security of agricultural produce, the latter business calling in many cases for the construction of godowns.[424]

Provident schemes are a feature of several urban banks in Mysore,[425] as well as of both urban and central banks in Bengal. Small monthly payments secure to subscribers a fixed sum, including a good profit on their deposits, at the end of a certain period.[310]

The urban credit societies in general are on the Schulze-Delitzsch model, with the working capital derived chiefly from deposits and share capital,[426] and with limited liability, which applies either to the amount, if any, unpaid on shares

held by individual members, or to such amount as the members may undertake to contribute respectively to the assets of the society in the event of its being wound up. The amount for which individual members are liable must not be less than the share value, and the amount of liability attaching to each share must be fixed by the by-laws. A society cannot reduce the liability on each share without reconstitution, but it may reduce total liability, with the sanction of the Registrar, by reducing the number of shares.[427]

Their general lines of working are similar to those of agricultural societies with unlimited liability, except that profits may be divided after the required 25 per cent. is set aside as a contribution to the reserve,[375] workers are more generally paid, and current accounts are a common feature of the people's bank, though not permitted in all provinces.[375]

The dangers of large societies are negligible on the urban side of co-operative credit, the qualitative factor in regard to membership far outweighing the quantitative. Too small a scale in city banks, as Professor H. L. Kaji, Honorary Secretary of the All-India Co-operative Institutes' Association, has pointed out, is only too likely to mean inefficient management and staff and unbusinesslike methods. He calls attention to a drawback often overlooked, *i.e.* that too close a tie between members, in addition to facilitating thorough knowledge of the borrower, which is desirable, fosters sentiment and back-stairs influence, which are not.[235] He believes that there are too many small, poorly managed urban societies, which hurt the standing of the movement, although the inadequacy of untrained management has been repeatedly demonstrated.

The safe expansion of co-operative societies' activities, either in size or complexity, depends largely on competent staffs. The larger co-operative banks include among their members and directors the best educated and qualified men available. The value of competent management has been shown convincingly in Bombay Presidency, where the urban societies have made a fine record, thanks largely to the efforts of philanthropic financiers like Sir Lalubhai Samaldas

and the late Sir Vithaldas Thackersey, who have guided their fortunes.

Member deposits represented 27·7 per cent. of the working capital of non-agricultural societies, and non-member deposits 22 per cent. in 1929–30, as compared with 5·2 and 4 per cent., respectively, of the working capital of rural societies.* The average deposit per member of urban societies has grown rather steadily from Rs. 34·7 in 1912–13 to Rs. 39·4 in 1929–30, and the average loan per member in the same period from Rs. 46·2 to Rs. 99·8, as is brought out in Tables XII and XIII. Table IX gives per member averages at five-year intervals for the country as a whole. It should be borne in mind, however, that this calculation includes the membership of societies which have some other main function than credit, so that the loan per member and deposit per member in credit societies proper are undoubtedly larger than these figures indicate. In Bengal, total liabilities in deposits and loans cannot exceed ten times the value of the subscribed capital, and there are similar rules in other provinces.[428] †

Unlike the situation in the agricultural societies, the average liability per member is less than the average loan per member during the year, Rs. 90·9 compared with Rs. 99·8 in urban societies in 1929–30, as compared with Rs. 79·7 and Rs. 38·6, respectively, in agricultural societies.‡ The average holding in owned capital, plus the average deposit per member, was just less than the average liability per member of urban societies for the country as a whole, whereas it represented only Rs. 38·1 against an average liability of Rs. 79·7 per member of rural societies.§ Interest rates in general are well below those of rural societies in the same province.

The People's Co-operative Bank, Ltd. of Surat may be instanced as a bank of this type. Established in 1922 with an authorized share capital of Rs. 2,00,000, its working capital in 1930–31 was Rs. 14,15,881. Owned capital represented, however, but 10·6 per cent. of this, deposits

* See Table IV.
† *Vide supra*, p. 70.
‡ See Table XI.
§ See Tables X and XIII.

accounting for 84·7 per cent. of the total, made up of Rs. 5,19,943 in fixed deposits, Rs. 3,91,033 in savings accounts, and Rs. 2,88,314 in current accounts. The bank's loans in that year amounted to Rs. 374,901 and overdrafts on current accounts to Rs. 2,61,999, while it did a business of Rs. 97,885 in usance *hundîs*.[429] It had cash on hand or in bank, March 31, 1931, totaling Rs. 2,85,896, and investments in Government paper and municipal bonds to the value of Rs. 2,77,024. Net profit in 1929–30 amounted to 15 per cent. of share capital and a dividend of 8 per cent. was paid.

Profits could no doubt have been larger but for the handicap of the large surplus capital, which evidently is this bank's most serious problem. The solution would seem to be the reduction of interest rates on deposits—even on current accounts 2 per cent. is paid at present—until a more profitable ratio is reached between the bank's liabilities and volume of business.

The bank seems otherwise in very healthy condition and carefully managed. Loan applications are investigated by a sub-committee which attends to recovery so effectively that only Rs. 203 had to be written off as bad debts during the year. Pains are taken to exclude shareholders who do not want to use the society except as an investment. The Managing Director, Rao Saheb V. C. Jadav, told the writer that he personally interviews each prospective member, to satisfy himself of their object and their familiarity with the principles of co-operation. The membership is mixed and includes members of the depressed classes as well as Hindus and Muslims.

Membership in the ordinary people's bank is not limited to a special caste or occupation, but there are some banks organized on a communal basis which have been quite successful. The strong unifying force of caste has been turned to good account in the service of the movement, and credit societies on a caste basis are reported to have been generally successful. Furthermore, the achievements of one caste are said to arouse emulation in others.

The writer visited the main office of one such communal bank, the Shamrao Vital Co-operative Bank, Ltd., started

in Bombay in 1906 and conducted by and for the local Saraswat Brahmins. Modestly housed in three small rooms in a co-operative apartment house, and with a small safe by way of vault, this bank and its four branches have a working capital of more than 18 lakhs of rupees and its deposits amount to almost 12 lakhs.

Some of the communal banks in Sind have been particularly prosperous. The lending limit per member of two banks there is as high as Rs. 10,000, and loans are given for the higher education of members' children, for business, house building, and debt redemption.[420]

There is undoubtedly a weakness, from the standpoint of national unity, in unduly stressing communal feeling, and this requires to be carefully guarded against in such societies.

The great danger in connection with all urban credit societies is the losing sight of their primary objective, the encouragement of thrift, and degeneration into mere money-lending societies. Compulsory deposits are being introduced in many urban societies in the Punjab to counteract the tendency to borrow rather than to save.[430] Monthly subscriptions to share capital serve the same purpose and are common to many urban credit societies, including salary-earners' societies, which are or should be virtually thrift societies.

Salary-earners' societies form an important branch of urban co-operation. In theory more precarious than co-operative agricultural credit, because of the more frequent absence of tangible security, they have been more uniformly successful, although always overshadowed numerically by the rural societies.

Credit for consumption is a risky business at best, and controlled credit is especially necessary in the salary-earners' and mill-hands' societies, where loans are sought as a rule for purposes which, however necessary, cannot be called productive in the sense that repayment can be expected out of the proceeds of the funds employed. The salary-earner's sole assets may be his honesty and his ability to save, and the possible margin between his earnings and his unavoidable expenditures the only security he has to offer.[431]

If a man's earnings, with his best efforts, will not stretch to cover his absolutely necessary expenditure, and there are too many such in India, he may be a proper object for charity until the grave deficiencies of the Indian wage scale can be corrected, but there is no place for him in a credit society. This statement is not vitiated by the fact that the Punjab boasts four beggar members of an urban credit society,[272] for begging is a serious profession in that province, followed by over half a million people, according to the Census of 1921.[432]

A common device for encouraging thrift and discouraging unproductive loans in such societies is to limit the amount of a loan to a given multiple of a member's deposits or of the shares held. Sometimes lending maxima are based on fixed multiples of the monthly salary.

Among the most successful of the salary-earners' societies are the railway societies and those for employees of certain Government Departments. In Calcutta, for instance, nearly every important Government office and private firm has its own credit society. In some cases their reserve and other funds have accumulated so that they have been able to reduce interest on loans to 6 per cent.[374]

Thrift is encouraged to such good purpose among the 20,000 members of the Co-operative Bank of the Bombay, Baroda and Central India Railway Company that the working of this society received the special commendation of the Whitley Labour Commission, which mentioned in its report that in the five years, 1924–29, it had loaned 1⅓ crores of rupees with losses less than 1/1000 part of collections.[433] Its fixed deposits equal about 25 lakhs of rupees and its savings account deposits about 8 lakhs. The railway really manages the society, handling collections from each employee through the nearest station, and administering affairs from its central offices, but the members nominally have control. Such societies unquestionably are of great benefit to their members, but to what extent they are entitled to the designation "co-operative" is open to question.

There are numerous credit societies for the employees of

large industrial concerns, often launched with financial assistance from the company as part of its welfare programme. In fact, the formation of such co-operative credit societies has been recognized for some years as essential to every well-thought-out plan for industrial welfare work.[434] That employers, in their own interest, should give greater attention to the provision of credit facilities for their employees and also should take more part in the supervision of societies started for their benefit is the opinion of the Central Banking Enquiry Committee.[435]

In such societies, too, the fiction of supreme control vesting in the general members' meeting is maintained, but their success depends largely on the interest taken by the firm, and especially on its co-operation in deducting from salaries amounts due to the society. A forceful illustration of the need for such compulsory deductions from wages was furnished by the case of two societies of the Golmuri Tinplate Company in Bihar and Orissa, out of whose entire loan outstanding against members—Rs. 28,744—Rs. 27,413 became overdue.[436] If the company co-operates in this way, bad debts are negligible where there is reasonable stability of tenure. It is chiefly the rapid turnover among mill-hands that makes societies for the poorly-paid groups more hazardous.

Personal sureties are demanded in practically all cases. The interest charged on loans varies, but averages well below money-lenders' rates. Payments are spread over different periods, but are normally on a short-term basis.

The managing committee in " company " credit societies is very likely to be dominated by its *ex officio* members. Such an *ex officio* officer was chairman of the annual meeting of one employees' society in a large industrial establishment which the writer attended. They went through all the motions of nominations, elections, and passing of resolutions, but everything was cut-and-dried and evidently according to a pre-arranged programme. When nominations were called for, one member rose and read a list of names to which no additions were offered, and the slate was elected unanimously. Resolutions similarly were read when called for by

the chairman and passed without discussion. Such highly centralized control is scarcely democratic or in harmony with co-operative principles, and must fail in one of the chief objects of the co-operative movement, the education of the members and the increasing of their sense of responsibility and initiative.

One group of Bombay cloth mills has twenty-eight credit societies among its employees, all of them flourishing. Ten of them are rated by the Registrar as "A" societies and all the rest as "B." These societies grant both long- and short-term loans, and deal directly with the Pathan involved, when clearing off a member's old debts, to insure his giving a receipt in full. Members' deposits are, on the whole, disappointingly small.

Urban credit societies of unlimited liability have been chiefly among the depressed or backward classes. Their record has not been encouraging in some provinces. They are reported dead or moribund in numbers in Bihar and Orissa and Bombay. In the latter province some twenty societies were started among mill-workers by the Debt Redemption Committee, but most of the money, fortunately contributed on a semi-philanthropic basis, has been lost. The Provincial Banking Enquiry Committee believes that for the present the organization of societies for urban areas should be confined to servants of public or private bodies which are willing to assist in recovering the loans by deductions from salaries.[437]

Some of the most gratifying results of urban co-operative credit, however, are reported in other provinces to have been in connection with the depressed classes in the larger cities. In the Indian States, perhaps even more than in British India, special emphasis has been laid on work for their benefit. In Mysore in 1929–30 there were 265 co-operative societies for the depressed classes, with 5,767 members. Their working capital per member was, however, only Rs. 18, as compared with Rs. 133·8 per member for the state as a whole. Recoveries of these societies are reported generally satisfactory. The Government gives them special help with loans repayable in five equal annual instalments,

no interest being charged for the first two years and but 5 per cent. thereafter.[438]

In Madras the Committee on Co-operation reported the results of co-operation among the depressed classes as surprising,[439] their societies comparing favourably with ordinary primary societies. Considerable amounts were advanced to members of such societies for house sites, and by June 30, 1927, 258 of these societies held over 30,000 acres of land on loan or assignment.[439] Sweepers' societies in Bombay, except in Karachi, did not turn out very well, but in Bengal the Provincial Banking Enquiry Committee report remarkable progress for the societies of sweepers employed by the municipalities. Members had been freed from debt to money-lenders in most cases and the standard of living among the members of several classes had improved appreciably.[440]

The Maclagan Committee classed such societies, along with others on occupational lines, as for weavers, butchers and scavengers, as by far the most valuable and hopeful form of urban credit societies.[441] The Committee's sanguine statement that members of these classes generally are most punctual and honest repayers has not been borne out altogether by the record of the societies for the largely transient group of lower-paid mill-workers, but their untoward fate has not overtaken numerous other societies for the benefit of particular occupational groups.

Credit societies for the benefit of weavers and other groups of small artisans form an important aspect of the non-agricultural side of the movement. Numerous such societies of artisans assume, to a greater or less extent, the purchase of their supplies and the sale of their finished products, but in many, perhaps most, such societies, credit is the principal feature, either designedly from the start or by gradual atrophy of other functions. It is generally conceded that the small artisan class is in urgent need of controlled credit on reasonable terms. A prominent Indian economist, Mr. Radhakamal Mukherjee, claimed in 1916 that wherever India's small industries were suffering the main cause was want of convenient credit.[442] Many artisans are reported to be

virtually in perpetual bondage to their wholesale merchant, with no real control over the disposal of their products because his advance of their raw materials or of the funds to purchase them is given on the condition, expressed or implied, that the finished goods shall be sold to him. Naturally, in industries where raw materials are expensive, the tendency is greatest for the workers to be under the thumb of their supplier of credit.

Co-operative credit societies have been hailed as the obvious solution, and these have been formed in most provinces. In Bengal and the Punjab considerable success is reported to have attended the organization of central unions among weavers' societies, while similar intensive work in Bombay and Bihar and Orissa also has had good results.[286] Co-operative societies have been formed by numerous other artisan groups, but as they are largely for purposes other than credit, they will be considered under the heading of " Industrial Societies." *

Special credit societies to benefit fishermen have been formed in several provinces, notably Madras, Bengal, and Travancore. The Bengal Registrar, in a recent annual report, indicated that he considered a systematic and more organized attempt to form fishermen's societies essential, as the money-lenders' control of their catches removes the incentive of fair price necessary to encourage increased production.[443]

Many societies for special classes are sponsored or directed by some Government department other than the co-operative department. In Burma, for example, some of the credit societies among industrialists are under the control of the Superintendent of Cottage Industries, though the number of societies so administered has been declining.[444] In Madras the administration of 3,054 societies at the end of 1929–30 was divided among the labour department, the fisheries department, special Kaller officers, and the co-operative department. It is worthy of note that those under the co-operative department among these special-class societies had no overdues at the end of the year.[445]

* *Vide infra*, p. 177.

### (c) *Unions*

The importance of the question of supervision, both of rural and urban societies, has been discussed. The union of primary societies represents one attempted solution. The Maclagan Committee defined a union as " a body of which the only members are the primary societies within a circle of a radius averaging generally about eight miles and at the deliberations of which each member society has a number of votes proportionate to the number of its own members." [446] The union's duties it described as advising on the grant of loans to its constituent societies and supervising their working.[446]

It was an unfortunate day for the co-operative movement in India when, in 1915, this Committee on Co-operation put itself on record as in favour of the system which had sprung up in Burma under which the union members all shared in the liability for a loan granted to any of them on the union's recommendation. The Committee's unqualified endorsement of this scheme reads as follows:

> " We consider the system as established in Burma to be feasible and full of promise. We should be glad to see a system of this nature tried in other provinces and we look on this as one of our most important recommendations." [447]

Bombay, the United Provinces, Bihar and Orissa, and the Central Provinces and Berar, as well as Bengal, experimented with guarantee unions, but most of them have abandoned the feature of financial guarantee.[448] Bihar and Orissa still have guarantee unions, but they are reported unsuccessful.[449] The Registrar in Bengal in his annual report for 1928–29 states that the three credit unions in that province worked unsatisfactorily. " They have no proper place in the organization of rural credit as developed in this province. They are the relics of an experiment undertaken . . . in accordance with the recommendations of the Maclagan Committee and will in due course disappear." [450]

In Burma alone, where the mischievous plan originated, it continued. The Committee on Co-operation in that

province assigned to the union system a large share of responsibility for the pass to which co-operation has come in Burma.[451] In his annual report for 1928–29 the Registrar reported 548 guarantee unions surviving, and remarked that the union system in Burma "undoubtedly has proved a costly failure."[451]

The liability of a union is limited; its members' liability unlimited for their own borrowings but limited for the borrowings of affiliated societies, after the unlimited liability of the defaulting society is exhausted, to the amount represented by their own maximum borrowings during the twelve months immediately preceding the enforcement of the guarantee.[452] The guarantee has proved ineffective, as members' liability could be enforced only on liquidation of the society, and the proceeds of a forced sale often did not suffice to meet the society's own liabilities.[453] Also the sliding-scale of responsibility based on extent of borrowing put the greatest liability on the weakest members of the union, who naturally had to borrow most.[454] The Burma Co-operative Committee pronounced the guarantee union a failure even in its main function of assessing the credit of affiliated societies.[455]

In theory, the guarantee union was intended to relieve the central banks of the expense and trouble of keeping in close touch with their affiliated rural societies.[456] In practice it was found cumbersome as well as expensive. It was claimed for the system, however, that it broadened the members' interests and strengthened their executive capacity.[457] The vicious features of the system were long in being recognized. In 1920 as well-informed a co-operative official as Mr. R. B. Ewbank, I.C.S., long Registrar of Co-operative Societies in Bombay Presidency, predicted that the guarantee union, "which perhaps is the only genuinely indigenous co-operative institution which has yet been developed in India, has undoubtedly come to stay."[458] As lately as 1926 the Committee on Co-operation in the United Provinces surprisingly went on record as favouring guarantee unions over those for supervision only.[459] There were two of the former surviving in that province, with forty-

one affiliated societies at the end of the preceding co-operative year, others having failed and been dissolved.[459]

The supervising union is another type which antedates the guarantee union, but is mentioned after the latter because it is of the present and the future, while the guarantee union is moribund where not defunct. Even in Burma the Committee on Co-operation recognized that the unions had done useful work as supervisory and educational bodies.[460] In Madras there have been supervising unions since 1910, even before the Act of 1912 gave them any legal status. There are twenty to forty societies to a union, which employs one or more supervisors according to its means. The area covered by a supervising union is ordinarily not larger than a *taluka*.[426] The Madras unions' funds are derived partly from fees from affiliated societies, partly from miscellaneous sources, and in part from a supervision fund to which the central bank contributes in proportion to the interest earned on the money lent to the union and its affiliated societies.[461] The latter amounts to one-thirtieth of the total interest due on such loans.[462] The 405 unions in that province are grouped, as in Burma, in District Federations, between which and the central banks, it is rumoured, there has not been always the closest harmony. All but three federations, however, admit central banks as members, as well as primary societies.[463]

The Registrar in Madras remarked in his annual report for 1929–30: "There is a general feeling among co-operators in this Presidency that federations have failed to justify their existence and an increased tendency for central banks to take the supervision of societies into their own hands."[464] He felt, however, that the continuation of federations was very desirable in districts with several small central banks. The Madras Government budget for 1930–31 includes Rs. 15,000 for subsidies to the weaker federations to augment their supervision fund if necessary.[465]

The United Provinces Committee on Co-operation reported that there were no supervising unions there and that attempts to start them had failed.[459] The Registrar of Co-operative Societies in Baroda has expressed doubt

whether supervising unions, of which there are two in the state, will serve any useful purpose in a small area like that of Baroda.[466] Travancore, on the other hand, has twenty-six supervising unions which are reported to be exerting an increasing influence over societies.[467] Bihar has one set of unions which audit and another set which supervise. The lack of supervision over the supervising unions is a source of weakness there, according to Mr. B. B. Mukerjee, editor of the *Bihar and Orissa Co-operative Journal.* Coorg has thirteen supervising unions, but their work, both in inspection and collection, is reported far from satisfactory. In 1929–30 a Federation of Unions was registered in that province to strengthen them and co-ordinate their activities.[468]

Not all Bombay agricultural primary societies are grouped in unions yet, but the aim is to accomplish this as fast as possible. The unions in some cases help the societies in preparing their normal credit statements, check their accounts periodically, and keep a watch over recoveries. Union officials also may attend general meetings from time to time to see that competent men are selected for managing committees.[469] The Banking Enquiry Committee in that province propose in their report the federation of co-operative urban banks in unions for proper supervision and technical advice by a competent officer,[470] a recommendation which the Co-operative Urban Banks' Conference at Dharwar in May 1931 referred to a committee for investigation.[471] There is already one such supervising union of urban banks in the district covered by one Bombay central bank.

The Bombay Banking Enquiry Committee believe that a supervising union composed of representatives of affiliated societies, with a nominee each of the co-operative department and of the central financing agency on its managing committee, is best suited to exercise the supervision of primary societies.[413] This is approximately the make-up of the twenty-seven District Supervising Boards in which the unions are grouped. Each union, of about twenty societies each, sends a representative to the District Board, on which are also one Assistant Registrar and one representative each

of the central bank and of the Provincial Institute.[472] There is no central authority over the District Boards except the Registrar. They attempt to co-ordinate all co-operative activities in the district.

The Punjab is unique among the major provinces in reporting no unions except the provincial institute and banking unions of the type of central banks. The inspection staff in that province, paid for by the societies, works directly under the orders of the provincial institute, of which the Registrar is *ex officio* President.[320]

Making unions of primary societies responsible for the function of supervision of their member societies is in line with co-operative principles and also with the insistence of the Maclagan Committee that supervision should devolve on the primary societies themselves.[473] A warning note may be sounded, however, against erecting such a top-heavy structure as that described by the Registrar in Burma in his annual report for 1927–28:

> " The main result for several years past of joining a co-operative society in certain Upper Burma Districts was to put oneself at the mercy of a hierarchy of non-official authorities—Society Committee, Union Committee, Union Group Board, District Association, and Provincial Co-operative Council—each endowed with a legal right to impose taxation, which it exercised to the full at the cost of the rank and file member who paid it all." [395]

The present Registrar in Burma thinks that the cause of the ultimate collapse there was the decision in 1915 that the unions should be the link between Government and the primary societies, as it relieved the Registrar of his earlier personal responsibility in connection with the formation and thorough supervision of societies.[474]

The provincial co-operative institutes are not unions under the definition of the Maclagan Committee,* but they are so closely related in composition and some of their functions that they may be considered here. Such institutes date from 1915 and now number nineteen, being found not only in most of the major provinces of British India but in the larger Indian States as well; but their functions differ somewhat

* *Vide supra*, p. 108.

from one province to another, as do their effectiveness and importance in the co-operative picture.

The Punjab Provincial Union is responsible not only for general supervision but for audit, except for a test audit by the Government Staff. Auditors, as well as supervisors, must have passed the Union's examination. The separation of the two functions of audit and supervision is not yet complete throughout the province. The union employs a staff of over 500.[475]

The Burma Provincial Co-operative Council was organized in 1918–19 to advise the Registrar, to manage the co-operative audit funds, and to arrange for provincial conferences. Its functioning was perfunctory almost from the start, and in 1929 it was insolvent. It has recruited and trained the audit staff, for whose services the District Associations pay. The Committee on Co-operation in that province in 1929 recommended the probationary continuance of the Council for five years under the Registrar's Chairmanship of the Executive Committee.[476] The Burma Urban Co-operative Federation, organized in 1920–21, has attempted nothing but audit, and that only for those of its affiliated societies which do not prefer to make their own audit arrangements, as an increasing number have been doing.[477]

The Bihar and Orissa Co-operative Federation is responsible for audit, for which it receives a Government subsidy of Rs. 80,000 a year. In this province, as in the Punjab, the Registrar is *ex officio* Governor of the Federation.[479] The Registrar in that capacity has complete control over the audit staff.[478] The Federation's licence is required for any employee of an affiliated society except menials.[479]

The former Standing Committee of Co-operators in the United Provinces, an advisory body, was reorganized as the United Provinces Co-operative Union, in accordance with the recommendation of the Committee on Co-operation in that province. The organization and supervision of primary societies were added to its duties.[480] It receives a grant of Rs. 66,000 from the Government for its work of supervision, but the Registrar complains in his report for 1928–29 that

there is much incompetence among the supervisors whom the Union employs.[481]

The objects of the Madras Provincial Co-operative Union, which differs from the above types in that it has no direct concern with supervision or audit, are as follows:

1. To propagate the principle of co-operation.
2. To organize special types of societies.
3. To assist the work of local councils and district councils of supervision.
4. To serve as the recognized exponent of non-official co-operative opinion in the Presidency.
5. To undertake such other work as will promote the cause of co-operation.[482]

Propaganda is a major function of most provincial institutes. In addition to brochures in the vernacular as well as in English on co-operative matters, one or more monthly or quarterly magazines are commonly published—five in Bombay Presidency, some of which have set a very creditable standard. In many provinces the practice is followed of issuing a co-operative journal in the vernacular in addition to one in English. The desirability of this was emphasized by the Committee on Co-operation in the United Provinces where the Provincial Co-operative Journal was published only in English.[483] The Hyderabad Central Co-operative Union publishes its quarterly magazine in all the vernaculars of the State.[484] The need of a handbook and series of co-operative primers, presenting simply the co-operative principles and ideals, was stressed by the United Provinces Committee on Co-operation.[483]

Co-operative reading-rooms and libraries are maintained by the provincial institutes in Bombay, Bengal, Hyderabad, and elsewhere. Illustrated lectures by paid or honorary workers are a popular method of spreading the gospel of co-operation; and in several provinces, as in Bengal, the Punjab, and Hyderabad, have been featured in connection with the tour of a demonstration train organized by the railway. Frequent co-operative rallies are held. The Central Provinces and Berar had 355 in one year in different parts of the province.[485] Co-operative conferences fre-

quently are held under the auspices of the various institutes to arouse and sustain interest and enthusiasm. The provincial institutes also have sponsored or participated in numerous agricultural and industrial exhibitions at which the co-operative department's activities are illustrated with charts, models, and pictures. They have taken a leading part generally in arrangements for the celebration of International Co-operators' Day, which is reported growing in popularity among the members. In Bombay the institute has sponsored essay contests on the history of the co-operative movement in different districts.[486]

The Bombay Institute, one of the most active of all, carries on its activities through divisional branches, numbering twenty-seven. Mysore also has branches,[487] while the Central Provinces and Berar have three divisional institutes.[488]

A valuable service of the institutes is the furnishing of a focus for the activities of non-officials who are interested in the cause of co-operation. The importance of volunteer services to the Indian co-operative movement has been great. Not only have some rich men joined societies of their poorer neighbours to guide their efforts and strengthen public confidence, but instances have not been wanting of officers financing a society themselves in case of need.[393] The officers of agricultural primary societies, except the secretary, uniformly serve without remuneration, and in a great many cases, perhaps in most, the directors of the central and provincial banks give their services free. As has been well said: "The services of the villagers embodied in the structure are a greater miracle than the structure itself." [489]

Small landlords living out in the districts not only make good directors of central banks, but can furnish excellent supervision to neighbouring primary societies where they will undertake it.

The Nicholson Report of 1895 emphasized this point:

"The future of rural credit lies with those who, being of the people, live among the people, and yet by their intelligence, prescience and energy are above the people. . . . The whole of this report might be summed up in two words: 'Find Raiffeisen.'" [490]

Honorary Organizers have played a prominent rôle in the movement almost from the first, their importance varying considerably, however, from province to province. Except in Bombay, the response of the educated class to the need of the movement for disinterested volunteer service has not been proportionate to the opportunity, and even in Bombay the Registrar claims that new recruits do not in general measure up to those of the early days of the movement, either in number or in capacity.[491] The Committee on Co-operation in Bihar and Orissa reported that more and more persons were coming forward to offer their help to the movement,[492] but in the United Provinces,[493] Coorg,[494] and elsewhere complaint has been made of the difficulty of finding honorary workers to guide the societies. The Assam Banking Enquiry Committee believe far more Honorary Organizers are required if the co-operative movement is to extend on sound working lines: " . . . there is, we think, no way in which they may exercise their activities to more advantage, for the benefit of 90 per cent. of the community, than by participation in the co-operative movement." [495]

Burma has suffered from the lack of small landlords among its rural population, and while people of local standing were of assistance in the early stages of the movement there, their energies for the last ten years are said to have been diverted largely to political matters. The Provincial Registrar remarked in his annual report for 1928–29 that " the dearth of local leadership, unselfish and informed, is one of the main reasons for the collapse of rural credit co-operation in Burma." [496]

Sir Francis Younghusband, in a recent speech, ranked personal leadership from among the people themselves with more intensive cultivation as offering the only hope for a rural revival in India.[163] It is unnecessary to point out the potential benefit to the nation from the opportunity this service affords for training in leadership.

The days of indiscriminate encouragement of the registration of societies fit and unfit are happily past as far as official activities are concerned, though it took several years in some provinces for the cue plainly given in the Maclagan Report

to sink in. The Committee on Co-operation went on record in 1915 as believing:

" . . . that the time has come when, except for special reasons, an increase in the number of societies should radiate from existing centres of co-operation and should be based on a well-informed desire to imitate existing good examples. When a new district or area is brought into the sphere of co-operation, a sufficient number of experimental societies may suitably be started as examples by a special propagandist agency, but when a financing and controlling centre can be established for them, it should be left to that centre and to the influence of a desire for imitation to carry on the work of propagating the movement in the neighbourhood. We would further note that there are whole provinces or parts of provinces in which local circumstances render proper supervision unlikely, and in such areas it is in our opinion a mistake to encourage the extension of the movement in any form." [497]

This view, that instead of having societies scattered all over the province effort should be concentrated in one or two selected areas which should be covered by a network of societies to " facilitate supervision and effectively spread real co-operation among the agriculturists," was echoed in 1930 by the United Provinces Banking Enquiry Committee.[498]

In some provinces most of the work of organizing new societies has been left to the Honorary Organizers, who receive no compensation, but ordinarily are given a travelling allowance. In Bombay about Rs. 36,000 a year is spent in this way.[499] Unfortunately, many of these Honorary Organizers have not been free from the defects commonly associated with volunteer service—want of expert knowledge and experience, lack of leisure, and an inadequate sense of responsibility. The Burma Registrar, in his annual report for 1927–28, complained that, with the rarest exceptions, the Honorary Organizers could not be relied on to teach would-be societies thoroughly or at all.[500]

The Royal Commission on Agriculture go so far as to say:

" To the failure to recognize the limitations inherent in the system of utilizing honorary workers must be largely attributed the very serious defects in the movement which have been brought to our notice." [501]

The Honorary Organizers' enthusiasm in many cases outran their discretion, and their scattering efforts and indiscriminate expansion of societies resulted in many places in bringing into the movement many who were wholly or quite inadequately informed on the principles of co-operation.

Education of co-operators as well as of officials has been recognized from the first as one of the chief duties of the institutes in almost all provinces except Burma, but the illiteracy of most of the members is a great obstacle. Training classes are held in many provinces for secretaries and members of managing committees, as well as for auditors and supervisors. In Bombay there are three schools in as many vernaculars, which offer training to secretaries of rural and urban societies, supervisors and bank inspectors. In addition an intensive fifteen-day course in all phases of co-operation is given each year in English. All are under the Provincial Institute's Central Education Board. The district branches also hold preliminary training classes in groups of villages for managing committee members. In the course of a day, five or six lectures are given on co-operation and the technicalities of their work. It seems to be the consensus of opinion that in no province has the question of training been worked out more carefully than in the Punjab. The Bihar and Orissa Co-operative Federation has a training institute which offers a year's course in the theory and practice of co-operation, the Acts and by-laws, and rural reconstruction.[502] Short refresher courses for official workers to keep them enthusiastic and abreast of new co-operative developments and methods are an important feature of the educational work in many provinces.

"To serve as the recognized exponent of non-official co-operative opinion in the province," given as one of the objects of the Madras Provincial Co-operative Union, is everywhere implicit in the institutes' functions. In no province has the voice of non-official co-operators greater weight than in Bombay, and the institute there does not hesitate to take a hand in directing the course of the movement. Early in 1931, for example, when the agricultural

depression was acute, the Co-operative Institute on its own initiative circularized the central banks throughout the province with suggestions for rate changes and adjustments in policy to meet the situation, and asked them what steps they proposed to take and what help they required.

The promotion of special forms of co-operation, such as co-operative marketing and insurance, also is an object in other provinces than Madras. There are various other less prominent functions of the institutes in different provinces. Thus certain of the provincial institutes have undertaken economic inquiries of greater or less scope.[503]

The by-laws of the Bihar and Orissa Co-operative Federation include among its objects:

"To aid in the expansion and improvement of primary education, to promote sanitation, to facilitate medical and famine relief and generally to secure the moral and material progress of its affiliated societies." [479]

The expenditure of the provincial institutes differs of course considerably with the functions undertaken, being highest in the provinces where audit and supervision are part of their duties. They derive their support mainly from fees and contributions from members and Government subsidies, which vary widely from province to province. There is complaint in some quarters that the support from Government is inadequate to permit the institutes to discharge their functions properly. The Registrars of Co-operative Societies both in Mysore and Bombay, for example, have spoken quite forcefully of the lack of adequate financial support for their respective institutes. The latter claims that the trebling of the Government's grant of Rs. 30,000 is necessary.

The Royal Commission on Agriculture held that the co-operative movement has a claim on the resources of Government for expenditure on the education of members of co-operative societies in the principles and meaning of co-operation.[328]

"Efforts in the direction of organizing and developing such unions or institutes deserve every encouragement. Such unions or institutes may reasonably look to Government to supplement their resources with grants in aid." [401]

The All-India Co-operative Institutes' Association was formed in October 1929 to serve as a common platform for the exchange of opinions among the several institutes and to give their united views greater weight for the country as a whole.[504] Its recommendations represent a synthesis of the opinion of non-official participants in the movement, and it is one of the chief co-ordinating agencies for the movement, especially important since the discontinuance a few years ago of the Registrars' Conferences.

An interesting editorial analysis of the defects and the possibilities of the provincial institutes and their National Association appears in the Horace Plunkett Foundation Year Book of Agricultural Co-operation for 1931:

> "The present influence of the Provincial institutes . . . and of the new Association in which all these purely voluntary bodies can meet for national purposes, is not over-estimated. We are not under any misapprehension regarding their origin; they are not founded on the expressed convictions of the rank and file of the societies or even of the primary societies themselves; they are as much an approach from above as was the origin of the official movement itself; but the essential difference is that they are not official but purely voluntary in their constitution and purpose. Nor are they in competition with the official hierarchy of the societies, but in time should come to be a most valuable reinforcement for all that the Registrars and their staffs and the official Unions and Federations are trying to do for the establishment of a self-reliant Movement."

There is still another type of union, the banking union, brief consideration of which has been left to the last because its usual functions are virtually those of a central bank, from which it differs chiefly in name and in the small size of the area covered. In the United Provinces the banking union differs from the central bank also in having no individual members. They have been generally successful in that province as financing agencies, and the Provincial Committee on Co-operation considered this form of bank very suitable to relieve the central banks when the number of societies has gone beyond their control or when societies are situated at an inconvenient distance from the central bank and can form a separate group.[505] In Madras, banking

unions were formed in 1912 with both individuals and societies as shareholders,[462] but in recent years they have been characteristic especially of the Punjab, where, however, their control is highly centralized. Mysore had eight at the end of 1929–30, but the Registrar reports them to be serving no useful purpose there,[506] as they depend for their finance on the central banks or provincial bank.[507]

A comparable development is represented by Baroda's four agricultural *pedhis*, which finance individuals as well as co-operative societies. They are felt to be an anomaly in the co-operative structure and effort is being made to get them to function as co-operative banking unions of the orthodox type.[508]

The Sittang Colonies Banking Union in Burma is outstanding as an example of a successful banking union. In 1930 it had a working capital of Rs. 14 lakhs, out of which Rs. 10 lakhs represented owned capital.[509]

### (d) *Central Banks*

Neither unions nor central banks were included in the Act of 1904, although the latter had formed part of the Raiffeisen scheme. They sprang up soon after the passing of that Act, but, like unions, they were without specific legal sanction until the Act of 1912, which defines their purpose as facilitating the objects of co-operative societies. Central banks, as at present constituted, existing solely to lend money, and being managed on purely business principles are not, it has been claimed, strictly co-operative institutions, but they form the necessary connecting link between co-operative distributors and collectors of funds and the money market.[511] The primary societies could not by themselves attract enough funds, and the joint-stock banks were reluctant to deal with them directly because of the special nature of their business, the extent to which they rely on personal credit, and the difficulty of supervising them;[512] so a superstructure in the co-operative scheme became essential.

Because they have registered societies as members, central banks, under the Act of 1912, must have limited liability.

This may extend to the face value of shares or to a multiple thereof, as in the German societies.[513] Their area commonly corresponds to a revenue district. The Maclagan Committee recommended simply that a central bank cover as large an area as is compatible with convenience and efficiency, but thought a central bank might be expected ordinarily to deal with at least 200 to 250 societies.[336] The Bengal Registrar in a recent annual report expressed the view that central banks no longer should be thought of in terms of districts and subdivisions, but should be established at important centres of trade so as to link them up with the natural economic arrangements of those areas.[378]

Central banks are of three general types, according to their composition. These are:

1. Banks of which the membership is confined to individuals or societies admitted on exactly the same footing as individuals, the first type started, but the least important to-day. In fact there are almost none which have no societies as members.
2. Banks of which the membership is confined to societies.
3. Banks which include societies and individuals as members and secure to societies separate representation and a controlling influence, at least in theory, on the board of directors.

The majority of central banks to-day are of the mixed type. Theoretically, from the standpoint of co-operative principles, the federal type is held to be the best. The Maclagan Committee was opposed to any individual members of central banks and favoured their gradual elimination,[514] but in practice the mixed type is most popular in almost all provinces. Federal central banks have increased recently in Bengal and the Punjab and, to a smaller extent, in the United Provinces and Bihar and Orissa. They are reported to work well when their area of operations is relatively small and they serve a compact group of well-established societies.

As indicated above, the old capitalist type of central bank with only individual shareholders is practically a thing of the past, but the United Provinces Banking Enquiry Committee seriously recommend the experimental extension of the system, reported successful in one instance, whereby

money-lenders form a rural bank to lend to neighbouring societies only.[515]

In central banks of the mixed type, individual shareholders generally are public-spirited and influential local men, who supply the business ability frequently lacking when the membership is composed wholly of societies and materially enhance the credit standing of the central banks by their presence.[516]

A new type of central bank in Bihar and Orissa has no preference shareholders, but a group of guarantors, who have come forward to stand as security for the bank's default, supply half the directors and can defeat any proposal by their unanimous vote.[517]

The great majority of the transactions of the ordinary central bank are with agricultural credit societies. Not only are they by far the most numerous, but, in many cases, the less usual types of societies, like producers' and artisans' societies, housing societies, and societies for land improvement, have special arrangements for obtaining loans from Government, so that many of them only occasionally seek financial help from the central banks.[518]

Artisans' societies and other special types may, however, be allowed accommodation up to a limited amount on their general assets; but for larger loans the pledge of goods or other property is required.[518] Sometimes the personal security of members of the borrowing society's managing committee also is demanded.[518] The Banking Enquiry Committee in Bihar and Orissa is in favour of the central banks concentrating on agricultural credit societies "until the solution of the problem of agricultural indebtedness is much more nearly in sight of attainment," and strictly limiting their financial commitments with other types of societies. It pointed out that financing failures among such ventures had caused some degree of financial embarrassment to about 10 per cent. of the central banks in that province.[519]

Societies of many different types, however, frequently are served by the same central bank. Among the clientele of the Surat District Central Bank, for example, made up of

nearly 1,200 individuals and 205 societies, are 120 agricultural societies, 10 cotton sale societies, 10 urban credit societies, and 65 others.

It has been urged that separate financing institutions be provided for the urban societies, which often are inadequately represented on the directorates of central banks, from the standpoint of their comparative capital strength, but the advantages of thus separating the business of limited and unlimited liability societies would not seem to compensate for the drawbacks, as long as the existing organizations can furnish the financial accommodation required. It would push back one step, to the provincial bank, the balancing of seasonal surpluses, and so increase the dependence of the central banks, many of which to-day pride themselves on their self-sufficiency.

The Maclagan Committee observed that " the excessive development of agricultural societies to the exclusion of other classes means that the demand for money and the repayment of loans are not evenly distributed throughout the year but occur at particular seasons, with the result that central banks during certain months of the year find it difficult to employ their funds profitably." [520]

The same argument applies to the recommendation of the United Provinces Committee on Co-operation, that central industrial banks be established to finance industrial societies, of whose business the ordinary central societies seemed afraid.[521] The Punjab has one such central bank with a clientele limited to industrial societies.[522]

The public confidence in the central banks is reflected in the volume of deposits which are their chief reliance for capital requirements, constituting 60·4 per cent. of the total working capital of central banks, which in 1929–30 totalled Rs. 30,90,22,374, as compared with 9·5 per cent. from share capital, 5·7 per cent. from the reserve and other funds, and 22·1 per cent. from loans from other societies, including provincial and central banks.

The working capital of central banks is augmented by the Government authorities in many provinces permitting State Railways and other Government Departments and local

bodies like municipalities, *taluka* boards, and district boards, to deposit their surpluses in them.[523] The provident deposit schemes by which several Bengal central banks have raised an appreciable portion of their capital have been referred to above.

The acceptance of deposits involves serious management problems for the central banks, as the requirements of the primary societies, especially of the rural type, often cannot be made to fit in with the bank's liabilities to its depositors. Loans to agricultural societies usually are payable only at harvest, with the result that the central banks have large amounts of surplus capital during the slack months from August to February.[524] A glut of deposits has been a complaint of the central banks in several provinces, including the Central Provinces and Berar and the United Provinces, where, at the end of 1930, idle cash balances in central banks amounted to Rs. 11 lakhs.[525] In the Central Provinces and Berar it is proposed to solve the problem by opening branches in *taluka* towns and by reducing interest rates.[526] Bihar and Orissa were faced with a similar problem in 1926, but drastic reductions were made in interest rates to discourage outside deposits, which are reported to have been cut down to profitable dimensions in most banks. The reduction in rates actually improved the banks' credit standing, however, and some of the older banks received outside deposits even at 4 and 5 per cent.[527] In Bombay the former surplus problem has been solved to a large extent by investment in Treasury bills.[528]

Quite aside from a plethora of capital cutting down profits, it offers a strong temptation to the central bank to press for rapid expansion of primary societies as outlets for the surplus, or to unduly increase the credit of existing societies. The Burma Registrar, in his report for 1927–28, charges the central banks' desire to invest their funds with leading to too easy credit and thus contributing to the growing indebtedness of the societies and their members.[291] He pointed out that in the Raiffeisen system in Germany the central bank was not created to supply money to the primary societies but to utilize their surplus.[291] The Banking

Enquiry Committee in the United Provinces deplores this tendency, recommending rather, not only that interest rates be cut, but that the surplus be invested in Government securities or other co-operative banks, if necessary even at a rate lower than that at which it had borrowed, to avoid the greater loss from the money lying idle.[529]

It may be mentioned that the Maclagan Committee believed central banks were justified in accepting current accounts only where adequate banking facilities were absent.[530] The Committee on Co-operative Societies in the Central Provinces and Berar hold that central banks should not accept current deposits at all, and savings-bank accounts and fixed deposits only from the area within which the bank operates.[531] The Burma Committee on Co-operation also is opposed to their handling current accounts.[532] In some provinces, as mentioned above, current accounts are permitted neither to central banks nor to urban societies.[533]

The need for unprofitably large cash balances to enable the central banks to meet current demands is partly obviated in all the major provinces except the United Provinces, as well as in Hyderabad and Mysore, by the apex or provincial bank, which stands to the central banks in much the same relation as they do to the primary societies. Practically all central banks enjoy cash credit or overdraft arrangements with their provincial bank and occasionally also with local branches of the Imperial Bank of India.[534]

The central banks in Bihar and Orissa can take three types of loans from their provincial bank: (1) Ordinary loans for use as part of their working capital; (2) cash credits to enable them to operate on a low level of till money; and (3) special cash credits known as " maximum credit," available at seven days' notice, to meet emergent demands.[517]

In practice, only two of the nineteen central banks in Bombay Presidency have to borrow regularly from the provincial bank. A few in Madras [535] and elsewhere are entirely self-supporting; and in the Punjab all central banks are expected to conduct their business in such a way that they can meet all obligations, including unexpected calls, from their fluid resources.[536]

The difficulty of maintaining adequate fluid resource throughout the year is increased for banks which obtain much of their capital on a short-term basis, for even for ordinary current agricultural needs a large percentage of loans have to be on an intermediate-term basis, covering a period of from two to four years.[537]

While the Co-operative Rules in Bombay Presidency restrict the borrowing capacity of any society with limited liability to eight times the share capital plus the reserve fund, central banks may incur further liabilities to the extent of twice the owned capital, provided the additional amount is invested in Government securities to be lodged with the provincial bank.[538]

Management of most central banks at the present time would seem to conform more closely to sound banking practice than in 1915, when the Maclagan Committee complained that only a minority of the more prudent central banks had kept most of their cash credits to meet calls by depositors, the others having loaned to societies practically the whole of their credit, with quite inadequate provision of fluid resources.[539]

Share capital also forms an important part of the central banks' ordinary working funds. The Maclagan Committee held that share capital should be as large as possible, consistent with the efficient working of the bank, and laid down the rule that the share capital of central banks plus their reserve should be at least 12·5 per cent. of total liabilities.[299] At the time of their report, owned capital averaged 14·8 per cent. of total liabilities, the corresponding figure for Indian joint-stock banks being 13·9 and for forty-eight leading joint-stock banks in England, 7·6 per cent.[540] There is now increased appreciation of the value of reserve funds, thanks to the training the co-operative movement has given, though at first many central banks were eager to distribute their profits in the shape of as large dividends as possible.[541]

Direct Government assistance has been little relied on by central banks in general, but the six Baroda central banks, which have no provincial bank, have had to seek cash credits from Government,[508] and in 1913–14 the respective Pro-

vincial Governments gave financial help to central banks both in the Punjab and the United Provinces, when their resources were depleted, though under no statutory obligation to do so.[542] The Bihar and Orissa Committee on Co-operation held systematic financial help from Government to central banks serving backward areas to be essential.[168] Also the Government often furnishes indirect assistance to the central banks in making training classes available to their officers.

The general management of a central bank is in charge of a board of directors elected annually on the basis of one member, one vote, at the general meeting, which is the ultimate authority in this as in other types of co-operative societies.[543] The requirements for a director of such a bank were described by the Maclagan Committee, which held that the work calls less for technical skill than for ordinary probity and knowledge, and should be well within the capacity of any professional man. "He needs only to have a general knowledge of money rates and to fix his own to produce a required margin of profit; he should be careful to forecast the 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." [544]

In the United Provinces the Collector, the chief Government official of the revenue district, frequently is chosen chairman of the board.[545]

Borrowing societies usually must take up shares in the central banks in proportion to their borrowing, the idea being that they will gradually secure thus a dominating voice at the annual meeting. The usual requirement in Bombay Presidency, for example, is a ratio of 1 to 20, but in one bank it is 1 to 10.[538]

But while the primary societies generally are well represented on the board, in practice the control has tended to continue in the hands of a small knot of professional men and landowners who are not always in close touch with the ultimate clients. The Banking Enquiry Committee in Bihar and Orissa blame this concentration of power for the frequent

encroachment on the primary societies' rightful domain, especially in the matter of sanctioning loans. The Committee points out that this not only retards the development of responsibility in the primary societies but disposes them to throw on the central bank also the burden of enforcing repayments.[388]

The management cost varies from province to province in accordance with the functions assumed by the central banks, as well as with their efficiency of operation.* It averages 1·1 per cent. of the working capital of central banks for the country as a whole, as compared with 0·6 per cent. for provincial banks.

At first the directors of the central banks employed no paid staff, doing all the work themselves with the Registrar's assistance,[546] but to-day they require a trained staff. Complaints sometimes are heard, however, that the accountants who are the best some central banks can afford do not measure up to a high standard of efficiency.

The criterion of success of a central bank, as laid down by the Bengal Committee on Co-operation, is not its own record of deposits attracted and costs pared, however, but "the efficiency of the working of village societies under it and the growth of a real co-operative spirit among the members of village societies, resulting in their economic improvement." [310] This is in line with the pronouncement of the Maclagan Committee in 1915: ". . . we regard the benefit of the primary societies as the main object, the central banks and other such institutions being merely a machinery accessory to it." [547]

So far there seems to be no serious complaint of competition with joint-stock banks, although premonitory indications are not wanting that as the central banks increase their strength their activities may be felt to trespass on the preserves of the commercial institutions. The Central Banking Enquiry Committee found some feeling that in the matter of deposits the co-operative banks, with the help of Government assistance and prestige, are competing unfairly.[548] They mention that in the matter of produce loans

* See Table XIV.

the co-operative banks cannot in the end fail to affect the business of other institutions in that line, but they consider such loans of so great economic benefit to the cultivators that they recommend their encouragement, subject only to the societies' by-laws and to storage accommodation being available.[549]

An instance came to the writer's personal notice of a small city which seems over-banked, with four joint-stock banks, a central co-operative bank, and a large people's co-operative bank competing for the limited business of the territory.

The Maclagan Committee was sanguine that the joint-stock banks would benefit chiefly from the societies' activities because of the impetus the co-operative movement would give to the development of the banking habit among the people.[303] That no doubt is true up to a certain point, but the Committee did not contemplate the considerable expansion which has taken place in the central banks' activities in some provinces. In fact, they specifically stated that:

"... under the conditions prevailing in India it is inadvisable for central banks to undertake any outside banking work and they should confine themselves to financing primary societies and serving as their balancing centre ... we would discountenance any attempt on the part of central banks to seek profit by means of investments, discounting bills, or other methods of ordinary bankers." [550]

The central banks in Bombay are more like ordinary commercial banks than in other provinces. There the Provincial Government has urged the co-operative banks to develop the business of issue and purchase, sale and discounting of demand bills of exchange or *hundis*, although the Government of India now is understood to deprecate the co-operative banks undertaking this type of business for profit.[551] The lending of money to agriculturists on the hypothecation of produce is especially well developed in that province, many central banks having built their own godowns where agriculturists may store their produce to wait for favourable prices.[552]

In Bengal a beginning is being made with commercial banking in a small way, making remittances, collecting bills, and issuing demand drafts.[553] The Provincial Banking Enquiry Committee found no competition between the co-operative and joint-stock banks, due to the clientele of the latter being drawn from the commercial classes of the large towns, whereas the former cater chiefly to the needs of agriculturists or people of limited means in urban areas.[554] More convincing still, the Secretary and Treasurer of the Imperial Bank of India testified before the United Provinces Banking Enquiry Committee that no competition exists at present between co-operative and joint-stock banks.[555]

While the primary function of a central bank is to balance the funds of its primary societies and to supply them with the capital they require, inspection and supervision are important ancillary lines of work. In most of the major provinces the central banks are assigned supervisory duties in connection with their primary societies, and, even where this is not the case, the responsibility for the funds loaned prompts inspection and a measure of control.

The Royal Commission on Agriculture in India was opposed, on general principles, to central banks undertaking the work of supervision, claiming that the attempt to devolve the work on them had proved a failure and that financing and supervision should be under separate control. It saw no objection, however, to their inspectors examining the working of societies, "provided the duties of the inspectors are clearly defined and they are strictly confined to them."[491] The desirability of such inspection, if not supervision, is otherwise generally conceded, and the stand of the Royal Commission on Agriculture is believed not well taken. The Provincial Government and sometimes the provincial bank contribute towards the salaries of central bank inspectors or supervisors when necessary.[556] Frequently inadequate supervision is charged against the central banks in the United Provinces by the Committee on Co-operation in that province. "They have in most cases consistently neglected it."[557] The Committee on Co-operative Societies in Bengal pointed out as one of the chief defects of the central banks

their failure to supervise properly their primary society constituents.[558]

In addition to these more usual functions, the central banks often take the lead in relief work in stricken areas.[310] Sometimes, as in Bihar and Orissa, the advancing of primary education is a very important item on their programme, over 200 schools for children and adults being under the management of central banks in that province.[559] The purchase and sale unions formed in connection with central banks in Bombay Presidency are described below.*

The credit policy of the central banks differs from that of the co-operative urban banks, which they otherwise considerably resemble, in that they now lend only to co-operative societies.[560] Interlending among central banks also no longer is practised where there is a provincial bank, although in the early days of the movement they loaned to each other as well as to individual shareholders. The Maclagan Committee emphasized that loans to credit societies should be made only to shareholders in the central bank. It saw no objection to non-credit societies using the central bank also if they met the conditions regarding the required number of shares and adequate security, except that it favoured restricting insurance societies' use of the central banks to the deposit of their surplus funds.[561]

Loans are commonly secured on promissory notes of the primary societies. Before making loans, the central banks require, or should require, to be assured that a society is well managed, that there is a substratum of real credit beneath it, that any loan advanced will be devoted honestly to the purpose named and recovered punctually, and that mistakes will be brought to light and corrected before serious consequences can ensue.[562]

The central bank's task in assessing the credit worthiness of a society with unlimited liability is greatly simplified where the system of normal credit statements is in vogue, as in Bombay Presidency,† but even there such factors as the aggregate value of the assets of the members, the owned capital of the society, and its management must be taken

* *Vide infra*, pp. 156–57. † *Vide supra*, p. 75.

into consideration.[563] A special merit of the normal credit statements is that they make possible the extension of credit for good members, even though their fellow-members have defaulted, which the Bombay Banking Enquiry Committee approved, provided that their societies have taken due action against the defaulters.[413] The Assam Banking Enquiry Committee stressed the importance of requiring individual debt-and-property statements from all prospective members and keeping them up to date.[564] Mr. V. L. Mehta, Managing Director of the Bombay Provincial Bank, which functions as a central bank for part of the Presidency, considers one-third of the total unencumbered landed assets of members the absolute maximum credit an efficient bank can extend to an agricultural society.[518] He holds that the credit of a society with limited liability should be determined by the security of its general assets on the basis of share capital and reserve, as modified by its outside borrowings, the nature of its own and its members' business, and the security taken from members, along with similar factors.[563]

Credit applications from primary societies sometimes come through the Registrar and carry his recommendation. The Maclagan Committee objected to letting this take the place of the central bank's passing on loan applications on its own account.[565]

The Maclagan Committee laid down the sound rule that the period of loans should be conditioned by the period for which deposits are held, mentioning that the practice of many central banks at that time was not in harmony with this.[566]

That Committee also recommended granting cash credits to especially good societies, subject to annual renewal.[566] When a cash credit is allowed a primary society, it is on the English bank-loan system, interest running only from the date of actual disbursement.

The central banks' interest rate to primary societies is generally about 8 per cent. in Madras and Bombay, 9 per cent. in the Punjab, 10 per cent. in Bengal, Burma, the Central Provinces and Berar, 10½ per cent. in Assam, and about 12 per cent. in the other major provinces. Their rates

are generally lower in the Indian States. Differential rates are not uncommon for penalizing societies that commit wilful default,[567] or for encouraging well-managed societies by slightly lower rates,[518] as recommended by the Maclagan Committee.[568] Special types of societies commonly receive a lower interest rate in Bombay than do ordinary agricultural credit societies.[518]

The law requires central banks as well as primary societies to carry at least one-fourth of each year's profits to the reserve. Various special funds also are maintained by individual central banks, such as a building fund, provision against doubtful debts, and a dividend equalization fund.[534]

Dividends of central banks may not be higher than 10 per cent. under both the Burma and Bombay Acts, the present range in the latter province being from 6 to $9\frac{1}{2}$ per cent.[534] Rebates out of profits to borrowing societies which repay their loans punctually are less common than Mr. V. L. Mehta thinks they should be.[534] The Maclagan Committee, however, frowned on bonuses.[569] In Bihar and Orissa central bank dividends may go as high as 12·5 per cent., but seldom are over $9\frac{3}{4}$ per cent. to individuals and $6\frac{1}{4}$ per cent. to societies.[296] The differential in favour of individual shareholders seems particularly open to objection. Central banks in Madras are restricted to a maximum dividend to shareholders of 9 per cent., which most are reported to have paid regularly.[535]

Branch banks are a distinguishing feature in Bombay, where the thirty branches of the provincial bank, in addition to numerous central bank branches, are reported working well. There are few branches of co-operative banks outside of Bombay, but the Burma Provincial Bank has had branches and one central bank in Bihar and Orissa has a branch.[570] While the central banks in the United Provinces have no formal branches, several with a large area of operations have formed agencies to facilitate the advance and repayment of loans.[571]

Apart from the annual audit, the central banks are more or less independent of outside control, particularly when their

own resources suffice for their needs. The central banks as a group showed a net profit in 1929–30, but more supervision is needed in the case of some. The mortality among central banks has been very low as compared with primary societies, but several have had to be wound up, as in Burma, the Central Provinces, and Bihar and Orissa, while in the United Provinces the position of many central banks has been causing anxiety.[572] It may be mentioned that two of the central banks wound up in Burma were making a brave show of paying interest to the last, one by crediting all payments to interest in the first place, even where societies were in liquidation or known to be on the verge of it, and the other by claiming, on the last day of the year under report, a considerable amount from societies' savings-bank deposits as repayments of interest.[573]

The Burma Registrar of Co-operative Societies reported in 1928: "Central banks in Burma as a whole need much closer attention from the Registrar than he can give in the Department's present circumstances. The success of co-operation in Burma depends largely on their prudent management." [500]

In Ajmer-Merwara audits of central institutions twice a year are reported to have been found very useful in removing, before they assumed serious proportions, defects that had crept in.[574]

The Bombay Banking Enquiry Committee recommend a co-ordinating agency for central and urban banks, including arrangements for the training of staff and mutual control, and the proposal was discussed at the annual conference of central banks in that Presidency, April 19, 1931, and referred to a committee for the formulation of resolutions to that end.

### (e) *Provincial Banks*

It has been mentioned that provincial co-operative banks are found to-day in Mysore and Hyderabad and in all the major provinces of British India except the United Provinces. The Banking Enquiry Committee in the last-

named province favour the establishment of such a bank to guide, co-ordinate, and control the finances of the co-operative banks and provide a wider field for their investments.[575]

The provincial bank is the final link in the chain between the small scattered primary societies and the money market. Its relations with the primary societies may be direct, but are more usually through the central banks.

In Madras a central bank which lent to co-operative societies all over the Presidency was started without Government aid as early as 1907,[320] though it was not until 1917 that the Madras Central Union Bank was constituted the apex bank for the whole province.[576] In some cases, as in the Central Provinces, Bihar and Orissa, and Bengal, the provincial bank was formed by the central banks, which felt the need of such a coping-stone for the financial structure.[577] In Bombay the comparatively slow increase in the number of societies made it hard for the central banks with a restricted area of operations to operate successfully, so in 1911 the Bombay Central Co-operative Bank was founded to finance co-operative societies in all parts of the Presidency.[578] The Burma Provincial Bank, of unfortunate history, formally started its career in 1920 as a reorganization of the former Upper Burma Central Bank.[579]

The general tendency at present is towards the gradual elimination of individual shareholders and making the provincial banks of the pure federal type. Only in Bengal and the Punjab, however, were no individual members reported in 1929–30, although the Central Provinces Co-operative Committee had reported in 1922 that all shares formerly held by individuals had been redeemed and were owned entirely by the central banks and some older societies.[580] The total number of individual members is declining rapidly.

The Maclagan Committee regarded it as comparatively unimportant whether the co-operative element or individual shareholders had a dominating voice on the directorate of a provincial bank,[581] and in Bombay, for example, there were only individual members at first, except for one central bank.[582] On March 31, 1929, individual shareholders of that

institution numbered 738 and society shareholders 1,375, including 18 central banks. The value of shares held by individuals on that date, however, was almost twice that of societies' shares, Rs. 8,25,600 compared with Rs. 4,48,750.[582] While the provincial bank of Bengal has no preference shares, its directorate of fifteen elected representatives of constituent banks and societies is strengthened by the appointment as members of the Registrar and two outsiders, one of whom serves as Chairman.[583]

In several provinces still further centralization of control is sought. In Madras no primary societies have been admitted as shareholders since 1919, and most of those which already held shares have transferred their holdings to their respective central banks.[576] Effort is being made in Hyderabad to get primary societies to do likewise, in order that the central banks may have more representation on the board of the provincial bank.[584]

The working capital of the provincial banks as a group aggregated Rs. 8,62,00,508 in 1929–30. No difficulty is experienced by most provincial banks in getting enough capital for all present needs. In fact there is a permanent glut of capital at the apex,[585] the optimum utilization of which awaits the further development and expansion of the movement. The Banking Enquiry Committee in Bihar and Orissa reported that considerably less than half the investments of the provincial bank were with the co-operative institutions of that province.[586] A committee appointed by the provincial bank in the Central Provinces and Berar to recommend outlets for its surplus funds suggested, besides the granting of loans to solvent individual members on the security of Government paper, the formation of more housing societies and of large landholders' associations, the opening of branches at suitable centres, and the formation of societies of grain merchants with limited liability.[587] Loans with the consent of the Registrar to the provincial banks of other provinces is one important method of taking care of part of the surpluses. To facilitate this interlending, the provincial banks exchange information quarterly on their financial requirements. Money that is not absorbed by the move-

ment is deposited generally with approved joint-stock banks or invested in Government securities.[560]

The situation in regard to surplus funds is, however, less serious than it might appear, because, as the balancing centre for all subordinate co-operative societies, the provincial bank must maintain a large fluid resource. In Bombay this must equal 40 per cent. of current deposits.[588] The Maclagan Committee tentatively recommended that provincial banks be required to keep liquid assets to cover half the total of fixed deposits falling due for repayment within four months, or one-third if the provincial bank maintained the liquid resource of all central banks.[589] It further thought that deposits held at call should be covered by fluid resources amounting to at least 75 per cent. of their total amount, except in Bombay, where the special conditions were held to make 40 per cent. sufficient.[590]

Corresponding to the normal credit statement of the primary societies is the semi-annual forecast of monthly demands for capital which the Bombay Provincial Bank requires of all its central banks,[591] and which might well be required by the provincial banks generally. Bombay central banks may draw against the amount thus set aside on seven days' notice.[591]

Share capital has been increased from time to time as the statutory limit of borrowing has been approached, which in Bombay is eight times the paid-up capital and reserve.[592] The limit in Madras is twelve times the owned capital.[593] Share capital represented 7·6 per cent. of the working capital of the provincial banks as a group in 1929–30, and the reserve fund 4·2 per cent.

Debentures with interest guaranteed by the Provincial Government have been issued by the provincial banks in Bombay and the Punjab,[560] for engaging in land-mortgage business on a long-term basis,* though the Managing Director of the Bombay Provincial Bank thinks the need for this device to stabilize resources has passed in most parts of the country.[537]

The existence of these debentures in Bombay, though they

* *Vide infra*, pp. 149–50.

are claimed to be well covered, has been made an excuse by the Imperial Bank of India for withdrawing from its previous arrangement of accepting as security demand promissory notes of societies guaranteed by the provincial bank. It now accepts only Government paper as security in that province, and the provincial bank has had to turn to exchange and joint-stock banks for its call loans. The Imperial Bank of India in Madras also is requiring Government paper as security of late.[588] This is a particularly regrettable stand, because the Imperial Bank of India, a State Bank in all but name, should be the natural recourse of such a quasi-official institution as a provincial co-operative bank.

The Central Banking Enquiry Committee points out that as the Imperial Bank enjoys the benefit of the large free balances of Government, there is a moral obligation on its part to finance the agricultural co-operative societies, " and if any change in the existing arrangements is at all called for, it is in the direction of turning that moral obligation into a contractual guarantee or a statutory liability." [594]

An undoubted weakness of the provincial banks' position is the absence of systematic arrangements for discounting co-operative paper.[595] The Maclagan Committee pointed out that in almost all European countries where co-operation had been successfully established, the problem had been solved by the State's arranging for the discounting of co-operative paper with the ordinary State bank or with a specially constituted co-operative State bank. [596]

The Central Banking Enquiry Committee emphasizes the importance of the Imperial Bank of India accepting as security " *proper* co-operative paper satisfying the standards prescribed by the Bank," and states that the Senior Managing Governor of the Imperial Bank has assured the Committee that if the co-operative banks offered as security only the paper of A and B class societies, the Imperial Bank of India would be prepared to give the matter serious and sympathetic consideration.[594]

If and when the long-mooted proposal for a Reserve Bank of India is adopted, its co-operation should, of course, be made directly available to these provincial institutions.

Government assistance to the provincial banks has not been necessary to any considerable extent in most provinces, State loans or deposits representing but 2 per cent. of their total working capital in 1929–30, but the provincial banks in the Central Provinces and Berar and in Burma both undoubtedly would have crashed disastrously, the former in 1921 and the latter in 1928, if their respective Provincial Governments had not come to their rescue for the good name of the movement as a whole.

As in the case of the central banks, the provincial banks derive the bulk of their capital requirements from individual deposits, as is brought out in Table IV, but a considerably larger percentage of capital, naturally, is derived by the provincial banks from loans and deposits from societies, than in the case of central banks, 37·1 compared with 22·1 per cent., while the percentage of owned capital is somewhat smaller for the apex institutions, 11·8 as against 15·3 per cent.

The provincial banks' allowance of overdrafts encourages fixed deposits from primary societies and banks.[597] In Bombay Presidency the urban banks are reported as opening accounts with the provincial bank in increasing numbers and making fixed deposits as well as using its facilities for the transfer of funds.[598]

All types of deposits usually are handled by the provincial banks. In Bengal a considerable amount is brought in through home-savings boxes.[599] In Burma there has been friction between the provincial and central banks in connection with their competition for deposits,[600] and the feeling between the two types of institutions is not altogether cordial in some other provinces, as in Bombay, Assam, and Bihar and Orissa.

The management cost of the provincial banks averages 0·6 per cent. of their working capital, as compared with 1·1 per cent. for central banks, 1·1 per cent. for primary agricultural societies, and 1·5 per cent. for non-agricultural. The conduct of any provincial co-operative bank is serious business, calling for the best men available as directors of such institutions. Amateur banking, no doubt unavoidable in the majority of primary societies at present, has no place

in the apex co-operative institution of a province. It should not be possible at this stage of the movement to find such a situation as the Banking Enquiry Committee in Assam reported—that there was no one with banking experience on either the directorate or the staff of the provincial bank there.[601]

The ignoring of sound banking principles by the Central Provinces Provincial Bank in 1920, the Provincial Committee on Co-operation pointed out, " but for timely Government assistance, would have brought the movement in this province to ruin." [217] The result of reckless encroachments on its fluid resource was aggravated by crop failure, and only the Provincial Government's guarantee of a loan from the Imperial Bank of India and a large *takavi* loan from the Government of India for financing members *pro tempore* averted disaster.

In the Burma Provincial Bank there unquestionably had been gross mismanagement, as evidenced by the rise of 53 per cent. in its expense of management in the three years preceding 1927–28, although its activities had declined.[602] There is no doubt, however, that it was to a certain extent the victim of maladministration throughout much of the province, and especially of the vicious system of falsifying the records, which had become so general that the facts could not be ascertained readily. The Burma Co-operative Committee, while recognizing the provincial bank's insolvency, charitably puts most of the blame on the general situation, pointing out that the provincial bank was not a natural result of the growth of the movement in Burma, and that the gap was too great between it and the primary societies with which it was formed to deal. The breakdown of the guarantee union left the provincial bank dependent largely on the Registrar for ascertaining the solvency of primary societies.[603]

Both in the Central Provinces and Berar and in Burma the Provincial Committee on Co-operation recommended the liquidation of the provincial bank, and the affairs of the Burma Provincial Bank are being gradually wound up under the chairmanship of the Registrar, which is amply justified

by the Government having guaranteed the bank's depositors against loss.[604] The Registrar, in his report for 1929–30, estimates that recovery cannot be expected of over Rs. 25 lakhs out of Rs. 78¾ lakhs due to the bank.[605] It is estimated that the provincial revenues will suffer to the extent of some 30 lakhs of rupees.[606]

Circumstances beyond the control of the provincial bank may cut down profits in any one year. The depreciation in the value of Government securities which attended the recent political disturbances involved considerable losses all along the line, but only one provincial bank, that in the Punjab, wrote off enough of the loss in 1928–29 and 1929–30 to report a net loss for those years.

The primary function of a provincial bank, of course, is to balance the finances of the movement in its area. This it discharges by attracting deposits, providing a centre through which the surplus of one central bank can be passed on to meet the needs of another, serving as a clearing-house for the cheques of co-operative banks, and rediscounting commercial paper. The charge for the latter service varies, but in Bombay Presidency is never over 8 per cent.[591]

In Assam, Bombay, and Burma, the provincial banks' relations are direct with numerous primary societies, contrary to the practice in most provinces. In Bombay nearly 1,000 primary societies are included in the six out of twenty-six districts where the provincial bank functions as a central bank. There is no overlap of territory with the central banks. Four of the districts administered directly by the provincial bank are in backward areas, and the movement is really active only in two of its districts. For its supervisory work in these districts, for which it makes no charge,[607] the provincial bank maintains a force of twenty-nine inspectors, some on a part-time basis.[591]

In Mysore it is complained that the provincial bank is usurping the rôle of the central banks in relation to primary societies.[608] This seems borne out by their respective loans to banks and societies in 1928–29. All Mysore central banks advanced only Rs. 2,025 in such loans, against Rs. 7,46,383 advanced by the provincial bank.

The Maclagan Committee were of opinion that "for the present and for some time to come, provincial banks should be forbidden to embark on business outside the co-operative movement except in so far as it may be found necessary to lend or deposit spare funds for short periods in outside institutions," though it granted that there might be some justification later for undertaking general banking business.[609]

In no other province has the provincial bank developed commercial banking on a scale comparable with Bombay, due doubtless to the fact that from the first prominent financiers have interested themselves in the movement there. It handles some land exchange business for its members, issues drafts, and buys them to a limited extent, with definite restrictions on the amount. Advances on agricultural products are confined to staple crops and are not made directly by the provincial bank or its branches where there is a purchase and sale society or an urban bank to handle them. The provincial bank's by-laws, however, permit commission sale of agricultural produce. Advances also are made against gold and silver.[528]

The credit policy of the provincial banks is vitally important. It is as incumbent on them as on the central banks to insist upon punctual repayments—more, perhaps, as they set the standard for the province. It is interesting to note that one reason the Burma Committee on Co-operation favoured the abolition of the provincial bank and the dependence of the central banks instead on commercial institutions for their loan requirements was that the commercial banks would insist on punctual repayments.[610]

Loans are made to individual members by all provincial banks the membership of which is not restricted to societies, except in Assam and Mysore. A differential rate is charged in Bombay between primary societies, on the basis of their comparative credit worthiness, and between central banks and primary societies, $\frac{3}{4}$ of 1 per cent. in the former's favour, so that they can lend to primary societies at the same rate the provincial bank does.[551] Obviously the central banks could not compete on fair terms with the provincial bank,

with its larger resources, without this concession. Their interest is further safeguarded by the requirement that the permission of the central bank is necessary for an urban society in its bailiwick to borrow from the provincial bank or a bank outside the movement.

Table XV shows the customary interest rates in the different provinces.

Twelve months is a customary period for a loan, but the Bombay Provincial Bank has made some long-term loans to selected members, through their primary societies, on mortgage security.[528] The maximum period of such loans is ten years with a possible extension by another ten.[611]

Provincial banks generally are subject to the requirement that 25 per cent. of net profits must go to the reserve fund, exception being made, as in Bombay, where the provincial bank has to maintain a sinking fund against its debentures.[612]

Restrictions on dividends in the various provinces of course apply to the provincial as well as the central banks. The Bombay Provincial Bank gives borrowing societies a rebate every three years, representing one-half the balance of profits, the remainder going to the shareholders. Each society's share is based on the amount of interest it has paid to the bank during the period.[613]

The extent to which the provincial banks co-operate with each other in interlending has been mentioned.* Their formal organization, however, the All-India Provincial Co-operative Banks' Association, formed in 1928, is not very active. Its objects include the furtherance of common interests, especially in matters of finance, legislation, and administration.[614] A move has been made to substitute for its conferences an annual All-India Co-operative Conference, at which representatives of the provincial banks' association as well as of the All-India Co-operative Institutes' Association can consider together the problems confronting the movement. Neither of these two organizations has any legal standing under the Co-operative Societies Act, and the Central Banking Enquiry Committee recommend the amendment of that Act to provide for the registration of

* *Vide supra*, p. 137.

such societies of an all-India character or societies operating over more than one province.[615]

### (f) *All-India Co-operative Apex Bank*

The question of a State co-operative apex bank to provide financial stability by making rediscount facilities available was raised in 1915 by the Maclagan Committee, which, however, thought it idle to hope the Government of India would assume the expense involved in its establishment and maintenance.[616] At the 1928 Conference of the All-India Provincial Co-operative Banks' Association it was again proposed, but the consensus of opinion seems to be that it could do nothing in the present circumstances that is not being done by the provincial banks, singly or in co-operation. The establishment of a central or reserve bank whose facilities would be available to the provincial banks in time of need has been called, however, " the best service Government can render the movement." [585]

### (g) *Land-Mortgage Banks*

The seriousness of the situation in regard to indebtedness has been discussed, and it was pointed out that under the Land Improvement Loans Act of 1883 no loans can be advanced for the redemption of debts. The Bengal Registrar stated in his annual report for 1928–29: " It is realized that failure to make arrangements for long-term loans renders the movement liable to the charge of ' tinkering with the problem of rural indebtedness.' " [378] The Banking Enquiry Committee in that province recognizes the necessity of reducing the heavy burden of accumulated debts with high interest before the lasting agricultural improvement which is the purpose of long-term loans can be looked for.[617]

It is no exaggeration to say that no aspect of the co-operative movement in India is more important or fraught with greater possibilities for good or for harm to the movement as a whole than the provision of long-term credit.

Long-term capital is urgently needed for the co-operative movement in Bihar and Orissa, according to evidence submitted to the Provincial Banking Enquiry Committee.[618]

The Burma Co-operative Committee in its report agrees with the Madras Committee that " every effort should be made to provide long-term credit through the agency of land-mortgage banks at the earliest possible date." [619]

The desirability of separating the business of long-term from short-term credit is now generally recognized. Not only does their combination handicap the financial arrangements of the institution which attempts it, but any sign of weakness on the side of long-term finance may shake the confidence of depositors and so react to the detriment of the whole movement.[537] It is the policy to separate them in most provinces to-day.

It is generally conceded that the primary societies are not a suitable agency for extending such credit, and many of them have come to grief from the attempt. Early in the history of the movement a Government of India Resolution opposed long-term loans by primary societies on the ground of their locking up money for a long or indefinite time and because of the security being a white elephant if it should have to be realized. It pointed out that withdrawable deposits and a credit society's other sources of funds would not bear the strain of mortgage loans.[620]

The Royal Commission on Agriculture remarked in 1928: " It has become apparent that village credit societies are not suitable agencies for the grant of long-term loans."[621] The reasons have been summarized by the Bombay Banking Enquiry Committee as follows:

(1) The resources of village credit societies are inadequate for long-term finance and can expand only if long-term deposits are attracted at high rates of interest which would raise the lending rate unduly.
(2) Advancing a large amount to a single individual is impossible when other members are also responsible for his debts.
(3) Introduction of mortgage credit saps the sense of personal responsibility on which unlimited liability is based.[622]

In practice, however, until long-term credit agencies are available, primary societies are often under the virtual necessity of making some long-term loans.

The objection of the Banking Enquiry Committee in Bombay to primary societies' undertaking the provision of long-term credit applies with almost equal force to central banks. The deposits which are their chief capital dependence are usually for a shorter term than the cultivator needs for loans for clearing the slate of old debts or undertaking the improvement of his holding.

In Baroda the Government has sanctioned loans to central banks of Rs. 3,25,000 for ten years at 4 per cent. for redeeming old debts of qualified members of good societies, interest to such members being set at 6 per cent. It is felt, however, that a land-mortgage bank is needed to meet the situation adequately.[623]

The long-term advances on mortgage security made for a time by the Bombay Provincial Bank to selected members of primary societies have been discontinued except for schemes already drawn up by the primary societies under previous arrangements. The Registrar is understood to have objected to such loans because of the risk involved to fellow-members in unlimited liability societies.

A tendency is reported in Bihar and Orissa for the central banks to become the main agency for supplying long-term credit to the small agriculturist for debt redemption and land improvement,[624] and the Provincial Banking Enquiry Committee approve this arrangement for ordinary cultivators, though feeling that land-mortgage banks are desirable to meet the long-term credit needs of the small but important class of landed proprietors, to whose embarrassment the Committee attribute much of the stagnation in rural areas.[625] As early as 1913 landed proprietors in the Central Provinces were complaining that co-operation had left them out in the cold.[626] The Maclagan Committee felt that "the establishment of well-conceived and well-administered mortgage associations or banks at the instance of the landed gentry of the country, with the help of Government, would be a measure of great value not only to the proprietors themselves but also to the Government.[441]

The Bengal Banking Enquiry Committee feel that the success of co-operative land-mortgage banks can be best

assured by grafting them on to the existing co-operative central banks.

The problem is being solved in numerous provinces by the establishment of land-mortgage banks, the first of which was registered in the Punjab in 1920,[627] and which are found to-day in Burma, Madras, Bombay, Assam, the Central Provinces and Berar, the United Provinces, Bengal, and Mysore, as well. Their establishment has been under consideration also in Hyderabad and Travancore.

Such institutions are an integral part of the co-operative movement and it is hard to understand why detailed statistics regarding them should not be presented in the " Statistical Statements Relating to the Co-operative Movement in India," issued annually by the Department of Commercial Intelligence and Statistics.

They are, however, still in an experimental stage in most provinces and have yet to prove their practical value under Indian conditions, although the Landschaft, the oldest land-mortgage bank, was started in Germany in 1770, and land-mortgage banking has flourished in Germany and elsewhere.[628] The Bombay Banking Enquiry Committee believe that " worked under proper control, and with due safeguards, it is a most valuable instrument for improving the economic status of the peasant proprietor," [622] and that it should go a long way towards solving the problem of agricultural indebtedness.

The success of such a venture obviously depends in large part on the availability of cheap capital in sufficient amount. The impossibility of getting long-term money at reasonable rates at present is an important inhibiting factor for the development of these institutions. It is desirable to have money available for a twenty-year period, but many mortgages at present run from three to five years. It is idle to hope that members' share money and deposits can meet the situation. Even short-term depositors tend to be shy of these unproved institutions.

It is generally conceded that State aid is indispensable to the success of land-mortgage banks. ' In Ajmer the three land-mortgage banks have been attempting to struggle

on without even a loan from Government, and their total loans accordingly have had to be restricted to Rs. 10,000 a year each,[629] which reduces their activity to a benevolent gesture.

State assistance may take the form of administrative help in land valuation, of Government loan, as in Assam,[630] of guaranteeing interest on debentures and recognizing them as trustee securities, or of introducing the security to the market in the initial stages by the investment of public funds in the issue.[537]

The Bombay Banking Enquiry Committee makes the constructive suggestion that part of the funds collected by postal savings banks in rural areas be made available to the co-operative societies, including land-mortgage banks, at rates not much higher than the 3 per cent. allowed to postal savings depositors. The Committee points out that this would meet much of the objection that the postal savings banks drain the districts of capital that otherwise would be available to finance agriculture and local trade.[631]

Debenture issues are a natural recourse of such banks and have been resorted to in the Punjab, Bombay, and Madras. The Bombay Government undertook to subscribe, to the extent of Rs. 5 lakhs, to the issue of the provincial bank for the support of the land-mortgage banks, and guaranteed interest to the purchasers during the life of the bonds, as did the Punjab Government for a similar issue in that province.[632] In these two provinces, debentures are redeemable at the option of the bank after twenty-five years and must be redeemed within thirty-five, the proceeds becoming part of the bank's permanent capital and claims being met out of a sinking fund from accumulated profits.[633] In Bengal the issue of debentures has been authorized for financing the two land-mortgage banks in that province.[634]

Government guarantee of interest on the debentures of land-mortgage banks was approved by the Royal Commission on Agriculture, which, however, believed that the issue of such debentures should be controlled by a central organization to prevent competition in the money market.[621] In Madras, however, debentures were issued by local land-

mortgage banks and the Provincial Government subscribed to them, before the formation in 1929 of a central land-mortgage bank, of which nineteen of the forty-two primary land-mortgage banks in Madras are members.[635] It has undertaken to guarantee interest at not exceeding 6 per cent. for twenty years on all debentures issued by the central institution during its first five years, up to the limit of 50 lakhs of rupees. The Madras Government also sanctioned an interest-free loan of Rs. 15,000 to meet the initial costs, and loaned two officials for three years to help the directors of primary banks in scrutinizing loan applications, verifying the title and market value of land offered as security, and assessing borrowers' repaying capacity.[636] All but five of the local land-mortgage banks in Madras earned a profit in 1928–29.[637] Debentures in Madras are linked up with particular mortgages and repaid out of repayments of the loans.[633]

There are two main types of land-mortgage banks—those dealing directly with the individual member and lending on the security of his property, and those connected with the primary credit societies and lending only or in part to or through them.[638] In the Punjab, where the borrower has a credit society in his place of residence, it must partially guarantee his loan, up to Rs. 1,000.[639] The three land-mortgage banks in Bombay are modelled on the National Farm Loan Associations in the United States, but lack their superstructure of Federal Farm Loan Banks functioning under a Federal Farm Loan Board. The Bombay Provincial Bank functions as their central bank. The Bombay Banking Enquiry Committee recommended an independent central land-mortgage bank for the province,[640] but no steps have been taken towards it, due in part, no doubt, to the province's serious financial state, said to be worse at present than that of any other major province.

It is a usual requirement, which had the endorsement of both the Registrar's Conference and the Royal Commission on Agriculture,[641] that members of land-mortgage banks take shares, the maximum borrowing power of each ranging from nine times his holding in the share capital in Madras [642]

to twenty times in Bombay.[643] In Bombay the loan recommendations of the land-mortgage bank committees are subject to approval by the provincial bank and the Registrar. The Provincial Banking Enquiry Committee is opposed to giving the local directorate too wide discretion.[643]

In Bombay loans may not exceed 50 per cent. of the value of unencumbered land, or, in special circumstances, of house property.[643] In Madras the maximum loan is Rs. 2,000,[644] and in the Punjab the maximum is Rs. 5,000 or twenty or thirty times the land revenue of the property mortgaged.[645] The size of average loan in different districts of that province varies from Rs. 674 to Rs. 2,758,[646] but the average for the province is under Rs. 2,000.[619] The maximum period of a loan is twenty years in Madras and the Punjab, with ten years the usual term in the latter,[647] while in Bombay the maximum is thirty years.[643] In the Punjab no dividend is allowed, all profits going to an indivisible reserve invested outside the bank and maintained as security for the creditors.[648] Interest on land-mortgage bank advances is 8 or 9 per cent. in the Punjab, generally the latter,[646] and 9 per cent. in Madras.[642] These rates are too high.

The spread and effectiveness of land-mortgage banks are, of course, conditioned by the systems of landholding in different parts of the country. The United Provinces Banking Enquiry Committee point out that they are not practicable for tenant cultivators where, as in the United Provinces, occupancy rights are not transferable.[649] In Ajmer the prevalence of mortgaging on unregistered documents is reported a difficulty.[629] It is doubtful whether their development would be affected seriously by the general adoption of the recommendation of the Royal Commission on Agriculture, that " no usufructuary mortgage of agricultural land should be permitted by law unless provision is made for automatic redemption within a fixed period of years, of which twenty should be the maximum." [648] A similar provision to prevent loss of land to non-agriculturists obtains in the Punjab, the Central Provinces and the United Provinces, but it has not prevented the development of land-mortgage credit in the first-named province. Such a

provision, however, must reduce the value of mortgages as marketable instruments.

Two sureties are required for all land-mortgage loans in the twelve land-mortgage banks of the Punjab, and the Madras by-laws permit the requiring of sureties in addition to mortgage security.[632]

The only real safety of a land-mortgage bank lies in the greatest strictness in holding borrowers to meet their obligations promptly. In the Punjab at the end of 1929–30, 39 per cent. of all borrowers from land-mortgage banks were in default,[646] and this in spite of the vigorous policy followed there, under which almost 300 defaulters had been proceeded against and as many as thirty-six put in jail.[650] So this branch of the movement is by no means free from the overdue loans evil which so handicaps the co-operative societies for short-term credit.

The Central Banking Enquiry Committee recommend the further establishment of land-mortgage banks on a co-operative basis wherever there is a reasonable prospect of their working successfully under the local conditions,[651] and the development of well-organized joint-stock mortgage banks for the benefit of the numerous classes of landowners who cannot be adequately served by the co-operative credit organizations.[652]

The beginnings which have been made are a step in the right direction, but operations on a far larger scale will be necessary if the problem of rural indebtedness is to be effectively attacked. As the Bombay Registrar, Mr. V. H. Bhide, remarked to the writer, " The amount now available for long-term mortgages is only a drop in the bucket." Quantitatively, then, the land-mortgage banks' achievements admittedly fall far short of their opportunity. A qualitative measure of what they are accomplishing has not been attempted, but at least a sample analysis is highly desirable. As the Assam Banking Enquiry Committee remarks:

" We think that it would be instructive if land-mortgage banks ascertained how far these borrowers whose lands have been redeemed from mortgage or whose old debts have been paid up by loans from these banks managed to keep out of debt in sub-

sequent years. We hope that the result will be found to be better than in the case of some Court of Ward's Estates which after having been freed from debts under Government management lapse again into a state of worse indebtedness." [630]

An instance cited in the Report of the Bihar and Orissa Banking Enquiry Committee, while perhaps not strictly pertinent, as it dates from the days before land-mortgage banks and involved an aboriginal tribe in that province, at least proves that loans to wipe off old debts are of doubtful value unless current credit at reasonable rates also is made available. The Bihar and Orissa Government made an attempt on a moderately large scale, in the period 1906–12, to redeem from debt the more substantial cultivators among an aboriginal tribe. Loans were issued at 6¼ per cent. to clear off the existing mortgage debt, the repayment period being adjusted to the value of each holding. About Rs. 1½ lakhs were advanced. In 1912 it was decided to proceed no further, the experiment being generally conceded to be a failure. Many cultivators could not keep up repayments without borrowing from money-lenders to do so, in addition to their having to borrow at high rates for their current needs. At the end of the six years only half the recipients of the loans had been benefited by them, the remaining peasants having sunk into an indebtedness greater than that from which they were rescued.[653]

### *Other Types of Co-operation*

The classification of primary societies for purposes other than credit, in the statistical statements of the Department of Commercial Intelligence and Statistics, into " Purchase and Purchase and Sale," " Production," " Production and Sale," and " Other Forms of Co-operation " is purely arbitrary and does not fit to-day, if it ever did, the lines along which the movement is developing. The Bombay Act of 1925 attempted an improvement with its classification into " Resource," " Producers'," " Consumers'," " Housing," and " General " Societies, but there is an overlap between " Resource " and " Consumers' " Societies as defined in

the Act. While it is better than the national classification, it still is not sufficiently detailed to present a clear picture of the development of co-operation in the various lines.

A more logical, if a somewhat more complicated classification of non-credit societies according to main function seems to be into Marketing Societies, Purchasing Societies, Industrial Societies, Societies for the Consolidation of Landholdings, Irrigation Promotion Societies, Labour Contract Societies, Insurance Societies, Housing Societies, Better Living Societies, and Others. There is, regrettably, still some overlap because of many societies having practically co-ordinate functions, such as the purchase and sale unions and the industrial societies which have purchase and sale as their chief co-operative activities. The former will be classed arbitrarily with marketing societies for consideration, as will loan and sale societies, while industrialists' societies with a main function other than the supply of credit will be considered as a separate group, in which will be included societies of agriculturists having processing as their main function. It should not be forgotten, however, that much of the co-operative processing of the agricultural product is carried on by marketing societies as a subsidiary function.

### (a) *Co-operative Marketing*

While credit is and must remain for some time to come the chief concern of the co-operative movement in India, development in other lines has been steady, if relatively slow, since 1912, when non-credit societies were brought officially under the ægis of the movement. Marketing occupies a much smaller place in the co-operative picture in India than in many countries, notably Denmark and the United States, but no other non-credit line of co-operation, with the possible exception of the consolidation of landholdings, seems to hold greater possibilities of help to India's great agricultural population.

The Bengal Banking Enquiry Committee believe that there is "very little room for improvement in the standard of living unless means are taken to bring to the producer a

greater share of the value of the crops than the harvest price he now commands." [60] It considers sale societies, run on proper lines, to have vast possibilities.[654]

The Banking Enquiry Committee in the United Provinces go even farther. "We must insist that the success of co-operative credit is jeopardized, to a large extent, by the absence of organized marketing." [655] The Registrar in the United Provinces is convinced that co-operative marketing is the obvious remedy for the conditions caused by the prevailing low prices. ". . . the mere granting of loans and doles to agriculturists will not solve their difficulties; along with credit societies there must be a parallel organization for the purchase of their grain and for supplying them with their ordinary requirements." [656]

Rao Bahadur S. S. Talmaki, Secretary of the Bombay Provincial Co-operative Institute and author of numerous works on co-operation, believes that the main reason the farmer still clings to the money-lender is the absence of sale and purchase organizations.[657]

The Royal Commission on Agriculture favour the encouragement of co-operative sale societies, "as these furnish the best means of enabling the cultivator to secure an adequate premium for produce of superior quality." [658]

The development of co-operative marketing in India is, however, closely bound up with the problem of credit; for, just as the crop mortgage held by landlord or country merchant is a millstone around the neck of the average cotton-grower in the United States, and a most serious obstacle to success in co-operative marketing of the product, so in India the claims of the village money-lender commonly inhibit the cultivator's freedom of action in disposing of his crop.

The Banking Enquiry Committee in Assam says: "Generally speaking, the cultivator who is in debt or who has taken a crop advance is unable to obtain a reasonable profit for his crop; the profits are swallowed up by the creditors." [659]

The United Provinces Banking Enquiry Committee believes that "it is only a well-to-do farmer who can afford

to wait for his money, or an unusually enterprising one who ever tries to market his crops himself." [660]

Almost the only dissenting note is sounded by the Bihar and Orissa Banking Enquiry Committee, which, discouraged by the disastrous termination of recent experiments in co-operative marketing in that province, attempts to minimize the disadvantage to the producer of the present marketing system: "The normal system of marketing is, we are convinced, a free one, in which producers, whether indebted or not, have a fair choice of buyers and get a fair price." [364] Exact data on the ratio of middlemen's charges to the profit received by the cultivator are not available, but this finding is so contrary to the consensus of informed opinion in other parts of the country that not much weight can be attached to it.

The *beopari*, who buys the farmer's crop, may be a grain-dealer from the nearest market, a local trader, or, more rarely, the agent of some wholesale grain merchant.[660] Often he is a farmer himself. Very commonly he is the village *bania* or trader-money-lender.

Much of the co-operative marketing in India represents subsidiary undertakings by societies having credit or some other activity as their main function, although in many cases a separate organization is provided. A few agricultural credit societies in Madras Presidency engage in marketing on behalf of their members on quite a large scale, but they are in the minority. [661]

The by-laws of at least one Bombay people's bank permit it to sell on a commission basis goods manufactured by artisans and to advance 75 per cent. of the market value of goods lodged with it for sale. The same advance by a central co-operative bank in the United Provinces, however, was characterized by the Provincial Registrar as "a bit indiscreet." [662]

The Bombay Provincial Bank makes a special effort to foster co-operative marketing in connection with its branches. As early as 1913 the first branch of that bank had organized the sale of gur on commission and some branches now handle cotton and other crops. Each branch had a shop connected

with it, the profits all going to the societies. Sales of jaggery alone averaged from 10 to 17 lakhs of rupees a year,[663] but most of the sales activities of these branches are being taken over by purchase and sale unions organized in connection with them, beginning with 1926. There are thirty-five or forty primary credit societies in each Bombay purchase and sale union. The union's services are restricted to credit society members, but it is separately organized and registered.

Bengal has purchase and sale societies also, unions of producers, created for pooling the agricultural produce of the members and disposing of the crops in their behalf at the best markets.[664] The Provincial Banking Enquiry Committee recommends liberal loans to these societies at the lowest possible interest until they can accumulate sufficient reserves, and advocates State grants or loans without interest for their capital expenditures, as for land, buildings, and plant.[665]

Sales societies in Bombay Presidency really represent a co-operative brokerage business, which is in line with the recommendation of the Maclagan Committee:

> " Ordinarily we do not think that a society should itself become the owner of the commodities handled. It is preferable that it should buy or sell on commission, or on some system under which it merely undertakes joint sale and purchase on behalf of the members at their risk." [666]

Sales commonly are handled, except by the purchase and sale unions, for non-members as well as members, but only the latter share in the annual division of profits. From 60 to 80 per cent. of the value of staple produce is loaned on it, but there is practically no attempt to hold produce for a better price. This is not necessarily a weakness. Experience in the United States has shown that when the charges for handling, storage, and insurance are taken into account, the difference in price between the beginning and the end of the season is often relatively insignificant.

How to enable producers to hold up their crops for a more favourable market was, however, within the scope of the investigation of the Banking Enquiry Committees, both Central and Provincial, and this is the main object of the

Madras loan and sale societies, which do not undertake any selling, but only make it possible for the cultivator to hold his produce a sufficient time to avoid the low prices after harvest by lending up to 60 per cent. of the value of agricultural produce placed in their custody. The seventy-three such limited-liability societies in Madras in 1929–30 advanced 8·27 lakhs to members, individual societies as well as individuals, in loans on the pledge of agricultural produce. Each society handles from one to four products.[667] Loans secured by produce may exceed the borrowing power of individuals in Madras as in Bombay. Minor, though still important, objects as given in the model by-laws for such Madras societies include acting as agents of members which are affiliated societies in disbursing and recovering loans sanctioned to the affiliated societies' individual members, and in receiving for safe custody the produce pledged to the affiliated societies by their individual members.[668] The Madras Government has loaned money for the construction of warehouses. The Provincial Committee on Co-operation endorsed them wholeheartedly: "Every assistance in their formation should be given by all concerned."[669]

An interesting recommendation is made by the Banking Enquiry Committee in the United Provinces, namely, that experiments be made in including the local *bania* in societies organized for the sale of non-perishable agricultural produce and the purchase of agricultural requisites, utilizing his practical knowledge of business methods and merely cutting down his profits to proper limits.[655] This is in line with experiments in Bombay Presidency in utilizing local merchants for co-operative marketing on a commission basis.[670] This offers one solution of the difficulty sometimes experienced in excluding competitors from co-operative societies.[671]

The United Provinces Banking Enquiry Committee favour a Provincial Department of Marketing especially to foster co-operative marketing developments among cultivators, but would have the formation of a central sales organization postponed until individual societies have learned good business practice under the *bania's* tutelage.[672]

Some official regulation of markets is recognized as a necessary preliminary to any very large-scale co-operative marketing developments. A beginning has been made in Bombay with the Cotton Markets Act of 1927, and cotton markets are regulated also in Berar.[673] There is much agitation for licensed warehouses on the American plan, as a first step, to encourage indirectly the standardization and grading of products and the growing of improved varieties, as well as to increase trade media by adding warehouse receipts as negotiable instruments. The Bihar and Orissa Banking Enquiry Committee recommend that for places in the interior such warehouses be run at first by the co-operative central banks, private individuals to be licensed later if the experiment proves successful.[674] The Committee contemplate the storing of the products of cottage industries as well as agricultural products, which would seem of doubtful feasibility, even if the country were considerably more advanced economically. It probably will be several years at least before a system of licensed warehouses is introduced in each province.

Outstanding developments in marketing agricultural products through organizations, the main purpose of which is not the furnishing of credit facilities, are represented by the cotton sales societies in Bombay and the jute, paddy, ganja, and milk societies in Bengal.

Probably no phase of co-operative marketing in India is on a sounder footing than the cotton sales societies in Bombay Presidency, where the development has been especially great in Gujarat and at Hubli and Gadag. The Hubli Co-operative Sale Society, like that at Gadag, was started in 1917.[675] It has been able to attract 15 per cent. of the cotton marketed in the area.[676] This is the more remarkable when it is recalled that the large cotton-marketing associations in the United States handle only about 6 per cent., on the average, of the total crop. It is estimated that the Hubli society has benefited its members since 1917 by extra profit of over 3 lakhs of rupees.[676]

The Gujarat Co-operative Cotton Sale and Ginning Societies Union, the first marketing federation in the country,

the first society of which was started in 1919, also claims an aggregate profit to its members of over 3 lakhs of rupees. There are now thirteen societies with about 3,000 members associated in the federation, though, owing to political disturbances, only seven of them worked in 1931. The federation's objects include sale of the produce of affiliated societies, though they are not required to dispose of all their cotton through its agency; arranging for loans required by the affiliated societies; advising member societies and auditing their accounts; ordering their agricultural requirements in some cases; and in general acting as the co-ordinating agency for their activities. Other objects are the formation of new cotton sale and ginning societies within its working area and the arranging of classes and conferences for the training of secretaries, committee members and other workers, and for discussion of common problems.

The federation is reported to have gained the confidence of the market and to have first preference from buyers in its territory. The difficulty experienced at first with member loyalty has been overcome without coercion as the benefits of the Union became apparent. Unlike the Hubli and Gadag societies, the Gujarat Union sells members' cotton only; and whereas the former sell raw cotton chiefly at public auction, the Union has a ginning society affiliated with it which has saved lakhs of rupees over the charges of commercial ginning companies, whose combination against the co-operative societies led to their erecting their own gin. In the three years 1928–30 the cost of building and machinery was paid off out of the profits of the gin and a good sum was put aside against depreciation. Its failure to work in 1931, owing to the political situation, is estimated to have cost the members Rs. 1,20,000 more for pressing bales and Rs. 70,000 more for ginning than they otherwise would have paid.

Optional pooling arrangements spread sales throughout the season if desired, advances being made up to 75 per cent. of the value, depending on the quality of the cotton and the market trend. Of interest as an example of the many savings possible from combination is an economy effected by

the Union in connection with the insuring of member societies' cotton. The Union serves as agent for the insurance company and its commission obviates the need of large contributions from members for the purpose.

Members of each society are drawn from a radius of seven or ten miles, depending on the quality of the soil, and each society produces a particular type of cotton, thus avoiding difficulties with grading. Each member must buy a share valued at Rs. 20 and must agree to sell all his cotton through the society, under penalty of fine in some cases. All but one *taluka* in Surat District have one or more sales societies. In one *taluka* the societies are estimated to handle about one-fourth of all the cotton produced.

In 1930 the Federation sold cotton to the value of over 20 lakhs. It is supported by voluntary contributions from its members, in addition to its insurance commission, and it employs a chairman, a secretary, and a supervisor who handles sales. An able agricultural organizer, Mr. Y. T. Desai, assigned by the co-operative department to foster these societies, serves as its honorary secretary. Profits are distributed at the end of each season. A marked improvement in the quality of cotton produced is reported here as well as in Hubli, members' cotton being grown from seed supplied by the society.[677] The cotton sales societies handle that crop only, but all other sales societies in the Presidency sell all crops found safe and convenient.[678]

Local boycotts and adverse activities of hostile non-co-operators are powerless against these relatively large-scale organizations, but they have proved so serious in Baroda, where there are numerous cotton sale societies, that registered societies sometimes have failed to work. The Registrar has had to adopt the policy of requiring such societies to be in active operation for some time before registering them.[679] Mysore, Hyderabad, and Madras all have cotton sale societies. In Madras a Deputy Director of Agriculture has been appointed to give technical assistance.[680]

The co-operative marketing of jute has had a less gratifying record than the Bombay cotton sale societies. The co-operative jute sale society started in Assam in 1927 suffered

from lack of adequate local or Governmental financial support; it had no one of practical business experience in the admittedly complex and technical jute trade in its employ or on its directorate; and it was actively opposed by the *Marwaris* [681]—surely a sufficient number of handicaps to account for its failure!

A central jute sale society exists in Bengal, but, in spite of a well-paid expert manager, the results have been so disappointing, due partly to the drop in prices, that the Honorary Secretary of the Bengal Co-operative Organization Society, Ltd., Mr. S. K. Lahiri, believes it would not be possible to form any more co-operative jute sale societies there now.

The Ganja Cultivators' Co-operative Society at Naogaon, Bengal, on the other hand, has achieved, by co-operative effort, a practical monopoly of the disposal of ganja and is reported very prosperous.[682] Bengal has paddy sale societies also which have shown almost consistently a small profit.[683] Two of them have established rice-mills for hulling and cleaning the members' product before selling it.[683] A central paddy sale society was organized in 1927–28 and the following year it disposed of over 3 lakhs' worth of paddy.[684] Arrangements have been made to build up a common service of managers, as has been done in the case of jute societies,[685] but funds are said to be lacking for training enough men.

The various sale societies are represented on the directorate of the Bengal Co-operative Wholesale Society, Ltd., which has workers visiting the sale societies, supervising their standards of assortment, etc.[686]

Bengal is pre-eminent in the co-operative dairy field, with over 150 milk societies. The pasteurizing equipment and automatic machines of the Calcutta Milk Union are the most up-to-date in the country.[687] It did a business in 1929 of over 5 lakhs of rupees.[688] Producer members are reported to have improved their economic position considerably, having paid off debts, bought more cattle, erected decent cattle-sheds, and accumulated a substantial sum in owned capital in their local society. Its success has led to the

considerable expansion of the movement and has resulted in the creation of a new official post, Superintendent of Milk Societies, the holder of which assists in their promotion. In some places, as at Darjeeling, butter and ghee societies have been established in connection with the milk union.[689] The milk societies, by giving members a better price for their products, amounting in the case of one Bengal Union to 75 per cent. more than the dairy farmers had been getting,[689] give an incentive for increasing production and so stimulate the breeding of improved strains.[690] Apathy of consumers to the advantages of pure milk is reported a general obstacle, the removal of which must wait for the education of public opinion.

A pure-milk-supply union on the Calcutta model for the city of Madras made Rs. 1,56,754 in 1929–30 from the sale of milk and milk products.[691] It advances money to villagers for the purchase of buffaloes or cows. The milk is handled under sanitary conditions, pooled, and brought to the city on motor lorries.[692]

Not all milk societies are producers' societies like those in Calcutta and Madras. A small co-operative dairy at Surat in Bombay Presidency, for example, started with a mixed membership of producers and consumers, but is gradually eliminating the latter because of difficulties in recoveries on advances made to them. This is one of several co-operative dairies in that Presidency, all of which are working satisfactorily, but the Registrar points out that they could be more successfully organized if the municipalities would take an interest in the work and give facilities for building cattle-sheds or make loans to the societies at low rates.[693]

The Baroda Registrar reports that neither milk producers nor consumers evince sustained interest in co-operation and most of the milk societies started there have become dormant.[694]

The marketing of agricultural produce has not been attacked seriously in the Central Provinces.[695]

The United Provinces have a sugar-cane sale union which worked at a profit its first year, 1929–30.[572] The plan of one ghee supply society in that province was so successful that

five modelled on it have been started.[696] It gives members a certain sum for which they agree to supply the society with a fixed quantity of ghee, which the society sells as it pleases, turning over most of the profit to the members as bonus.[697]

Mysore has cardamom and areca sale societies, but the Registrar believes no appreciable progress is possible until the members get out of the money-lenders' clutches.[698] Also several Mysore societies have a system of crop loans to free members' crops so that they can sell in the open market.

A single sale society in the Punjab sold produce during 1929–30 worth over 13 lakhs, but the total sales of twenty-four commission shops aggregated but 41 lakhs, though they had 1,288 society and 3,339 individual members. Only 55 per cent. of the latter sold anything through the shops, and only about 50 per cent. of the individuals in member societies. Nevertheless, the Punjab Banking Enquiry Committee believe that " the best single remedy for the growers' marketing difficulties is co-operation." [699] About 37 per cent. of the produce sold by these shops was for non-members. The produce was sold outright in most cases, storage facilities being unsatisfactory. Charges on advances ranged from $9\frac{3}{8}$ to $12\frac{1}{2}$ per cent. The main difficulties of the commission shops, according to the Punjab Registrar, are their liability to boycott and the difficulty of getting a competent and reliable staff.[700]

Jaggery is an important product handled by co-operative sale societies, and scattered sale societies throughout the country sell wheat, tobacco, potatoes, onions, gur, chillies, ground-nuts, and other products.

The marketing phase of the movement has numerous difficulties to contend with, important among which are members' frequent inability, due to their credit obligations, to control the marketing of their product, member apathy or disloyalty, and opposition of competing interests, such as brought to grief the Travancore fishermen's markets.[701] Other serious difficulties, some of which also have been mentioned, are the difficulties of transport under the present defective communication system, small-scale production, inadequate storage facilities and especially the absence of

licensed warehouses, the lack of standardization of weights and measures, and the members' unfamiliarity with grading and methods of preparation for market. Some of these inhibiting factors are beyond the present control of the societies, but the chief present defect of co-operative marketing in India they can overcome, if convinced of the necessity and given the necessary help. That defect is poor management.

The most effective scientific marketing calls for a degree of business acumen quite beyond the average farmer or artisan in any country, and especially in India, where literacy is the exception. Farmers and artisans are specialists in production, and the division of labour facilitated by turning over the marketing of their products to qualified specialists in the employ of co-operative groups obviously is in the interest of economy and efficiency.

Unfortunately, many Indian organizations for co-operative marketing have overlooked this well-nigh indispensable requirement of skilled management. A mistakenly directed zeal for economy has led too often to the selection of an unqualified manager, most often a member of the organization, in many cases little, if any, better qualified for the task than his fellow-members. Lack of business experience on the part both of members and officers of the Department was blamed by the Burma Registrar in 1926–27 for the difficulties which sale and storage societies there had experienced.

In Bengal effort is being made to overcome the difficulty of getting capable managers familiar with both business practice and co-operative principles by a system of apprenticeship, and the Registrar reports every effort being made to harmonize co-operative practice with trade practice.[378] The jute sale societies there have expert managers belonging to a common service and acting under the direction of the Bengal Co-operative Wholesale Society, Ltd.[686]

Some sale unions have a committee of control, made up of non-members, business experts, with the power of vetoing the resolutions of the executive committee and of action on important matters.[702]

The Bihar and Orissa Banking Enquiry Committee

include proper management as one of the three requirements for the success of a co-operative sale society:

(1) A margin between the lowest and the highest price during the period for which the product can be stored, sufficient to cover warehousing, interest, and management charges.

(2) Managers able to judge accurately the course of prices and the character to resist and prevent peculation.

(3) Producers' loyalty.[703]

They claim that rice, for example, the main crop of Bihar and Orissa, does not meet the first condition and so is unsuitable for marketing co-operatively.[703]

Able managers, as that Committee points out, command salaries which will increase the overhead markedly. The solution is sufficient volume to keep the unit handling cost within profitable limits. This is impossible of attainment for the average independent sales society. The Gujerat Co-operative Cotton Sale and Ginning Societies Union, the Calcutta Milk Producers' Union, Bengal's Central Paddy Sale Society, and the Bengal Co-operative Wholesale Society, Ltd., show some of the possibilities of combination.

In this connection the proposal of Professor H. L. Kaji, Honorary Secretary of the All-India Co-operative Institutes' Association, for strong commodity sales institutions, which would not be federations of member societies but would act as efficient and disinterested middlemen, merits very serious consideration. Such large-scale organizations on commodity lines should be able to count on sufficient volume ultimately to provide the necessary expert direction and proper facilities without unduly raising the operating cost per unit.

A successful precedent is found in the English Wool-selling Societies, each of which handles the wool of a single breed of sheep, drawing it from members anywhere in the country.[704]

The objection is idle that it is opposed to co-operative principles to organize a superstructure to co-ordinate sales effort in advance of popular demand. If the Government of India had waited to introduce co-operation until there was widespread demand for it from the illiterate people it was

designed to benefit, a start would hardly have been made yet. Nor can the collapse of the Bombay wholesale store started before there were enough co-operative retail stores to give it custom be cited against this proposal. There already exist enough co-operative societies for the sale of agricultural products to make a modest beginning with these apex commodity institutions, and if they approximate the success which may legitimately be hoped for, the multiplication of primary sales societies will undoubtedly proceed apace. Such commodity organizations, Professor Kaji points out, could finance constituent societies or unions and act as a link between the agricultural producers and the consumers' moves ment, enabling the latter also to take root.[705]

Presumably they could depend on the Co-operative Departments and Provincial Institutes for the required propaganda. As co-operation is a transferred subject, under the separate jurisdiction of each province, however, special legislation would be required to enable the disregard of provincial lines in such organizations, but that should not be an insuperable obstacle. The question of finance under the present scattering of authority and in the absence of an All-India Co-operative Bank might involve difficulty. Such organizations, if successful, would be self-supporting ultimately. They should, of course, be started on a modest scale, but the provision of initial expenses and sufficient capital to insure against losses until an adequate reserve could be built up would have to be worked out. The effort of the Gujarat Co-operative Cotton Sale and Ginning Societies Union of Surat in Bombay Presidency to draw in the cotton sale societies in Baroda is the first serious move towards overstepping provincial barriers in the promotion of co-operative marketing.

The financing of the ordinary sale societies has not so far presented serious difficulties, the central banks being the natural recourse when sale societies' own share capital and reserve and Government assistance sometimes available do not meet their requirements, sale societies on sound lines offering a profitable investment for some of the central banks' surplus funds. Bengal has financing unions for some

of the milk sale societies. The Bengal Banking Enquiry Committee recommend liberal State loans to the purchase and sale societies, especially those for the sale of jute.[665] Government help has been available in some provinces, but almost uniformly in quite small amounts. The Assam Government, for example, made one central bank a loan of Rs. 5,000 to finance milk societies.[706] Sir Lalubhai Samaldas, pioneer in the Indian co-operative movement and President of the All-India Co-operative Institutes' Association, believes that financial help from Government is indispensable to the success of co-operative marketing associations.

In some provinces, Co-operative Department officials have been assigned especially to foster sale societies. The experiment was not considered a success in Bombay, probably because the societies started at that time failed; and the Assistant Registrar was transferred to regular duty, but in a division where his experience could be utilized in connection with the cotton sale societies. The Co-operative Departments generally, while accepting in theory the potential value of co-operative marketing organizations, seem to feel some hesitation in pushing them under present conditions. This is perhaps excusable in view of the complex problems involved, as the Departments are all undermanned for maximum effectiveness.

The Bengal Registrar, in his annual report for 1928–29, points out that this phase of the movement has not yet emerged from the experimental stage.[378] He recognizes the importance of a sound system of co-operative marketing, but is following a cautious policy in the organization of such societies. " The advantages, however, are so palpable that there has been a persistent demand for new organizations and it has taxed the Department's resources to the utmost to meet a very small part of it." [707]

The Banking Enquiry Committee in that province expressed the opinion that, with rare exceptions, co-operative sale societies " have not hitherto been able to yield any results commensurate with the expectations raised. They have been found to have serious defects not only in their methods of working but also in respect of their organization." [716] Such

defects, however, are not inherent in the idea of co-operative marketing and it should be possible to overcome them as experience is gained and some of the extraneous limitations are removed.

A resolution passed by the Second All-India Co-operative Institutes' Conference, held at Hyderabad in April 1931, and representing the consensus of non-official co-operative opinion reads:

> "This Conference is of opinion that the Co-operative Organization of the marketing of agricultural produce, and in particular of the great staples, Cotton, Jute, Wheat, and Rice, is essential, and that for this purpose, besides the co-operative sale societies, Central Organizations should be set up with the assistance, financial and otherwise, of Government."

The Conference named committees with powers to co-opt prominent business men to prepare suitable schemes for and to organize such bodies.[708].

### (b) *Co-operative Purchasing*

Among the major lines of co-operative activity undertaken in other countries, the distributive phase commonly known as consumer co-operation has met with the smallest degree of success in India. Its progress quite generally has been weak and halting and the lessons gleaned from experience so far are perhaps more negative than positive. What not to do in this direction has been amply demonstrated.

The joint purchase of raw materials is, of course, a primary object of the industrial societies, but many credit societies and some of other types have undertaken as a subsidiary activity the co-operative purchase of members' agricultural and, in some cases, domestic requirements. Occasional bulk purchases of cloth and fodder for the benefit of neighbouring societies are reported to have resulted, for example, from group conferences among *panchayats* of village credit societies in the United Provinces.[400]

In Mysore credit societies in 1929–30 sold improved agricultural implements, seed, fertilizers, etc., to the value of Rs. 89,784.[709] Not much seems to have been done with the constructive suggestion made in 1923 by the Mysore Com-

mittee on Co-operation, that consumers' stores co-operate with producers' societies in the procuring of staple products,[710] except as the combination of the two functions in one society takes care of it automatically.

In Madras in 1929–30, forty-four credit societies for municipal employees purchased cloth and food-stuffs for their members to the value of Rs. 48,562, with a saving to members of 1·6 per cent.[711]

In Bombay the *taluka* development associations and some of the people's banks carry on this work, and the cotton sale societies also buy for their members on the indent system. The branches of the provincial bank have helped in the distribution of seeds, fertilizers, and agricultural implements, but the separate purchase and sale societies established in connection with them are taking over this work gradually.[712]

Distributive societies were the first type of non-credit society started in rural areas. They were confined at first largely to supplying members' agricultural requirements, but by the time of the Maclagan Committee's investigation separate societies had been registered for buying, in addition to farm implements and fertilizers, milk, yarn, and silk, and seemed in most cases to be prospering.[713] This appearance of prosperity reported in 1915 was not sustained in many cases and in the early part of the last decade several disastrous failures among co-operative stores proper shook the public confidence in the consumer phase of the movement.[714]

In Bengal, separate agricultural associations have been formed to buy in bulk for members' agricultural requirements,[715] but their work has not been altogether satisfactory, and the Provincial Banking Enquiry Committee incline to the opinion that their duties could be discharged equally well and more economically by the credit societies themselves, or by the sale and supply societies.[716]

In practically all provinces to-day there are a few successful consumers' societies, discouraging as the record on the whole is. With isolated exceptions, this phase of the movement has been most successful in Madras and Mysore. When one thinks of consumer co-operation in the West, the Rochdale success and the great Co-operative Wholesale Societies of the

British Isles come to mind. In India, the mention of consumer co-operation as inevitably suggests the Triplicane Urban Co-operative Society, Ltd., of Madras, started in 1905 by fourteen Rochdale enthusiasts, mostly schoolmasters.[717]

The principles on which the Rochdale pioneers succeeded are familiar to the tyro in economics:—Democratic control, sales at market prices, and distribution of a bonus to members in proportion to their purchases. Transplanted to India the system has proved successful on a more modest scale. Even the Registrar's insistence that the store should be an appendage to a credit society,[718] which alone had a legal status at the time, failed to hamper its growth and the credit society is now distinctly a side issue, its profits all going to the joint reserve fund.[719]

The management has been conservative. Not until 1926 was a clothing department added to the grocery department with which the store started.[719] The Triplicane Stores through their twenty-five branches made sales last year of about 13 lakhs of rupees.[720] They have 7,000 members, the only membership requirement being subscription to one share, valued at Rs. 5. No member may hold over 250 shares.

Among co-operative stores with restricted clientele those of the Bombay, Baroda, and Central India Railway at Ajmer and Dadar have been outstanding successes. Sales at the former average Rs. 40,000 and at the latter Rs. 12,000 a month. Members at Ajmer number over 3,700 and at Dadar about 3,000. Credit is allowed to members up to 1½ months' salary, each member signing an agreement to permit the amount due to be deducted from his wages. Only employees of the railway are eligible to membership, but anyone can buy for cash. Shares are Rs. 10 to higher-paid, Rs. 5 to lower-paid employees, which, while doubtless more equitable, is not strictly in line with co-operative principles. Household necessities, food, fuel, and cloth, are sold, price lists being revised frequently. The Rochdale precedent is not followed. Large profits are not sought; in 1930–31 the net profit at the Dadar store was less than Rs. 3,000.

A purchasing committee, a sub-committee of the elected managing committee, meets weekly and an inventory is taken once a month. The Dadar society has eleven paid employees who do most of the actual work, but the Honorary Auditors visit the shop almost daily and conduct a current audit. The railway allows a freight reduction of 2½ per cent. on the store's supplies, and the Dadar establishment, a poor cluster of unpainted sheds, is rented by the railway to the society. The fact that the society is flourishing in spite of its unattractive accommodation is hopeful for the future of consumer co-operation in India.

Another remarkable record has been made by the Matunga South Indian Co-operative Consumers' Society. In 1929–30, on a share capital of only Rs. 4,427, it made sales of Rs. 75,000 and a profit of Rs. 2,100, or almost 50 per cent. of its share capital. The Bombay Registrar reports the members very loyal and there are competent honorary workers on the managing committee.[721]

Bombay Presidency had thirty-six stores in 1929–30, including dairies, hostels, etc.[722]

In Mysore the store movement made rapid progress in 1929–30. The seventy-three societies, which are primarily stores and secondarily banking institutions, on a working capital of Rs. 11,53,129, had sales totalling Rs. 9,70,953 and net profits of Rs. 62,289. There were twenty-six other stores in Mysore attached to credit societies and their sales per society were considerably larger and totalled Rs. 4,29,608.[723] Fifty-two supply societies there sold goods valued at Rs. 1,25,695 and bought members' products worth Rs. 71,810.[506] Gratifying as this record is, there seems to be no valid reason for departing from the proven Rochdale principle of selling at market prices, especially where stores are open to non-members, as they are in Mysore. The State Committee on Co-operation reported without comment that the practice is to sell goods bought wholesale at a small profit over cost price.[724]

Travancore has twelve consumers' societies, one of which, the Trivandrum Co-operative Distributive Society, sold over Rs. 90,000 worth of goods in 1929–30.[467]

Hyderabad has several stores, mostly in the capital city.[725] Coorg has two co-operative cloth stores started in 1929–30 which are reported working satisfactorily.[726] Kashmir has one society for the sale of firewood, which is reported to have done excellent work.[727] The little State of Puddukotta in South India, not included in the national statistics on co-operation, had nine fairly successful stores in 1929–30.[467] In that year Burma had three surviving stores, all working satisfactorily.[728] In Bihar and Orissa stores among artisans are helped by Government grants, and the Committee on Co-operation in that province approved help to such societies in the shape of clerk hire.[492] Several stores there are reported working well on a small scale, a profit of 33·3 per cent. having been achieved in 1928–29 by one society of 136 members.[729]

Madras agricultural societies for purchase or purchase and sale numbered 139 at the end of 1929–30, and their purchases for members during the year amounted to Rs. 1,76,000.[730] Only eight of the twenty-one village stores in Baroda, all run on the indent system, are reported to have worked successfully in 1930.[731] The consumer phase of co-operation has not made much headway in the United Provinces, both the non-agricultural central societies, the stores at Agra and Sandila, having operated at a loss in 1929–30.[732]

The Assam Registrar, in his report for that year, says all of the co-operative stores in the province are in a bad way, except two or three at Shillong, and many are perhaps headed for dissolution.[733] The Provincial Banking Enquiry Committee ascribes this condition largely to their operation on credit.[734]

The store movement in the Central Provinces and Berar dates from 1918, but has been marked by more failures than successes. At the time the Provincial Committee on Co-operation reported, only six out of the thirty-one stores had succeeded at all.[735]

The Bengal Registrar reports co-operative stores in that province apparently more unsuccessful than successful, though in 1928–29 the number of sale societies, their membership, and sales all increased, the last to Rs. 5,36,000. " The

consumers' movement has not yet attained success, but in this matter Bengal is not singular." [736]

The Bengal Banking Enquiry Committee found co-operative stores in agricultural areas working successfully on the whole and appearing to be of considerable assistance to their members,[737] while almost all urban co-operative stores were reported unsuccessful.[738] They recommend their liquidation and that no new stores be formed either in urban or rural areas without clear evidence of loyalty and co-operative spirit on the part of prospective members,[738] which might conceivably be hard to demonstrate in the abstract and before the society was formed!

Most of the Punjab purchase and sale societies are in criminal tribe settlements, where close supervision is possible, and in many cases they have done well.[739]

This feature of supervision is no doubt prominent in the quite general success of the student stores societies. There were sixty-eight of them in Madras in 1929–30 for buying books and stationery.[740] They are recognized as of value in furnishing training to the students who administer them under faculty supervision, but the latter element, as the Registrar points out, is responsible for much of their success.[353] The offer of the Triplicane Stores to act as their central society, buying in bulk and distributing to the affiliated societies, of course at a saving, unfortunately and inexplicably has not met with general acceptance.[353] In Baroda the Educational Department is taking an interest in the organization and conduct of such student stores,[694] which are found also in the Punjab, Bombay, the Central Provinces and Berar, Mysore, Coorg, and elsewhere.

The Registrar in Bombay has reached the discouraging conclusion: "Speaking generally, experience proves that Store Societies are most difficult to run, and no fresh attempts should, therefore, be made to organize any consumers' stores." [741]

None of the five agricultural supply societies in the United Provinces which attempt to supply improved implements to members worked successfully in 1929–30. The Director of Agriculture and the Committee on Co-operation in that pro-

vince had recommended co-operative ownership of sugar-cane-crushing mills,[742] and some societies were started for the purpose, but the Registrar believes they cannot compete with the excellent private agencies which hire out such mills and look after them at a moderate cost.[732] If the commercial service is on the basis of cost plus a reasonable profit, the question arises why these societies should have been formed. The cost in money and to the reputation of the movement which is involved in starting unnecessary societies only to have them die a lingering death makes this seem an uneconomical way of getting at the facts. Data on the prices of the implements involved and the rental charges for them surely could have been obtained and a comparison made with far less expenditure of time and effort. Certainly the field is sufficiently wide for the amelioration of conditions by co-operative effort without attempting to compete with private interests where no appreciable saving can be hoped for.

The Registrar in the United Provinces also comments that "the margin of profit of the ordinary retail trader seems to be so small there is little scope for the successful working of a co-operative retail shop."[743] This, if true in the United Provinces and elsewhere in the country, may furnish a clue to the generally conceded partial failure of the co-operative movement on the consumer side.

Schulze-Delitzsch called consumer co-operation "the foundation of the co-operative structure," and it may well be so in countries like England, where there is a large working class which is fairly well paid. This condition unfortunately is not found in India, where the potential economic advantages of consumer co-operation among the great mass of the people seem proportionately small. It must be remembered that the clientele of the Triplicane Stores is drawn largely from the middle class. Until workers generally are better paid, it would seem the part of wisdom to proceed in this direction with great caution. If, as is alleged, retail grain and other merchants sometimes resort to sharp trade practices to increase inconspicuously their apparently slender margin of profit, the remedy lies in official regulation,

not in the setting up of societies to compete against them with honest methods which may involve higher prices.

Efficient management and member loyalty have been mentioned repeatedly as indispensable to the success of co-operative stores. Obstacles to member loyalty are increased when the clientele is drawn from a heterogeneous group scattered over a wide area, as in the case of the large co-operative store started a few years ago in the city of Bombay, with regrettable financial consequences to its philanthropic sponsors. Unless there is some basis for union among members besides common zeal for savings and profits it is difficult to make them feel the proprietary interest in the undertaking without which a co-operative store can hardly hope to succeed.

Several difficulties faced by consumer co-operation among the working classes in the cities have been pointed out. They are averse to paying cash; they resent fixed prices which defraud them of the innocent pleasure of bargaining; and, most important of all, perhaps, they fear to offend their *bania,* who is their sheet-anchor in emergencies.[744]

It is often claimed that central wholesale stores are needed, but in the case of consumer co-operation building must be very gradual and from the bottom up. The failure of the prematurely established Bombay wholesale establishment a few years ago furnishes an object lesson from which the other provinces can profit.

The next step undoubtedly is that recommended by the Madras Committee on Co-operation in 1928[745] and echoed by the Bengal Banking Enquiry Commitee[746]—the encouragement of purchases on indent by primary societies, which offers much greater chances of success than the co-operative store proper and involves little, if any, risk. Considerable progress in this direction has been made already and the extension of such purchases seems the best line for consumer co-operation to take under present circumstances. Even separately organized buying clubs of neighbours, with a central order agency, but no capital investment required, proved unpopular when tried out in Bombay and were given up,[747] which seems to point to the desirability of

linking the purchase function definitely with existing societies of other types. While it is inadvisable to commit an unlimited liability society to the provedly hazardous experiment of conducting a store, there would seem to be no objection to this indent system of purchase, which commits the individual member to taking what he has ordered, or to the bulk purchase of staple requirements of members, provided sound business practices are followed. It seems obvious, in the light of past developments, that conservatism in the establishment of co-operative societies for distribution should be the general policy for some time to come.

### (c) *Industrial Societies*

No one questions the need of the Indian craftsman for help under the conditions brought about in the traditional cottage industries by the increasingly keen factory competition. The majority live under miserable conditions, whether in city or village, illiterate and often heavily indebted. The amelioration of their lot is an obvious desideratum. In 1915 the Maclagan Committee pointed out the poverty of the large class of weavers and stated that " any method by which the cottage industries of the country can be preserved would deserve a prolonged trial." [748] The Bengal Banking Enquiry Committee considers that the salvation of cottage industries not subsidiary to agriculture lies in co-operation.[749]

The twenty years since registration under the Act was thrown open to artisans' societies, for purposes other than credit, however, have been largely barren of serious or far-reaching results. Numerous reasons have been assigned, ranging from the artisans' ignorance and poverty to seasonal demand for some products and inadequate financial support of the co-operative undertakings, but the real reason lies deeper. In effect, this phase of the co-operative movement has been expected to stem the rising tide of economic advance and has invited on itself the embarrassment of King Canute. The industrial revolution was slow in reaching India, but its progress, if somewhat more gradual than in the West, will doubtless prove as irresistible. The small crafts-

man, engaged in the production of goods for which a generally acceptable machine substitute is available, must go down before it, sooner or later. There will always be a certain amount of demand for handmade fabrics and *objets d'art*, and more than enough craftsmen to meet it will survive, no doubt. Co-operation can mitigate the rigours of the situation until the rest of the independent producers bow to the inevitable and join the ranks of factory labour or turn to the overcrowded land; it may even postpone for many the inevitable capitulation, but there is no miracle in nature and more cannot be expected of it.

Industrial co-operation, then, should be recognized frankly as a palliative and not a cure, but there is still a very wide field of usefulness open to it, since independent artisans, and especially textile workers, represent so large a portion of the non-agricultural population and probably will do so for some time to come.

The Royal Commission on Agriculture considered co-operative organization and the provision of facilities for technical education the best aids that can be given to village industries.[750] To these should be added facilities for marketing the artisans' products, the provision of which so far has proved the chief stumbling-block.

Much of the work done for the benefit of this class of workers is through co-operative credit societies, already discussed. Some tendency has been remarked, as in Bengal[751] and Mysore,[752] for other artisans' societies, started on an industrial basis with the idea of supplying raw materials and disposing of finished products, to make the supply of credit their major function. This is combated in Mysore by the restriction of loans of industrial societies to purposes connected with the industry.[753] That state was a pioneer in industrial co-operation. In 1929–30 it had seventy-one weavers' societies, some of which operated at a profit in spite of the trade depression; two sandalwood carvers' societies working well, thanks partly to a special concession from the Forest Department in reduced prices of material; and twenty-two sericultural societies.[754] The rice-hulling and jaggery manufacturing societies in Mysore have not been very successful.[755]

In the Punjab there are 320 industrial societies, of which 197 are weavers' societies and 57 shoemakers'. Two co-operative presses are reported running satisfactorily. Industrial societies in the Punjab advanced raw material to members in 1929–30 to the value of Rs. 1,22,000 and sold members' goods to the value of Rs. 1,18,000. Their total working capital was Rs. 6,94,000, of which owned capital represented over one-fourth, or Rs. 1,86,000. The Punjab Registrar of Co-operative Societies has estimated that the purchase of raw materials at the lowest rate alone saves the members of societies of handloom weavers in that province from 15 to 20 per cent. on middlemen's charges.[756] The significance of this saving, he points out, is the greater since the hand-loom weaver, unless he is a skilled worker, is able to earn, with his family, but five or six annas a day and is " always just on the verge of starvation." [757]

Industrial co-operation in Bombay Presidency is not flourishing. A co-operative iron foundry has had to be closed down and a co-operative printing press is reported to have worked unsatisfactorily.[758] In addition to the co-operative ginning society in Gujarat,* there is a ground-nut shelling and sale society functioning well; there are fifty-five weavers' societies and a few of other artisans, but the Registrar, in his report for 1929–30, says: " I do not see a bright future for the Producers' Movement, and in the present depressed state of trade in general, the outlook even for the existing societies is far from hopeful." [759]

Coorg's one weaving society did not work well in 1930 and dissolution was planned.[760]

Bengal artisans' societies include a wide range of industries in addition to textiles—conch-shell work, lac growing, oil production, brass-work, other bell-metal-work, cobbling, toy-making and rope-making. Some were handicapped by lack of capital, while the conch-shell workers experienced difficulty in getting raw material and were alleged to lack co-operative spirit.[761]

Leather-workers' societies outnumber those of weavers in the United Provinces, forty-seven to forty-three in 1929–30.

* *Vide supra*, p. 160.

One society of glue-workers is reported to be improving gradually the economic position of its members, but no societies of glass-workers, masons or brass-workers in the United Provinces are reported really flourishing. One central society at Agra, which has for its chief aim the sale of durries produced by its members, worked at a loss of nearly Rs. 500 in 1929–30.[698]

Madras had a weavers' union as early as 1905 which bought raw materials, arranged for the sale of members' products, and introduced improved methods,[762] but the Provincial Committee on Co-operation stated in 1928 that " the help given by the co-operative movement to weavers so far is negligible." [763] A quite scientific scheme for a central weavers' society was worked out in 1929–30 by the co-operative department in collaboration with the Textile Advisory Committee, but financial stringency prevented launching it.[764] In that province four printing societies operated in 1929–30,[765] but only one of the five agricultural and industrial societies for hulling paddy, crushing sugar-cane, manufacturing jaggery, and shelling groundnuts was successful. Its net profit for main factory and two branches totalled Rs. 1,334.[766]

Kashmir's society of paper-makers has had much difficulty in finding a market for its products,[727] and Hyderabad's numerous artisans' societies have not been flourishing.[484]

Five out of Bihar and Orissa's six bell-metal societies worked at a loss in 1929, which was attributed by the Registrar to member disloyalty, the difficulty of finding suitable wholesale markets, and the strong competition of big rival merchants. One of the two co-operative presses in Bihar and Orissa has functioned satisfactorily.[767]

Technical assistance is no less needed by the artisan group than financial help and marketing counsel, and a concerted effort which will take into account all angles of the situation has the best chance of success. The sage advice of the Maclagan Committee unfortunately has not been followed, *i.e.* that

" . . . attempts to reorganize village industries on a more profitable basis should not be undertaken sporadically or for-

tuitously. To avoid mistakes, which may well plunge small craftsmen into still deeper difficulties than now, it is very necessary that a systematic inquiry should be made . . . into the economic conditions of any industry that may be taken up." [748]

Co-operation with other departments, especially the provincial department of industries or its equivalent, is a step in the right direction. The Bengal Banking Enquiry Committee feel that the movement for co-operative organization of cottage industries not subsidiary to agriculture should be encouraged by all possible means, through closer co-ordination between the departments of co-operation and industries.[749] It recommends that the inspection staff of the co-operative department be strengthened and selection made from men trained in the department of industries.[665] " The movement has not made sufficient progress at present, and it is desirable that such societies should be increased in large numbers all over the province, with union organizations in all centres of industrial importance." [749]

In Bombay Presidency the department of industries has deputed two weaving and dyeing experts to teach new methods to members of weavers' societies.[768] Baroda has a special officer for this work, but it is reported that there is not enough response from the weavers.[752] In Burma the Superintendent of Cottage Industries superintends the non-agricultural production and sale societies.[769] An industries department formed in Bihar and Orissa in 1920 has assisted the cottage workers in collaboration with the co-operative department, but in spite of its help the Provincial Banking Enquiry Committee report that the co-operative enterprise has had little success either in financing them or marketing their products.[770]

In 1923 the Mysore Committee on Co-operation recommended that, as weavers' societies multiplied and their goods became standardized, a central sale society be formed to which all the primary societies of weavers should be affiliated.[771] This has not yet been done.

A sales depot established in Lahore in the Punjab in 1929 increased its sales in 1929–30 from Rs. 1,700 to Rs. 22,413, but it is reported to have found it difficult to compete with

the mills.[756] That province has also six weavers' and industrial unions.[522]

The Bengal Co-operative Silk Union has fostered the formation of societies among silk rearers and weavers.[772] Bengal has a Provincial Co-operative Society, started in 1929 with Government assistance, which is a federation of all unions and otherwise unaffiliated individual societies. About one-third of its sales its first year were of the products of individual artisans not members of any society.[684] The industrial unions in that province finance artisans' societies,[773] their constitution and business methods being similar to those of the central banks, except that they engage to a greater extent in co-operative purchase and co-operative marketing.[553]

In Bombay Presidency, an industrial agency, formed in 1929–30 to facilitate the purchase and sale work of individual and co-operative industrial concerns in several districts, has opened a wholesale and retail shop at Poona.

There have been some disastrous failures of co-operative industrial societies. A loss of Rs. 80,000 was involved in the failure of one weavers' society in Bihar and Orissa,[204] while the failure of the Parola Co-operative Ginning Factory in Bombay Presidency involved a loss of about Rs. 20,000, a large share of which was sustained by the provincial bank.

The problem of finance is a serious one in connection with the artisans' societies, because of the fact that satisfactory security can so seldom be offered. Most of the central banks in Bihar and Orissa which have attempted it have lost heavily.[770] Central banks in many cases make advances against the security of artisans' finished products, but Professor Kaji favours a co-operative industrial bank in each district town to perform this and related functions.[774]

The difficulties on the management side are considerable. It is unquestionably hard for workers living so near the margin of subsistence and with so few ordinary comforts, to say nothing of luxuries, to take the long view and forgo present profits in the interest of an abstract reserve fund. A silver-workers' society in Bombay Presidency illustrates the danger. During the boom period several thousand rupees

were accumulated as share capital. In the succeeding period of depression, the workers continued to vote themselves liberal wages which the conditions in the trade no longer justified. Their capital was all paid away as wages and finally the society had to be dissolved.[775]

The Bihar and Orissa Banking Enquiry Committee believe that it is on lines of " merchant capitalism " as exemplified by the Bihar Branch of the All-India Spinners' Association that the immediate development of cottage industries in that province probably will proceed. That branch operates practically as a benevolent *mahajan*, selling raw materials to artisans, buying the finished product, and supplying the capital, managing ability, technical advice, and marketing organization the spinners and weavers need. While not a co-operative organization, the Association is said to operate in the interests of the workers, supplying materials at cost or at the lowest possible price, and the services of many competent workers are donated.[770]

The *bani* system, however, developed in Bengal, under which a central agency supplies yarn to its constituent societies and pays their members *bani* or wages for the manufacture of goods to its specifications,[776] seems equally practical and has the added advantage of being definitely under the jurisdiction of the co-operative department.

Working partly through the local *bania* on a commission basis has been tried successfully by two artisans' societies in Bombay.

In practically all provinces some assistance has been given by Government to the industrial aspect of the movement, but the Punjab Registrar states that more money is required both for marketing and technical assistance than either Government or the societies can afford.[757]

In Mysore the State provides special facilities in the shape of loans and technical assistance for the development of artisans' societies.[286]

The Bengal Banking Enquiry Committee think Government should undertake greater financial responsibility to foster artisans' societies.[749]

In the United Provinces the Government loans funds to

the central banks for advance to the industrial societies. The Provincial Committee on Co-operation recommend that the Government also should undertake the whole cost of supervision of industrial societies, as in the Punjab, wherever there are sufficient societies to justify it.[521]

The Hyderabad Government has made loans to artisans' societies which carry no interest for several years,[777] and has even undertaken the purchase of the products of weavers' societies outright, to be sold on its own account.[752]

Aside from co-operative societies for the benefit of the artisan group proper, numerous societies have been formed to foster various subsidiary occupations for the cultivator, who in most parts of the country has considerable free time available for such work. In one Bengal District, for example, several societies have been formed for spinning jute and weaving jute carpets under special instructions from the department of industries, and the Registrar has been hopeful of a solution of the problem of a suitable supplementary occupation for cultivators in that province.[778]

The co-operative departments are faced with a dilemma in connection with the fostering of the secondary occupations which are admittedly so essential if the great agricultural population is to do more than eke out a bare subsistence, unless these are confined to such strictly non-industrial lines as goat, sheep, and cattle breeding, dairying, poultry farming, apiculture, fishing, and work for other cultivators. Fostering weaving as a subsidiary occupation for agriculturists, for instance, as the Bihar and Orissa Banking Enquiry Committee point out, must mean further competition for the professional weavers, "who are in no such sound an economic state as to bear additional competition over and above the subsidized competition of the mills."[770]

### (d) *Co-operative Consolidation of Land Holdings*

One of the most beneficial aspects of the co-operative movement has been that concerned with the consolidation of rural holdings. The serious evils of fragmentation of holdings have been referred to. The benefits of consolidation have been called incalculable and "much the most

remarkable instance of material improvement due to co-operation." [779] Two common effects are the sinking of wells and the bringing of waste land under cultivation.[780] Mr. M. L. Darling, Registrar of Co-operative Societies in the Punjab, in his delightful *Rusticus Loquitur* cites other benefits also, including the obtaining of access to roadways, diminution of litigation, and more intensive farming.[781] In some localities the resulting rise in property values has been reflected in the raising of rentals.[779]

The Punjab has led the way in effective co-operative attack upon the problem. In three years 300 societies formed there consolidated the 35,000 scattered parcels of land of their members into 4,500 blocks.[779] In 1929–30, 50,105 acres were consolidated and the average size of block of the 7,651 owners was increased from 0·51 to 2·9 acres. In that year, as a result of consolidation, no less than 993 new wells were sunk in the Punjab, 5,206 acres brought under cultivation, and 3,193 acres irrigated for the first time.[780]

Societies generally cease to function as soon as the consolidation is completed. The fundamental weakness of the system, from the view-point of co-operative principles, is that the whole cost of consolidation, of which surveying is responsible for a considerable part, has been borne by the Government, the Registrar for the Punjab remarking that people nowhere seem sufficiently keen for consolidation to pay for it.[781] Unanimous consent to the division by all participants in the scheme is always required, to avoid possible future disputes, although a Punjab by-law never invoked would permit the majority to compel the minority by their votes to accept the lots offered them by the surveyor.[782] A similar optional provision appears in the Consolidation of Holdings Act in the Central Provinces, which, however, applies to one division only.

In a country as large as India, with its wide variations in population and in geographic and economic conditions, it is not to be expected that a type of co-operation which proves beneficial in one province will of necessity succeed in others. Many can be transplanted, *mutatis mutandis*, to other parts of the country, but others seem to succeed only

under the special conditions afforded in some particular area. Thus, co-operative consolidation of landholdings, which flourishes in the Punjab, a land of peasant proprietors, cannot be coaxed to take root in Bengal, where the majority of cultivators are tenants, although a temporary inspector was assigned for a time to what proved to be abortive attempts to organize such societies.[783]

There has been a limited development in this direction in Baroda and Kashmir, and in 1929–30 the United Provinces had eleven such societies. The Provincial Committee on Co-operation had recommended emphasis on consolidation of holdings, whether proprietary or tenancy, the latter, of course, by mutual consent of landlord and tenant [783]; but the Registrar considers the success attained incommensurate with the effort.[697]

### (e) *Co-operative Societies for Irrigation Promotion and Land Reclamation*

Sir Edward Maclagan called irrigation " a touch of Midas for Indian soil." [784] Co-operative irrigation societies may devote their efforts to constructing or repairing wells, installing pumps for irrigation of the members' fields, or removing silt from irrigation channels. They are most important in Bengal, where they are very popular. Limited liability societies are formed, the members taking shares proportionate to the area of their respective holdings, and borrowing from their own financing union or central bank. After the irrigation work is completed, an annual water levy on each acre irrigated is made, with the proceeds of which the loan is repaid with interest. The Provincial Banking Enquiry Committee favour the indefinite continuance of the levy for a reduced amount to provide for repairs and continuous maintenance.[737]

Similar co-operative societies are formed in low-lying areas in that province to construct embankments to keep out flood waters.[737] Most of the several hundred societies for this purpose and for irrigation promotion are confined to a single division where frequent floods and famines in recent

years had created most depressing conditions. It is claimed that the starting of these societies has revived the energy of the people and has opened a new chapter in the history of the tract.[785]

Madras has numerous irrigation societies, but the characteristic parallel development in that province is of land reclamation societies, of which there were eleven in 1929–30, formed with the object of reclaiming lands covered by sand in a flood.[786] The Punjab has sixteen silt-clearance societies,[787] and there have been scattered irrigation societies in other provinces and states, as, for example, in Burma, the United Provinces, Bihar and Orissa, and Mysore. The Registrar in Bihar and Orissa favours the central banks interesting themselves in fostering irrigation projects, without waiting for the initiative to be taken by applicants for societies.[788]

### (f) *Labour Contract Societies*

Co-operative labour contract societies have been formed in Madras, the Punjab, Travancore and Kashmir to take contracts directly from principals for road-building, wood-cutting, carting, or field labour, with the idea of securing to members the profit which otherwise would go to the professional contractor who hired them. Professor Kaji has pointed out in *Co-operation in Bombay* that there are considerable possibilities in this line provided the societies meet with sympathetic treatment from municipalities and local boards in the awarding of contracts.[789] In Travancore, public works contracts are placed with the labour contract societies,[467] but this help apparently has not been forthcoming in Madras, although the Provincial Committee on Co-operation reported in 1928 that the Government had drawn the attention of all local boards to the existence of such societies and suggested their employment wherever possible in the execution of local works.[790] Their condition in that province was reported unsatisfactory in 1929–30. They numbered sixty-three, of which fifty-nine were classed as non-agricultural societies. The latter, with 3,540 members, completed work during the year to the value of Rs.

2,09,960, but only three societies were able to pay a bonus.[791]

On the whole, the co-operative development in this direction is disappointing but not hopeless. It is hard to believe that the directorates of the central banks in their respective territories, including, as they do, some of the most prominent business men of each community, could not exert enough influence upon local boards to insure these labour contract societies at least a fair field against professional contractors, if the matter were brought properly to their attention by their provincial institutes. This is a type of co-operative activity which deserves the latter's energetic support.

### (g) *Co-operative Insurance Societies*

Until quite recently, cattle insurance societies were the only type of co-operative insurance developed in India, but their popularity has waned until they are found to-day in only three provinces, Burma, Bombay, and Madras, and bid fair to die out there. The insurance phase of the movement has been declining in Burma since 1918.[792] In 1929–30 the number of such societies there dropped from 376 to 257 and only three were reported active at the end of the year. The volume of business may be judged from the total of claims paid during the year, Rs. 108.[793]

In Bombay Presidency, out of three surviving societies, only one, with sixty members and 125 cattle insured, worked in 1929–30,[794] in spite of the Government's readiness to guarantee, if necessary, a loan up to Rs. 500 for any cattle insurance society, subject to a total maximum guarantee of loans to such societies of Rs. 2,500 a year.

The Maclagan Committee frowned on any financial connection between insurance societies and the central banks, except for the deposit of the former's surplus funds in the latter, favouring the financing of insurance societies by separate re-insurance institutions.[561] In one recent case, at least, the Registrar in Bombay is reported to have declined permission to a well-established co-operative bank to undertake insurance business for its members, taking the stand that credit and insurance should not be mixed.

The Central Re-insurance Society in Burma, however, is the only one in India, although the Punjab had one when it had societies for cattle insurance a few years ago.[795] The Burma Society was started with guarantee of financial support from the Provincial Government in case of need.[796] At the end of 1929–30 it had Rs. 15,540 in hand. It paid Rs. 62 in claims during the year and had a management cost of Rs. 795.[793] Under these circumstances, the Central Society seems rather an expensive luxury. The Provincial Committee on Co-operation recommended winding it up at once, although its financial position was thoroughly sound. The Registrar claims that the force has been inadequate for the detailed supervision which would have been necessary to make cattle insurance a success, and the Co-operative Committee pronounced it " a waste of valuable time to revive this difficult phase of co-operative activity.[797] . . . Cattle insurance has not proved popular anywhere in India, and is obviously too advanced for the type of member." [792]

As the scientific stock-breeding the country so greatly needs progresses, the increased value of individual animals may lead to a demand for the re-establishment of such societies, and this phase of the movement may yet revive and flourish, but it has less viability to-day than the life insurance or benefit societies which are beginning to make their appearance in the last two or three years.

Besides the carrying on of fidelity business as an occasional auxiliary of credit societies, as in the case of the Burma Postal Co-operative Credit Society, Ltd., insurance or " relief " societies are on the increase in certain parts of the country, notably in Bengal and Bombay In Bengal, membership in relief societies is confined to employees of a single establishment or to persons following the same profession, such as teachers, pleaders, police, and other middle-class people of limited means. They are closely akin to the thrift societies in other provinces. Their object is to promote thrift by compulsory saving by members to provide for themselves and their dependents in emergencies and to secure to each member or his nominee on retirement or at death a share in the profits of the society's joint fund.[798] In the Bengal

Police Society, for example, death benefits range from Rs. 1,500 to Rs. 3,000, according to the amount of subscriptions and entrance fees.[799]

In addition to these societies, which are not reported as insurance societies in the statistical summary of the Department of Commercial Intelligence and Statistics, the Bengal Provident Insurance Society, Ltd., registered in 1929, offers old age and life insurance facilities, in amounts ranging from Rs. 50 to Rs. 500, on very attractive terms, to all members of co-operative societies in the province.[800] The village societies and central banks have undertaken to act as local agents. An ulterior, if justifiable, motive is mentioned by the Registrar, who remarks in his annual report for 1928–29 that it is hoped that the system will provide an additional guarantee for loans of village societies to individual members.[801]

The first co-operative life insurance society in Bombay Presidency was registered in June 1930. It secured about a lakh of rupees of business in its first six months of operation, which indicates the demand for this line of co-operative activity. Because of the absence of a suitable by-law in Bombay, central banks have not been able to take the agency of this society as in Bengal.

The Bombay Banking Enquiry Committee hold that such societies " should not be started unless the actuarial aspects of the proposal are thoroughly investigated in a scientific manner." [802] The development of life insurance on a co-operative basis has not been pushed by the Co-operative Departments, either in that Presidency or in Bengal. The development in spite of the lack of such official encouragement seems to point to life insurance as a valuable avenue for mutual service through co-operative effort in these and other provinces.

Probably the Ajmer Co-operative Marriage Fund Society, which assists members with a donation of Rs. 500 on the occasion of a marriage,[803] should be considered an insurance society also.

(h) *Co-operative Housing Societies*

The housing societies are a bright spot in the Indian co-operative picture. This phase of the co-operative movement in India is, of course, not to be compared with co-operative housing societies in Great Britain, members of which number over half a million,[804] but, modest as the Indian development is, it is, on the whole, encouraging as far as it has gone, and promises well for the future if the necessary Government help is forthcoming. The great need is of cheap capital, which is very hard to get in India, and if there is to be development on a scale which will affect appreciably the urban housing situation, Government loans at reasonable rates are indispensable, and this is now generally accepted in theory.

Assistance has been given by the Punjab Government to the Lahore Model Town Society, with its 921 members,[805] and the Bengal Government recently accepted the principle of granting loans to housing societies at easy rates, long-term loans from the Bengal Provincial Bank having been their previous recourse.[806]

The Government of Mysore State has made loans to some of the twenty-nine housing societies there, but the Mysore Apex Bank is their chief financing agency.[807] The finance available through it, however, is claimed to be inadequate.[808] Its loans to them are at 6 per cent.[807] These housing societies differ from many in India in being virtually credit societies, which, however, grant loans exclusively for the construction of new houses and the improvement and repair of existing ones.[809] They had 1,902 members in 1929–30 and a working capital of Rs. 4,60,508.[807]

This phase of the movement has not touched all provinces yet. It is most prominent in Bombay and Madras. There were nine housing societies in the United Provinces in 1929–30, with a nominal membership of 224, but only five had commenced operations.[810] Hyderabad favours the development of housing societies among lower middle-class salary earners on an individual ownership basis,[811] and some are in process of formation.[812]

The record in Burma is not gratifying. The last surviving housing society in that province went into liquidation in 1930, but the liquidators are managing the property in the hope of clearing off liabilities in a year or so and restoring the management to the shareholders.[813] If they succeed it will confirm the judgment of the Registrar, expressed in his annual report for 1928–29, that the failure was due to faulty management.[451]

Madras has over 100 building societies. Their development was hampered until 1922–23, when the Government decided to lend to them at 6½ per cent., the societies charging their members 7½ per cent. The loans are for twenty years, or, with the Registrar's sanction, for thirty, and are confined to the purchase of sites and construction of new houses. Nominal dividends on share capital are credited to each member's loan account. Overdues have been negligible.[790]

There were nine housing societies registered in Bombay Presidency in 1919,[814] when the Provincial Institute took over the work of the Bombay Co-operative Housing Association, which had been formed in 1913 to organize co-operative housing societies[815]; there were sixty-seven in 1929–30,[741] and twenty-five house reconstruction societies.[816] The development there has been greatest in Bombay City, Ahmedabad and Karachi.[741] The Registrar characterizes the success of the societies at Karachi from 1928 to 1930 as "marvellous."[817]

The Bombay Registrar has laid down the following essentials for housing societies:

(1) Construction shall not begin until each member has provided his full quota of one-third or one-fourth of the cost of the building.

(2) The individual quota plus the Government loan must cover all construction cost, though deposits from outsiders may be accepted.

(3) Regular estimates of the cost of individual houses shall be made in advance.

(4) There shall be a regular contract to bind the members to pay for work done, with care to avoid any excess over the estimates.[818]

The co-operative housing societies in Bombay Presidency are of different types. Some are for the erection of independent bungalows in a garden colony, while some are tenant ownership or tenant co-partnership societies. The first type, the co-operative development society, acquires and develops the land required, each member building his own house. Under the tenant ownership system the owner puts up two-thirds of the capital required, but under the tenant co-partnership plan only one-fourth of the capital, the Government advancing a long-term loan at about 6 per cent. for the remainder. The house or flat so erected belongs to the man, who is responsible, if he leaves, for finding a tenant satisfactory to the society who will take over his responsibilities along with his holding. The society holds a mortgage on the property and is responsible to Government for the repayment of the loan, which is wiped out in twenty or forty years by a fixed monthly payment by each member. It is particularly important in this type of co-operative society that the members shall be drawn from a homogeneous group —more important in India than in other countries, perhaps, because the communal tie is so strong and customs are so different in the several communities.

An interesting development visited by the writer is the co-operative housing society of Saraswat Brahmins in Bombay, started in 1916. Five attractive apartment houses were erected on leased land at a cost of Rs. 24,000 each, each containing six flats of three rooms, kitchen, bath and verandah. One-third of the Rs. 4,000 charged to each member had to be paid within a year and a second third within ten years. So successfully have the society's affairs been conducted that the permanent waiving of the last third is under consideration. The members pay a monthly rental of Rs. 30 to Rs. 38, representing about two-thirds of what similar accommodations can be had for elsewhere, out of which are paid municipal taxes, ground rent, interest at 5 per cent. on the capital already paid in by tenants, insurance of the buildings, repair costs, and a regular contribution to a sinking fund planned to equal the cost of the buildings within sixty years. If a tenant leaves, he is paid back what

he has paid into the society and a communal bank which has had close relations with the society from the first finances the new tenant at 6 per cent. for paying the total cost of the flat in a lump sum. To be sure, this society had the advantage of erecting its flats when building materials cost considerably less than at present, and the unusually flourishing co-operative communal bank, of which all in the housing society were members, has been a valuable ally, but there seems to be no reason why countless groups should not better their condition in the same way, contenting themselves, if need be, with a less spectacular success.

I take issue with the Bombay Registrar, who holds that co-operative housing is not the solution for the housing problem of the poor,[816] which we have seen is so acute in the large industrial centres. There is no gainsaying the facts brought out in the Labour Commission Report. The existence of such conditions urgently demands corrective measures.

The Mysore Committee on Co-operation in 1923 stressed the fact that " the provision of suitable houses for the poorer classes and men of limited means is of very great importance in this country, not merely because . . . of the overcrowding which obtains in the larger cities, but also on account of the insanitary conditions prevailing in the majority of the houses occupied by these classes." [819]

The Whitley Commission Report of 1931 refers to the few attempts which have been made to use co-operative building societies to provide additional housing for the working classes, and recommends their encouragement by Governments and local authorities by permitting recognized societies to build in areas already laid out and prepared for housing schemes. It suggests that employers might assist by granting loans, giving subsidies, or themselves carrying out part of the work of construction.[820]

Obviously nothing approaching the Saraswat Society's flats in comfort or attractiveness can be provided at a price within the reach of industrial workers, but the attempt to furnish them with quarters even a little better than their present overcrowded ones would be well worth while.

Provided long-term credit is available at low interest, it is only necessary that the size of the initial payment be reduced to a minimum and that the term of repayment be so adjusted that the difference between their present rental and the monthly payment for the co-operative *chawl* shall be sufficient to cover the instalments and interest. Even the transient character of much of the industrial population should not prove a serious obstacle, because any expense involved in the change of tenants could be deducted from payments already made before the balance paid in was returned to the departing tenant; and there can be little doubt that such housing developments would be so popular that no difficulty would be experienced in finding new tenants. The housing societies on this basis would be, in effect, super-thrift societies. It may not be possible to make provision in this way for the heavily indebted industrial workers, but we are sanguine that some scheme for their relief, such as that outlined by the Whitley Commission, may be given effect in the not too distant future.

At least one large industrial firm has set up a housing society for about twenty-five of its mill-workers as part of its welfare work. It undertook to subscribe the initial quota of capital on behalf of the members, and guaranteed the repayment of the Government loan.[821]

### (i) *Better-living Societies*

Better-living societies are a development characteristic of the Punjab, though not confined to that province. There were 312 such societies there in 1929–30.[822] The objects of such a society as set forth in the model by-laws are in general " to promote the economic interests of its members, and more particularly—

1. To reform bad customs prevalent amongst the members.

2. To improve the physical, moral, and spiritual condition of members.

3. To prevent the waste of money and inculcate habits of thrift.

4. To teach and practise the rules of hygiene and combat epidemic diseases.

5. To cultivate the sense of self-respect and resist corruption.

6. To assist in arrangements for the education of members and their children, and for the organization of games and all useful occupations which render the life of the community more pleasant and liberal.

7. To promote other measures designed to encourage in the members the spirit and practice of thrift, mutual help, and self-help." [823]

Members sign an agreement to keep the rules adopted by the general meeting. The maximum fine for breaking them is as high as Rs. 100. The liability of each member for the society's debts is restricted to Rs. 20.[823]

In practice, their main activity is the reduction of expenditure on social ceremonial, which is taken up as a side line by many credit societies elsewhere, notably in the United Provinces,[383] but other activities are often attempted, mainly for health and sanitation.[822]

The extravagant expenditure on social ceremonial which Indian custom requires has been referred to as a common contributory cause of indebtedness. One better-living society in the Punjab is reported to have reduced the cost of marriage from Rs. 500 to Rs. 70 for a boy's family and from Rs. 800 to Rs. 300 for a girl's family. The society fixes the number of guests that may accompany the bridegroom to the bride's home, and the old custom of displaying the bride's presents has been abolished.[824] The one better-living society for the whole Audich Brahmin community in Baroda State is reported to have saved Rs. 94,560 by reducing ceremonial expenditure.[825]

Bombay has a few better-living societies started within the last few years, but a more important development there is represented by the *taluka* development associations, which have Government assistance. They seek to improve village social conditions, but agricultural methods as well. Their main objects are the popularization and distribution of select varieties of seed and up-to-date implements and the extension of modern farming methods generally. Their

propaganda for new methods of farming is reported to have been very successful since 1923.[826] Bengal and Bihar and Orissa have not dissimilar agricultural associations.[827] Better farming societies or agricultural demonstration societies are found in the Punjab and Madras and the United Provinces, demonstration of improved methods of cultivation being their primary object. The United Provinces have fifty-one better-living societies, twenty-two for better farming, and fourteen for rural reconstruction, which differ from better-living societies chiefly in name.[732]

In Madras the Provincial Co-operative Union is co-operating with the provincial and central banks in an intensive rural reconstruction scheme with eight centres in as many districts.[828]

The objects of the four co-operative societies, which a few years ago took over the well-known rural reconstruction work of Dr. Taegor's University in Bengal, were to spread education, encourage social and moral reforms, improve agriculture, encourage subsidiary industries, and improve village sanitary conditions.[829]

Bengal also has hundreds of co-operative societies especially for improving sanitation and public health in villages. They generally raise funds by share capital and local subscriptions and, with the help of a Government grant secured through the District Board, undertake the clearing of jungles, kerosene tanks and ponds, and take other measures for preventing malaria and other epidemic diseases. Many of these have been started by the Central Co-operative Anti-Malarial Society, Ltd., which is reported handicapped in its supervisory work by lack of funds.

One Kashmir sanitation society is reported to have transformed the village within two months, with marked increase in cleanliness.[830]

Useful work is done by numerous such societies also in arranging for medical treatment of villagers, opening medical stores, and sinking tube wells.[831]

The Banking Enquiry Committee in the United Provinces recommend the formation of such societies as the entering wedge of co-operation in any village, holding that a credit

society should not be started until prospective members have shown their fitness to work in co-operation in managing a society for rural reconstruction or better living.

### (j) *Other Co-operative Societies*

There are various other lines of co-operative action, some of them very important, which do not fall in any of the above classes and which will therefore be considered separately. The promotion of adult and primary education, for example, is receiving increasing emphasis in the programme of the co-operative societies in many provinces. A vast amount of educational work is sponsored by co-operative societies of other types. A considerable part of the share in the profits which may be devoted to charitable or benevolent purposes goes to the support of night schools for adults and primary and high schools for children. The Bengal Banking Enquiry Committee state that "these societies have contributed largely to the creation of the keen demand for universal primary education evinced in recent years." [832] In one Bengal district a weaving school has been established through the efforts of the local co-operators only.[832]

In addition, numerous co-operative societies have been registered with the specific object of education promotion, the members binding themselves under penalty of fine to receive education themselves or to have their children educated, according to the purpose of the society.[833] The United Provinces has nineteen co-operative societies specifically for adult education, and forty-five other societies promote education in addition to their other activities.[732]

The Central Provinces have adult school societies.[834] A co-operative education society in Bihar and Orissa has under its charge a high school maintained by co-operators in twenty-five neighbouring societies.[835] Here, too, as in the irrigation promotion and better-living fields, the Punjab has been especially prominent, but the Registrar's last annual report mentions that both adult schools and compulsory education societies are on the decline.[836]

Co-operative land cultivation is another line of consider-

able importance in some provinces. In Bengal *zemindari* societies for the purpose are reported to have been quite successful.[772] Societies of landless agriculturists there are offered blocks of land on the security of which they can raise money to reclaim it and buy what they need for cultivation, repaying the loans from the proceeds.[690]

Of Bombay's ten land improvement societies, some are for the joint cultivation of Government land, but some for dam construction. A new society in Sind, with 186 members, pools members' capital and takes up large areas in compact blocks to be distributed among the members for cultivation.[826] In Burma the Sittang Colony Societies, financed by their own banking union, have been quite successful.[837] In Madras 842 societies with 48,931 members took up joint and individual cultivation in 1929–30.[445]

The most important developments in this line are in connection with the work in behalf of the depressed classes in Madras and Mysore. The Gottigere Adikarnataka Co-operative Colony in Madras received an interest-free loan from the Provincial Government, repayable in fifteen years. It has been so successful that there is demand among the depressed classes for more such colonies.[838] Societies have been organized among them for credit and the purchase of house sites and also for leasing land and taking land on assignment from the Government. They are in charge of the Christian Central Co-operative Bank in Madras.[839]

In Mysore there are co-operative colonies for depressed class members on land granted by the Government,[438] the agriculturists cultivating the land co-operatively, pooling their resources and making roads and repairing tanks also by co-operative effort.[231]

The lessening of excessive litigation, a general evil throughout the country, is a secondary objective of credit societies in many provinces. In Bengal the model by-laws of village societies require submission of members' disputes to arbitration by the managing committee, under penalty of fine.[798] The number of disputes arbitrated in that province rose in 1928–29 from 1,651 to 3,335, reflecting a more vigorous policy towards defaulters

Madras has an arbitration union,[786] but the setting up of separate societies for arbitration is peculiar to the Punjab, where there are forty-nine such societies.[840] The importance of arbitration is apparent from the fact that about 250,000 suits are filed in the courts of that province each year, one-half of which involve less than Rs. 100 each and about 70,000 less than Rs. 50 each. Members are bound, under penalty of fine up to Rs. 100,[841] to submit certain types of disputes to arbitration and to abide by the award. The committee attempts to settle a dispute amicably, but if it fails the case is referred to one or three arbitrators selected from a panel of five to twelve, elected at the annual meeting at which at least half the members must have been present. Appeal may be taken to the Registrar or the committee, and difficulties in enforcement may be referred to a local court, which will consider arguments regarding the justice of the award but will not re-hear the evidence.[841]

There has been some co-operative development in scientific stock breeding, so very essential if India is to achieve her proper development in dairying, which is especially important because of her predominantly vegetarian population. The Indian cattle generally are of poor quality. The results of scientific stock control in Denmark, where the average yield per cow was doubled in forty-five years and the yield of butter more than trebled, may be mentioned as indicating the possibilities in this direction.[842]

Madras has done a little with sheep breeding on a co-operative basis[843] and Bengal with cattle breeding, the Bengal Registrar reporting that one or two such societies have shown signs indicating that, if properly run, cattle breeding is likely to be a success.[690] Ajmer has two active cattle-breeding societies and one co-operative society for poultry breeding.[844] The development is more extensive in Baroda, which at the end of 1928–29 had five cattle-breeding societies proper besides twenty-nine milch cattle societies which are really credit societies with the specific purpose of financing the purchase of buffaloes of good breed.[679] Here again the Punjab leads with 150 stock-breeding societies and twelve milk-recording societies in 1929–30.[845]

Baroda has four power-pump societies to provide cheap water, the profits going to members, and a co-operative water works society which supplies water at rates fixed from year to year, free water being furnished the depressed classes and passing travellers.[846]

Both in Madras and Bombay the Government has undertaken to assist reconstruction societies started in flood-stricken areas.[126]

There are numerous societies of other types, generally one or two of a kind, scattered throughout the country. Thus, Mysore has a pest-prevention co-operative society[847]; the United Provinces have physical culture societies, with a district co-operative physical culture association started in 1928–29[848]; Burma has two societies which lease markets and sub-let them[728]; Madras, a co-operative pharmacy[849]; and the Punjab several fruit-plantation societies, crop-failure relief societies to the number of fifty-two, three societies for fodder storage, and fifteen land-revenue redemption societies.[850] The object of the last-named societies is to build up, by annual contributions for a period, generally twelve years, a fund sufficient to produce enough interest to pay the members' land revenue assessments indefinitely.

# CHAPTER IV

## EVALUATION OF THE CO-OPERATIVE MOVEMENT IN INDIA

TWENTY-SEVEN years have passed since the Indian co-operative movement was formally launched. What has it achieved? And in how far has it justified the high hopes of its early sponsors? Are the inhibiting factors now so much to the fore in some provinces inherent in the movement itself, or can they be overcome by due diligence and effort? These are pertinent questions to-day. It is not putting it too strongly to say that co-operation is on trial for its life in Burma. The movement apparently is in a very bad way indeed in Bhopal and is tottering in the United Provinces. It is none too firmly entrenched in the Central Provinces and Berar and in Assam, though the number of societies in the last-named province has more than doubled since 1923.

A critical evaluation is necessary of the present status of the movement, its external handicaps and internal weaknesses and what, in spite of these, it has been able to accomplish.

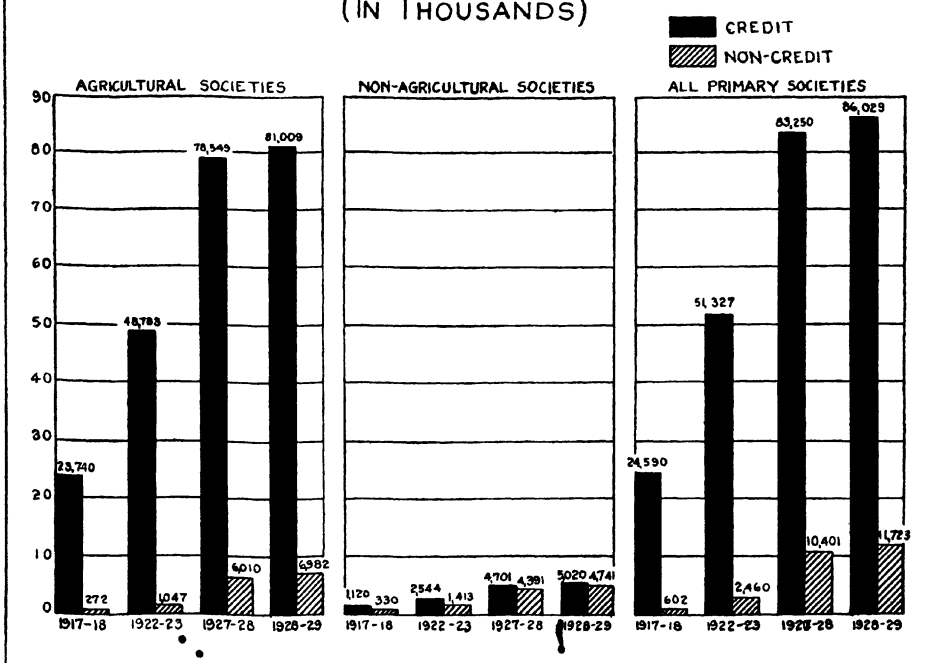
### PRESENT EXTENT OF CO-OPERATION

At the close of 1929–30, the last year for which comparable statements are available, there were 102,041 primary societies in the thirteen provinces of British India, the Hyderabad Administered Area, and the nine Indian States which are included in the official statistical statements. Of these, 90 per cent. were classed as agricultural and only 10 per cent. as urban. The two groups had 3,117,627 and 1,059,048 members respectively, representing 74·6 and 25·4 per cent. of the total number.

# CHART II

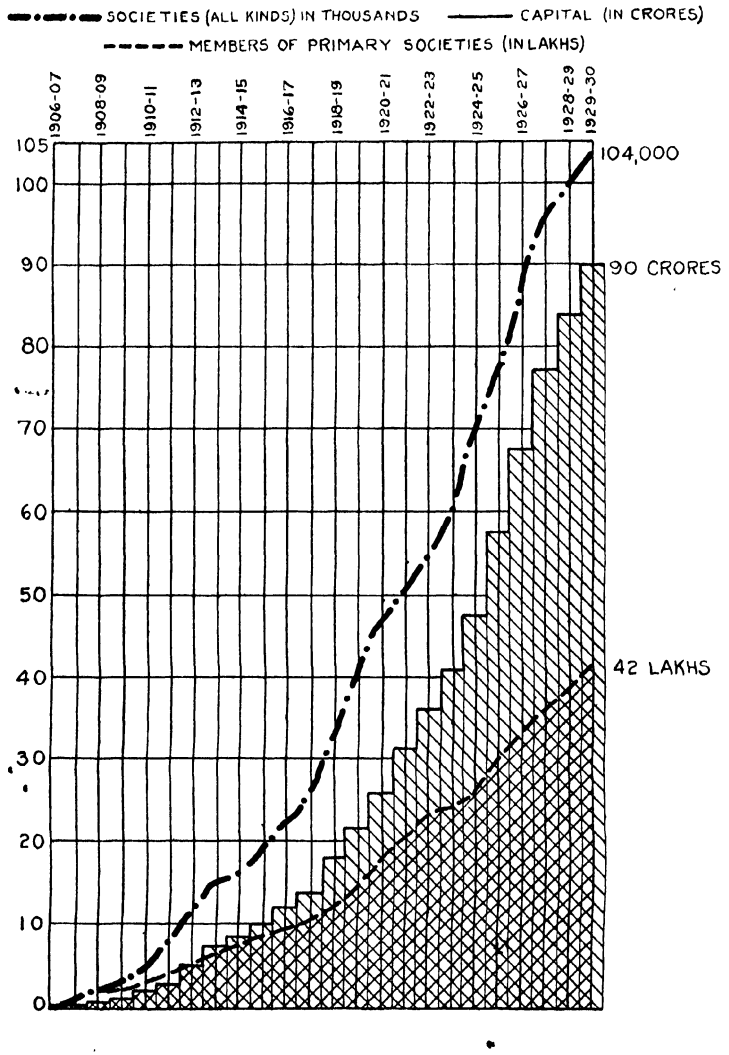
## RATIO OF CREDIT TO NON-CREDIT PRIMARY SOCIETIES

## (IN THOUSANDS)

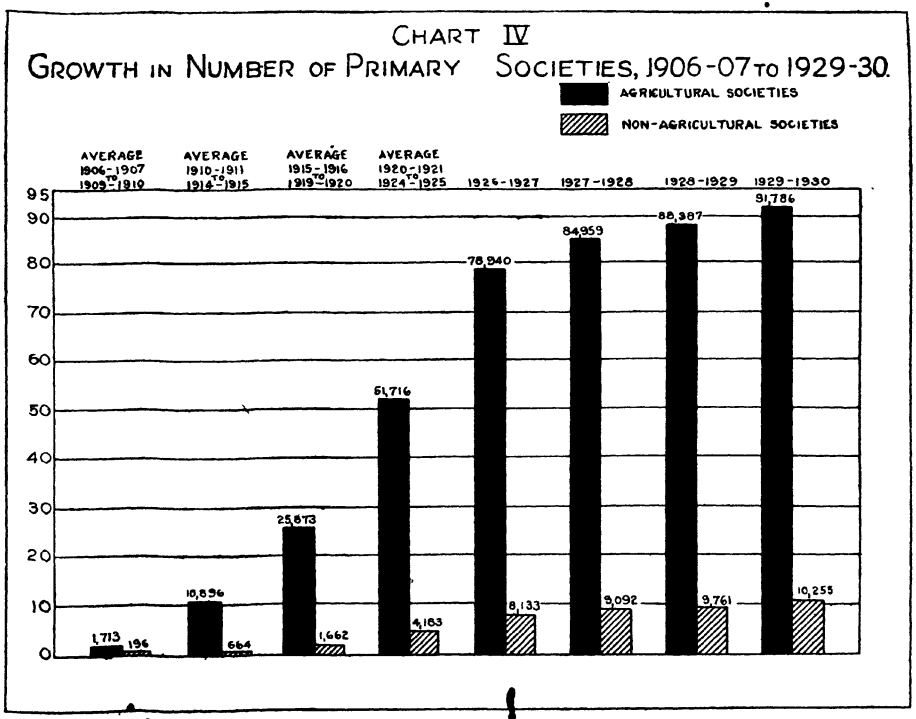


## CHART III

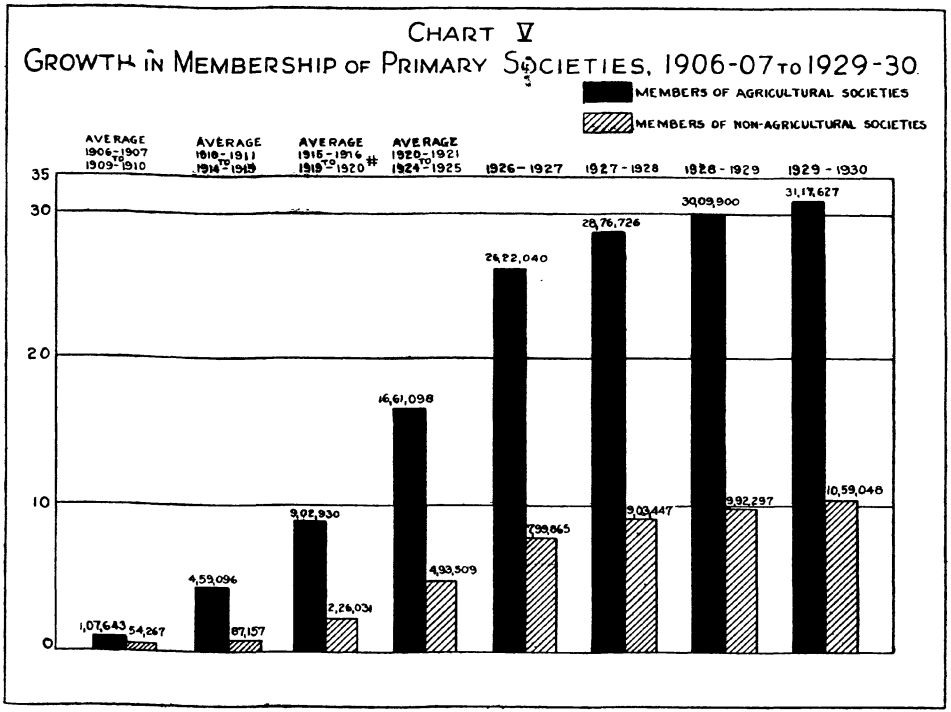
## PROGRESS OF INDIAN CO-OPERATIVE MOVEMENT 1906-7 TO 1929-30.




Based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements relating to the Co-operative Movement in India*, 1929–30.




Based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements relating to the Co-operative Movement in India*, 1928–29 *and* 1929–30.




Based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements relating to the Co-operative Movement in India*, 1928–29 *and* 1929–30.

* Excluding members of Cattle Insurance Societies at the end of 1915–16 and 1916–17, and those in Bombay and the United Provinces at the end of 1925–26

Credit societies accounted for 84·3 per cent. of the total number, 88·3 per cent. of agricultural societies and 49 per cent. of non-agricultural having credit as their primary object. The ratio of credit to non-credit societies for the country as a whole in 1928–29 is brought out in Chart II, while Table V presents detailed statistics for each province and Indian State in 1929–30. The movement is still predominantly, as it has been from the beginning, a credit movement; still, as at first, chiefly for the benefit of the rural population, although the urban societies, both in number and financial strength, occupy a position of far greater relative importance than the percentage of urban population would warrant. The present situation is the more serious because the grave defects which have developed in many sections of the country concern chiefly agricultural credit societies, and therefore are of very wide import.

On the face of it the movement has shown gratifyingly steady progress. The growth in number of societies, in total membership, and in working capital has proceeded quite steadily for the country as a whole,* regardless of set-backs experienced in some areas.

Table XVI shows the percentage of the population affected by the movement in 1929–30, reckoning each co-operator as a member of a family of five and using the preliminary census returns for 1931. It will be noted that the variation is considerable, from 42·2 per cent. in the small province of Coorg to 1·2 per cent. in the North-West Frontier Province and 1·8 per cent. in Hyderabad. Among the major provinces, Bombay, the Punjab, and Madras have a decided lead in this respect, with 13·5, 13·3, and 10·4 per cent. of their respective populations affected, followed by Bengal with 7·1 per cent. Perhaps an even better picture of the position in the major provinces is furnished by the following table, which shows the growth in number of societies from 1922–23 to 1929–30, with particular reference to the adequacy of the coverage of villages, based on the assumption that the number of villages has remained constant:

* See Charts III, IV, and V, and Table II.

| Province. | No. of Villages and Towns.† | No. of Societies. | | No. of Villages per Society. | |
|---|---|---|---|---|---|
| | | 1922–23.† | 1929–30. | 1922–23.† | 1929–30. |
| Assam . . . | 27,895 | 631 | 1,390 | 44·2 | 20·1 |
| Bengal . . . | 119,850 | 6,679 | 22,469 | 18·0 | 5·3 |
| Bihar and Orissa . | 84,815 | 5,000 | 9,317 | 17·0 | 9·1 |
| Bombay . . . | 26,253 | 3,411 | 5,734 | 7·3 | 4·6 |
| Burma . . . | 18,699 | 5,279 | 3,222 | 3·5 | 5·8 |
| Central Provinces . | 39,117 | 4,967 | 4,137 | 8·0 | 9·5 |
| Madras . . . | 54,114 | 7,387 | 15,237 | 7·3 | 3·6 |
| Punjab . . . | 33,560 | 9,310 | 20,293 | 3·6 | 1·7 |
| United Provinces . | 106,441 | 5,137 | 5,539 | 20·7 | 19·2 |
| Total . . | 510,744 | 47,801 | 87,338 | 10·7 | 5·8 |

† India, Bihar and Orissa, *Report of the Committee on Co-operation in Bihar and Orissa* (Patna, 1923), p. 15.

It will be noted that there was a decline in the seven-year period in Burma and the Central Provinces and Berar, while the number of societies in Bengal more than trebled and large increases were reported in all the rest except the United Provinces. The number of villages per society in the nine major provinces as a group decreased in the seven years from 10·7 to 5·8. It may be mentioned that the Madras Registrar claims that actually 34,087 villages and towns in that Presidency are affected by the movement,[851] the scattered membership of some societies no doubt accounting for the apparent discrepancy. The Registrar in Bombay claims that there is an urban bank in almost every Bombay *taluka* town and even in the larger villages.[852]

In the Punjab only seventeen out of 146 towns of 5,000 inhabitants or over are without a credit society.[75] In July 1929, 40 per cent. of the villages in that province had a credit society.[853] The Punjab Banking Enquiry Committee offers as its most important recommendation "that every effort should be made to establish co-operative credit in every village fit and willing to have a society within the shortest possible period, *compatible with safety*," and sets fifteen years tentatively for the consummation of that effort.[853]

The largest number of agricultural societies in 1929–30 was found in Bengal, 20,436, followed by the Punjab with

17,222 and Madras with 13,101; but Madras led in total membership of such societies, 713,562, the Punjab ranking second with 540,338, and Bengal third with 512,425 members. Over 100,000 members of agricultural societies were found also in Bombay, in Bihar and Orissa, and in the United Provinces in British India and in Travancore among the Indian States.

The Punjab had 2,952 non-agricultural societies, the largest number in any province, followed by Bengal with 1,912 and Madras with 1,649. Here, too, however, Madras had a large lead in number of members, 259,693, Bombay ranking second with 219,116 and Bengal third with 193,711. Mysore, with 400 non-agricultural societies, ranked first among Indian States and fifth in all India, followed by Hyderabad among Indian States with 355 societies. Bombay outranked the latter, considering the country as a whole, with 831 societies classed as non-agricultural. Among Indian States, Mysore and Travancore reported the largest membership in such societies, 57,341 and 48,367 respectively.

Table II shows the increase in the working capital of the movement for all India since 1906–7. In 1929–30 it was over Rs. 89,51,00,000, or nearly 90 crores, and represented Rs. 214·3 per primary society member. It must be remembered, however, that considerable duplication is involved in including in the total the working capital both of the primary societies and of their financing agencies. The working capital for each province and State in 1929–30, with the sources from which it is derived, is presented in Table III. Table IV gives the percentages of working capital derived from different sources for the several branches of the movement.

Of the grand total, share capital and reserve represented 23·7 per cent., as compared with the average of 23·1 per cent. for the five years 1920–21 to 1924–25, and 24·7 per cent. for the preceding quinquennium. One of the healthiest signs for the movement as a whole is the steady increase in the reserve, which in 1929–30 amounted to 10·4 per cent. of total working capital.

Thrift promotion has been stressed from the first as a major aim of the movement. It is disappointing, therefore, to note

the decline in the percentage of total working capital represented by member deposits. Between 1906–7 and 1909–10 members' deposits averaged 20·7 per cent. of working capital, but within ten years they had sunk in relative importance to the 6 or 7 per cent. of the total which they represent to-day. Non-members' deposits have ranged rather consistently between 25 and 30 per cent. of the total working capital. Their growth has proceeded steadily except for a recession in 1925–26 which was more than compensated the following year, as Chart I brings out. However undesirable non-member deposits may be considered for agricultural primary societies,* their increase is eloquent of growing public confidence in the movement.

The figures on the operation of the societies of different types, as given in Tables VI, VII, XIV and XV, are compiled by the Department of Commercial Intelligence and Statistics. The bare facts are presented, but as they stand they no more give a picture of the situation than a box of pigments conveys the idea of a finished landscape. An annual interpretative analysis would enable those responsible for the movement in the several provinces and states to compare its status there both with their own record in previous years and with that of other political divisions, and so to determine in what particulars their showing is satisfactory and where their position needs strengthening.

Since co-operation is a transferred subject, it is perhaps not to be expected that the national government should assume much responsibility in connection with it, but if it is compiling the facts at all, why not present them also in a form in which their significance can be grasped readily? If no comparative interpretation of the facts is made, the provincial co-operative departments are working more or less in the dark, and a waste of time and energy is involved in each provincial co-operative department having to make its own analysis of its comparative status.

An analysis of the statistics for primary societies such as is advocated for the annual statement is presented in Tables VIII to XIII, inclusive. It is regrettable that comparable

* *Vide supra*, p. 69.

figures are not available for the calculation of such important points as the ratio of active to inactive societies and the ratio of new societies to societies in liquidation, which it is hoped may be added some day to the skeleton outline now furnished by the Department of Commercial Intelligence and Statistics. Their lack further handicaps the attempt to evaluate the position.

The co-operative movement stands or falls by the soundness of the primary societies which are not only the *raison d'être* of the central and provincial banks, but the foundation on which the entire superstructure rests. It is realized that a quantitative measure of net achievements of the movement must fall far short of presenting the complete picture. The effect on the morale of co-operators does not lend itself to calculation in percentages, nor does the effort being put into educating members in co-operative principles, but the various ratios, percentages, and per member averages do have a bearing on the soundness of the position in different parts of the country.

Among the points brought out by the analysis is that the movement is on a quite sound basis in some of the smaller provinces and states of which not much is heard in co-operative circles, but a study of whose methods might repay officials in some of the larger provinces.

The somewhat gloomy view which was taken of the situation in Madras by the Provincial Committee on Co-operation in 1928, that in many respects the movement there was in an unsatisfactory condition, seems not to have been justified by its relative standing, unless it be admitted that the movement in the whole country is in a bad way. To be sure, their finding of 3,000 dormant societies in the province [854] was not encouraging, but the ceasing of one of many societies to function does not necessarily involve financial loss or seriously discredit the movement.

The Bombay Registrar in his annual report for 1929–30 assures us that the main structure of the movement in that Presidency is quite sound,[855] but the fact that practically a third of all loans to members are overdue there, as in Bengal and Mysore, is a disquieting feature.

While urban co-operation is numerically so much weaker than agricultural, it is in a more thriving condition in most of the country, as the comparative analysis in Tables VIII to XIII, inclusive, establishes. In Madras, the Registrar states, non-agricultural credit societies made better progress in 1929–30 than the agricultural, only 16·2 per cent. of the former having worked at a loss compared with 45 per cent. of the latter.[856] The Bengal Registrar sees no reason to doubt that the urban credit movement is gaining daily in strength,[857] and the Banking Enquiry Committee in that province reports that all the urban banks appear to be run on sound business lines and to be of great benefit to the persons of limited means who have joined them,[858] while the central banks " by their businesslike methods . . . can compare favourably with any other organized banks in the country." [553]

The picture of the status of the movement in the United Provinces, as painted by both the Registrar and the Provincial Banking Enquiry Committee, is quite dark. The former, in his annual report for 1929–30, reports: " Some little progress is noticeable in the development of non-credit activities, but it has to be recorded with regret that there has been a marked and steady deterioration during the past few years in the working of the credit side of the co-operative movement." [859] The Banking Enquiry Committee in the United Provinces considers that " co-operation is not yet a living force in the province, save perhaps in a few isolated places." [860]

The Registrar is allowed under the Act of 1912 to dissolve societies at his discretion. Up to 1915 only 436 societies in British India had been dissolved and liquidated.[406] In the United Provinces alone over 500 societies had been liquidated, the Registrar stated in his annual report for 1929–30, and it was expected that about 1,000 more would have to be in the next two or three years.[861] In Madras on June 30, 1930, 612 societies were undergoing liquidation, with unlimited liability being enforced in some cases.[403] In the two years 1927–29, 440 primary societies and two central banks were liquidated in Bihar and Orissa,[862] while in Burma

for the last several years the Department staff has been practically wholly occupied with liquidation work, which was expected to continue to occupy it chiefly through 1931–32 at least.[863] In 1928–29, 1,400 out of Burma's 3,800 primary agricultural societies were in liquidation.[863] The following year the number of functioning agricultural credit societies in that province fell from 2,856 to 2,191.[864]

## Handicaps of the System

So much for the present extent and general status of the movement in India. What are the extrinsic factors which have inhibited or retarded its optimum development? The complexity of the problem is undoubtedly among the chief of these. Credit at reasonable rates for current needs will do the agriculturist no great good as long as he is carrying the crushing burden of indebtedness, but relieving him of the latter will not permanently benefit him unless his income can be raised or his expenditure reduced. The former involves consolidation of his holding, improvement of his land, by irrigation or otherwise, the amending of his methods of cultivation, encouraging the pursuit of one or more supplementary occupations, or enabling more profitable disposal of his products. The reduction of expenditure involves sound systems of landholding and land revenue assessment, the availability of required supplies as well as credit at reasonable rates, the reduction of unnecessary expenditure on social ceremonies by a reform in public opinion, the encouragement of thrift in the form of savings accounts or insurance, and especially education, which not only will facilitate most of the foregoing objects, but will help to safeguard the peasant against exploitation.

The difficulties of rehabilitating the artisan are only less complex, for he shares all of these needs of the cultivator, except those that relate specifically to the soil, and has in addition the problem of decent housing at reasonable rates. The industrial and agricultural labourers also want relief from indebtedness, controlled current credit at moderate interest, cheap supplies, reduced social expenditures, and

education, but their most crying need is for a fair remuneration for their labour. Unfortunately a general increase in the rewards of labour is largely outside the scope of the co-operative movement and must await the better organization of workers and the economic advance of the country.

These many facets of the problem complicate the task of the co-operative movement in India and emphasize the necessity for careful study of the situation and for concerted action. Sporadic attacks are being made in different provinces and States on all the aspects of the gigantic problem, but the relative ineffectiveness of the prevalent scattering of effort is coming to be recognized more and more. The funds available to the movement, however, are regrettably limited and the irrigation water that could make one field produce a rich harvest naturally makes a comparatively poor showing spread over eight or ten.

Certain it is that the best hope of doing lasting good to the beneficiaries of the movement lies in visualizing their problem as a whole and directing the co-operative attack simultaneously on as many fronts as possible. Co-operation, as Sir Horace Plunkett has pointed out, will succeed only as an integral part of a comprehensive agricultural policy.[865]

The many angles of the problem are brought out in an instructive analysis made by the Committee on Co-operation in Bihar and Orissa of what might be involved in a really effective attempt to improve the condition of fishermen, for example.

" In starting societies amongst the fisherman class, one may be confronted by the fact that they have no assets. If, however, their diligence and honesty are assured, much can be done for their economic progress. To open a society among them, their present economic conditions have to be very carefully studied. The cause of their poverty has to be ascertained. If they are burdened with debt, this burden has to be removed. If for want of capital they have no boats and nets, these have to be supplied; their daily earnings have to be estimated and what they can repay from their monthly earnings has to be ascertained . . . when they have increased their daily catches with the help of the boats and nets, a market for their surplus catch has to be secured. If there be still a surplus, some arrangement has to be made for drying or curing the fish or for turning it into fish oil or guano. In order to

send fish to a distant market, ice must be procured and even the setting up of an ice plant may be necessary. A scheme for providing them with better houses may follow and they may have to be weaned from the habit of drink. These are mere outlines of the labour, foresight and patience required. . . . In the end from so small a beginning the whole structure of society will be strengthened. The co-operative movement aims at a complete reformation of society." [866]

The Committee on Co-operation in the United Provinces pointed out that the problem to be tackled is rural poverty, which can be tackled in many ways and from many sides, and they emphasized that the study of rural problems should occupy a far higher place than it does among the interests of the co-operative department.[833]

This is in line with the policy which has been pursued in the Punjab, as explained by an able former Registrar, Mr. H. Calvert, as one of adult education, of which the primary object was to instil into the people the need for organizing themselves on economic lines if they ever were to escape from the burden of poverty and debt. "We regard co-operation as the surest means whereby the province can be reconstructed on economic lines leading to prosperity; and just as there are many deficiencies and causes of poverty, so there must be many types of society to deal with these."[867]

There is a measure of co-ordination in the approach to the cultivator's problem by different welfare agencies of the Government, such as the departments dealing with co-operation, agriculture, sanitation, education, industries, public health, and irrigation, but in many provinces there is unquestionably room for a closer linking of their efforts.

The Madras Committee on Co-operation stated :

"We desire to emphasize an opinion, which is based on the evidence of many witnesses, that not enough is now being done to co-ordinate the work of the 'nation-building' departments, which do not, we consider, at present realize sufficiently what a powerful instrument for the furtherance of their work is available to them in the co-operative movement." [868]

The Committee proposed periodical conferences, at least once a quarter, of directing district officers of the co-operative, agricultural, veterinary, and industries departments, and,

where possible, of Presidents of Central Banks and Co-operative Federations as well, to co-ordinate their activities.[868]

It has been mentioned that in some provinces the administration of certain types of co-operative societies is entrusted to other departments which are especially concerned with their members' welfare. In many sections the co-operative societies are utilized by other departments, such as the agricultural, in the effort to broadcast their recommendations, and various departments, notably agricultural and industries departments, have from time to time lent workers to assist the co-operative societies.

The Royal Commission on Agriculture has pointed out that the agricultural departments can substantially assist the co-operative sales societies by grading their produce.[658] It goes without saying that the co-operative departments in all provinces should be eager to take advantage to the utmost of any such co-operation in improving the status of their members.

The step taken in some provinces of including the elements of agriculture in courses of training for supervisors and officers of central banks should facilitate closer co-operation with the agricultural department.

The Royal Commission on Agriculture called the Bombay *taluka* development associations "the most systematic attempt yet made to co-ordinate the propaganda work of the agricultural and co-operative departments in respect of agricultural improvement," both departments being represented on the divisional boards which supervise the work.[869] "We consider that this system provides a model which is worthy of study by other provincial governments . . . agricultural departments have, on the whole, failed to exploit the possibility of propaganda work through the co-operative departments."[870]

On the desirability of greater co-ordination between co-operative societies of different types there is general agreement, but informed opinion differs on whether this should be confined to close mutual relations of societies with different purposes or whether multiple-purpose societies should be formed. The Bombay Banking Enquiry Committee, for

example, thinks an arrangement would be of general benefit whereby a credit society would see that its members' produce is sold through a sale society, and that society in turn would see to it that the sale proceeds of a member's produce are first credited to his account with the credit society in payment of any loan he may have taken.[871] Such an arrangement is facilitated by a purchase and sale union of credit societies, as found in Bombay and Bengal. It is a little difficult to see how this could be arranged in the case of societies with different membership, but in many villages no doubt the membership of the different types of societies would coincide. The possibility of a close relationship among societies to their mutual benefit, even where all the members of one do not belong to the others, is indicated by the case of the group of societies for Saraswat Brahmins which has grown up around the Shamrao Vithal Co-operative Bank in Bombay—a housing society, buying club, and education society.[872]

The Maclagan Committee favoured the multiple-purpose society. "Most forms of agricultural non-credit societies, and especially those for the supply of seed and implements, can in our opinion best be combined with credit societies."[666]

Sentiment in favour of the multiple-purpose society is claimed to be growing.[543] The supporting arguments are that the greater concentration of effort holds the promise of greater success; that the villager is used to looking to the *sahucar* or *bania* for his supplies as well as his credit, and for the selling of his product, and so should be spared the confusion of several single-purpose societies; and that the ordinary small village often has difficulty in providing competent officers for one society, to say nothing of several.

The last argument is weak, because there is no objection to interlocking managing committees of different types of societies, but there is force in the others. There is much to be said on the other side, however. The Committee on Co-operation in the Central Provinces objected to linking credit societies with those of other types, pointing out that "failure of a form of co-operation for which the people are not ready may prejudice a form which would otherwise be

successful," and favoured restricting each society to functions that would directly benefit its own members.[873] Where all members are not interested in more than one feature of the society's work, it seems unfair to subject them to the risks of other lines. It is especially open to objection for a society with unlimited liability to embark upon any functions involving financial risk which were not contemplated at the time the society was formed.

We do not go so far as the Central Provinces Committee in objecting to all interlocking of societies. So long as the risk-involving activities of societies with unlimited liability are restricted to their original function, which is normally the supply of credit, there seems to be no objection to multiplying the functions of limited liability societies as far as the majority of the members wish. No exception can be taken, either, to combining better-living or better-farming societies or the like even with societies of unlimited liability. In fact, the Mysore Committee on Co-operation recommended that selected co-operative societies be entrusted with the work of carrying on village sanitation and village improvements. " It should be recognized that the persons undertaking the management of a co-operative society in any village form perhaps the most competent and responsible body of persons available in that village and that works entrusted to them will be more promptly and better attended to than by any other set of individuals." [874] This had been regarded by the Maclagan Committee as questionable practice, because of the local unpopularity that might be involved in the discharge of such functions.[406]

Another external factor which greatly handicaps the advance of the co-operative movement is the widespread illiteracy and lack of business experience. Reference has been made to the difficulty of finding literate villagers to serve as secretaries for co-operative societies, many villages being without a single literate man.[875] But even if a suitable secretary can be found, the illiteracy of the rank and file of the members makes it difficult to educate them in co-operative principles and limits their effective participation in the conduct of the society, without which it cannot be a truly

co-operative undertaking or avoid the danger of exploitation by a few influential members.

The Bengal Banking Enquiry Committee hold that " the want of education is the principal reason why the progress not only of this movement but of every attempt at village uplift must necessarily be slow." [876] Mr. V. L. Mehta, Managing Director of the Bombay Provincial Bank, stated to the writer: " A great democratic movement like that of co-operation can have no firm foundation unless it is based on the ordered will of the people, and I doubt very much whether the desire to organize for common economic endeavour will prove effective in the absence of an educated proletariat."

The lack of business experience on the part of villagers is an only less serious difficulty. Increased inclination to take the initiative may come in course of time with the restoration of powers to the village *panchayats* and with the experience gradually gained in the conduct of co-operative societies.

The shortage of funds for the support of the co-operative departments in the several provinces and states is a general complaint. The Assam Banking Enquiry Committee, however, hold the defects of existing societies lie less in inadequacy of finance than in bad management and in failure to utilize their resources to best advantage [877]; and the Gwalior Co-operative Department, at least, has not always availed itself of the full amount sanctioned.[878] Another dissenting voice is raised by the Committee on Co-operative Societies in the Central Provinces, which takes the stand that Government is not justified in lending public money " to what are, in essence, private institutions," and claims that, while efficient Government supervision of co-operative banks is necessary, direct loans or subventions by the State destroy the co-operative spirit.[352]

These are quite exceptional cases, however. The United Provinces Committee on Co-operation regarded the insufficiency of Government support as one of the causes of the failure of the movement in that province, which, at the time the Committee made its investigation,* was giving less financial support to the co-operative department than was

* 1926.

any other major province—Rs. 1,86,000, as compared with over 6 lakhs each in the Punjab and Madras, over 5 lakhs in Bombay, and more than 4 lakhs in Bengal and Burma.[879] For all British India the amount of State aid at the time of the Maclagan Report in 1915 was Rs. 7,60,000 a year[880]; in 1927–28 it was Rs. 94,64,000.[665] In 1928–29 the Punjab Government spent Rs. 9,57,419, exclusive of the expenditure in connection with the consolidation of holdings; Bombay, Rs. 5,55,015; and Madras Rs. 8,89,000 on their respective Co-operative Departments.[881] The expenditure per head of population for the various co-operative departments was reported recently to the Assam Banking Enquiry Committee as 9 pies per head in the Punjab (or about $\frac{1}{21}$st of a rupee), 5½ pies in Bombay, 3½ in Madras, 2·04 in Assam, and 1½ in Bengal.[882] In Bihar and Orissa also it was 1½ pies *per capita* in 1928–29.[883]

The folly of pushing expansion faster than the funds available for supervision warrant has been sufficiently demonstrated in numerous provinces. Unfortunately, owing to the financial stringency now general, instead of support to the Co-operative Department having been increased to meet the growing opportunity and demand, expansion has been deliberately checked. In Bombay Presidency, for example, instructions have been given practically to stop further registration, except in most exceptional cases. The Registrar remarks in his annual report for 1929–30: "As things are at present, there is no adequate staff available even for carrying out the minimum statutory audit, and under such a state of things undertaking further heavy responsibilities is certainly out of the question."[884] No doubt this stand is fully justified, but it is most regrettable that it should be necessary.

In most of the country the same vicious circle is found. The spread of co-operation must be slow because the Government finances will not permit more rapid expansion, but, until the improvement in economic conditions which co-operation seeks is effected in some measure, the Government will not be able to better its financial position by increased taxation so that it can have adequate funds available for the support of the co-operative movement. A snail's pace seems

to be decreed by the circumstances, and it is a matter for marvel that in spite of them the present degree of progress has been achieved.

The dependence of the major branch of the movement upon climatic conditions is a difficulty the societies cannot overcome unless they can build up a reserve sufficient to carry them through several bad seasons if necessary. The drawback is that the very areas where such a reserve is most required are the ones where the profits from which it must come normally are small. It is natural that some of the areas, like Upper Burma, where the movement has made the poorest record, have been those most subject to failures of the monsoon in successive years. Co-operative credit societies in such districts are put to severe strain by repeated deficiencies in rainfall. It has not yet been demonstrated that co-operation offers the solution for the problems of cultivators of such marginal land. Perhaps a far-seeing policy would encourage the gradual abandonment of the effort to cultivate much of this land in precarious tracts, and the clearing for cultivation of some of the country's vast cultivable but untilled area.

## Weaknesses of the System

The lack of spontaneity in the Indian co-operative movement is admittedly one of its greatest inherent weaknesses, however unavoidable under the circumstances. The movement in India has been stigmatized by no less an authority on co-operation than Sir Horace Plunkett as, " with the exception of a few genuinely co-operative cases, due to the zeal of a Registrar or of some philanthropic individual . . . not so much a movement as a governmental policy." He emphasizes that the greatest of all obstacles to self-reliance is " the habit of looking to the Government to do for us things which we can and ought to do better for ourselves." [885]

It is still true to some extent, as was pointed out in 1920, that " what has been established has been by Government initiative, kept in order by Government audit, and really financed by Government credit because funds came from

people who, as a rule, would not trust their money to the banks unless they knew the Government was behind them." [886]

The powers of the Registrar in all provinces are large. As one prominent non-official co-operator put it to the writer: "The Registrar is the Brahma, Vishnu, and Siva of a co-operative society." None can be organized without his sanction, and while appeals against his decisions are possible they are said to be very rare. In many cases the unlettered members do not know that they have the right of appeal, and a strong tendency is reported to take his suggestions as orders, which obviously is not in the interest of developing self-reliance and sense of responsibility.

The Maclagan Committee referred frankly to the advantages "in bringing the urban classes, and especially the industrial classes, who at present see little of Government officers except in their judiciary or punitive aspects, into close contact with a branch of Government which they cannot but regard as beneficent." [887]

A tendency has been reported in at least one province for the Registrar to go beyond his legitimate functions in the effort to influence political events. Co-operators there are said not to have been allowed to wear white Gandhi caps, the symbol of the Nationalists, and the appeal for intensive propaganda by the co-operative societies to encourage the manufacture and sale of *khaddar*, or home-spun and home-woven cloth is reported to have provoked from the Ministry a threat of dire consequences to the societies if the proposal was carried out.[888] This is, happily, exceptional. The writer attended one provincial co-operative conference at which the secretary, a very prominent figure in the co-operative movement, wore his Gandhi cap unconcernedly and unchallenged.

The insecure foundation of co-operative structures built from above was demonstrated in the collapse of the National Building Guild in England in 1922 and the failure of the Danish Co-operative Potato Export Societies, neither of which had been actively demanded by their members, however beneficial to them.[889] Even the famous Gurgaon

attempt at village uplift is reported to have slumped after the withdrawal of Mr. and Mrs. F. L. Brayne, whose devoted exertions had made it possible.

Many different explanations have been volunteered for the collapse of the co-operative agricultural credit societies in Upper Burma. Is the radical cause indicated in the statement of the Provincial Committee on Co-operation that when the movement was started there the problem of rural debt was not pressing? The village *bania* with accounts running for generations did not exist in Burma, where the source of credit, the Committee pointed out, was usually a neighbour, often himself a cultivator.[890] Does not this explain, perhaps, why the agricultural credit side of the movement there has not taken root?

There has been considerable agitation among non-officials for the deofficialization of the movement, the delegating of all the Registrar's activities and powers except his strictly statutory functions to non-official organizations. Professor Kaji feels strongly on the subject. He writes: "The popular movement should be handed back to the people. State initiative was justifiable under the peculiar circumstances of India; State favour and encouragement are natural and most desirable; but the continuance of State control at every turn is detrimental to the highest interests of the movement." [891]

Ultimate deofficialization is generally admitted as desirable, but the premature withdrawal of Government control is fraught with grave danger to the movement. The relaxation of official control in Burma is one of the many causes assigned for the collapse there.[864] The Registrar pointed out that it would have been cheaper for the ordinary tax-payer to have increased the strength of the Department to the full extent necessary to provide the same degree of control for all new societies and unions that the older ones had had. The experiment had cost at least Rs. 70 lakhs, while the annual cost of the Department since 1915–16 had averaged but $3\frac{3}{4}$ lakhs of rupees.[892] The Banking Enquiry Committee in that province report a growing feeling among co-operators that Government either should cease to exercise control over the

societies and limit the Registrar's functions to registering societies and seeing that the Act is complied with, or else should undertake much more close and detailed control. The Committee recommended working towards the former goal.[893]

The Madras Committee on Co-operation found the Government's withdrawal from supervision in 1925–26, before adequate provision had been made for non-official agencies to take over the work, responsible for much of the confusion existing in that province at the time of their investigation.[405]

The Committee on Co-operation in the United Provinces report that " Co-operation after twenty years is not spreading by its own momentum."[545] The Banking Enquiry Committee in that province bring out in their report that the objective of official effort should be to make itself unnecessary and tnat its success must be measured by the speed with which it achieves that object. " But the time for its disappearance will not come till the co-operative society stands firm on foundations that have been well and truly laid." [894]

Probably the movement for deofficialization has made the greatest progress in Bombay Presidency, where the Registrar is reported more amenable to the suggestions of the Provincial Institute than in most parts of the country. The co-operative movement in the Punjab, for example, is said to be much more under official control, with the Registrar functioning as President *ex officio* of the Provincial Institute.

The note of the desirability of progressive deofficialization was struck repeatedly at the Hyderabad Conference of the All-India Co-operative Institutes' Association, but a reactionary tendency is also noted.

Enthusiastic non-official co-operators have deplored the stand taken by the Royal Commission on Agriculture in favour of strengthening official control for the present, although it recognized genuine co-operative control as an ultimate objective. " The time has not yet come when the official staff can be eliminated or even reduced. We therefore strongly recommend that every effort should be made to build up a highly efficient and well-trained official staff in

all provinces. Their duty will be to educate the members up to the point at which they will be competent themselves to undertake the duties of the official staff and so to dispense with their services." [501]

The Committee on Co-operation in the Central Provinces favoured increasing the powers of the Registrar. "The position is one which demands the exercise of authority and adequate powers must be attached to it." [895]

The draft bill for a separate co-operative act for the Presidency of Madras, if it becomes law, will widen considerably the powers of the Registrar.*

The Central Banking Enquiry Committee takes a different stand. "In order to popularize the co-operative movement in the country and to promote a sense of responsibility among the members of the society, it is important that the official control that now exists in certain provinces should be slackened." They believe, for example, that the fixing of the limits of the borrowing powers of societies and their members and the policy regarding the granting of loans should be left to the central and provincial banks.[896]

Granting all that can be said in the abstract against paternalism and Government leading-strings, it is not believed that the present state of the movement justifies the Registrars in relinquishing the ultimate control to any non-official and therefore irresponsible bodies. It is desirable for the provincial institutes to assume the functions of propaganda, of education, of supervision, and even of audit, subject to a Governmental super-audit, but the Registrar, as the one responsible under the law, must know what is being done, and how.

Under the present circumstances, the strengthening of the staff, official as well as non-official, is an urgent need in most provinces, qualitatively as much as quantitatively. Reference has been made to the inadequate salaries paid to humbler co-operative officials. This should be remedied if the right type of man is to be secured for the difficult and responsible post of inspector. Equally important is the assurance of a reasonable continuity of policy within the

* *Vide supra*, p. 58.

Department. It is understood that in many cases men come to the post of Registrar from other branches of the Civil Service, who have had no experience in the co-operative department in that province, and who are not even specially qualified in the co-operative field. The splendid record which the Punjab has made with its succession of outstanding Registrars, Mr. H. Calvert, Mr. C. F. Strickland and the present Registrar, Mr. M. L. Darling, should encourage emulation elsewhere, though there is no reason why qualified native Registrars should not fill the post satisfactorily—as they are doing in several provinces.

In spite of the Maclagan Committee having approved the same administrative superior for the co-operative department and numerous others, like the agricultural, industries, and fisheries departments, to insure co-operation among them,[897] it is felt that the combining of the post of Registrar with the headship of other Government Departments should be recognized as undesirable and a temporary expedient, even where it is held to be necessary for financial reasons before the movement assumes large proportions in a given province. The administrative of a co-operative department in any province where the movement is fairly launched is a man-sized task and its proper discharge calls for all the time and energy of the Registrar.

The lack of proper education and training of office-bearers and of co-operators generally has been stressed repeatedly. The commendable zeal with which many official and non-official workers threw themselves into the organization of co-operative societies unfortunately was not matched by an equal enthusiasm for the more tedious work of educating prospective and actual members in the principles on which co-operation rests. The Maclagan Committee emphasized that each member should have knowledge of the principles of co-operation if co-operation is to be genuine.[337] "The importance of careful teaching both before and after registration can scarcely be over-emphasized." They reported a general tendency to scamp it, and indicated that most of the faults found in societies were due to the lack of such teaching.[898]

The Madras Committee on Co-operation stated:

"We have been much impressed by the lack of knowledge of even the commonplaces of co-operation shown, not only by the members of the primary societies but also by office-bearers, and even by the staff employed by the various non-official agencies. We believe that many of the unsatisfactory features in the present condition of the movement are directly attributable to this ignorance. Even the official staff is, we consider, in many respects insufficiently trained for the proper discharge of its duties. Too much importance cannot be attached to the necessity for adequate education in co-operative principles of all concerned in the movement."[899]

The Committee recommended specifically Government aid to the Provincial Co-operative Union for training non-officials in the principles of co-operation.[899]

The Bengal Registrar believes that the lack of training and of the understanding of co-operative principles is responsible for the chief defects of the movement.[900]

The Royal Commission on Agriculture adds its confirmation: ". . . while societies have been registered freely, there has been a lack of patient and persistent education of the members in the principles and meaning of co-operation by teachers competent to perform their task efficiently under adequate supervision." [901]

The Assam Banking Enquiry Committee states that in the majority of cases members have no understanding of co-operative principles. "All that the rural society means to them is that it is a bank, somehow or other connected with Government, from which they can get money at a cheaper rate than from the money-lender or *mahajan*, that there is no particular hurry in repayment and that it does not matter much if they utilize the loan for some purpose other than that for which they professedly took it; that there is no reason why they should work harder, be more thrifty, or spend their money more carefully than they did before they became members." [902]

Sir Lalubhai Samaldas holds that "the education of ordinary members of primary societies, especially rural, in the principles of co-operation will be the measure of our success," and that "Education . . . transcends in impor-

tance all the other factors affecting co-operative progress." [903] The difficulties of educating primary societies' officers and members in co-operative principles is immeasurably increased by the prevailing illiteracy, but they must be overcome if the movement is to be put on a solid basis.

The Bombay Banking Enquiry Committee insist that it is not sufficient to train the members of managing committees. "A co-operative society is a democratic institution and can work well only when conducted in a democratic spirit. This presupposes that members, whether literate or not, are able to select and control the managing committee, can understand co-operative principles, and are free from factious spirit." [904]

The inadequacy of the provision for long-term credit which is a prominent shortcoming of the movement generally has been discussed at some length in connection with the land-mortgage banks, which are attempting, in some provinces, to meet a very small part of the need. It need only be mentioned again that a credit system without cheap long-term credit for such purposes as debt redemption and land improvement is only scratching the surface of the Indian credit problem.

The slow repayment of loans has been a frequent complaint. The Maclagan Committee wrote in 1915 that "there is no defect more prominent or more dangerous in the management of co-operative societies in India than the exceeding laxity and unpunctuality in the repayment of loans. . . . Unless loans are repaid punctually, co-operation is both financially and educationally an illusion." [905]

Tables VI and VII give the total amount of loans to individuals outstanding in each province and state at the end of the co-operative year 1929–30,* and Table VIII the percentage reported overdue in each in 1928–29 and 1929–30, *i.e.* loans due for payment which have not been paid and for which extension has not been granted by competent authority.† It will be noted that only Bombay

* For the termination of the co-operative year in the several provinces and states, see Table XVII.

† Allowance must be made for an incalculable margin of error in the comparisons of overdue loans presented in Table VIII. They are based on the official reports, but the method of reckoning overdues varies locally.

in British India reported a decrease in 1929–30 in the percentage of outstanding loans of agricultural societies which were overdue, but a number made a better showing that year in respect of non-agricultural societies. The amount overdue per member of non-agricultural societies showed a general slight decrease.

Among the major provinces of British India, Burma and the Punjab make the best showing for overdue loans of agricultural societies in 1929–30, figured as a percentage of total outstanding loans to individuals, with only 7·5 and 7·8 per cent. respectively of such loans reported as overdue, while the corresponding percentages for Assam, the United Provinces, the Central Provinces and Berar, Bengal, Bombay and Madras are 51·1, 46·7, 45·5, 39·7, 30·7, and 30 per cent. respectively. In Bhopal and Gwalior 75·2 and 56·8 per cent. respectively of agricultural societies' outstanding loans to individuals are overdue. The condition is much better for non-agricultural societies, overdues averaging but 11·2 per cent. for the country as a whole, as compared with an average of 24·7 per cent. for agricultural societies. In none of the provinces of British India except Assam are over 20 per cent. of outstanding loans of urban societies reported as overdue at the end of 1929–30, but Bhopal, Gwalior, and Travancore among Indian States had figures in excess of this, Bhopal reporting 73·8 per cent. of urban societies' outstanding loans to individuals as overdue.

Needless to say, there are wide variations within the same province. Thus in Bombay in 1929–30, agricultural primary societies in normal areas had an overdue loan percentage of but 23, while the figure for precarious and backward tracts was 60 per cent. An analysis made by the Registrar in that province is of interest in this connection. Out of 4,522 agricultural societies in that year, 1,631 had no arrears; 312 had up to 5 per cent. overdue; 263, 6 to 10 per cent.; 572, 11 to 25 per cent.; 490, 26 to 50 per cent.; and 1,254 over 50 per cent.[855]

What can be accomplished in this direction by intensive effort is illustrated by the territory of the Alamuru Super-

vising Union in Madras Presidency, where rural reconstruction has been undertaken on a large scale. In 1926–27, when the average of overdues for similar societies for the Presidency as a whole was nearly 50 per cent., overdues from members in that district amounted to only 10 per cent. of demand.[906]

Table VIII also shows the overdues per member, which in many instances puts a slightly less serious aspect on the difficulty. Even Bhopal, with its extraordinarily high percentages in both types of societies, had overdues per member of but Rs. 35·6 and Rs. 18·7 for agricultural and non-agricultural societies respectively. The Central Provinces and Berar had the largest overdue loans per member of agricultural primary societies in 1929–30, Rs. 107·1, the next among the major provinces being Bombay and Bengal, with Rs. 31·5 and Rs. 31·3 per member overdue respectively. Assam reported Rs. 29·6 per member of urban societies as overdue loans, the highest figure among the major provinces.

The most serious feature of the situation is that, almost without exception, conditions in regard to overdue loans in the areas where the overdues present the gravest problem were considerably worse in 1929–30 than the previous year, as Table VIII brings out.

The figures on overdue loans, however, by no means give the whole picture. A calculation of the loans outstanding per member at the end of 1929–30 and of the ratio of loans outstanding to credit advanced during the year, as given in Table XII, brings out a very serious situation, affecting especially the agricultural societies, in many provinces. Agricultural primary society members in Indore at the end of 1929–30 had an average debt to their societies of Rs. 303·3, more than five times the amount of the loan advanced to the average member during the year. In Burma and the Central Provinces the figures for outstanding loans are Rs. 245·0 and Rs. 235·3 per member respectively, the former representing 3·7 and the latter 2·5 times the current year's average loan. In Delhi and Hyderabad outstanding loans per member of agricultural societies at the end of

1929–30 were 8·1 and 6·4, respectively, times the loan per member in that year.

It may be mentioned that Hyderabad reported no loans overdue, which shows how little of the real situation is conveyed by the reports as they stand without analysis. Failure to report any overdues when outstanding loans are so large suggests rather forcibly an undue official leniency in permitting extensions. Such a preponderance of outstanding over current loans can mean only that the agricultural primary societies in the provinces and states concerned are attempting, on a large scale, long-term credit business which not only ties up their funds to a dangerous extent but entails considerably higher interest charges than the borrowers should have to pay for loans for debt redemption or land improvement projects. The objections to such long-term business for primary societies have been discussed above. It need only be mentioned here that these ratios testify most eloquently to the great need of a system of land-mortgage banks throughout the country, to enable the primary credit societies to confine their transactions to loans for periods not exceeding three years. Until they can be established on an adequate financial basis and in sufficient numbers, however, a definite separation between the short and longer term business of the primary societies is imperative.

The Assam Banking Enquiry Committee are " inclined to think that in many societies most loans—whether granted for that purpose or not—are utilized in payment of old debts. In an unproductive expenditure of this kind large overdues of repayment are bound to occur." [907]

It is important for the central banks also to differentiate between their short- and long-term business. Lack of appreciation of the distinction between the different kinds of loans is called a major defect of the Bengal central banks by the Committee on Co-operation in that province,[558] and the Assam Banking Enquiry Committee register a similar complaint.[908] The Bihar and Orissa Banking Enquiry Committee recommends solving the difficulty by organizing separate departments in each central bank for long-term and other business.[909]

The Assam Banking Enquiry Committee state in their report: "We consider that nothing hampers the working of the societies more than the unpunctuality in repayment by members. . . . It is obvious that if loans do not come back they cannot be given out. It is this more than anything else that leads to stagnation." [910]

Both in Bombay and Bengal the authorities have been sanguine that no real danger to principal was involved in the case of most overdues. In an appendix to the report of the Bengal Registrar for 1928–29, emanating from the provincial department of agriculture and industries, it is stated that the owned capital of societies sufficiently covers the entire amount of overdues and the position is well within the margin of safety.[686] Similarly, the Bombay Registrar in his annual report for 1929–30 states that the liabilities are amply covered by the assets.[855] These statements are undoubtedly true as far as the movement in those provinces as a whole is concerned, but more than questionable for some of the societies involved.

Not only does the enforcing of unlimited liability inflict great misery and push deeper into the mire those the movement is designed to help, but experience with liquidating societies in Burma and elsewhere has proved that much of the principal is irrecoverable. Out of Rs. 22⅓ lakhs due to the Burma Provincial Bank by living societies June 30, 1930, for instance, not more than Rs. 11⅓ lakhs was expected to be recovered ultimately.[892]

The Registrar in the United Provinces reports 502 cases in which the loan due by a society to a bank exceeds that recoverable from the society.[363] He points out that societies have to keep on lending in spite of heavy overdues, or members will become insolvent or abscond and the money already advanced will be lost. He makes the gloomy prediction that a great part of the loans advanced will prove to be irrecoverable. "In a few years overdues will have increased by leaps and bounds, a large number of societies will become bankrupt and go into liquidation, involving more than one co-operative bank in ruin.[656] Overdues to central banks from working societies in that province

increased in 1929–30 from 29 to 38 per cent. of outstanding loans, one district bank reporting 82·6 per cent. of outstanding loans overdue, and twenty-five working at a loss if overdue interest is excluded from profits.[911]

The large percentages of overdues would seem surprising, in view of the general feeling in India of the sanctity of debt, if it were not for the habit of procrastination about repayment which has grown out of centuries of dealing with the money-lender, who, as long as his principal was safe (and he usually saw to it that the security was adequate) and the interest forthcoming regularly, did not care to be bothered with reinvesting his capital and so encouraged leaving the principal unpaid. Overcoming the borrower's resulting apathy, as Mr. M. L. Darling has pointed out, means changing the habit of generations.[912]

Reference has been made to the danger of condoning overdues, especially of prominent members, because of the bad example to the rank and file. In Gujarat District of Bombay Presidency the Registrar reports that "no one seems anxious to repay what he has borrowed if he can at all evade it." [913] Wilful non-payment, however, is relatively rare except in areas like Upper Burma, where demoralization has become widespread.

The Committee on Co-operation in the United Provinces divides the blame for arrears between lack of supervision, slackness of managing committees, bad seasons, old indebtedness and innate habits of unpunctuality.[914]

The Madras Committee on Co-operation attempted a more thorough-going analysis, their findings in regard to the causes of the overdues situation being as follows:

(1) Bad harvests.

(2) Illiteracy and ignorance of co-operative principles in primary societies and indifference of *panchayatdars*, who are in many cases themselves defaulters.

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

(4) The sudden withdrawal, without due notice, of the department from supervision.

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

(6) An exaggerated sense of security in the minds of financing institutions, based on a wrong impression of the implications of unlimited liability and failure to realize the seriousness of enforcing it.

(7) Lack of proper attention to the granting of extensions.

(8) The granting of loans without proper consideration of their purpose, and of the repaying capacity of members.

(9) *Benami* transactions.*

(10) The fact that, even when the penal interest is levied, the rate of interest charged is lower than the market rate in many districts, and members who have also borrowed from money-lenders in consequence repay the latter first. Decree interest also is lower than the market rate; execution proceedings present much difficulty, and the low rate of interest encourages defaulters to raise every possible obstacle.

(11) Failure to take prompt and sufficient steps for the recovery of overdues.[915]

The last item seems the real crux of the situation as far as concerns factors within the control of the societies. Disinclination to proceed against fellow-members is widespread. In Bengal many societies are reported to show reluctance to have decrees of arbitrators executed through the civil courts.[916] The same difficulty in Burma is attributed by the Provincial Registrar "in part to that general soft-heartedness which has been a potent factor in the destruction of our agricultural credit societies." [390]

It is a weakness of the system that only members of the managing committee can legally institute measures for recovery and that no penalty attaches to their failure to do so when they should. This is pointed out by the Bengal Banking Enquiry Committee, which recommends that the central banks be empowered to institute proceedings in cases where the *panchayatdars* themselves default.[336]

The difficulty in having decrees enforced even when the committees acquiesce has been discussed.† Hyderabad is

* *Vide supra*, pp. 77–8. † *Vide supra*, p. 84.

reported to have found that inspectors of the co-operative department, armed by the revenue department with authority to attach the property of defaulters in the execution of awards, often can secure prompter execution than the revenue officials themselves.[917] This, nevertheless, is believed to be of questionable wisdom, as the relation of inspectors to societies should be friendly and helpful, however strict, and giving the inspectors police powers well may largely destroy the societies' confidence. A better solution seems to lie in greater co-operation from the revenue department.

Of course, the chief difficulty, in the final analysis, lies with the primary societies, but the central and provincial banks, as the superior financing institutions, cannot evade a large share of the responsibility for the condition. A comparison of outstanding with current loans of these superior institutions would have little significance because some of them are involved in land-mortgage business either directly or through the land-mortgage banks they finance, but figures on their overdue loans would be very illuminating. Such figures are not included in the statistical summary of the Department of Commercial Intelligence and Statistics. They should be. The Maclagan Committee stressed in 1915: "There is nothing in our opinion more important to the success of the movement than the provision of clear information as to the punctuality or unpunctuality with which loans are repaid." [905]

In the United Provinces in 1928–29 central bank collections amounted to but 57 per cent. of principal demand.[918] In Upper Burma in that year, Prome, which the Registrar calls "the only satisfactory district in respect of repayments to the District Bank by societies," had a percentage of 51·25 per cent. of repayments![919] In Bihar and Orissa the same year the percentage of collection by central banks from affiliated societies was 58·9.[920] Mysore central banks had overdues of 45·9 per cent. in 1928–29 and 48·9 per cent. in 1929–30,[921] while the overdues of the apex bank in that state were 54·9 per cent. of demand in the latter year.[922]

The strictness or laxity of standards of the central and

provincial banks is bound to be reflected in the societies they finance. A definite responsibility rests on them to put sufficient pressure on the managing committees of primary societies to galvanize them to a like energy in dealing with their members in all cases where extensions are not justified. It is because of the too lenient attitude of these financing institutions within the movement that some have felt the societies would do better if dependent for their finance on the less sympathetic commercial banks.

Paper adjustment of loans, though a less general evil, has been a real menace to the movement in some sections. The Maclagan Committee pointed out that fictitious repayments are very serious and undermine the first principle of co-operation,[923] but the co-operative department in Burma made the fatal blunder of directing such book transactions to be made. Any part of a crop loan not paid on the due date was to be transferred to another book as a fresh loan, so that the whole of the first loan could be shown as repaid.[606] Can one wonder that the real state of co-operation in that province was concealed so long? The Registrar in Bombay reports the tendency to book adjustments and fictitious payments by temporary borrowing from money-lenders gradually disappearing,[293] but the Registrar for the Central Provinces and Berar in his report for 1928–29 stated that cash loans to members of agricultural societies amounted to only Rs. 54·7 per member, but that when paper renewals and book adjustments were included the total became Rs. 91·1.[924]

The inadequacy of the finance available to members has been referred to as a weakness of the movement. It is easier to find explanations for that situation than for the delays in making loans, which are complained of generally. The Bihar and Orissa Banking Enquiry Committee found that it is not infrequent for a month or six weeks to elapse between a loan application and the receipt of money by the member.[287] The Madras Committee on Co-operation found that the time taken in dealing with short-term loans was often as long as two months and that the *ryot*, who usually makes no preparation for such requirements as seed

until the need actually arises, cannot wait so long in many cases and in consequence goes to the money-lender.[925]

The Registrar in the United Provinces testified before the Provincial Banking Enquiry Committee that members not only cannot get from the societies sufficient money for their requirements but often have to wait a long time for it and to put up with a good deal of personal inconvenience and even indignity.[926] This situation is by no means peculiar to the United Provinces and calls for early correction. Co-operative societies are not charitable institutions nor their loans alms. The members of such societies have rights as well as duties, and their self-respect should be jealously guarded by all concerned.

The primary society usually has no safe provision for keeping cash on hand to meet emergent demands and has to turn to its central bank for accommodation as occasion arises. Accommodation, unfortunately, often is held up while the central bank makes a protracted investigation. The Mysore Committee on Co-operation found primary societies reluctant to go to the central banks for loans because the investigation proceedings and those for the grant of a loan were so complicated and took so long that no society could get its loan in time.[927] The Bihar and Orissa Banking Enquiry Committee object to the administration of *takavi* loans being turned over to the co-operative organizations because they are so slow in supplying the needs of their own members.[74]

While loans up to the maximum set for each member at the general meeting cannot be sanctioned automatically by the primary society, societies in good standing should be able to obtain the blanket approval of the central bank and of the Registrar where necessary, in advance of the cultivation season, for all loans for legitimate purposes to members in good standing, within those limits, subject to such restrictions as the higher authorities may impose; so that cases involving less than the maxima set can be passed on finally by the managing committee of each primary society after its investigation, which should be as prompt as thoroughness permits.

The Banking Enquiry Committees in Bihar and Orissa and in Bengal recommend the extension by central banks, as rapidly as possible, of cash credits to primary societies, against which the latter can draw at will in emergencies, to cut down the delays in getting loans.[928] It may be necessary for the present to restrict such cash credits to societies in good standing, but everything possible should be done by the central banks to expedite investigations where they are considered essential.

If the managing committees of primary societies cannot be trusted to pass on loan applications, the solution lies in their education, and the assumption of their legitimate functions by the central banks should be but as a temporary expedient and fully recognized as a necessary evil. The managing committees will never gain initiative and self-reliance as long as their functions are restricted virtually to those of a forwarding agency, and furthermore, the co-operative character of the enterprise is lost. A comment of the United Provinces Committee on Co-operation is of interest in this connection: "Owing to the centralization of authority in central banks and lack of adequate instruction and supervision, primary societies are generally effete and incapable of managing their own affairs." [545]

Enough has been said about the present difficulties in connection with supervision. It is hoped that they may be met when the incidence of responsibility is definitely determined in each province and state and the necessary steps are taken to strengthen the supervisory staff. Even where cash credits are granted, in the present state of education of the members of the managing committees, frequent and thorough checking of their performance is indispensable.

The emphasis on credit to the comparative neglect of other fields of co-operative activity frequently has been set down as a weakness of the movement in India. The burden of indebtedness, however, was and is such a pressing problem that the stressing of co-operative credit has been justified, though perhaps not quite to the extent to which it has been carried in some provinces.

The Royal Commission on Agriculture expressed the conviction that " the greatest hope of the salvation of the rural masses from their crushing burden of debt rests in the growth and spread of a healthy and well-organized co-operative movement based upon the careful education and systematic training of the villagers themselves. Apart altogether from the question of debt, co-operative credit provides the only satisfactory means of financing agriculture on sound lines." [929]

It is not surprising, under the circumstances, that the co-operative department is said to be known in the villages as the " bank department." [930]

The Registrar in Hyderabad has stated frankly that the department was concentrating all attention on the village credit societies.[931] " The problem of rural indebtedness looms so large in the economy of the country that, with the limited resources of men and money at the disposal of the movement, it simply cannot, for at least another decade, afford to be side-tracked into non-credit activities, tempting as they might be." [932]

The Maclagan Committee pointed out that India had followed the continental precedent in not undertaking non-credit co-operation until credit societies had been firmly established,[933] and the Royal Commission on Agriculture stated that " . . . the co-operative movement in several provinces in India has not yet reached a stage at which it can undertake on an extensive scale any activities other than credit." [870]

The Royal Commission pointed out also the advantage of credit co-operation as a foundation for other types.[901] " The rural credit society is . . . the chief corner-stone of the whole movement."

The Committee on Co-operation in the United Provinces stated: " . . . experience in other provinces has shown that where there is a well-managed and successful credit society, there will be found the best prospect for other forms of co-operative activity." [934]

Sir Horace Plunkett has written: " I have always regarded credit as the most educational form of co-operation

for backward rural communities, when the principle and system of co-operation has to be introduced into their industry, their business, and their lives." [935]

The Punjab Registrar believes that "in a country in which most people are in debt and live in villages with a strongly developed community life, the ordinary village credit society has an importance and a power for good out of all proportion to its size and far greater than that of any other type of society." [936]

His predecessor, Mr. H. Calvert, who has long been prominent in the Indian co-operative movement, wrote: ". . . our experience is that where there is a well-managed and successful credit society, there will be found the best prospects for agricultural improvement or any other form of co-operative activity." [937]

In spite of all the movement is doing in behalf of the depressed classes in special societies or as members of ordinary co-operative societies—and it is considerable in some provinces—it yet cannot clear itself entirely from the charge of failure to serve the neediest strata. And unfortunately this seems inevitable to a certain extent. Even the optimistic and enthusiastic Mr. F. L. Brayne was forced to the conclusion that the indebtedness of the worst and most neglected parts of his Gurgaon District probably "can never be relieved in the end by ordinary means, and some sort of assistance will have to be rendered by Government in the shape of a lump-sum grant of money or a loan without interest or both of them together, or else by some sort of scheme combining the principles of insolvency and courts of wards.[938]

Co-operation cannot solve the problem of the hopelessly insolvent. Many applicants for loans from land-mortgage banks in Madras have been found beyond redemption, without sufficient repaying capacity to clear their debts even in a period of twenty years.[939] With few exceptions, urban co-operation has been confined largely to middle-class people. The solution of the credit problem of the heavily indebted industrial worker would seem to lie in some such scheme as that proposed by the Whitley Labour

Commission,* which feels that the scales at present are so heavily weighted in favour of the money-lender as to make the efforts of co-operative societies and others to save workmen from heavy debts largely ineffective.[940] Perhaps a like amnesty can be declared for the class of agricultural labourers, whom the Bihar and Orissa Banking Enquiry Committee believe " no improvement of credit facilities in near prospect is likely to touch." [941]

A vigorous policy of debt conciliation on a voluntary basis is recommended to local governments by the Central Banking Enquiry Committee, whose scheme involves the employment of the co-operative societies as the agency for payments to the money-lender of the amounts under the term of the settlement, to be made with due regard to the debtor's repaying capacity. The plan contemplates the borrower becoming a member of a co-operative society, which will finance his future current needs. The Committee suggests legislative enactment to provide for compulsory settlement in cases where the lender will not agree to a voluntary one.[942]

The Bombay Registrar reports the deliberate adoption of a policy of confining new registrations to normal tracts and registering societies in the precarious tracts only where there are special facilities of canal or well irrigation. " The movement will . . . always work subject to the vagaries of the forces of nature, and all that we can do is to concentrate further progress in the comparatively well-to-do tracts which are free from the extreme risk of famine or scarcity." [943] The Banking Enquiry Committee in that province also hold that " the success of the movement depends in a large measure on the judicious selection of members and the steps taken to educate them in co-operative principles." [904]

This attitude can be carried too far. The aim of the co-operative department in any province should not be primarily to establish a good record for the movement there, but to help those who need help to the greatest extent possible consistent with safety. A good showing is admittedly important for the sake of all concerned, but it

* *Vide supra*, p. 45.

is better to keep the bars as low as sound practice permits, than to make a spectacular showing with a hand-picked membership in selected areas. " They that be whole need not a physician, but they that are sick."

A greater mutual sympathy in some provinces between official and non-official workers would be in the interest of the movement as a whole. Basically their aims are alike, but, while there has been little open friction, their different ways of looking at the same problems sometimes cause a regrettable tendency to look askance at each other. It is not a fundamental defect of the movement and may be expected to improve as the legitimate and important place of non-officials in the movement is more clearly recognized and their functions are better defined.

The tentative suggestion is offered that an advisory council of non-official co-operators in each province, a Registrar's Cabinet, as it were, each elected by and responsible to its respective Provincial Institute, might go far to reconcile official and non-official opinion and to bring about greater administrative harmony and effectiveness. A change would be required in the law, however, or such non-official bodies would have a voice but no vote and so would be in little better case, at least theoretically, than the Provincial Institutes are to-day.

## Achievements of the Indian Co-operative Movement

What has been the effect of the co-operative movement on the money-lender, who has been called " the evil genius of the cultivator, exploiting him when he is prosperous and enslaving him when he is poor "? [944] As Mr. Darling has pointed out: " Economic freedom is a condition precedent to progress, and to the Indian cultivator no freedom is possible till the power of the money-lender is broken.[945] We have seen that attempts at legal regulation of usury have been largely ineffective. What has the co-operative movement accomplished in that direction?

The money-lender still represents the most important industry in the Punjab, the Registrar reports, though he is

gradually reducing his business and, in some areas, migrating from the village to the town.[936] He is still by far the most important source of credit to the agriculturist, the Bihar and Orissa Banking Enquiry Committee find, though the rural credit society has begun to take away an appreciable share of his business.[946] The money-lender is reported, however, to hold his own with considerable tenacity, even where the societies have been operating for many years. The Committee estimate that the credit societies probably do not provide more than 2 per cent. of annual requirements.[947]

An analysis made in the United Provinces in 1929–30 showed indebtedness to co-operative credit societies accounting for but 5·3 per cent. of the total indebtedness there.[948]

The Banking Enquiry Committee in Bombay state merely that the share of the co-operative societies in financing agriculture " is considerably smaller than that of the *sowcar* and the quasi-*sowcar*, such as the landlord and the wealthy agriculturist," [949] but unofficial estimates of the percentage of agricultural credit requirements met by the societies in that province range from 7 to 10 per cent. The Provincial Banking Enquiry Committee point out that the bulk of the factory workers are still outside the movement and largely in the hands of *sowcars* and *marwari* traders.[424] In isolated cases, however, like the two sweepers' societies at Karachi, members of co-operative societies have been definitely released from the clutches of the *Pathans*, with their crushing interest charges.[950]

The Assam Banking Enquiry Committee report: " So far as we can see the exploitation of cultivators by the village *mahajans* . . . by village money-lenders . . . and by ex-tea-garden coolies and others is on the increase." [183]

The Committee on Co-operation in Burma reported that the number and wealth of money-lenders in that province had increased tremendously since the movement there started.[951]

Under the Kashmir Agriculturists' Relief Regulation, promulgated in 1926–27, members of co-operative societies can sue money-lenders in the civil courts for settlement of

their accounts. The court fixes instalments for the liquidation of their debts out of their own income. Many cases are reported to have been settled out of court due to the wholesome effect of the regulation on money-lenders. Not unnaturally, the regulation is said to have increased the money-lenders' strong opposition to the co-operative movement.[952] In other territories, as in Ajmer-Merwara and Gwalior, money-lenders are reported keenly hostile and working against the movement.[953] In the Punjab there has been a struggle to get money-lenders off managing committees, on which their activities hardly could be expected to be wholly disinterested. In 1929–30, fifty-one were displaced.[875]

The Bengal Banking Enquiry Committee says: " . . . our information is that the money-lenders are still flourishing as well as ever in every part of Bengal," [954] but they found several instances in which professional money-lenders had turned active co-operators and deposited the bulk of their capital in co-operative central banks.[519]

In Indore, the societies are reported to have freed many a village from the *Pathan* usurer,[955] and in Coorg an inquiry in 1929–30 showed a decrease in the volume of money transactions with local money-lenders, which the Registrar attributes to the growing popularity of the co-operative movement.[726]

The most cheerful side of the picture is the generally conceded reduction in interest rates of money-lenders, which have occurred practically everywhere that a successful co-operative society has been established, a benefit shared by non-members as well. In one Madras District the co-operative societies forced money-lenders' rates down by more than half.[956] It is claimed, moreover, that even where the money-lender's financial hold is unshaken his psychological influence is weakening.[957]

In 1912, at the Sixth Conference of Registrars, Sir Edward Maclagan claimed: " We save the agriculturists of India from an absolutely unnecessary burden of at least 10 lakhs of rupees on every crore of rupees lent out by co-operative societies." [290] The present saving in interest charges is

calculated at more than 3 crores of rupees.[380] The agriculturist can borrow to-day at from 9 to 15 per cent. interest what formerly cost him several times as much in interest charges, with the additional handicap in many cases of compound interest.

An analysis made in the Punjab brought out that, of the 82,584 members of 2,748 societies which had completed ten years of existence at the end of 1927–28, 43 per cent. were entirely free from debt, which is believed to be the case with less than 20 per cent. of the landowners of the province as a whole. These members had reduced their unsecured debt by 118 lakhs and mortgage debt by 41, and owned 80 lakhs' interest in their societies.[958] An investigation in the United Provinces, confined to the five oldest surviving societies in each circle, showed about two-thirds of the members out of debt, the Committee on Co-operation there reported.[545]

In Ajmer-Merwara a decrease of Rs. 18·1 per member in outside indebtedness occurred in the three years 1929–30.[959] Out of 341 members of societies in the private domains of the ruler of Kashmir, 220, or 64·5 per cent., had entirely freed themselves of indebtedness to money-lenders by 1926–27.[960]

The Banking Enquiry Committee in Bihar and Orissa, however, report that " the available evidence goes to show that there has been no marked decrease in indebtedness, even among co-operators." [961] It found evidence that the movement had enabled a large number of individuals to better their economic position, " even if it has by the attraction of cheaper credit tempted the more improvident into greater embarrassment." [962] This should not have been the case if the cheaper credit made available through the societies had been properly controlled.

Disappointment has been expressed many times that members' deposits are not larger, but, considering the poverty of most of the individuals in the movement, the figures of Rs. 1,80,92,320 for agricultural primary societies and Rs. 4,17,11,325 for urban primary societies in 1929–30 are distinctly encouraging. Even more hopeful is the

owned capital these societies have accumulated in the form of share capital and reserve, Rs. 10,07,05,737 for agricultural societies and Rs. 5,43,27,777 for urban, representing Rs. 32·4 and Rs. 51·3 respectively per member.

A few cases where co-operative credit has made a conspicuous success may be cited as evidence of potential savings when supervision is adequate and a credit society develops along right lines.

One Kashmir village society, with all members free from debt to money-lenders, has accumulated its own capital to such good purpose that it is expected that by 1935 its own money will suffice for its needs.[963]

A Punjab society of 276 members, representing eighteen castes, advanced 19 lakhs of rupees to its members in the course of seventeen years, during which no proceedings for default were necessary, nor did anyone have to be expelled. At the end of the seventeen years it had an accumulated share capital and reserve of nearly Rs. 50,000, and about 2 lakhs had been deposited by its members. Its interest charge was but $9\frac{3}{8}$ per cent., compared with the 15 per cent. average of Punjab agricultural societies at the time. Its management was honorary and so thrifty that in the seventeen years the total expenditure on contingencies amounted to less than Rs. 100.[964]

In another Punjab village, so impoverished the very money-lenders would not lend to them, an almost model bank was developed, with everyone reported working twice as hard as before.[965]

An interesting experiment among the Bhils, an aboriginal race of Bombay Presidency, has demonstrated the value of co-operation even among very illiterate and backward people if the necessary help and guidance are furnished. The co-operative department and the provincial bank co-operated with non-officials, including social workers, in two *talukas* having a population of about 100,000 Bhils. Financial assistance was necessary both from the Government and the bank to take care of fifty societies in existence in 1922–23, as the members' needs were comparatively small and the societies' total business not large enough to

finance the special staff they needed. Branches were established by both the provincial bank and the provincial institute.

Group secretaries were supported partly by the societies and partly by the Government. A special officer was given practically sole charge of the movement in the area. He was to control group secretaries and the provincial bank's inspection staff, scrutinize credit statements, attend to collection work, and do everything necessary for the societies' success. No loan could be drawn by a society without his previous approval. Arrangements for supply and sale were made and members were enabled to store their products for better prices, advances being made to them on the security of the produce stored.

Although the area is exposed to famine, the results have been satisfactory. Members are reported to have become increasingly loyal to their societies, to have understood their responsibilities and become independent of outside finance, while a number have freed themselves from old debts. As the officers have become more and more experienced in management, control has been slackened gradually and societies are allowed to operate some of their credit without the approval of the special officer in charge for each individual loan. In the four years between 1924–25 and 1928–29, the annual loss of the provincial bank in the area declined from Rs. 3,782 to Rs. 1,018.[966]

It is stated that many former labourers in the Alamuru District of Madras are now independent agriculturists, with long-term leases on advantageous terms made possible by credit from the co-operative societies. Almost all are independent cultivators in a village of 100 families, where six years before but four in the village were. At Kapileswarapuram, Madras, when the co-operative society was started in 1919 there were 80 families of independent agriculturists; in 1930 there were reported over 400.[967]

That the co-operative movement is a factor to be reckoned with in the money market is obvious from the size of its working capital, now over Rs. 89,51,78,000. The co-operative societies have done much to meet the deficiencies

in the Indian banking system. In Bihar and Orissa, for example, they are reported to play a more important part in meeting the financial requirements of the province than all the organized banks put together.[968] It is generally admitted that co-operation has done incalculable good in spreading the banking habit and popularizing cheques and demand drafts.

Allied to encouraging the banking habit is the promotion of thrift. Co-operative credit, it has been emphasized repeatedly, is as important for the inculcation of thrift as for the provision of credit at reasonable rates. The moral objectives of the movement have been stressed from the first. Thus the Maclagan Committee pointed out that "the movement is essentially a moral one and it is individualistic rather than socialistic. It provides as a substitute for material assets honesty and a sense of obligation and keeps in view the moral rather than the material sanction." [969] The same Committee stated that "the express object of the society should be the development of thrift among its members, with the hope too that this idea of thrift will spread in the neighbourhood." [970]

To emphasize the importance of this aspect of the movement, credit societies in the Punjab recently were rechristened "Co-operative Thrift and Credit Societies."

Opinions differ in regard to how far the co-operative societies have succeeded in this object of thrift promotion. The habit of saving is deeply ingrained in the Indian farmer, but he has saved for consumption rather than for investment, as the Bihar and Orissa Banking Enquiry Committee point out.[971] On the strength of an increase of but 28 per cent. in member deposits between 1923 and 1928, the committee conclude: "It cannot be said, therefore, that co-operation in this province has yet made remarkable headway in its task of inculcating thrift, and work in this direction is still very necessary." [972]

Similarly, the Madras Committee on Co-operation reported but little success attained in the encouragement of thrift, self-help, and co-operation.[379]

The Banking Enquiry Committee in the United Provinces

regret that members of co-operative societies rarely attempt to practise thrift," and recommend that share payments be continued after ten years to encourage it, and that members be urged to redeposit their dividends.[973] An undoubted evil uncovered by that Committee is the frequent discouragement of petty payments because they give trouble to the accountant.[974]

The Bengal Banking Enquiry Committee, on the other hand, is equally certain that " the greatest benefit that this movement has imparted to its members is the inculcation of the virtue of thrift." [832] That Committee believes rural co-operative societies the most suitable agency for creating the investment habit among the agriculturists, " who have at present no other facilities in their neighbourhood for safe deposit of their small savings." [975] The increasing recognition of thrift in the insurance societies and the use of the home savings boxes is referred to by the Registrar in that province,[976] though similar boxes are reported to have been introduced in the Central Provinces and Berar by at least one bank without encouraging results.[977]

The Bombay Banking Enquiry Committee credit the co-operative societies with having played an important part in promoting thrift and developing the habit of investment.[978]

The advantages of the societies in training their members in business methods and leadership go almost without saying. The Punjab peasant of a generation ago is said to have been as helpless as a child in affairs of business, and co-operative societies are given part of the credit for his increased independence to-day.[979]

The Indore Registrar has no hesitation in saying that " the economic and social conditions of the cultivators in general have been much improved in villages where the hand of co-operation is extended." [955]

Professor Radhakamal Mukerjee wrote in 1916:

" But the economic results of co-operation are far less important than its general effect on the rural life. Co-operation constitutes an admirable means of popular social improvement. It tends to check the petty quarrels and bitternesses of village life, binds together men into friendly relationship and trains the people to work in consort for a common end." [980]

This reduction of friction, reflected in the general decrease among members of co-operative societies in the litigation to which the Indian cultivator is so addicted, is generally credited to the influence of co-operation.

Aside from this, the influence of the societies is thrown quite consistently on the side of morality and temperance, and against gambling and extravagance. What some societies have achieved in the direction of cutting down expenditures on social ceremonies shows the large possibilities in this direction.

The zeal which the unpaid officers of the co-operative societies often put into their task has been commented upon frequently. Mr. R. B. Ewbank, former Registrar in Bombay, has written: " It is startling to discover how often the opportunity brings out the man and how freely the man spends himself and is spent when he sees a great goal before him, and is shown a path by which he may attain it. Such are the men with whom the future hopes of the movement lie." [457]

The Registrar in the Punjab records the case of a sixty-year-old retired military officer in the Punjab who walked forty-two miles each way to represent his society at the general meeting of its central bank,[981] and in an unofficial comment on the instance, quotes aptly from *As You Like It*:

> " O good old man, how well in thee appears
> The constant service of an antique world,
> When service sweat for duty, not for praise."

Lord Linlithgow, Chairman of the Royal Commission on Agriculture, has said: " Mere numbers are not a measure of success in co-operation. Quality is the test, and quality is to be measured as much by the extent to which membership improves the general outlook of the individual member, as by any betterment that it may affect in his economic condition." [982] Increased openness to suggestions of improved methods of production is an important by-product of the movement.

Reference has been made to the effect of the co-operative societies in quickening the desire for education. The Punjab Co-operative Department introduced a scheme for

adult education which the Education Department took up with enthusiasm and financial assistance from Government has been made available.[983] The Royal Commission on Agriculture, commenting on the fact that the movement for adult education in the Punjab had received the chief stimulus from the co-operative department, remarks: " It is to the co-operative societies and associations of public-spirited individuals, interested in rural development, rather than to direct government agency, that we must look for any marked advance in this direction. There may be a case for Government helping co-operative societies by a *pro rata* contribution from provincial revenues to the funds the society raises." [984]

A large amount of good in the aggregate has been and is being done by co-operative societies through their contributions to various charitable and public purposes. The case may be cited of the Ganja Cultivators' Co-operative Society at Naogaon, Bengal, which, out of its profits, has maintained three charitable dispensaries and a well-equipped veterinary dispensary for the benefit of the public, and this in addition to creditable contributions to education and the maintenance of local roads and bridges.[682]

The co-operative societies, except in the case of the comparatively few which are on a strict caste basis, have brought together on an equal footing people of different castes and creeds in an enterprise for their mutual benefit. This not only has encouraged a feeling of community of interest in the villages, but indubitably has represented a conspicuous contribution to the cause of national unity. Mr. Darling gives co-operation, backed by the village community spirit, the credit for the slight headway made in the villages by communism,[985] in whose net so many industrial workers of India have been caught.

# CHAPTER V

## THE POTENTIAL CONTRIBUTION OF THE INDIAN CO-OPERATIVE MOVEMENT

No solution of India's problems which ignores or flouts the national psychology can hope to succeed. An Indian materialist—and there are some among those whom Western training has weaned from their ancestral attitude towards life as a stage of soul evolution—is an anomaly, a *lusus naturæ*. Materialism can never conceivably be acceptable to the mass of the Indian people. It is precisely because co-operation offers a way out that does no violence to India's traditions that it holds forth the greatest hope of ultimate success. The co-operative ideal is well suited to the genius of the Indian people. " Each for all and all for each " is in harmony with their intuitive perception of the fundamental unity which underlies all apparent diversity, and co-operation offers wide opportunities for mutual service.

The various Committees on Co-operation and the Provincial Banking Enquiry Committees have been unanimous in their conviction of the great potential benefits of the movement, though often critical of its development so far. Even the United Provinces Banking Enquiry Committee, which feels that in that part of the country " Co-operation has not only been unsuccessful, but to some extent even positively injurious," yet believes " that any improvement in the rural credit system depends mainly on more and better co-operation." [926] And the disillusioned Committee on Co-operation in Burma found that the " Government is justified in deciding to construct in Burma a sound, well-controlled system of rural credit." [986]

The Banking Enquiry Committee in Burma proposes an

All-India Committee on Co-operation of the character of the Maclagan Committee,[987] but the inclusion of the subject of co-operation among those covered so recently by the Provincial and Central Banking Enquiry Committees, at a net cost of over 13 lakhs of rupees, would seem to make such a national Committee on Co-operation of questionable desirability for several years.

Mr. M. L. Darling, one of the outstanding officials in the movement in India to-day, is convinced that co-operation is the most constructive and life-giving economic activity of the Punjab, "of such importance to its future welfare that no financial stringency or economic depression, however serious, should be allowed to retard its development."[988]

The Royal Commission on Agriculture concluded that "if the rural community is to be contented, happy and prosperous, local governments must regard the co-operative movement as deserving all the encouragement which it lies within their powers to give."[989]

The Committee of Foreign Banking Experts appointed in connection with the Indian Central Banking Enquiry Committee came to the conclusion, which the Central Committee wholeheartedly endorses: "The co-operative movement in spite of imperfections and of unavoidable setbacks deserves every possible assistance from all quarters, because there is no better instrument for raising the level of the agriculturist of this country than the co-operative effort, and a strong appeal to the banking interests of the country to assist this movement seems not at all out of place."[990]

Public sentiment towards the co-operative movement, at first suspicious or hostile in many sections, has swung to general acceptance of the idea of co-operative endeavour, but more than passive acceptance is needed if the movement is to render its greatest potential service. Lord Linlithgow has called co-operation "the hope of rural India,"[991] but if that hope is to be fully realized the co-operative ideal must win the enthusiastic support of more of the educated Indians who are the natural leaders of the

illiterate masses and whose disinterested services as honorary organizers and friendly counsellors of neighbouring societies are urgently needed.*

The Committee on Co-operation in Bihar and Orissa claimed that the co-operative movement furnishes the best and in fact the only organization which can bring the intellect of the country into close contact with the backward and illiterate people of the rural areas." [992]

Co-operation is not a panacea. We cannot echo the enthusiastic prediction made by the King-Emperor in 1911: "If the system of co-operation can be introduced and utilized to the full, I foresee a great and glorious future for the agricultural interests of the country." [993] Some of India's greatest economic disabilities are admittedly beyond the reach of co-operative endeavour as anywhere at present conceived and undertaken. The pressure of the population on the soil, the major dependence upon a single industry and of it, in turn, upon a variable climate, the inadequate rewards of labour, the defective communication system—all of these cry aloud for amelioration. Before them all the co-operative movement stands helpless and impotent. The King-Emperor's vision is of the distant future, and co-operation, however successful, can make only a partial contribution to its consummation.

India's serious economic malady is deep-seated and of long standing. Her recovery must be correspondingly gradual and slow. But long before economic health can be fully attained, some of the most painful symptoms can be mitigated. There are evils against which co-operation has demonstrated its effectiveness in some measure and indicated its still greater possibilities for the future. It has helped to relieve poverty by reducing members' indebtedness, lowering interest rates, consolidating holdings, increasing productiveness and thrift, lowering the cost of necessaries to members, providing for the disposal of their products and discouraging unnecessary social expenditures; it has done something to raise the standard of living; it has made at least a beginning in reducing the appalling

* *Vide supra*, p. 116.

amount of illiteracy; it has increased the country's banking facilities.

In all of these directions co-operation has made more or less progress, although so far it has affected only the fringe of the situation for the country as a whole.

Co-operation in India has not worked the miracle its original sponsors hoped for, but it has taken its place, important now and destined beyond a doubt to become far more so, among the constructive forces working for the economic regeneration of India and the establishment of a sound national economy. Its furtherance merits the support of every friend of the Indian people.

## SUMMARY

THE eyes of the world are upon India to-day. The problems of her position in the British Empire and of internal politics press for solution. Even more vital to the country's well-being, however, is the strengthening of existing weaknesses in the economic structure which must hamper and obstruct her development whatever her political status. Arraignments of isolated elements in the situation have ignored the numerous contributory factors, the accurate evaluation of which must precede constructive remedial measures.

The Indian Peninsula, with an area less than two-thirds that of the United States, contains—one hesitates to say "supports"—more than 350,000,000, or almost three times as many people. Rich as India is in natural resources and in man-power, it obviously is seriously over-populated for its present stage of economic development, as witness the large proportion of the population who, impoverished and in debt, are living dangerously near the limit of subsistence.

Almost 90 per cent. of the population is rural, living in the small villages which are typical of the country. The traditional Indian village was almost self-sufficing, as many are still, with considerable division of labour and remuneration in mutual service. Over 70 per cent. of the people live by agriculture; industry supports 10 per cent.; and trade and transport an additional 8 per cent.; while the remainder are engaged in the administration and protection of the country, domestic, miscellaneous, and unproductive occupations.

Besides over-population, the chief factors conditioning a sound national economy are this major dependence upon a single industry which depends in turn on a variable climate; antiquated methods of cultivation; an inadequate

wage scale; insufficient transportation facilities; defective marketing methods; the widespread illiteracy and general poverty, reflected in a low standard of living and much preventible disease; the burden of indebtedness for a large part of the population; and inadequate credit facilities. These are not isolated phenomena, but affect each other mutually.

This is the situation the Indian co-operative movement was launched to meet. It owed its inception to the Government's recognition of the need of the people, and especially the cultivators, for controlled credit at more moderate rates than were available from money-lenders, whose usurious practices contribute to the misery of their clients. The Land Improvement and Agriculturists' Loans Acts of 1883 and 1884 having failed to meet the situation, the Co-operative Credit Societies Act of 1904 provided for the registering of co-operative societies for the encouragement of thrift and self-help among ten or more members residing in the same village or town or belonging to the same class or caste. The administration of the Act was entrusted to an official Registrar in each province. Liability of rural society members was unlimited, of urban society members either limited or unlimited. Dividends were forbidden in rural societies and closely regulated in urban, and the interest of any one member in a society's share capital was strictly limited. Loans could be made only to members and on personal or real security.

The chief defects of the Act of 1904, its restriction to credit as a purpose of co-operative societies and its failure to provide a legal status for the central agencies, banks, and unions, which were coming gradually into existence to finance and supervise the primary credit societies, were remedied in the Co-operative Societies Act of 1912. This permitted registration of any society having as its object the promotion of the economic interests of its members in accordance with co-operative principles, or a society established with the object of facilitating the operations of such a society. Unlimited liability was retained for rural credit societies, but limited liability was prescribed for central

societies. Considerable discretion was allowed the Local Governments charged with the administration of the Act in making rules for the societies, such rules having the same force in the respective provinces as the Act itself.

Since co-operation was transferred wholly to provincial control under the Dyarchy set up by the Government of India Act of 1919, two provinces, Bombay and Burma, have passed their own Co-operative Acts, in 1925 and 1927 respectively. These follow in most respects the National Act which is in force everywhere else in British India, but the Bombay Act widens the scope of the movement, substituting for " agriculturists, artisans, and persons of limited means " as the beneficiaries of the Act, " agriculturists and other persons with common economic needs."

Most of the large Indian States and some of the smaller ones have adapted the co-operative legislation of British India to their specific needs, and the data of nine of these locally autonomous states are included in the annual statistical statements on the co-operative movement issued by the Department of Commercial Intelligence and Statistics.

The movement is still predominantly, as it has been from the beginning, a credit movement; still, as at first, chiefly for the benefit of the rural population, although the urban societies, both in number and financial strength, occupy a position of far greater relative importance than the percentage of urban population would warrant. They are also in a more thriving condition in most of the country than the agricultural societies. The present situation is the more serious because the grave defects which have developed in many sections of the country concern chiefly agricultural credit societies and therefore are of very wide import.

On the face of it the movement has shown gratifyingly steady progress. The growth in number of societies, in total membership, and in working capital has proceeded quite steadily for the country as a whole, regardless of setbacks experienced in some areas, but the large number of liquidations in recent years and the alarming increase in overdues shows how precarious is the footing of co-operation

in some provinces. It is tottering in Burma, Bhopal, and the United Provinces, and it is in none too satisfactory a condition in the Central Provinces and Berar and elsewhere.

The co-operative movement stands or falls by the soundness of the primary societies, which are not only the *raison d'être* of the central and provincial banks, unions, and institutes, but the foundation on which the entire superstructure rests.

At the end of 1929–30, credit societies represented almost 85 per cent. of the 102,041 primary societies. The chief other lines of co-operative activity include marketing, purchasing, industrial, labour-contract, insurance, and housing societies, societies for the consolidation of land holdings and for irrigation promotion and land reclamation, and better-living and better-farming societies.

No other non-credit line of co-operation, with the possible exception of consolidation of land holdings, seems to hold greater promise for the agricultural population than co-operative marketing. Some official regulation of markets, however, the standardization of weights and measures, and the establishment of licensed warehouses are almost essential preliminaries to any very large-scale marketing developments. Outstanding co-operative marketing organizations to-day include the cotton sale societies in Bombay Presidency and the Ganja Cultivators' Co-operative Society, the central paddy sale society, and the Calcutta Milk Union in Bengal. Perhaps strong central sales organizations such as are advocated by the All-India Co-operative Institutes' Association are the next step.

The distribution phase of the movement, known as consumer co-operation, has been disappointing. There is some purchasing for members by societies of other types, but with a few exceptions like the Triplicane Stores in Madras, established in 1905 on Rochdale lines, the Matunga South Indian Co-operative Consumers' Society and the Bombay purchase and sale unions, a few railway stores, and student stores societies in many sections, the record is not encouraging. Purchase by primary societies on indent, or members' specific orders, seems the best line for the present, with

conservatism in the establishment of separate co-operative societies for distribution.

Industrial societies also have not been very successful. Even with their help the cottage industries cannot hope to compete indefinitely with the organized industries. The chief functions of artisans' societies are the purchase of supplies and sale of members' products, but some attempt is made to give technical instruction to weavers and others, through the co-operation of technical departments of the Provincial Governments.

The widespread uneconomic fragmentation of holdings under the Hindu and Muslim inheritance laws is combated in the Punjab and elsewhere by societies for the consolidation of holdings, which have been remarkably successful.

Irrigation-promotion societies are important in Bengal and land-reclamation societies in Madras, while the Punjab has many better-living societies, working chiefly for reduction of unnecessary social expenditures, and arbitration societies which have cut down appreciably the amount of litigation. Better-farming societies also are found in several provinces. Labour-contract societies are promising if proper co-operation is forthcoming from local boards, but this has not been the case thus far.

Cattle-insurance societies, once the only type of co-operative insurance in India, are fast dying out, but life insurance on a co-operative basis is a new and promising development, especially in Bengal and Bombay.

Housing societies are a bright spot in the Indian co-operative picture, and the wretched housing conditions of the majority of industrial workers make the multiplication of such societies of great importance. Though the development thus far is relatively small, co-operative housing projects have been very successful in some provinces.

Among external factors which have handicapped the development of the Indian co-operative movement, the complexity of the problem undoubtedly takes first rank. Credit at reasonable rates for current needs will do the agriculturist no great good as long as he is carrying the crushing burden of indebtedness, but relieving him of

the latter will not permanently benefit him unless his income can be raised or his expenditure reduced. The former involves consolidation of his holding, improvement of his land, by irrigation or otherwise, the amending of his methods of cultivation, encouraging the pursuit of supplementary occupations, or enabling more profitable disposal of his products. The reduction of expenditure involves sound systems of land holding and land revenue assessment, the availability of required supplies as well as credit at reasonable rates, the reduction of unnecessary expenditure on social ceremonies by a reform in public opinion, the encouragement of thrift in the form of savings accounts or insurance, and especially education, which not only will facilitate most of the foregoing objects but will help to safeguard the peasant against exploitation.

The difficulties of rehabilitating the artisan are only less complex, for he shares all of these needs of the cultivator, except those relating specifically to the soil, and has in addition the problem of decent housing at reasonable rates. The industrial and agricultural labourers also want relief from indebtedness, controlled current credit at moderate interest, cheap supplies, reduced social expenditures, and education, but their most crying need is for a fair remuneration for their labour. Unfortunately an increase in the rewards of labour is largely outside the scope of the co-operative movement and must await the better organization of workers and the general economic advance of the country, except for the little the labour-contract societies are able to accomplish for their members.

Sporadic attacks are being made in different provinces and states on all the aspects of the gigantic problem, but the relative ineffectiveness of the prevalent scattering of effort is coming to be recognized. The best hope of doing lasting good to the beneficiaries of the movement lies in visualizing their problem as a whole and directing the co-operative attack simultaneously on as many fronts as possible.

Other external factors handicapping the advance of the movement are the widespread illiteracy and lack of business

experience, shortage of funds for the co-operative departments, and the dependence of the major branch of the movement upon climatic conditions.

Chief, perhaps, among the numerous inherent weaknesses in the system as it has been developed is the lack of spontaneity which has laid Co-operation in India open to the accusation of being less a movement than a governmental policy. There has been considerable agitation for the deofficialization of the movement, the delegating of all the Registrar's powers except his strictly statutory functions to non-official organizations. Ultimately desirable as this is, however, the premature withdrawal of Government control is fraught with danger to the movement, as demonstrated in Burma and Madras.

Under present circumstances, the strengthening of the staff, official as well as non-official, is an urgent need in most provinces, qualitatively as much as quantitatively. The lack of proper education and training of office-bearers and of co-operators generally has been a major weakness of the movement. The commendable zeal with which many official and non-official workers threw themselves into the organization of co-operative societies unfortunately was not matched by an equal enthusiasm for the more tedious work of educating prospective and active members in the principles on which co-operation rests.

Other prominent shortcomings are the inadequate provision for long-term credit, the slow repayment of loans, paper adjustments, inadequacy of the finance available to members, and the delays in granting loans, which could be largely obviated by a system of cash credits by central banks to primary societies.

The movement cannot clear itself wholly of the charge of failure to serve the neediest strata. Co-operation cannot solve the problem of the hopelessly insolvent, though co-operative societies are assigned a major rôle in the vigorous policy of debt conciliation urged on Provincial Governments by the Central Banking Enquiry Committee of 1931. It is still questionable, too, how far the movement can meet the need in areas liable to frequent crop failures.

The idea of co-operative endeavour is generally accepted to-day, but for the movement to render its greatest potential service it needs enthusiastic support from more educated Indians, the natural leaders of the illiterate masses, as honorary organizers and friendly counsellors of neighbouring societies.

India's economic and social malady is deep-seated and of long standing. Her recovery must be correspondingly gradual and slow. But long before economic health can be fully attained, some of the most painful symptoms can be relieved. There are evils against which co-operation has demonstrated its effectiveness in some measure and indicated its still greater possibilities for the future. It has helped to relieve poverty by reducing members' indebtedness, lowering interest rates, consolidating holdings, increasing productiveness and thrift, lowering the cost of necessaries to members, providing for the disposal of their products, and discouraging unnecessary social expenditures; it has done something to raise the standard of living; it has made at least a beginning in reducing the appalling amount of illiteracy; it has increased the country's banking facilities.

In all of these directions co-operation has made more or less progress, although so far it has affected only the fringe of the situation for the country as a whole.

Co-operation in India has not worked the miracle its original sponsors hoped for, but it has taken its place, important now and destined beyond a doubt to become far more so, among the constructive forces working for the economic and social regeneration of India and the establishment of a sound national economy. Its furtherance merits the support of every friend of the Indian people.

# APPENDIX A

## THE CO-OPERATIVE SOCIETIES ACT

*(Act II of 1912)*

Passed by the Governor-General of India in Council.

*(Received the assent of the Governor-General, 1st March, 1912.)*

An Act to amend the Law relating to Co-operative Societies.

Whereas it is expedient further to facilitate the formation of Co-operative Societies for the promotion of thrift and self-help among agriculturists, artisans and persons of limited means, and for that purpose to amend the law relating to Co-operative Societies, It is hereby enacted as follows :

1. (1) This Act may be called the Co-operative Societies Act, 1912; and
   (2) It extends to the whole of British India.

2. In this Act, unless there is anything repugnant in the subject or context—
   (*a*) " by-laws " means the registered by-laws for the time being in force and includes a registered amendment of the by-laws;
   (*b*) " committee " means the governing body of a registered society to whom the management of its affairs is entrusted;
   (*c*) " member " includes a person joining in the application for the registration of a society and a person admitted to membership after registration in accordance with the by-laws and any rules;
   (*d*) " officer " includes a chairman, secretary, treasurer, member of committee, or other person empowered under the rules or the by-laws to give directions in regard to the business of the society;
   (*e*) " registered society " means a society registered or deemed to be registered under this Act;
   (*f*) " Registrar " means a person appointed to perform the duties of a Registrar of Co-operative Societies under this Act; and
   (*g*) " rules " means rules made under this Act.

3. The Local Government may appoint a person to be Registrar of Co-operative Societies for the Province or any portion of it, and may appoint persons to assist such Registrar, and may, by general or special order, confer on any such persons all or any of the powers of a Registrar under this Act.

4. Subject to the provisions hereinafter contained, a society which has as its object the promotion of the economic interests of its members in accordance with co-operative principles, or a society established with the object of facilitating the operations of such a society, may be registered under this Act with or without limited liability:
Provided that unless the Local Government by general or special order otherwise directs—
(1) the liability of a society of which a member is a registered society shall be limited;
(2) the liability of a society of which the object is the creation of funds to be lent to its members, and of which the majority of the members are agriculturists, and of which no member is a registered society, shall be unlimited.

5. 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.

6. (1) No society, other than a society of which a member is a registered society, shall be registered under this Act which does not consist of at least ten persons above the age of eighteen years and, where the object of the society is the creation of funds to be lent to its members, unless such persons—
(*a*) reside in the same town or village or in the same group of villages; or,
(*b*) save where the Registrar otherwise directs, are members of the same tribe, class, caste or occupation.
(2) The word " limited " shall be the last word in the name of every society with limited liability registered under this Act.

7. When any question arises whether for the purpose of this Act a person is an agriculturist or a non-agriculturist, or whether any person is a resident in a town or village or

group of villages, or whether two or more villages shall be considered to form a group, or whether any person belongs to any particular tribe, class, caste or occupation, the question shall be decided by the Registrar, whose decision shall be final.

8. (1) For purposes of registration an application to register shall be made to the Registrar.

(2) The application shall be signed—

(*a*) in the case of a society of which no member is a registered society, by at least ten persons qualified in accordance with the requirements of Section 6, sub-section (1); and

(*b*) in the case of a society of which a member is a registered society, by a duly authorised person on behalf of every such registered society, and where all the members of the society are not registered societies, by ten other members, or, when there are less than ten other members, by all of them.

(3) The application shall be accompanied by a copy of the proposed by-laws of the society, and the persons by whom or on whose behalf such application is made shall furnish such information in regard to the society as the Registrar may require.

9. If the Registrar is satisfied that a society has complied with the provisions of this Act and the rules and that its proposed by-laws are not contrary to the Act or to the rules, he may, if he thinks fit, register the society and its by-laws.

10. A certificate of registration signed by the Registrar shall be conclusive evidence that the society therein mentioned is duly registered unless it is proved that the registration of the society has been cancelled.

11. (1) No amendment of the by-laws of a registered society shall be valid until the same has been registered under this Act, for which purpose a copy of the amendment shall be forwarded to the Registrar.

(2) If the Registrar is satisfied that any amendment of the by-laws is not contrary to this Act or to the rules, he may, if he thinks fit, register the amendment.

(3) When the Registrar registers an amendment of the by-laws of a registered society, he shall issue to the society a copy of the amendment certified by him, which shall be conclusive evidence that the same is duly registered.

12. No member of a registered society shall exercise the rights of a member unless or until he has made such payment

to the society in respect of membership, or acquired such interest in the society, as may be prescribed by the rules or by-laws.

13. (1) Where the liability of the members of a registered society is not limited by shares, each member shall, notwithstanding the amount of his interest in the capital, have one vote only as a member in the affairs of the society.

(2) Where the liability of the members of a registered society is limited by shares, each member shall have as many votes as may be prescribed by the by-laws.

(3) A registered society which has invested any part of its funds in the shares of any other registered society may appoint as its proxy, for the purpose of voting in the affairs of such other registered society, any one of its members.

14. (1) The transfer or charge of the share or interest of a member in the capital of a registered society shall be subject to such conditions as to maximum holding as may be prescribed by this Act or by the rules.

(2) In the case of a society registered with unlimited liability a member shall not transfer any share held by him or his interest in the capital of the society or any part thereof unless—

(*a*) he has held such share or interest for not less than one year; and

(*b*) the transfer or charge is made to the society or to a member of the society.

15. Every registered society shall have an address, registered in accordance with the rules, to which all notices and communications may be sent, and shall send to the Registrar notice of every change thereof.

16. Every registered society shall keep a copy of this Act and of the rules governing such society, and of its by-laws, open to inspection free of charge at all reasonable times at the registered address of the society.

17. (1) The Registrar shall audit or cause to be audited by some person authorized by him by general or special order in writing in this behalf the accounts of every registered society once at least in every year.

(2) The audit under sub-section (1) shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the society.

(3) The Registrar, the Collector or any person authorized by general or special order in writing in this behalf by the Registrar shall at all times have access to all the books, accounts, papers and securities of a society, and every officer of the society shall furnish such

information in regard to the transactions and working of the society as the person making such inspection may require.

18. The registration of a society shall render it a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary for the purposes of its constitution.

19. Subject to any prior claim of the Government in respect of land-revenue or any money recoverable as land-revenue or of a landlord in respect of rent or any money recoverable as rent, a registered society shall be entitled in priority to other creditors to enforce any outstanding demand due to the society from a member or past member—

(*a*) in respect of the supply of seed or manure or of the loan of money for the purchase of seed or manure—upon the crops or other agricultural produce of such member or person at any time within eighteen months from the date of such supply or loan;

(*b*) in respect of the supply of cattle, fodder for cattle, agricultural or industrial implements or machinery, or raw materials for manufacture, or of the loan of money for the purchase of any of the foregoing things—upon any such things so supplied, or purchased in whole or in part from any such loan, or on any articles manufactured from raw materials so supplied or purchased.

20. A registered society shall have a charge upon the share or interest in the capital and on the deposits of a member or past member and upon any dividend, bonus or profits payable to a member or past member in respect of any debt due from such member or past member to the society, and may set off any sum credited or payable to a member or past member in or towards payment of any such debt.

21. Subject to the provisions of section 20, the share or interest of a member in the capital of a registered society shall not be liable to attachment or sale under any decree or order of a Court of Justice in respect of any debt or liability incurred by such member, and neither the Official Assignee under the Presidency-towns Insolvency Act, 1909, nor a Receiver under the Provincial Insolvency Act, 1907, shall be entitled to or have any claim on such share or interest.

22. (1) On the death of a member a registered society may transfer the share or interest of the deceased member to the person nominated in accordance with the rules made in this behalf, or, if there is no person so nominated, to such person as may appear to the committee to be the heir or legal representative of the deceased member, or pay to such nominee, heir or legal representative, as the case may be, a sum representing the value of such member's share or interest, as ascertained in accordance with the rules or by-laws.

Provided that—

(i) in the case of a society with unlimited liability, such nominee, heir or legal representative, as the case may be, may require payment by the society of the value of the share or interest of the deceased member ascertained as aforesaid;

(ii) in the case of a society with limited liability, the society shall transfer the share or interest of the deceased member to such nominee, heir or legal representative, as the case may be, being qualified in accordance with the rules and by-laws for membership of the society, or on his application within one month of the death of the deceased member to any person specified in the application who is so qualified.

(2) A registered society may pay all other moneys due to the deceased member from the society to such nominee, heir or legal representative as the case may be.

(3) All transfers and payments made by a registered society in accordance with the provisions of this section shall be valid and effectual against any demand made upon the society by any other person.

23. The liability of a past member for the debts of a registered society as they existed at the time when he ceased to be a member shall continue for a period of two years from the date of his ceasing to be a member.

24. The estate of a deceased member shall be liable for a period of one year from the time of his decease for the debts of a registered society as they existed at the time of his decease.

25. Any register or list of members or shares kept by any registered society shall be *primâ facie* evidence of any of the following particulars entered therein :—

(*a*) the date at which the name of any person was entered in such register or list as a member;

(*b*) the date at which any such person ceased to be a member.

26. A copy of any entry in a book of a registered society regularly kept in the course of business, shall, if certified in such manner as may be prescribed by the rules, be received, in any suit or legal proceeding, as *primâ facie* evidence of the existence of such entry, and shall be admitted as evidence of the matters, transactions and accounts therein recorded in every case where, and to the same extent as, the original entry itself is admissible.

27. Nothing in section 17, sub-section (1), clauses (*b*) and (*c*) of the Indian Registration Act, 1908, shall apply to—

(1) any instrument relating to shares in a registered society, notwithstanding that the assets of such society consist in whole or in part of immoveable property; or

(2) any debenture issued by any such society and not creating, declaring, assigning, limiting or extinguishing any right, title or interest to or in immoveable property except in so far as it entitles the holder to the security afforded by a registered instrument whereby the society has mortgaged, conveyed or otherwise transferred the whole or part of its immoveable property or any interest therein to trustees upon trust for the benefit of the holders of such debentures; or

(3) any endorsement upon or transfer of any debenture issued by any such society.

28. (1) The Governor-General in Council, by notification in the *Gazette of India*, may, in the case of any registered society or class of registered societies, remit the income-tax payable in respect of the profits of the society, or of the dividends or other payments received by the members of the society on account of profits;

(2) The Local Government, by notification in the local official *Gazette*, may in the case of any registered society, or class of registered societies, remit—

(*a*) the stamp-duty with which, under any law for the time being in force, instruments executed by or on behalf of a registered society or by an officer or member and relating to the business of such society, or any class of such instruments, are respectively chargeable;

(*b*) any fee payable under the law of registration for the time being in force.

29. (1) A registered society shall not make a loan to any person other than a member:

Provided that with the general or special sanction of the Registrar, a registered society may make loans to another registered society.

(2) Save with the sanction of the Registrar, a society with unlimited liability shall not lend money on the security of moveable property.

(3) The Local Government may, by general or special order, prohibit or restrict the lending of money on mortgage of immoveable property by any registered society or class of registered societies.

30. A registered society shall receive deposits and loans from persons who are not members only to such extent and under such conditions as may be prescribed by the rules or by-laws.

31. Save as provided in sections 29 and 30, the transactions of a registered society with persons other than members shall be subject to such prohibitions and restrictions, if any, as the Local Government may, by rules, prescribe.

32. (1) A registered society may invest or deposit its funds—

(*a*) in the Government Savings Bank, or

(*b*) in any of the securities specified in section 20 of the Indian Trusts Act, 1882, or

(*c*) in the shares or on the security of any other registered society, or

(*d*) with any bank or person carrying on the business of banking, approved for this purpose by the Registrar, or

(*e*) in any other mode permitted by the rules.

(2) Any investments or deposits made before the commencement of this Act which would have been valid if this Act had been in force are hereby ratified and confirmed.

33. No part of the funds of a registered society shall be divided by way of bonus or dividend or otherwise among its members:

Provided that after at least one-fourth of the net profits in any year have been carried to a reserve fund, payments from the remainder of such profits and from any profits of past years available for distribution may be made among the members to such extent and under such conditions as may be prescribed by the rules or by-laws:

Provided also that in the case of a society with unlimited liability, no distribution of profits shall be made without the general or special order of the Local Government in this behalf.

34. Any registered society may, with the sanction of the Registrar, after one-fourth of the net profits in any year

has been carried to a reserve fund, contribute an amount not exceeding 10 per cent. of the remaining net profits to any charitable purpose, as defined in section 2 of the Charitable Endowments Act, 1890.

35. (1) The Registrar may of his own motion and shall on the request of the Collector, or on the application of a majority of the committee, or of not less than one-third of the members, hold an inquiry or direct some person authorized by him by order in writing in this behalf to hold an inquiry into the constitution, working and financial condition of a registered society.

(2) All officers and members of the society shall furnish such information in regard to the affairs of the society as the Registrar or the person authorized by the Registrar may require.

36. (1) The Registrar shall, on the application of a creditor of a registered society, inspect or direct some person authorized by him by order in writing in this behalf to inspect the books of the society.

Provided that—

(*a*) the applicant satisfies the Registrar that the debt is a sum then due, and that he has demanded payment thereof and has not received satisfaction within a reasonable time; and

(*b*) the applicant deposits with the Registrar such sum as security for the costs of the proposed inspection as the Registrar may require.

(2) The Registrar shall communicate the results of any such inspection to the creditor.

37. Where an inquiry is held under section 35 or an inspection is made under section 36, the Registrar may apportion the costs, or such part of the costs as he may think right, between the society, the members or creditor demanding an inquiry or inspection, and the officers or former officers of the society.

38. Any sum awarded by way of costs under section 37 may be recovered, on application to a Magistrate having jurisdiction in the place where the person from whom the money is claimable actually and voluntarily resides or carries on business, by the distress and sale of any moveable property within the limits of the jurisdiction of such Magistrate belonging to such person.

39. (1) If the Registrar, after an inquiry has been held under section 35 or after an inspection has been made under section 36 or on receipt of an application made by three-fourths of the members of a regis-

tered society, is of opinion that the society ought to be dissolved, he may cancel the registration of the society.

(2) Any member of a society may, within two months from the date of an order made under sub-section (1), appeal from such order.

(3) Where no appeal is presented within two months from the making of an order cancelling the registration of a society, the order shall take effect on the expiry of that period.

(4) Where an appeal is presented within two months, the order shall not take effect until it is confirmed by the appellate authority.

(5) The authority to which appeals under this section shall lie shall be the Local Government:

Provided that the Local Government may, by notification in the local official *Gazette*, direct that appeals shall lie to such Revenue-authority as may be specified in the notification.

40. Where it is a condition of the registration of a society that it should consist of at least ten members, the Registrar may, by order in writing, cancel the registration of the society if at any time it is proved to his satisfaction that the number of the members has been reduced to less than ten.

41. Where the registration of a society is cancelled, the society shall cease to exist as a corporate body—

(*a*) in the case of cancellation in accordance with the provisions of section 39, from the date the order of cancellation takes effect;

(*b*) in the case of cancellation in accordance with the provisions of section 40, from the date of the order.

42. (1) Where the registration of a society is cancelled under section 39 or section 40, the Registrar may appoint a competent person to be liquidator of the society.

(2) A liquidator appointed under sub-section (1) shall have power—

(*a*) to institute and defend suits and other legal proceedings on behalf of the society by his name of office;

(*b*) to determine the contribution to be made by the members and past members of the society respectively to the assets of the society;

(*c*) to investigate all claims against the society and, subject to the provisions of this Act, to decide questions of priority arising between claimants;

(*d*) to determine by what persons and in what pro-

portions the costs of the liquidation are to be borne; and

(*e*) to give such directions in regard to the collection and distribution of the assets of the society as may appear to him to be necessary for winding up the affairs of the society.

(3) Subject to any rules, a liquidator appointed under this section shall, in so far as such powers are necessary for carrying out the purposes of this section, have power to summon and enforce the attendance of witnesses and to compel the production of documents by the same means and (so far as may be) in the same manner as is provided in the case of a Civil Court, under the Code of Civil Procedure, 1908.

(4) Where an appeal from any order made by a liquidator under this section is provided for by the rules, it shall lie to the Court of the District Judge.

(5) Orders made under this section shall, on application, be enforced as follows :—

(*a*) when made by a liquidator, by any Civil Court having local jurisdiction in the same manner as a decree of such Court;

(*b*) when made by the Court of the District Judge on appeal, in the same manner as a decree of such Court made in any suit pending therein.

(6) Save in so far as is hereinbefore expressly provided, no Civil Court shall have any jurisdiction in respect of any matter connected with the dissolution of a registered society under this Act.

43. (1) The Local Government may, for the whole or any part of the Province and for any registered society or class of such societies, make rules to carry out the purposes of this Act.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may—

(*a*) subject to the provisions of section 5, prescribe the maximum number of shares or portion of the capital of a society which may be held by a member;

(*b*) prescribe the forms to be used and the conditions to be complied with in the making of applications for the registration of a society and the procedure in the matter of such applications;

(*c*) prescribe the matters in respect of which a society may or shall make by-laws and for the procedure to be followed in making, altering and abrogating

by-laws, and the conditions to be satisfied prior to such making, alteration or abrogation;

(*d*) prescribe the conditions to be complied with by persons applying for admission or admitted as members, and provide for the election and admission of members, and the payment to be made and the interests to be acquired before the exercise of the right of membership;

(*e*) regulate the manner in which funds may be raised by means of shares or debentures or otherwise;

(*f*) provide for general meetings of the members and for the procedure at such meetings and the powers to be exercised by such meetings;

(*g*) provide for the appointment, suspension and removal of the members of the committee and other officers, and for the procedure at meetings of the committee, and for the powers to be exercised and the duties to be performed by the committee and other officers;

(*h*) prescribe the accounts and books to be kept by a society and provide for the audit of such accounts and the charges, if any, to be made for such audit, and for the periodical publication of a balance-sheet showing the assets and liabilities of a society;

(*i*) prescribe the returns to be submitted by a society to the Registrar and provide for the persons by whom and the form in which such returns shall be submitted;

(*j*) provide for the persons by whom and the form in which copies of entries in books of societies may be certified;

(*k*) provide for the formation and maintenance of a register of members and, where the liability of the members is limited by shares, of a register of shares;

(*l*) provide that any dispute touching the business of a society between members or past members of the society or persons claiming through a member or past member or between a member or past member or persons so claiming and the committee or any officer shall be referred to the Registrar for decision, or, if he so directs, to arbitration, and prescribe the mode of appointing an arbitrator or arbitrators and the procedure to be followed in proceedings before the Registrar or such arbitrator or arbitrators, and the enforcement of the decisions of the Registrar or the awards of arbitrators.

(*m*) provide for the withdrawal and expulsion of members and for the payments, if any, to be made to members who withdraw or are expelled and for the liabilities of past members;

(*n*) provide for the mode in which the value of a deceased member's interest shall be ascertained, and for the nomination of a person to whom such interest may be paid or transferred;

(*o*) prescribe the payments to be made and the conditions to be complied with by members applying for loans, the period for which loans may be made, and the amount which may be lent, to an individual member;

(*p*) provide for the formation and maintenance of reserve funds, and the objects to which such funds may be applied, and for the investment of any funds under the control of the society;

(*q*) prescribe the extent to which a society may limit the number of its members;

(*r*) prescribe the conditions under which profits may be distributed to the members of a society with unlimited liability and the maximum rate of dividend which may be paid by societies;

(*s*) subject to the provisions of section 39, determine in what cases an appeal shall lie from the orders of the Registrar and prescribe the procedure to be followed in presenting and disposing of such appeals; and

(*t*) prescribe the procedure to be followed by a liquidator appointed under section 42, and the cases in which an appeal shall lie from the order of such liquidator.

(3) The Local Government may delegate, subject to such conditions, if any, as it thinks fit, all or any of its powers to make rules under this section to any authority specified in the order of delegation.

(4) The power to make rules conferred by this section is subject to the condition of the rules being made after previous publication.

(5) All rules made under this section shall be published in the local official *Gazette* and on such publication shall have effect as if enacted in this Act.

44. (1) All sums due from a registered society or from an officer or member or past member of a registered society as such to the Government, including any costs awarded to the Government under Section 37, may be recovered in the same manner as arrears of land-revenue.

(2) Sums due from a registered society to Government and recoverable under sub-section (1) may be recovered, *firstly*, from the property of the society; *secondly*, in the case of a society of which the liability of the members is limited, from the members subject to the limit of their liability; and, *thirdly*, in the case of other societies, from the members.

45. Nothwithstanding anything contained in this Act, the Local Government may, by special order in each case and subject to such conditions, if any, as it may impose, exempt any society from any of the requirements of this Act as to registration.

46. The Local Government may, by general or special order, exempt any registered society from any of the provisions of this Act or may direct that such provisions shall apply to such society with such modifications as may be specified in the order.

47. (1) No person other than a registered society shall trade or carry on business under any name or title of which the word " co-operative " is part without the sanction of the Local Government.

Provided that nothing in this section shall apply to the use by any person or his successor in interest of any name or title under which he traded or carried on business at the date on which this Act comes into operation.

(2) Whoever contravenes the provisions of this section shall be punishable with fine which may extend to fifty rupees, and in the case of a continuing offence with further fine of five rupees for each day on which the offence is continued after conviction therefor.

48. The provisions of the Indian Companies Act, 1882, shall not apply to registered societies.

49. Every society now existing which has been registered under the Co-operative Credit Societies Act, 1904, shall be deemed to be registered under this Act, and its by-laws shall, so far as the same are not inconsistent with the express provisions of this Act, continue in force until altered or rescinded.

50. The Co-operative Credit Societies Act, 1904, is hereby repealed.

# APPENDIX B

## Order of Tables


I. Number of Co-operative Societies by Provinces and States, 1929–30.

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## TABLE I.

*Number of Co-operative Societies by Provinces and States, 1929–30.**

| Province or State. | Provincial Banks. | Other Central Societies (including Central Banks and Banking Unions). | Supervising and Guaranteeing Unions (including Re-insurance Societies). | Agricultural (including Cattle Insurance Societies). | Non-Agricultural (including other Insurance Societies). | Total. |
|---|---|---|---|---|---|---|
| Ajmer-Merwara | — | 7 | 2 | 531 | 97 | 637 |
| Assam | 1 | 15 | — | 1,295 | 79 | 1,390 |
| Bengal | 1 | 116 | 3 | 20,436 | 1,913 | 22,469 |
| Bihar and Orissa | 1 | 67 | 196 | 8,715 | 338 | 9,317 |
| Bombay | 1 | 19 | 101 | 4,782 | 831 | 5,734 |
| Burma | 1 | 12 | 454 | 2,567 | 188 | 3,222 |
| Central Provinces and Berar | 1 | 34 | 20 | 3,987 | 95 | 4,137 |
| Coorg | — | 1 | 13 | 229 | 21 | 264 |
| Delhi | — | 1 | — | 220 | 50 | 271 |
| Madras | 1 | 32 | 450 | 13,106 | 1,649 | 15,237 |
| North-West Frontier Province | — | 1 | — | 152 | 13 | 166 |
| Punjab | 1 | 118 | — | 17,222 | 2,952 | 20,293 |
| United Provinces | — | 69 | 3 | 5,184 | 283 | 5,539 |
| Total (British India) | 8 | 491 | 1,242 | 78,426 | 8,526 | 88,693 |
| Baroda | — | 6 | 2 | 874 | 163 | 1,045 |
| Bhopal | — | 25 | 10 | 1,114 | 26 | 1,175 |
| Cochin | — | 1 | — | 128 | 81 | 210 |
| Gwalior | — | † | — | 3,820 | 44 | 3,864 |
| Hyderabad | 1 | 30 | — | 1,750 | 355 | 2,136 |
| Indore | — | 5 | — | 387 | 40 | 432 |
| Kashmir | — | 14 | — | 2,438 | 294 | 2,746 |
| Mysore | 1 | 15 | — | 1,686 | 400 | 2,102 |
| Travancore | — | 1 | 28 | 1,428 | 327 | 1,784 |
| Total (Indian States) | 2 | 97 | 40 | 13,625 | 1,730 | 15,494 |
| GRAND TOTAL | 10 | 588 | 1,282 | 92,051 | 10,256 | 104,187 |

* Based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India during the Year 1929–30*, pp. 3, 8.

## TABLE II

*Working Capital for All India Showing the Increase since 1906–7.**

| | Average for four years, 1906–7 to 1909–10. | Average for five years, 1910–11 to 1914–15. | Average for five years, 1915–16 to 1919–20. | Average for five years, 1920–21 to 1924–25. | 1926–27. | 1927–28. | 1928–29. | 1929–30. |
|---|---|---|---|---|---|---|---|---|
| * | Rs. (1,000) | Rs. (1,000) | Rs. (1,000) | Rs. (1,000) | Rs. (1,000) | Rs. (1,000) | Rs. (1,000) | Rs. (1,000) |
| Share Capital paid up . . | 13,19‡ | 88,87 | 2,51,97 | 5,25,66 | 8,87,38 | 10,06,07 | 11,03,16 | 11,93,60 |
| Loans and Deposits held at end of year from Members | 14,12 | 88,28 | 96,35 | 2,54,45 | 4,49,52 | 5,07,64 | 5,73,33 | 5,98,02 |
| Loans and Deposits held at end of year from Societies . | 13,59 | †1,93,42 | 47,81 | 1,49,98 | 2,36,99 | 3,19,78 | 3,47,64 | 3,57,79 |
| Loans and Deposits held at end of year from Provincial or Central Banks . . | — | — | 5,03,19 | 12,29,88 | 22,83,76 | 25,19,34 | 26,55,06 | 29,32,08 |
| Loans and Deposits held at end of year from Government . . . . | 5,86 | 10,87 | 25,58 | 67,69 | 1,51,01 | 1,63,08 | 1,82,70 | 1,81,85 |
| Loans and Deposits held at end of year from Non-Members and other Sources . | 19,69 | 1,41,98 | 4,70,25 | 10,96,22 | 21,84,42 | 24,54,19 | 25,84,80 | 27,58,99 |
| Reserve and Other Funds . | 1,67 | 25,00 | 1,23,32 | 3,12,38 | 6,00,53 | 7,00,77 | 8,22,27 | 9,29,45 |
| Total . . . . | 68,12 | 5,47,42 | 15,18,47 | 36,36,26 | 67,93,61 | 76,70,87 | 82,68,96 | 89,51,78 |

* India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India during the Year* 1929–30, p. 5.

† Includes loans from Central or Provincial Banks.

‡ Figures punctuated in Indian fashion by lakhs and crores. Commas may be shifted to show hundreds of thousands and millions.

## TABLE III

*Working Capital by Provinces and States for* 1929–30.*

| Province or State. | Loans and Deposits held at End of Year from | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share Capital paid up. | Members. | Societies. | Provincial or Central Banks. | Government. | Non-Members and Other Sources. | Reserve and Other Funds. | Total. |
| | Rs.(1,000) | Rs.(1,000) | Rs.(1,000) | Rs.(1,000) | Rs.(1,000) | Rs.(1,000) | Rs.(1,000) | Rs.(1,000) |
| Ajmer-Merwara | 6,66 | 2,81 | 1,20 | 10,36 | — | 15,59 | 9,18 | 45,80 |
| Assam | 7,75 | 7,72 | 1,91 | 19,64 | 1,03 | 25,44 | 8,54 | 72,03 |
| Bengal | 1,89,40 | 79,16 | 17,84 | 5,20,68 | 73 | 5,26,30 | 1,34,99 | 14,69,10 |
| Bihar and Orissa | 54,16 | 15,36 | 3,54 | 2,50,84 | 70 | 2,06,84 | 50,66 | 5,82,10 |
| Bombay | 1,65,32 | 2,73,92 | 66,26 | 2,72,24 | 43,54 | 3,66,31 | 93,80 | 12,81,39 |
| Burma | 87,88 | 12,33 | 6,57 | 63,51 | 4,59 | 29,98 | 71,70 | 2,76,56 |
| Central Provinces and Berar | 34,64 | 5,97 | 34,36 | 2,09,90 | 4 | 1,88,51 | 64,08 | 5,37,50 |
| Coorg | 2,61 | 28 | 9 | 2,24 | 7 | 2,54 | 2,14 | 9,97 |
| Delhi | 2,30 | 1,10 | 2 | 6,33 | — | 12,56 | 1,85 | 24,16 |
| Hyderabad Administered Area | 1,57 | 2,78 | 3 | — | 3 | — | 21 | 4,62 |
| Madras | 2,32,98 | 78,02 | 1,39,02 | 6,78,23 | 36,08 | 5,35,19 | 1,10,26 | 18,09,78 |
| North-West Frontier Province | 1,62 | 49 | 2 | 3,70 | — | 2,83 | 24 | 8,90 |
| Punjab | 1,81,40 | 56,13 | 60,64 | 6,70,90 | 33,99 | 6,16,86 | 2,34,87 | 18,54,79 |
| United Provinces | 55,36 | 8,74 | 3,32 | 57,56 | 15 | 53,52 | 37,42 | 2,16,07 |
| Total (British India) | 10,23,65 | 5,44,81 | 3,34,82 | 27,66,13 | 1,20,95 | 25,82,47 | 8,19,94 | 81,92,77 |
| Baroda | 5,31 | 8,27 | 1,93 | 17,98 | 6,82 | 22,23 | 8,87 | 71,41 |
| Bhopal | 1,28 | 1 | 1,27 | 8,12 | 4,15 | 6 | 7,21 | 22,10 |
| Cochin | 2,74 | 2,89 | 1,53 | 3,84 | 26 | 6,05 | 2,68 | 19,99 |
| Gwalior | 14,49 | 1,41 | 8,09 | — | 35,65 | 8,32 | 17,56 | 85,52 |
| Hyderabad | 42,74 | 7,20 | 2,47 | 61,94 | 3,23 | 49,54 | 20,59 | 1,87,71 |
| Indore | 3,05 | 4,31 | 12 | 13,13 | 2,10 | 15,27 | 11,90 | 49,88 |
| Kashmir | 22,38 | 19 | 83 | 29,53 | 4,85 | 18,27 | 13,35 | 89,40 |
| Mysore | 47,13 | 23,66 | 3,83 | 23,90 | 2,67 | 45,63 | 22,43 | 1,69,25 |
| Travancore | 30,83 | 5,27 | 2,90 | 7,51 | 1,17 | 11,15 | 4,92 | 63,75 |
| Total (Indian States) | 1,69,95 | 53,21 | 22,97 | 1,65,95 | 60,90 | 1,76,52 | 1,09,51 | 7,59,01 |
| GRAND TOTAL | 11,93,60 | 5,98,02 | 3,57,79 | 29,32,08 | 1,81,85 | 27,58,99 | 9,29,45 | 89,51,78 |

TABLE IV

*Percentages of Working Capital derived from Different Sources in* 1929–1930.

| Source of Capital. | Movement as a Whole. | Provincial Banks. | Central Banks. | Agricultural Societies. | Non-agricultural Societies. |
|---|---|---|---|---|---|
| Owned Capital (Share Capital plus Reserve) | 23·7 | 11·8 | 15·3 | 28·8 | 36·1 |
| Loans and Deposits from Societies, including Provincial and Central Banks . | 36·8 | 37·1 | 22·1 | 61·4 | 9·5 |
| Non-member Deposits | 30·8 | *49·1 | *60·4 | 4·0 | 22·0 |
| Member Deposits . | 6·7 | | | 5·2 | 27·7 |
| Government Loans and Deposits . . | 2·0 | 2·0 | 2·2 | 0·6 | 4·7 |
| Total . . | 100·0 | 100·0 | 100·0 | 100·0 | 100·0 |

* Loans and Deposits from Individuals and Other Sources.

Total Working Capital.

| | |
|---|---|
| Movement as a Whole . . . | Rs. 89,51,79,235 |
| Provincial Banks . . . . | Rs. 8,62,00,508 |
| Central Banks . . . . | Rs. 30,90,22,374 |
| Agricultural Societies . . . | Rs. 34,93,12,049 |
| Non-agricultural Societies . . | Rs. 15,06,44,304 |

*General Division of Primary Societies by Types of Liability, 1929–30.**

| Province or State. | Agricultural. | | | | Non-agricultural. | | | | Total. | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Credit. | | Non-credit. | | Credit. | | Non-credit. | | | |
| | Ltd. | Unltd. | Ltd. | Unltd. | Ltd. | Unltd. | Ltd. | Unltd. | Credit. | Non-credit. |
| Ajmer-Merwara† | 13 | 500 | 18 | — | 47 | 20 | 29 | 1 | 580 | 48 |
| Assam | 11 | 1,282 | 2 | — | 53 | — | 26 | — | 1,346 | 28 |
| Bengal | — | 19,156 | 1,053 | 11 | 431 | 25 | 924 | 532 | 19,612 | 2,520 |
| Bihar and Orissa | 76 | 8,624 | 14 | 1 | 79 | 56 | 38 | 165 | 8,835 | 218 |
| Bombay | 9 | 4,517 | 207 | 46 | 561 | 19 | 199 | 52 | 5,106 | 504 |
| Burma | — | 2,284 | 23 | 3 | 161 | 7 | 20 | — | 2,452 | 46 |
| Central Provinces and Berar | — | 3,950 | 36 | 1 | 28 | 42 | 24 | 1 | 4,020 | 62 |
| Coorg | 73 | 156 | — | — | 16 | — | 4 | 1 | 245 | 5 |
| Delhi | — | 217 | 3 | — | 21 | 17 | 9 | 3 | 255 | 15 |
| Hyderabad Administered Area | — | — | — | — | 9 | — | 8 | — | 9 | 8 |
| Madras | 62 | 12,478 | 232 | 329 | 946 | 205 | 454 | 44 | 13,691 | 1,059 |
| North-West Frontier Province | — | 152 | — | — | 3 | — | 10 | — | 155 | 10 |
| Punjab | 12 | 16,125 | 1,085 | — | 85 | 1,007 | 1,532 | 328 | 17,229 | 2,945 |
| United Provinces | 1 | 5,043 | 140 | — | 71 | 156 | 48 | 8 | 5,271 | 196 |
| Total (British India) | 257 | 74,484 | 3,029 | 391 | 2,511 | 1,554 | 3,325 | 1,135 | 78,796 | 5,160 |
| *Total previous year* | 254 | 71,704 | 2,669 | 384 | 2,351 | 1,533 | 3,188 | §1,113 | 75,842 | 7,354 |
| Baroda | 31 | 728 | 51 | 64 | 48 | 109 | 6 | — | 916 | 121 |
| Bhopal | — | 1,114 | — | — | — | 26 | — | — | 1,140 | — |
| Cochin | — | 126 | 2 | — | ‡ | ‡ | ‡ | ‡ | 195 | 14 |
| Gwalior | ‡ | ‡ | ‡ | ‡ | ‡ | ‡ | ‡ | ‡ | ‡ | ‡ |
| Hyderabad | ‡ | ‡ | ‡ | ‡ | ‡ | ‡ | ‡ | ‡ | ‡ | ‡ |
| Indore | — | 387 | — | — | 10 | 21 | ‡ | ‡ | 418 | 9 |
| Kashmir | — | 2,438 | — | — | — | — | — | — | 2,438 | — |
| Mysore | 71 | 1,490 | 76 | 49 | 228 | 17 | 93 | 62 | 1,806 | 280 |
| Travancore | 101 | 1,327 | — | — | 150 | 153 | 24 | — | 1,731 | 24 |
| Total (Indian States) | 203 | 7,610 | 129 | 113 | ‡ | ‡ | ‡ | ‡ | 8,862 | 585 |
| *Total previous year* | 179 | 8,872 | 121 | 92 | 623 | 513 | ‡ | ‡ | 10,187 | 40 |
| GRAND TOTAL | 460 | 82,094 | 3,158 | 504 | ‡ | ‡ | ‡ | ‡ | 87,668 | 8,455 |
| GRAND TOTAL PREVIOUS YEAR | 433 | 80,576 | 2,790 | 476 | 2,974 | 2,046 | ‡ | ‡ | 86,029 | 16,012 |

* Based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India during the Year 1929–30.* (Official data incomplete.) † Includes non-agricultural societies in the Railway Lands in Rajputana. ‡ Details not available.
§ Includes one which may have been a limited liability society.

*Operations of Primary Agricultural Societies during* 1929–30.*

| Province or State. | No. of Societies. | No. of Members. | Cost of Management. | Profit for the Year. | Sale of Goods to Members. | Purchase of Members' Products. |
|---|---|---|---|---|---|---|
| | | | Rs. | Rs. | Rs. | Rs. |
| Ajmer-Merwara | 531 | 11,491 | 14,580 | 74,427 | 35 | 36 |
| Assam | 1,295 | 52,896 | 28,323 | 1,40,919 | — | 17,327 |
| Bengal | 20,436 | 512,425 | 8,31,590 | 5,43,544 | 81,24,680 | — |
| Bihar and Orissa | 8,715 | 236,393 | 1,48,008 | 4,28,050 | 4,477 | 7,257 |
| Bombay | 4,779 | 343,624 | 8,11,879 | 6,60,322 | 10,94,868 | 3,73,273 |
| Burma | 2,310 | 55,609 | 3,00,510 | 1,75,902 | 53,366 | 10,495 |
| Central Provinces and Berar | 3,987 | 61,525 | 28,333 | 4,06,683 | 3,26,187 | 100 |
| Coorg | 229 | 11,558 | 17,568 | 36,857 | — | — |
| Delhi | 220 | 5,383 | 3,663 | 31,776 | — | — |
| Madras | 13,101 | † 13,562 | 5,41,473 | 51,7,551 | — | — |
| North-West Frontier Province | 152 | 4,122 | 1,553 | 14,127 | — | — |
| Punjab | 17,222 | ‡ 540,338 | 6,03,723 | 31,55,530 | 28,16,762 | 34,59,440 |
| United Provinces | 5,184 | 121,871 | 1,12,396 | 6,03,359 | 10,912 | 23,216 |
| Total (British India) | 78,161 | 2,670,797 | 34,43,599 | 1,14,29,047 | 1,24,31,287 | 1,23,92,852 |
| *Total previous year* | 75,011 | 2,583,403 | 39,33,252 | 1,18,74,504 | 1,23,02,768 | 1,56,99,319 |
| Baroda | 874 | 27,489 | 40,740 | 20,573 | 2,38,277 | 7,038 |
| Bhopal | 1,114 | 19,837 | — | 66,750 | 312 | — |
| Cochin | 128 | 11,761 | 16,150 | 22,309 | — | — |
| Gwalior | 3,820 | 67,889 | 30,604 | 2,09,837 | — | — |
| Hyderabad | 1,750 | 37,497 | 46,230 | 1,70,220 | 727 | 500 |
| Indore | 387 | 7,487 | 13,554 | 1,23,389 | — | — |
| Kashmir | 2,438 | 45,602 | 50,356 | 2,61,877 | — | — |
| Mysore | 1,686 | 65,915 | 28,281 | 1,41,567 | 1,62,337 | 73,960 |
| Travancore | 1,428 | 163,353 | 84,013 | 1,92,421 | 12,890 | — |
| Total (Indian States) | 13,625 | 446,830 | 3,09,928 | 12,08,943 | 4,14,543 | 81,498 |
| *Total previous year* | 12,980 | 420,623 | 2,46,024 | 11,82,036 | 1,70,520 | 86,644 |
| GRAND TOTAL | 91,786 | 3,117,627 | 37,53,527 | 1,26,37,990 | 1,28,45,830 | 1,24,44,350 |
| GRAND TOTAL PREVIOUS YEAR | 87,991 | 3,004,026 | 41,79,276 | 1,30,56,540 | 1,24,73,288 | 1,57,85,963 |

* India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India during the Year* 929–30, pp. 12, 14, 15. † Includes 1,708 societies which are members of other societies. ‡ Includes 1,508 societies.

## TABLE VI (*b*)

*Operations of Primary Agricultural Societies during* 1929–30 (continued).*

| Province or State. | Loans during Year to Individuals. | Loans Due by Individuals. | Individual Loans Overdue.† | Working Capital.‡ | Share Capital paid up. | Reserve Fund. |
|---|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Ajmer-Merwara | 2,79,612 | 15,76,568 | 26,139 | 16,89,915 | 2,69,894 | 5,13,941 |
| Assam | 6,62,234 | 24,18,730 | 12,34,908 | 29,30,822 | 1,56,216 | 6,04,231 |
| Bengal | 1,61,38,352 | 4,03,84,929 | 1,60,37,429 | 5,52,47,847 | 58,55,826 | 85,43,993 |
| Bihar and Orissa | 44,18,961 | 2,01,31,196 | 34,49,870 | 2,42,94,154 | 15,06,626 | 30,51,784 |
| Bombay | 2,28,45,301 | 3,53,10,893 | 1,08,35,080 | 4,10,06,469 | 27,76,310 | 59,44,486 |
| Burma | 36,77,648 | 1,36,22,502 | 10,15,981 | 1,60,49,880 | 29,10,822 | 59,28,259 |
| Central Provinces and Berar | 57,10,116 | 1,44,76,991 | 65,90,085 | 1,73,75,334 | 2,17,323 | 30,51,759 |
| Coorg | 2,39,909 | 5,92,226 | 1,57,814 | 6,20,853 | 1,65,117 | 1,91,069 |
| Delhi | 91,594 | 7,39,106 | 56,107 | 8,35,751 | 96,719 | 1,15,531 |
| Madras | 2,60,79,442 | 5,91,44,262 | 1,77,53,461 | 6,77,10,265 | 84,75,632 | 47,64,526 |
| North-West Frontier Province | 2,63,372 | 3,27,282 | 445 | 3,40,038 | 43,663 | 13,155 |
| Punjab | 2,68,85,321 | 7,16,09,116 | 55,98,554 | 8,10,28,945 | 99,85,696 | 1,64,47,627 |
| United Provinces | 34,97,359 | 80,89,194 | 37,78,676 | 1,00,13,479 | 23,20,981 | 22,94,402 |
| Total (British India) | 11,07,89,221 | 26,84,22,995 | 6,65,34,549 | 31,91,43,752 | 3,47,80,825 | 5,14,64,763 |
| *Total previous year* | 11,58,32,499 | 25,04,88,359 | 5,32,38,912 | 29,53,75,342 | 3,21,92,262 | 4,51,21,859 |
| Baroda | 9,88,710 | 34,19,188 | 8,74,311 | 36,69,004 | 68,056 | 7,09,207 |
| Bhopal | 2,10,364 | 9,38,678 | 7,05,605 | 12,96,361 | 54,928 | 4,09,752 |
| Cochin | 5,24,546 | 4,44,063 | 1,20,181 | 7,25,569 | 50,435 | 1,41,632 |
| Gwalior | 15,78,512 | 47,51,905 | 26,97,506 | 20,02,102 | 7,14,788 | 11,49,338 |
| Hyderabad | 9,29,072 | 59,35,979 | — | 76,11,790 | 15,89,949 | 14,68,246 |
| Indore | 4,21,197 | 22,70,758 | — | 22,10,150 | — | 9,10,456 |
| Kashmir | 9,32,620 | 40,76,817 | 3,69,313 | 49,43,224 | 17,15,517 | 10,83,877 |
| Mysore | 21,83,779 | 42,01,891 | 12,24,321 | 45,90,929 | 12,61,414 | 7,70,390 |
| Travancore | 19,34,078 | 28,51,493 | 9,16,909 | 31,19,168 | 20,30,845 | 3,31,319 |
| Total (Indian States) | 97,02,878 | 2,88,90,772 | 69,08,046 | 3,01,68,297 | 74,85,932 | 69,74,217 |
| *Total previous year* | 97,19,705 | 2,68,36,360 | 59,46,687 | 2,83,73,371 | 72,66,066 | 67,52,704 |
| GRAND TOTAL | 12,04,92,099 | 29,73,13,767 | 7,34,42,595 | 34,93,12,049 | 4,22,66,757 | 5,84,38,980 |
| GRAND TOTAL PREVIOUS YEAR | 12,55,52,204 | 27,73,24,699 | 5,81,85,599 | 32,37,48,713 | 3,94,58,328 | 5,18,74,543 |

* India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India during the Year* 1929–30, pp. 12–15.

† Overdue loans are loans due for payment which have not been paid and for which extension has not been granted by competent authority.

‡ Working capital represents the sum of share capital, reserve, and loans and deposits held at end of year. See also Table VI (*c*).

*Operations of Primary Agricultural Societies during* 1929–30 (continued).*

| Province or State. | Owned Capital.† | Loans and Deposits held at end of Year from | | | | |
|---|---|---|---|---|---|---|
| | | Members. | Non-Members. | Societies. | Provincial or Central Banks. | Government. |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Ajmer-Merwara | 7,83,835 | 21,012 | 20,213 | 10,227 | 8,54,628 | — |
| Assam | 7,60,447 | 2,46,459 | 2,30,491 | 25,729 | 16,53,199 | 14,497 |
| Bengal | 1,43,99,819 | 19,70,902 | 16,61,372 | 88,087 | 3,70,83,003 | 44,664 |
| Bihar and Orissa | 45,58,410 | 5,97,690 | 2,22,363 | 16,890 | 1,88,72,363 | 26,438 |
| Bombay | 87,20,796 | 77,36,746 | 40,91,162 | 2,58,811 | 2,00,59,405 | 1,39,549 |
| Burma | 88,39,081 | 8,25,374 | 1,35,140 | 71,274 | 57,66,659 | 4,12,352 |
| Central Provinces and Berar | 32,69,082 | 2,88,276 | 5,86,292 | 7,206 | 1,32,21,482 | 2,996 |
| Coorg | 3,56,186 | 19,368 | 29,577 | 2,652 | 2,05,865 | 7,205 |
| Delhi | 2,12,250 | 2,532 | 28,799 | 9 | 5,92,161 | — |
| Madras | 1,32,40,158 | 10,16,659 | 22,14,472 | 28,775 | 4,99,29,243 | 12,80,958 |
| North-West Frontier Province | 56,818 | 1,653 | 1,502 | — | 2,80,065 | — |
| Punjab | 2,64,33,323 | 33,37,314 | 36,52,214 | 15,99,120 | 4,59,56,857 | 50,117 |
| United Provinces | 46,15,383 | 1,20,361 | 1,28,822 | 11,509 | 51,37,404 | — |
| Total (British India) | 8,62,45,588 | 1,61,84,846 | 1,30,02,419 | 21,20,289 | 19,96,12,334 | 19,78,776 |
| *Total previous year* | 7,73,14,101 | 1,56,22,334 | 1,28,33,045 | 21,88,870 | 18,51,93,477 | 22,23,515 |
| Baroda | 7,77,263 | 4,58,416 | 6,10,375 | — | 16,96,356 | 1,26,594 |
| Bhopal | 4,64,680 | 757 | — | 95 | 7,91,138 | 39,691 |
| Cochin | 1,92,067 | 1,81,220 | 75,539 | 8,091 | 2,68,652 | — |
| Gwalior | 18,64,126 | 1,37,466 | 510 | — | — | — |
| Hyderabad | 30,58,195 | 5,50,950 | — | 16,510 | 39,69,487 | 16,648 |
| Indore | 9,10,456 | 65,096 | — | — | 12,33,869 | 729 |
| Kashmir | 27,99,394 | 10,425 | 6,295 | — | 21,27,110 | — |
| Mysore | 20,31,804 | 2,40,055 | 1,52,681 | 1,383 | 19,96,941 | 1,68,065 |
| Travancore | 23,62,164 | 2,63,589 | 24,133 | — | 4,69,282 | — |
| Total (Indian States) | 1,44,60,149 | 19,07,974 | 8,69,533 | 26,079 | 1,25,52,835 | 3,51,727 |
| *Total previous year* | 1,40,18,770 | 16,15,596 | 10,48,817 | 1,37,566 | 1,11,72,055 | 3,80,567 |
| GRAND TOTAL | 10,07,05,737 | 1,80,92,320 | 1,38,71,952 | 21,46,368 | 21,21,65,169 | 23,30,503 |
| GRAND TOTAL PREVIOUS YEAR | 9,13,32,871 | 1,72,73,930 | 1,38,81,862 | 23,26,436 | 19,63,65,532 | 26,04,082 |

* Based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India during the Year* 1929–30, pp 14–15.

† Share capital plus reserve fund.

TABLE VII (*a*)

*Operations of Primary Non-Agricultural Societies during* 1929–30.*

| Province or State. | No. of Societies. | No. of Members. | Cost of Management. | Profit for the Year. | Sale of Goods to Members. | Purchase of Members' Products. |
|---|---|---|---|---|---|---|
| | | | Rs. | Rs. | Rs. | Rs. |
| Ajmer-Merwara † | 97 | 7,111 | 24,051 | 27,952 | 4,98,846 | 4,52,220 |
| Assam | 79 | 13,271 | 35,679 | 59,797 | 2,74,025 | 1,111 |
| Bengal | 1,912 | 193,711 | 3,35,963 | 8,98,912 | 6,16,792 | 2,59,348 |
| Bihar and Orissa | 338 | 24,835 | 87,062 | 81,283 | 5,49,637 | 3,44,702 |
| Bombay | 831 | 219,116 | 6,65,970 | 9,50,463 | 13,06,942 | 5,29,626 |
| Burma | 188 | 29,211 | 1,46,926 | 3,54,407 | 1,72,837 | 9,618 |
| Central Provinces and Berar | 95 | 18,387 | 40,760 | 87,505 | 1,65,051 | 2,098 |
| Coorg | 21 | 2,192 | 6,033 | 8,287 | 53,751 | — |
| Delhi | 50 | 1,864 | 712 | 5,784 | 138 | 121‡ |
| Madras | 1,649 | §259,693 | 5,10,530 | 19,20,555 | — | — |
| North-West Frontier Province | 13 | 1,553 | 1,279 | 12,350 | — | — |
| Punjab | 2,952 | ‖104,603 | 1,51,364 | 3,83,671 | 7,00,401 | 6,96,501‡ |
| United Provinces | 283 | 26,730 | 47,820 | 1,15,734 | 58,166 | 18,439 |
| Hyderabad Administered Area | 17 | 5,403 | 12,173 | 14,774 | 52,301 | 45,939 |
| Total (British India) | 8,525 | 907,680 | 20,66,322 | 49,21,474 | 44,48,887 | 23,59,723 |
| *Total previous year* | 8,195 | 855,028 | 19,32,556 | 45,04,916 | 42,70,008 | 25,52,755 |
| Baroda | 163 | 10,395 | 14,561 | 18,067 | 47,347 | — |
| Bhopal | 26 | 467 | — | 908 | 2 | — |
| Cochin | 81 | 9,437 | 13,712 | 32,441 | 36,163 | 39,865 |
| Gwalior | 44 | 835 | 269 | 7,550 | — | — |
| Hyderabad | 355 | 15,061 | 21,867 | 1,19,512 | 2,25,171 | 1,75,190 |
| Indore | 40 | 3,637 | 8,705 | 17,800 | 9,365 | 16,530 |
| Kashmir | 294 | 5,828 | 3,577 | 18,253 | — | — |
| Mysore | 400 | 57,341 | 1,22,601 | 3,67,950 | 16,15,068 | 11,07,973 |
| Travancore | 327 | 48,367 | 48,841 | 1,10,832 | 2,99,822 | — |
| Total (Indian States) | 1,730 | 151,368 | 2,34,133 | 6,93,313 | 22,32,938 | 13,39,558 |
| *Total previous year* | 1,566 | 137,269 | 2,05,255 | 6,12,022 | 19,10,827 | 12,50,485 |
| GRAND TOTAL | 10,255 | 1,059,048 | 23,00,455 | 56,14,787 | 66,81,825 | 36,99,281 |
| GRAND TOTAL PREVIOUS YEAR | 9,761 | 992,297 | 21,37,811 | 51,16,938 | 61,80,835 | 38,03,240 |

* India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India during the Year* 1929–30, pp. 16, 18–19. † Includes statistics of societies in the Railway Lands in Rajputana. ‡ Represents stock bought.
§ Includes 303 societies which are members of other societies. ‖ Includes 47 societies.

TABLE VII (*b*)

*Operations of Primary Non-Agricultural Societies during* 1929–30 (continued).*

| Province or State. | Loans during Year to Individuals. | Loans Due by Individuals. | Individual Loans Overdue.† | Working Capital.‡ | Share Capital paid up. | Reserve Fund. |
|---|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Ajmer-Merwara § | 3,18,258 | 5,79,283 | 27,675 | 8,44,573 | 1,80,394 | 1,30,732 |
| Assam | 7,17,823 | 16,30,537 | 3,93,153 | 20,28,735 | 3,57,753 | 1,49,533 |
| Bengal | 2,16,03,936 | 2,47,22,477 | 27,97,596 | 2,76,87,755 | 63,38,145 | 18,19,370 |
| Bihar and Orissa | 22,69,766 | 28,03,538 | 4,25,146 | 36,86,694 | 9,99,317 | 3,59,950 |
| Bombay | 3,13,26,571 | 2,93,27,846 | 29,37,270 | 4,36,90,058 | 93,81,691 | 23,02,979 |
| Burma | 47,97,853 | 49,03,140 | 80 | 64,82,897 | 46,73,369 | 6,03,137 |
| Central Provinces and Berar | 16,81,442 | 14,74,745 | 25,042 | 16,70,860 | 6,56,241 | 97,757 |
| Coorg | 1,34,318 | 1,08,680 | 21,083 | 1,30,283 | 72,599 | 16,564 |
| Delhi | 1,92,661 | 1,92,653 | 16,713 | 2,09,522 | 49,362 | 3,681 |
| Madras | 2,15,38,413 | 2,65,99,541 | 44,43,035 | 3,14,48,796 | 85,48,242 | 21,20,327 |
| North-West Frontier Province | 2,00,065 | 1,67,002 | — | 2,08,509 | 1,00,301 | 7,674 |
| Punjab | 68,01,708 | 84,95,174 | 4,25,730 | 1,45,39,054 | 27,37,330 | 37,45,460 |
| United Provinces | 19,76,512 | 20,21,101 | 1,74,275 | 22,88,835 | 9,12,011 | 2,25,748 |
| Hyderabad Administered Area | 3,69,096 | 4,21,627 | — | 4,62,063 | 1,57,525 | 20,792 |
| Total (British India) | 9,39,28,422 | 10,34,47,344 | 1,16,86,798 | 13,53,78,634 | 3,51,64,280 | 1,16,03,704 |
| *Total previous year* | 8,20,50,116 | 8,83,81,206 | 1,00,79,512 | 12,26,12,014 | 3,15,62,332 | 1,03,44,808 |
| Baroda | 6,56,005 | 9,52,007 | 68,388 | 13,93,111 | 2,05,130 | 67,223 |
| Bhopal | 3,850 | 11,836 | 8,738 | 18,325 | 1,373 | 5,821 |
| Cochin | 5,84,494 | 4,53,702 | 67,936 | 6,43,638 | 1,79,151 | 70,184 |
| Gwalior | 64,245 | 1,07,769 | 40,423 | 59,059 | 22,937 | 32,154 |
| Hyderabad | 14,94,886 | 17,63,514 | — | 24,10,428 | 13,55,525 | 2,16,137 |
| Indore | 3,79,940 | 4,43,601 | 71,771 | 6,28,553 | 1,30,771 | 52,520 |
| Kashmir | 3,25,065 | 4,96,233 | 39,043 | 5,54,604 | 1,09,530 | 60,116 |
| Mysore | 69,31,714 | 66,02,355 | 9,85,765 | 76,36,032 | 28,80,704 | 10,98,167 |
| Travancore | 13,38,289 | 15,56,067 | 3,97,667 | 19,21,920 | 9,64,336 | 1,08,014 |
| Total (Indian States) | 1,17,78,488 | 1,23,87,084 | 16,79,731 | 1,52,65,070 | 58,49,457 | 17,10,336 |
| *Total previous year* | 1,02,48,196 | 1,10,55,337 | 18,24,700 | 1,36,75,447 | 52,69,570 | 15,66,566 |
| GRAND TOTAL | 10,57,06,910 | 11,58,34,428 | 1,33,66,529 | 15,06,44,304 | 4,10,13,737 | 1,33,14,040 |
| GRAND TOTAL PREVIOUS YEAR | 9,22,98,312 | 9,94,36,543 | 1,19,04,212 | 13,62,87,461 | 3,68,31,902 | 1,19,01,474 |

* India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India during the Year* 1929–30, pp. 16, 18–19.

† "Loans Overdue" means loans due for payment which have not been paid and for which extension has not been granted by competent authority

‡ Working capital represents the total of share capital, reserve, and loans and deposits held at end of year. See Table VII (*c*).

§ Includes statistics of societies in the Railway Lands in Rajputana.

TABLE VII (*c*)

*Operations of Primary Non-Agricultural Societies during* 1929–30 (*continued*).*

| Province or State. | Owned Capital.† | Loans and Deposits held at end of Year from | | | | |
|---|---|---|---|---|---|---|
| | | Members. | Non-Members. | Societies. | Provincial or Central Banks. | Government. |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Ajmer-Merwara ‡ | 3,11,126 | 2,60,109 | 1,00,261 | 251 | 1,72,826 | — |
| Assam | 5,07,286 | 5,25,489 | 8,67,154 | 21,459 | 36,847 | 70,500 |
| Bengal | 81,57,515 | 59,45,162 | 1,17,00,679 | 3,41,106 | 15,14,851 | 28,442 |
| Bihar and Orissa | 13,59,267 | 9,38,449 | 4,24,312 | 19,330 | 9,35,811 | 9,525 |
| Bombay | 1,16,84,670 | 1,96,54,976 | 62,90,242 | 2,31,139 | 16,81,617 | 41,47,414 |
| Burma | 52,76,506 | 4,07,546 | 6,23,414 | 19,547 | 1,09,196 | 46,688 |
| Central Provinces and Berar | 7,53,998 | 3,08,564 | 4,43,838 | 1,581 | 1,62,879 | — |
| Coorg | 89,163 | 8,400 | 13,763 | 160 | 18,797 | — |
| Delhi | 53,043 | 1,07,723 | 8,137 | 360 | 40,259 | — |
| Madras | 1,06,68,569 | 67,85,456 | 82,01,651 | 41,706 | 34,23,977 | 23,27,437 |
| North-West Frontier Province | 1,07,975 | 47,848 | 52,583 | — | 103 | — |
| Punjab | 64,82,790 | 22,75,610 | 25,99,369 | 53,680 | 31,27,202 | 403 |
| United Provinces | 11,37,759 | 7,54,213 | 1,67,031 | 816 | 2,29,016 | — |
| Hyderabad Administered Area | 1,78,317 | 2,77,988 | — | 2,758 | — | 3,000 |
| Total (British India) | 4,67,67,984 | 3,82,97,533 | 3,14,92,434 | 7,33,893 | 1,14,53,381 | 66,33,409 |
| *Total previous year* | 4,19,07,140 | 3,70,67,800 | 2,62,13,227 | 10,87,374 | 1,02,34,495 | 61,01,978 |
| Baroda | 2,72,353 | 3,68,716 | 2,98,074 | — | 1,01,437 | 3,52,531 |
| Bhopal | 7,194 | 18 | — | — | 10,616 | 497 |
| Cochin | 2,49,335 | 1,08,111 | 1,09,194 | 60,817 | 1,15,256 | 925 |
| Gwalior | 55,091 | 3,968 | — | — | — | — |
| Hyderabad | 15,71,662 | 1,68,980 | 76,819 | 42,486 | 4,62,749 | 87,732 |
| Indore | 1,83,291 | § 3,66,311 | ‖ — | — | 78,951 | — |
| Kashmir | 1,69,646 | 8,366 | 1,679 | 583 | 3,74,330 | — |
| Mysore | 39,78,871 | 21,25,516 | 10,00,988 | 64,967 | 3,67,170 | 98,520 |
| Travancore | 10,72,350 | 2,63,806 | 1,21,826 | 1,82,582 | 2,81,356 | — |
| Total (Indian States) | 75,59,793 | 34,13,792 | 16,08,580 | 3,51,435 | 17,91,865 | 5,40,205 |
| *Total previous year* | 68,36,136 | 30,27,477 | 15,82,202 | 1,08,002 | 14,64,760 | 6,66,870 |
| GRAND TOTAL | 5,43,27,777 | 4,17,11,325 | 3,31,01,014 | 10,85,328 | 1,32,45,246 | 71,73,614 |
| GRAND TOTAL PREVIOUS YEAR | 4,87,33,376 | 4,00,95,277 | 2,77,95,429 | 11,95,376 | 1,16,99,255 | 67,68,848 |

* Based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India during the Year* 1929–30, pp. 18–19. † Share capital plus reserve fund. ‡ Includes statistics of societies in the Railway Lands in Rajputana.

## TABLE VIII (*a*)

*Overdues of Primary Agricultural Societies on Loans to Individuals.**

| Province or State. | Percentage of Outstanding Loans to Individuals Overdue at end of | | Amount Overdue per Member at end of | |
|---|---|---|---|---|
| | 1928–29. | 1929–30. | 1928–29. | 1929–30. |
| | | | Rs. | Rs. |
| Ajmer-Merwara † | 0·9 | 1·7 | 1·3 | 2·3 |
| Assam | 42·7 | 51·1 | 17·3 | 23·3 |
| Bengal | 34·3 | 39·7 | 24·9 | 31·3 |
| Bihar and Orissa | 11·5 | 17·1 | 9·9 | 14·6 |
| Bombay | 31·1 | 30·7 | 29·2 | 31·5 |
| Burma | 6·5 | 7·5 | 15·2 | 18·3 |
| Central Provinces and Berar | 35·7 | 45·5 | 81·8 | 107·1 |
| Coorg | 22·2 | 26·7 | 11·3 | 13·7 |
| Delhi | 4·7 | 7·6 | 6·5 | 10·4 |
| Madras | 26·8 | 30·0 | 21·5 | 24·9 |
| North-West Frontier Province | — | 0·1 | — | 0·2 |
| Punjab | 6·5 | 7·8 | 8·4 | 10·4 |
| United Provinces | 37·8 | 46·7 | 24·6 | 31·0 |
| Total (British India) | 21·3 | 24·8 | 20·7 | 24·9 |
| Baroda | 22·2 | 25·6 | 30·1 | 31·8 |
| Bhopal | 64·8 | 75·2 | 31·8 | 35·6 |
| Cochin | 22·4 | 27·3 | 8·4 | 10·2 |
| Gwalior | 49·9 | 56·8 | 35·0 | 39·7 |
| Hyderabad | — | — | — | — |
| Indore | — | — | — | — |
| Kashmir | 9·6 | 9·1 | 8·0 | 8·1 |
| Mysore | 30·0 | 29·1 | 17·7 | 18·8 |
| Travancore | 30·6 | 32·2 | 5·0 | 5·6 |
| Total (Indian States) | 22·1 | 23·9 | 14·1 | 15·5 |
| GRAND TOTAL | 21·3 | 24·7 | 19·4 | 23·6 |

* Computation based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India* for 1928–29 and 1929–30. ("Loans overdue" means loans due for payment which have not been paid and for which extension has not been granted by competent authority.)

† Includes statistics of societies in the Railway Lands in Rajputana.

## TABLE VIII (*b*)

*Overdues of Primary Non-Agricultural Societies on Loans to Individuals.**

| Province or State. | Percentage of Outstanding Loans to Individuals Overdue at end of | | Amount Overdue per Member at end of | |
|---|---|---|---|---|
| | 1928–29. | 1929–30. | 1928–29. | 1929–30. |
| | | | Rs. | Rs. |
| Ajmer-Merwara † | 4·4 | 4·8 | 3·5 | 3·9 |
| Assam | 18·1 | 24·1 | 21·3 | 29·6 |
| Bengal | 12·2 | 11·4 | 13·2 | 14·4 |
| Bihar and Orissa | 18·1 | 15·2 | 21·0 | 17·1 |
| Bombay | 10·8 | 10·0 | 12·7 | 13·4 |
| Burma | 0·04 | 0·001 | 0·06 | 0·003 |
| Central Provinces and Berar | 1·4 | 1·7 | 0·9 | 1·4 |
| Coorg | 20·7 | 19·4 | 12·2 | 9·6 |
| Delhi | 7·5 | 8·7 | 6·7 | 9·0 |
| Madras | 15·8 | 16·7 | 15·3 | 17·1 |
| North-West Frontier Province | — | — | — | — |
| Punjab | 3·9 | 5·0 | 2·8 | 4·1 |
| United Provinces | 8·1 | 8·7 | 6·5 | 6·5 |
| Total (British India) | 11·4 | 11·3 | 11·8 | 12·9 |
| Baroda | 4·7 | 7·2 | 4·6 | 6·6 |
| Bhopal | 67·4 | 73·8 | 20·0 | 18·7 |
| Cochin | 14·2 | 15·0 | 7·2 | 7·2 |
| Gwalior | 28·1 | 37·5 | 39·6 | 48·4 |
| Hyderabad | — | — | — | — |
| Indore | 0·1 | 16·2 | 1·3 | 19·7 |
| Kashmir | 10·3 | 8·1 | 8·3 | 6·7 |
| Mysore | 23·2 | 14·9 | 27·0 | 17·2 |
| Travancore | 23·2 | 25·6 | 6·7 | 8·2 |
| Total (Indian States) | 16·5 | 13·5 | 13·3 | 11·1 |
| GRAND TOTAL | 12·0 | 11·2 | 12·0 | 12·6 |

* Computation based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India* for 1928–29 and 1929–30. ("Loans overdue" means loans due for payment which have not been paid and for which extension has not been granted by competent authority.)

† Includes statistics of societies in the Railway Lands in Rajputana.

## TABLE IX

*Average Figures showing Development of Primary Societies in All India.**

| | 1912–13. | | 1917–18. | | 1922–23. | | 1927–28. | | 1928–29. | | 1929–30. | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Agr. | Non-Agr. | Agr. | Non-Agr. | Agr. | Non-Agr. | Agr. | Non-Agr. | Agr. | Non-Agr. | Agr. | Non-Agr. |
| Average Membership | 41 | 111 | 35 | 140 | 34 | 124 | 34 | 99 | 34 | 102 | 34 | 103 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Average Holding in Share Capital | 8·1 | 26·7 | 11·6 | 30·3 | 10·5 | 34·2 | 12·6 | 35·7 | 13·1 | 37·1 | 13·6 | 38·7 |
| Average Holding in Reserve | 2·3 | 2·9 | 10·0 | 5·7 | 12·6 | 6·4 | 15·9 | 8·5 | 17·3 | 12·0 | 18·7 | 12·6 |
| Average Deposit per Member † | 6·3 | 34·7 | 4·8 | 23·8 | 5·5 | 37·1 | 5·6 | 38·4 | 5·8 | 40·4 | 5·8 | 39·4 |
| Average Loan per Member during year | 46·2 | 71·3 | 34·8 | 75·9 | 40·0 | 90·5 | 42·5 | 95·2 | 41·8 | 93·0 | 38·6 | 99·8 |
| Average Liability per Member ‡ | 51·7 | 45·1 | 59·5 | 47·8 | 68·7 | 70·8 | 76·3 | 86·0 | 77·4 | 88·3 | 79·7 | 90·9 |

* Based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India* for the several years mentioned.

† Amount of deposit per member held at end of year.

‡ Loans and deposits held at end of year.

## TABLE X (*a*).

*Average Figures for Primary Agricultural Societies by Provinces and States.**

| Province or State. | Working Capital per Member. | | Share Capital per Member. | | Reserve per Member. | | Percentage of Working Capital Owned. | |
|---|---|---|---|---|---|---|---|---|
| | 1928–29. | 1929–30. | 1928–29. | 1929–30. | 1928–29. | 1929–30. | 1928–29. | 1929–30. |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | | |
| Ajmer-Merwara | 154·7 | 147·1 | 25·0 | 23·5 | 45·5 | 44·7 | 45·6 | 46·4 |
| Assam | 49·0 | 55·4 | 2·5 | 3·0 | 9·8 | 11·4 | 25·5 | 25·9 |
| Bengal | 98·6 | 107·8 | 10·0 | 11·4 | 14·6 | 16·7 | 25·2 | 26·1 |
| Bihar and Orissa | 102·2 | 102·8 | 5·7 | 6·4 | 11·6 | 12·9 | 16·9 | 18·8 |
| Bombay | 109·0 | 119·3 | 6·8 | 8·1 | 14·9 | 17·3 | 19·9 | 21·3 |
| Burma | 270·8 | 288·6 | 48·7 | 50·5 | 85·0 | 106·6 | 49·4 | 55·1 |
| Central Provinces and Berar | 276·9 | 282·4 | 2·7 | 3·5 | 48·5 | 49·6 | 18·9 | 18·8 |
| Coorg | 52·6 | 53·7 | 14·3 | 14·3 | 15·4 | 16·5 | 56·5 | 57·4 |
| Delhi | 149·3 | 155·3 | 16·9 | 18·0 | 17·7 | 21·5 | 23·2 | 25·5 |
| Madras | 91·1 | 95·1 | 11·4 | 11·9 | 5·8 | 6·7 | 18·8 | 19·6 |
| North-West Frontier Province | 85·1 | 82·5 | 9·1 | 10·6 | 2·6 | 3·2 | 13·8 | 16·7 |
| Punjab | 145·4 | 150·4 | 18·3 | 18·5 | 28·0 | 30·5 | 31·9 | 32·6 |
| United Provinces | 80·5 | 82·2 | 18·1 | 19·0 | 16·9 | 18·8 | 43·5 | 46·1 |
| Total (British India) | 114·3 | 119·5 | 12·4 | 13·0 | 17·5 | 19·3 | 26·2 | 27·0 |
| Baroda | 147·9 | 133·5 | 2·7 | 2·5 | 28·0 | 25·8 | 20·8 | 21·2 |
| Bhopal | 64·4 | 65·4 | 2·7 | 2·8 | 18·3 | 20·7 | 32·7 | 35·8 |
| Cochin | 57·2 | 61·7 | 4·2 | 4·3 | 10·4 | 12·0 | 25·5 | 26·5 |
| Gwalior | 31·5 | † | 10·2 | 10·5 | 14·5 | 16·9 | 77·8 | † |
| Hyderabad | 217·3 | 203·0 | 52·8 | 42·4 | 55·8 | 39·2 | 50·0 | 40·2 |
| Indore | 290·1 | † | — | — | 113·3 | 121·6 | 39·1 | † |
| Kashmir | 100·6 | 108·4 | 34·3 | 37·6 | 20·7 | 23·8 | 54·7 | 56·6 |
| Mysore | 62·0 | 70·4 | 19·0 | 19·3 | 11·3 | 11·8 | 48·9 | 44·3 |
| Travancore | 17·8 | 19·1 | 11·9 | 12·4 | 1·6 | 2·0 | 75·1 | 61·6 |
| Total (Indian States) | 67·5 | 67·5 | 17·2 | 16·8 | 16·1 | 15·6 | 49·4 | 48·0 |
| GRAND TOTAL | 107·8 | 112·0 | 13·1 | 13·6 | 17·3 | 18·7 | 28·2 | 28·8 |

* Computations based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India* during the years 1928–29 and 1929–30.

† Complete data not available.

TABLE X (*b*).

*Average Figures for Primary Non-Agricultural Societies by Provinces and States.**

| Province or State. | Working Capital per Member. | | Share Capital per Member. | | Reserve per Member. | | Percentage of Working Capital Owned. | |
|---|---|---|---|---|---|---|---|---|
| | 1928–29. | 1929–30. | 1928–29. | 1929–30. | 1928–29. | 1929–30. | 1928–29. | 1929–30. |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | | |
| Ajmer-Merwara † | 115·2 | 118·8 | 25·0 | 25·4 | 19·3 | 18·4 | 38·5 | 36·8 |
| Assam | 148·9 | 152·9 | 27·6 | 26·9 | 11·1 | 11·3 | 26·0 | 25·0 |
| Bengal | 126·1 | 142·9 | 29·8 | 32·7 | 7·8 | 9·4 | 29·9 | 29·4 |
| Bihar and Orissa | 142·9 | 148·5 | 36·5 | 40·2 | 13·1 | 14·5 | 34·7 | 36·9 |
| Bombay | 196·0 | 199·4 | 42·8 | 42·8 | 10·2 | 10·5 | 27·0 | 26·7 |
| Burma | 204·7 | 221·9 | 141·4 | 160·0 | 18·9 | 20·6 | 78·3 | 81·4 |
| Central Provinces and Berar | 86·0 | 90·9 | 33·0 | 35·7 | 5·0 | 5·3 | 44·2 | 45·1 |
| Coorg | 66·6 | 59·4 | 36·8 | 33·1 | 8·0 | 7·6 | 67·3 | 68·4 |
| Delhi | 109·5 | 112·4 | 22·2 | 26·5 | 1·3 | 2·0 | 21·5 | 25·3 |
| Madras | 121·3 | 121·3 | 31·7 | 33·0 | 7·7 | 8·2 | 32·5 | 33·9 |
| North-West Frontier Province | 128·6 | 134·3 | 44·5 | 64·6 | 4·8 | 4·9 | 38·3 | 51·8 |
| Punjab | 131·3 | 139·1 | 23·3 | 26·2 | 35·2 | 35·8 | 44·6 | 44·6 |
| United Provinces | 89·8 | 85·6 | 31·8 | 34·1 | 7·7 | 8·4 | 44·0 | 49·7 |
| Total (British India) | 143·4 | 149·1 | 36·9 | 38·7 | 12·1 | 12·8 | 34·2 | 34·5 |
| Baroda | 143·8 | 134·0 | 19·0 | 19·7 | 5·9 | 6·5 | 17·3 | 19·5 |
| Bhopal | 39·5 | 39·2 | 2·9 | 2·9 | 9·2 | 12·0 | 30·6 | 39·3 |
| Cochin | 66·2 | 68·2 | 18·6 | 19·0 | 7·1 | 7·4 | 38·8 | 38·7 |
| Gwalior | 65·4 | ‡ | 24·9 | 27·5 | 30·6 | 38·5 | 84·9 | ‡ |
| Hyderabad | 128·2 | 160·0 | 68·8 | 90·0 | 11·0 | 14·4 | 62·2 | 65·2 |
| Indore | 178·1 | 172·8 | 37·4 | 36·0 | 14·9 | 14·4 | 29·3 | 29·2 |
| Kashmir | 90·0 | 95·2 | 18·6 | 18·8 | 11·3 | 10·3 | 33·2 | 30·6 |
| Mysore | 138·8 | 133·2 | 53·0 | 50·2 | 20·5 | 19·2 | 53·0 | 52·1 |
| Travancore | 33·8 | 39·7 | 18·4 | 19·9 | 2·0 | 2·2 | 60·4 | 55·8 |
| Total (Indian States) | 99·6 | 100·8 | 38·4 | 38·6 | 11·3 | 11·3 | 49·9 | 49·5 |
| GRAND TOTAL | 137·4 | 142·2 | 37·1 | 38·7 | 12·0 | 12·6 | 35·8 | 36·1 |

* Computations based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India* during the years 1928–29 and 1929–30.

† Includes statistics for the Railway Lands in Rajputana.

‡ Complete data not available.

*Average Figures for Primary Societies by Provinces and States.**

| Province or State. | Average Liability per Member.† | | | | Ratio of Liability to Reserve. | | | | Excess of Average Liability over Average Loan during Year.‡ | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Agr. Soc. | | Non-Agr. Soc. | | Agr. Soc. | | Non-Agr. Soc. | | Agr. Soc. | | Non-Agr. Soc. | |
| | 1928–29. | 1929–30. | 1928–29. | 1929–30. | 1928–29. | 1929–30. | 1928–29. | 1929–30. | 1928–29. | 1929–30. | 1928–29. | 1929–30. |
| | Rs. | Rs. | Rs. | Rs. | | | | | Rs. | Rs. | Rs. | Rs. |
| Ajmer-Merwara § | 84·2 | 78·9 | 70·9 | 75·1 | 1·9 | 1·8 | 3·7 | 4·1 | 61·9 | 54·5 | 27·1 | 30·3 |
| Assam | 36·7 | 41·0 | 110·2 | 114·6 | 3·7 | 3·6 | 9·9 | 10·2 | 21·7 | 28·5 | 49·8 | 59·7 |
| Bengal | 74·0 | 79·7 | 88·5 | 100·8 | 5·1 | 4·8 | 11·4 | 10·7 | 38·4 | 48·2 | —7·6 | —14·7 |
| Bihar and Orissa | 84·9 | 83·5 | 93·3 | 93·7 | 7·3 | 6·5 | 7·1 | 6·5 | 57·2 | 64·8 | 10·5 | 2·3 |
| Bombay | 87·3 | 94·0 | 143·0 | 146·1 | 5·9 | 5·4 | 14·0 | 13·9 | 22·1 | 27·4 | 11·4 | 3·1 |
| Burma | 137·1 | 129·6 | 44·4 | 41·3 | 1·6 | 1·2 | 2·3 | 2·0 | 66·2 | 63·5 | —109·1 | —123·0 |
| Central Provinces and Berar | 225·7 | 229·3 | 48·0 | 49·9 | 4·7 | 4·6 | 9·6 | 9·4 | 137·1 | 136·5 | —28·7 | —41·5 |
| Coorg | 22·9 | 22·0 | 21·8 | 18·8 | 1·5 | 1·4 | 2·7 | 2·5 | —2·2 | 1·2 | —45·3 | —42·5 |
| Delhi | 114·7 | 115·8 | 86·0 | 83·9 | 6·5 | 4·1 | 66·2 | 42·5 | 85·5 | 98·8 | —13·1 | —19·5 |
| Madras | 73·9 | 76·5 | 81·9 | 80·1 | 12·7 | 11·4 | 10·6 | 9·8 | 37·5 | 39·9 | 1·1 | —3·0 |
| North-West Frontier Province | 73·4 | 68·7 | 79·3 | 64·7 | 8·2 | 21·5 | 16·5 | 13·1 | 1·0 | 4·8 | —60·2 | —63·7 |
| Punjab | 99·1 | 101·3 | 72·8 | 77·1 | 3·5 | 3·3 | 2·1 | 2·2 | 41·8 | 51·4 | 11·3 | 12·0 |
| United Provinces | 45·5 | 44·3 | 50·3 | 43·1 | 2·6 | 2·4 | 6·5 | 5·1 | 12·9 | 15·6 | —27·4 | —30·8 |
| Total (British India) | 84·4 | 87·2 | 94·4 | 90·3 | 4·8 | 4·5 | 7·8 | 7·1 | 39·6 | 45·7 | —1·6 | —13·2 |
| Baroda | 117·2 | 105·2 | 118·9 | 107·8 | 4·2 | 4·1 | 20·2 | 16·7 | 58·2 | 69·3 | 62·5 | 44·7 |
| Bhopal | 43·4 | 41·9 | 27·4 | 23·8 | 2·4 | 2·0 | 3·0 | 1·9 | 27·8 | 31·3 | 18·0 | 15·6 |
| Cochin | 42·6 | 45·4 | 40·5 | 41·8 | 4·1 | 3·8 | 5·7 | 5·6 | —2·7 | 0·5 | —25·4 | —20·2 |
| Gwalior | 6·8 | ‖ | 9·9 | ‖ | 0·5 | ‖ | 0·3 | ‖ | 18·8 | ‖ | —90·4 | ‖ |
| Hyderabad | 108·7 | 121·4 | 48·4 | 55·7 | 1·9 | 3·1 | 3·4 | 3·9 | 13·1 | 96·6 | —8·3 | —43·6 |
| Indore | 176·8 | 173·6 | 125·8 | 122·4 | 1·6 | 1·4 | 8·3 | 8·5 | 119·3 | 117·3 | 10·8 | 17·9 |
| Kashmir | 45·6 | 47·1 | 60·1 | 66·1 | 2·2 | 2·0 | 5·3 | 6·4 | 21·9 | 26·6 | —7·7 | 10·3 |
| Mysore | 31·7 | 39·3 | 65·3 | 63·8 | 2·8 | 3·3 | 3·2 | 3·3 | 2·3 | 5·8 | —59·3 | —57·1 |
| Travancore | 4·3 | 4·6 | 13·4 | 17·5 | 2·7 | 2·3 | 6·7 | 7·9 | —9·1 | —7·2 | —13·5 | —10·2 |
| Total (Indian States) | 34·2 | 31·2 | 49·9 | 50·9 | 2·1 | 2·3 | 4·4 | 4·5 | 11·1 | 9·5 | —24·8 | —26·9 |
| GRAND TOTAL | 77·4 | 79·7 | 88·3 | 90·9 | 4·5 | 4·3 | 7·4 | 7·2 | 35·6 | 41·1 | —4·7 | —9·1 |

* Computations based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India* during the years 1928–29 and 1929–30.

‡ Minus sign indicates excess of average loan during year over average liability.

§ Includes non-agricultural societies in the Railway Lands in Rajputana.

† Loans and deposits held at end of year.

‖ Complete data not available.

## TABLE XII (*a*).

*Average Figures for Primary Agricultural Societies by Provinces and States.**

| Province or State. | Outstanding Loans per Individual Member.† | | Current Loans per Individual Member.‡ | | Ratio of Outstanding to Current Loans per Member. | | Excess of Outstanding over Current Loans per Member.§ | |
|---|---|---|---|---|---|---|---|---|
| | 1928–29. | 1929–30. | 1928–29. | 1929–30. | 1928–29. | 1929–30. | 1928–29. | 1929–30. |
| | Rs. | Rs. | Rs. | Rs. | | | Rs. | Rs. |
| Ajmer-Merwara | 145·0 | 137·2 | 22·3 | 24·3 | 6·5 | 5·6 | 122·7 | 112·9 |
| Assam | 40·6 | 45·7 | 15·0 | 12·5 | 1·5 | 3·7 | 30·7 | 33·2 |
| Bengal | 72·5 | 78·8 | 35·6 | 31·5 | 2·0 | 2·5 | 36·9 | 47·3 |
| Bihar and Orissa | 85·8 | 85·2 | 27·7 | 18·7 | 3·1 | 4·6 | 58·1 | 66·5 |
| Bombay | 94·3 | 102·8 | 65·2 | 66·5 | 1·4 | 1·5 | 29·1 | 36·3 |
| Burma | 233·4 | 245·0 | 70·9 | 66·1 | 3·3 | 3·7 | 162·5 | 178·9 |
| Central Provinces and Berar | 225·6 | 235·3 | 94·0 | 92·8 | 2·4 | 2·5 | 131·6 | 142·5 |
| Coorg | 50·9 | 51·2 | 25·1 | 20·8 | 2·0 | 2·5 | 25·8 | 30·4 |
| Delhi | 136·8 | 137·3 | 29·2 | 17·0 | 4·7 | 8·1 | 107·6 | 120·3 |
| Madras | 80·1 | 83·1 | 36·4 | 36·6 | 2·2 | 2·3 | 43·7 | 46·5 |
| North-West Frontier Province | 82·1 | 79·4 | 72·4 | 63·9 | 1·1 | 1·2 | 9·7 | 15·5 |
| Punjab | 129·8 | 132·9 | 57·3 | 49·9 | 2·3 | 2·7 | 72·5 | 83·0 |
| United Provinces | 65·1 | 66·4 | 32·6 | 28·7 | 2·0 | 2·3 | 32·5 | 37·7 |
| Total (British India) | 97·0 | 100·5 | 44·8 | 41·5 | 2·2 | 2·4 | 52·2 | 59·0 |
| Baroda | 137·3 | 124·4 | 58·3 | 35·9 | 2·4 | 3·5 | 79·0 | 88·5 |
| Bhopal | 49·0 | 47·3 | 15·6 | 10·6 | 3·1 | 4·5 | 33·4 | 36·7 |
| Cochin | 37·3 | 37·8 | 45·3 | 44·6 | 0·8 | 0·8 | — 8·0 | — 6·8 |
| Gwalior | 70·1 | 70·0 | 25·6 | 22·3 | 2·7 | 3·0 | 44·5 | 47·7 |
| Hyderabad | 158·5 | 158·3 | 15·6 | 24·8 | 10·2 | 6·4 | 142·9 | 133·5 |
| Indore | 297·0 | 303·3 | 56·1 | 56·3 | 5·3 | 5·4 | 240·9 | 247·0 |
| Kashmir | 84·4 | 89·4 | 23·7 | 20·5 | 3·5 | 4·4 | 60·7 | 68·9 |
| Mysore | 59·1 | 64·5 | 29·4 | 33·5 | 2·0 | 1·9 | 29·7 | 31·0 |
| Travancore | 16·5 | 17·5 | 13·4 | 11·8 | 1·2 | 1·5 | 3·1 | 5·7 |
| Total (Indian States) | 63·8 | 64·7 | 23·1 | 21·7 | 2·8 | 2·1 | 40·7 | 43·0 |
| GRAND TOTAL | 92·3 | 95·4 | 41·8 | 38·6 | 2·2 | 2·5 | 50·5 | 56·8 |

* Computations based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India* during the years 1928–29 and 1929–30.

† Loans held by members at end of year.

‡ Loans to members during year.

§ Minus sign indicates excess of current over outstanding loans per individual member

## TABLE XII (*b*).

*Average Figures for Primary Non-Agricultural Societies by Provinces and States.**

| Province or State. | Outstanding Loans per Individual Member.† | | Current Loans per Individual Member.‡ | | Ratio of Outstanding to Current Loans per Member. | | Excess of Outstanding over Current Loans per Member.§ | |
|---|---|---|---|---|---|---|---|---|
| | 1928–29. | 1929–30. | 1928–29. | 1929–30. | 1928–29. | 1929–30. | 1928–29. | 1929–30. |
| | Rs. | Rs. | Rs. | Rs. | | | Rs. | Rs. |
| Ajmer-Merwara ‖ | 80·1 | 81·5 | 43·8 | 44·8 | 1·8 | 1·8 | 36·3 | 36·7 |
| Assam | 117·7 | 122·9 | 60·4 | 54·9 | 1·9 | 2·3 | 57·3 | 68·0 |
| Bengal | 108·4 | 127·6 | 96·1 | 115·5 | 1·1 | 1·1 | 12·3 | 12·1 |
| Bihar and Orissa | 115·8 | 112·9 | 82·8 | 91·4 | 1·4 | 1·2 | 33·0 | 21·5 |
| Bombay | 117·9 | 133·8 | 131·6 | 143·0 | 0·9 | 0·9 | — 13·7 | — 9·2 |
| Burma | 157·9 | 167·9 | 153·5 | 164·3 | 1·0 | 1·2 | 4·4 | 3·6 |
| Central Provinces and Berar | 65·5 | 80·2 | 76·7 | 91·4 | 0·9 | 0·9 | — 11·2 | — 11·2 |
| Coorg | 58·9 | 49·7 | 67·1 | 61·3 | 0·9 | 0·8 | — 8·2 | — 11·6 |
| Delhi | 89·5 | 103·4 | 99·1 | 103·4 | 0·9 | 1·0 | — 9·6 | 0·0 |
| Madras | 96·6 | 102·6 | 80·8 | 83·1 | 1·2 | 1·2 | 15·8 | 19·5 |
| North-West Frontier Province | 100·1 | 107·5 | 139·5 | 128·4 | 0·7 | 0·8 | — 39·4 | — 20·9 |
| Punjab | 72·2 | 81·2 | 61·5 | 65·1 | 1·2 | 1·2 | 10·7 | 16·1 |
| United Provinces | 80·8 | 75·6 | 77·7 | 73·9 | 1·0 | 1·0 | 3·1 | 1·7 |
| Total (British India) | 103·4 | 114·0 | 96·0 | 103·5 | 1·1 | 1·1 | 7·4 | 11·5 |
| Baroda | 99·5 | 91·6 | 56·4 | 63·1 | 1·8 | 1·5 | 43·1 | 28·5 |
| Bhopal | 29·7 | 25·3 | 9·4 | 8·2 | 3·1 | 3·1 | 20·3 | 17·1 |
| Cochin | 50·6 | 49·1 | 65·9 | 62·0 | 0·8 | 0·8 | — 15·3 | — 12·9 |
| Gwalior | 141·0 | 129·1 | 101·3 | 76·9 | 1·4 | 1·7 | 39·7 | 52·2 |
| Hyderabad | 95·2 | 117·1 | 56·7 | 99·3 | 1·7 | 1·2 | 38·5 | 17 8 |
| Indore | 131·4 | 122·0 | 115·0 | 104·5 | 1·1 | 1·2 | 16·4 | 17·5 |
| Kashmir | 80·8 | 85·1 | 67·8 | 55·8 | 1·2 | 1·5 | 13·0 | 29·3 |
| Mysore | 116·4 | 115·1 | 124·6 | 120·9 | 0·9 | 1·0 | — 8·2 | — 5·8 |
| Travancore | 28·7 | 32·2 | 26·9 | 27·7 | 1·1 | 1·2 | 1·8 | 4·5 |
| Total (Indian States) | 80·5 | 81·8 | 74·7 | 77·8 | 1·1 | 1·1 | 5·8 | 4·0 |
| GRAND TOTAL | 100·2 | 109·4 | 93·0 | 99·8 | 1·1 | 1·1 | 7·2 | 9·6 |

* Computations based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India* during the years 1928–29 and 1929–30.

† Loans held at end of year.

‡ Loans during year.

§ Minus sign indicates excess of current over outstanding loans per individual member.

‖ Includes statistics for the Railway Lands in Rajputana.

TABLE XIII (*a*).

*Average Figures for Primary Agricultural Societies by Provinces and States.**

| Province or State. | Average Membership per Society. | | Average Deposit per Member held at end of Year. | | Cost of Management per Member. | | Average Profit per Member. | |
|---|---|---|---|---|---|---|---|---|
| | 1928–29. | 1929–30. | 1928–29. | 1929–30. | 1928–29. | 1929–30. | 1928–29. | 1929–30. |
| | | | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Ajmer-Merwara | 21 | 22 | 1·8 | 1·8 | 1·5 | 1·3 | 6·7 | 6·5 |
| Assam | 43 | 41 | 4·4 | 4·7 | 0·4 | 0·5 | 2·3 | 2·7 |
| Bengal | 27 | 25 | 3·7 | 3·8 | 2·0 | 1·6 | 3·1 | 1·1 |
| Bihar and Orissa | 27 | 27 | 2·3 | 2·5 | 0·7 | 0·6 | 1·9 | 1·8 |
| Bombay | 74 | 72 | 22·7 | 22·5 | 2·3 | 2·4 | 3·2 | 1·9 |
| Burma | 24 | 24 | 12·3 | 14·8 | 5·3 | 5·4 | 1·8 | 3·2 |
| Central Provinces and Berar | 16 | 15 | 4·6 | 4·7 | 0·4 | 0·5 | 6·6 | 6·6 |
| Coorg | 51 | 51 | 1·6 | 1·7 | 1·7 | 1·5 | 2·7 | 3·2 |
| Delhi | 21 | 25 | 0·4 | 0·5 | 0·6 | 0·7 | 5·5 | 5·9 |
| Madras | 53 | 54 | 1·4 | 14·3 | 0·7 | 0·8 | 6·7 | 7·2 |
| North-West Frontier Province | 28 | 27 | 0·3 | 0·4 | 0·1 | 0·4 | 3·2 | 3·4 |
| Punjab | 31 | 31 | 6·1 | 6·2 | 0·9 | 1·1 | 5·8 | 5·9 |
| United Provinces | 24 | 24 | 0·9 | 1·0 | 0·8 | 0·9 | 4·1 | 5·0 |
| Total (British India) | 34 | 34 | 6·0 | 6·1 | 1·5 | 1·3 | 4·6 | 4·3 |
| Baroda | 26 | 32 | 18·3 | 16·7 | 0·8 | 1·6 | 1·7 | 0·7 |
| Bhopal | 17 | 18 | 0·03 | 0·04 | — | — | 3·3 | 3·4 |
| Cochin | 94 | 92 | 14·8 | 15·4 | 1·3 | 1·4 | 1·8 | 1·9 |
| Gwalior | 18 | 18 | 6·8 | 2·0 | 0·5 | 0·5 | 3·2 | 3·1 |
| Hyderabad | 21 | 21 | 1·1 | 14·7 | 1·0 | 1·2 | 4·4 | 4·5 |
| Indore | 19 | 19 | 8·7 | 8·7 | 2·2 | 1·8 | 14·7 | 16·5 |
| Kashmir | 19 | 19 | 0·3 | 0·2 | 0·8 | 1·1 | 5·3 | 5·7 |
| Mysore | 41 | 39 | 4·0 | 3·7 | 0·4 | 0·4 | 2·5 | 2·2 |
| Travancore | 111 | 114 | 1·4 | 1·7 | 0·4 | 0·5 | 1·3 | 1·2 |
| Total (Indian States) | 32 | 33 | 3·9 | 4·3 | 0·6 | 0·7 | 2·8 | 2·7 |
| GRAND TOTAL | 34 | 34 | 5·8 | 5·8 | 1·4 | 1·2 | 4·3 | 4·1 |

* Computations based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India* during the years 1928–29 and 1929–30.

## TABLE XIII (*b*).

*Average Figures for Primary Non-Agricultural Societies by Provinces and States* *

| Province or State. | Average Membership per Society. | | Average Deposit per Member held at end of Year. | | Cost of Management per Member. | | Average Profit per Member. | |
|---|---|---|---|---|---|---|---|---|
| | 1928–29. | 1929–30. | 1928–29. | 1929–30. | 1928–29. | 1929–30. | 1928–29. | 1929–30. |
| | | | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Ajmer-Merwara † | 67 | 73 | 28·0 | 35·8 | 3·2 | 3·4 | 3·7 | 8·4 |
| Assam | 176 | 168 | 40·5 | 39·6 | 2·7 | 2·7 | 4·8 | 4·5 |
| Bengal | 111 | 101 | 28·2 | 30·7 | 1·6 | 1·7 | 4·2 | 4·6 |
| Bihar and Orissa | 61 | 74 | 41·2 | 37·8 | 3·2 | 2·5 | 4·6 | 3·3 |
| Bombay | 255 | 264 | 87·6 | 89·7 | 3·0 | 3·0 | 4·4 | 4·3 |
| Burma | 155 | 155 | 12·5 | 14·0 | 5·7 | 5·0 | 11·0 | 12·1 |
| Central Provinces and Berar | 194 | 194 | 18·0 | 16·8 | 2·1 | 2·2 | 5·1 | 4·8 |
| Coorg | 110 | 104 | 5·7 | 3·8 | 3·0 | 2·8 | 2·9 | 3·8 |
| Delhi | 32 | 37 | 38·7 | 57·8 | 0·3 | 0·4 | 2·2 | 3·1 |
| Madras | 149 | 157 | 31·1 | 26·2 | 2·1 | 2·0 | 7·1 | 7·4 |
| North-West Frontier Province | 120 | 119 | 24·0 | 30·8 | 0·6 | 0·8 | 4·1 | 7·9 |
| Punjab | 35 | 35 | 37·0 | 21·7 | 1·4 | 1·4 | 3·2 | 3·7 |
| United Provinces | 81 | 94 | 13·6 | 28·2 | 1·7 | 1·8 | 4·4 | 4·3 |
| Total (British India) | 104 | 106 | 43·4 | 42·2 | 2·3 | 2·3 | 5·3 | 5·4 |
| Baroda | 65 | 64 | 37·0 | 35·5 | 1·1 | 1·4 | 2·3 | 1·7 |
| Bhopal | 17 | 18 | 0·04 | 0·04 | ‡ | ‡ | 2·4 | 1·9 |
| Cochin | 138 | 117 | 11·9 | 11·5 | 1·6 | 1·5 | 4·1 | 3·4 |
| Gwalior | 19 | 19 | 9·9 | 4·8 | 0·2 | 0·3 | 8·2 | 9·0 |
| Hyderabad | 52 | 42 | 9·2 | 11·2 | 1·7 | 1·5 | 5·7 | 7·9 |
| Indore | 85 | 90 | ‡ | ‡ | 2·5 | 2·4 | 6·4 | 4·9 |
| Kashmir | 20 | 20 | 1·9 | 1·4 | 0·4 | 0·6 | 3·7 | 3·1 |
| Mysore | 131 | 118 | 38·0 | 37·7 | 2·1 | 2·1 | 6·2 | 6·4 |
| Travancore | 136 | 148 | 3·7 | 5·5 | 0·9 | 1·0 | 2·3 | 2·3 |
| Total (Indian States) | 88 | 88 | 22·1 | 22·6 | 1·5 | 1·5 | 4·5 | 4·6 |
| GRAND TOTAL | 102 | 103 | 40·4 | 39·4 | 2·2 | 2·2 | 5·2 | 5·3 |

* Computations based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India* during the years 1928–29 and 1929–30.

† Includes statistics for the Railway Lands in Rajputana.

‡ Complete data not available.

## TABLE XIV (*a*)

*Operations of Central Banks during* 1929–30.*

| Province or State. | Loans during Year to | | Loans and Deposits held at end of Year from | | | |
|---|---|---|---|---|---|---|
| | Individuals. | Banks and Societies. | Societies. | Provincial or Central Banks. | Government. | Individuals and other Sources. |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Ajmer-Merwara | 1,01,958 | 11,61,279 | 1,09,235 | 8,920 | — | 14,38,725 |
| Assam | — | 3,67,151 | 1,23,806 | 2,70,106 | 5,000 | 12,33,904 |
| Bengal | — | 2,34,28,867 | 4,88,714 | 1,12,76,016 | — | 2,60,02,783 |
| Bihar and Orissa | 2,466 | 49,38,107 | 3,14,074 | 39,13,715 | 34,440 | 1,49,85,150 |
| Bombay | 10,74,384 | 4,67,11,080 | 29,80,153 | 18,73,195 | — | 1,99,83,253 |
| Burma | — | 33,23,105 | 5,66,374 | 4,75,438 | — | 22,38,908 |
| Central Provinces and Berar | 2,94,228 | 85,39,221 | 33,28,869 | 15,01,472 | 979 | 1,44,24,571 |
| Coorg | 2,800 | 1,24,650 | 5,910 | — | 400 | 2,10,562 |
| Delhi | — | 2,48,774 | 1,976 | 315 | — | 12,18,632 |
| Madras | 30,39,244 | 2,97,70,294 | 61,04,901 | 1,16,52,149 | — | 3,53,01,385 |
| North-West Frontier Province | — | 2,06,528 | 2,329 | 89,999 | — | 2,29,012 |
| Punjab | 34,64,029 | 4,13,56,388 | 44,11,364 | 1,23,47,172 | 16,74,220 | 5,42,80,064 |
| United Provinces | — | 32,77,049 | 3,19,402 | 3,89,423 | 14,700 | 50,56,103 |
| Total (British India) | 79,79,109 | 16,34,52,493 | 2,07,57,107 | 4,37,97,920 | 17,29,739 | 17,66,03,012 |
| *Total previous year* | 86,58,517 | 15,44,22,860 | 1,90,53,668 | 3,71,95,785 | 14,68,141 | 16,80,92,460 |
| Baroda | 13,582 | 4,36,298 | 1,93,420 | — | 2,02,337 | 13,14,254 |
| Bhopal | — | 2,04,523 | 1,27,220 | 9,962 | 3,74,720 | 5,914 |
| Cochin | — | 1,73,197 | 84,218 | — | 25,000 | 4,20,520 |
| Gwalior | 2,246 | 15,77,205 | 8,09,326 | — | 35,65,105 | 8,31,375 |
| Hyderabad | 5,070 | 15,29,700 | 1,32,288 | 17,24,870 | 2,18,807 | 19,31,258 |
| Indore | — | † 3,84,980 | 12,491 | — | 2,08,831 | 15,27,132 |
| Kashmir | — | 12,54,448 | 82,191 | 4,51,679 | 4,84,690 | 18,19,254 |
| Mysore | 4,00,252 | 10,685 | 64,535 | 26,421 | — | 11,64,269 |
| Travancore | 1,98,939 | 3,07,300 | 1,07,690 | — | 1,16,969 | 9,69,404 |
| Total (Indian States) | 6,20,089 | 58,78,336 | 16,13,379 | 22,12,932 | 51,96,459 | 99,83,380 |
| *Total previous year* | 7,86,353 | 53,45,873 | 14,68,835 | 21,66,092 | 54,96,667 | 86,06,283 |
| GRAND TOTAL | 85,99,198 | 16,93,30,829 | 2,23,70,486 | 4,60,10,852 | 69,26,198 | 18,65,86,392 |
| GRAND TOTAL PREVIOUS YEAR | 94,44,870 | 15,97,68,733 | 2,05,22,503 | 3,93,61,877 | 69,64,808 | 17,66,98,743 |

* India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India during the Year* 1929–30 pp. 8, 10.

† Relates to societies only.

*Operations of Central Banks during* 1929–30 (continued).*

| Province or State. | Share Capital paid up. | Reserve and Other Funds. | Working Capital.† | Cost of Management. | Profit for the Year. | Usual Lending Rate. |
|---|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Per cent. |
| Ajmer-Merwara | 2,15,150 | 2,73,489 | 20,45,519 | 17,750 | 33,510 | 9 |
| Assam | 1,75,987 | 87,022 | 18,95,825 | 27,057 | 38,025 | 10½ |
| Bengal | 51,52,054 | 26,51,643 | 4,55,71,210 | 6,52,073 | 8,53,561 | 9⅜ & 10 15/16 |
| Bihar and Orissa | 23,53,378 | 12,77,419 | 2,28,78,176 | 6,14,414 | 5,89,889 | 12½ |
| Bombay | 30,86,631 | 5,37,948 | 2,84,61,180 | 2,90,733 | 3,55,008 | 8 |
| Burma | 12,04,190 | 6,38,482 | 51,23,392 | 39,108 | 1,50,278 | 10 |
| Central Provinces and Berar | 19,68,632 | 28,31,464 | 2,40,55,947 | 1,95,652 | 3,17,648 | 10 |
| Coorg | 23,160 | 6,090 | 2,46,122 | 1,369 | 6,959 | 7 15/16 & 8¼ |
| Delhi | 84,400 | 65,493 | 13,70,816 | 8,043 | 19,830 | 7 to 9 |
| Madras | 56,54,171 | 28,13,572 | 6,35,26,178 | 4,31,510 | 13,33,913 | 8 |
| North-West Frontier Province | 17,850 | 2,704 | 3,41,894 | 1,467 | 5,019 | 8 |
| Punjab | 43,26,113 | 31,90,591 | 8,02,29,524 | 4,21,691 | 5,77,372 | 9 |
| United Provinces | 23,03,468 | 12,21,674 | 93,04,770 | 2,38,117 | 3,36,759 | 12 |
| Total (British India) | 2,65,65,184 | 1,55,97,591 | 28,50,50,553 | 29,28,984 | 48,17,771 | — |
| *Total previous year* | 2,51,19,481 | 1,35,97,276 | 26,45,26,811 | 26,05,555 | 45,07,174 | — |
| Baroda | 2,57,777 | 1,10,777 | 20,78,565 | 13,128 | 33,692 | 7 to 8 |
| Bhopal | 72,322 | 3,05,635 | 8,95,773 | 35 | 52,191 | 6 |
| Cochin | 44,747 | 55,163 | 6,29,648 | 6,266 | 11,809 | 7 & 8½ |
| Gwalior | 7,11,009 | 5,74,110 | 64,90,925 | 1,84,026 | 73,886 | 12 |
| Hyderabad | 8,31,888 | 2,01,042 | 50,40,153 | 46,192 | 1,39,381 | 9 |
| Indore | 1,74,375 | 2,27,025 | 21,49,854 | 28,465 | 43,961 | — |
| Kashmir | 4,13,048 | 1,91,248 | 34,42,110 | 21,145 | 76,610 | 9 |
| Mysore | 3,68,376 | 2,87,379 | 19,10,980 | 18,786 | 55,701 | 8 to 11 |
| Travancore | 87,290 | 52,460 | 13,33,813 | 5,830 | 22,688 | 8 to 8¾ |
| Total (Indian States) | 29,60,832 | 20,04,839 | 2,39,71,821 | 3,23,873 | 5,09,919 | — |
| *Total previous year* | 27,16,452 | 17,36,844 | 2,21,91,173 | 2,81,778 | 4,90,021 | — |
| GRAND TOTAL | 2,95,26,016 | 1,76,02,430 | 30,90,22,374 | 32,52,857 | 51,27,690 | — |
| GRAND TOTAL PREVIOUS YEAR | 2,78,35,933 | 1,53,34,128 | 28,67,17,984 | 28,87,333 | 49,97,195 | — |

* India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India during the Year* 1929–30 pp. 10–11.

† Share Capital, reserve and other funds, plus loans and deposits held at end of year. See also Table XIV (*a*).

## TABLE XV (*a*).

*Operations of Provincial Banks during* 1929–30.*

| Province or State. | Loans during Year to | | Loans and Deposits held at end of Year from | | | |
|---|---|---|---|---|---|---|
| | Individuals. | Banks and Societies. | Societies. | Provincial or Central Banks. | Government. | Individuals and other Sources. |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Assam | — | 1,28,700 | 20,355 | 4,284 | 12,500 | 2,12,397 |
| Bengal | — | 2,19,53,169 | 8,65,922 | 21,94,352 | — | 1,32,65,594 |
| Bihar and Orissa | 1,30,396 | 18,10,563 | 3,700 | 13,62,555 | — | 50,51,993 |
| Bombay | 1,87,09,196 | 1,15,49,674 | 31,55,973 | 36,09,827 | 66,636 | 62,65,961 |
| Burma | † | † | † | † | † | † |
| Central Provinces and Berar | 15,558 | 30,05,388 | 98,523 | 61,03,839 | — | 33,96,389 |
| Madras | 7,25,125 | 92,35,078 | 57,26,022 | 28,17,326 | — | 78,01,585 |
| Punjab | — | 73,00,350 | — | 56,59,054 | 16,74,220 | 11,54,010 |
| Total (British India) | 1,95,80,275 | 5,49,82,922 | 98,70,495 | 2,17,51,237 | 17,53,356 | 3,71,47,929 |
| *Total previous year* | 1,82,35,288 | 4,79,63,979 | 1,05,20,525 | 1,80,62,597 | 19,32,657 | 3,50,75,869 |
| Hyderabad | 32,004 | 8,64,198 | 55,152 | 37,163 | — | 29,45,783 |
| Mysore | — | 8,61,679 | 2,52,298 | — | — | 22,44,805 |
| Total (Indian States) | 32,004 | 17,25,877 | 3,07,450 | 37,163 | — | 51,90,588 |
| *Total previous year* | 45,253 | 14,68,294 | 1,98,264 | 17,685 | — | 50,27,441 |
| GRAND TOTAL | 1,96,12,279 | 5,67,08,799 | 1,01,77,945 | 2,17,88,400 | 17,53,356 | 4,23,38,517 |
| GRAND TOTAL PREVIOUS YEAR | 1,82,80,541 | 4,94,32,273 | 1,07,18,789 | 1,80,80,282 | 19,32,657 | 4,01,03,310 |

* India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India during the Year* 1929–30, pp. 8, 10.

Fig

## TABLE XV (*b*)

*Operations of Provincial Banks during* 1929–30 (continued).*

| Province or State. | Share Capital paid up. | Reserve and other Funds. | Working Capital.† | Cost of Management. | Profit and Loss for the Year. | Usual Lending Rate. |
|---|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Per cent. |
| Assam | 85,160 | 13,470 | 3,48,166 | 1,846 | 10,125 | 8½ |
| Bengal | 15,93,575 | 4,84,449 | 1,84,03,892 | 28,929 | 4,17,340 | 7 to 7½ |
| Bihar and Orissa | 5,56,400 | 3,76,500 | 73,51,148 | 25,513 | 67,502 | 6 to 7 |
| Bombay | 12,87,750 | 5,94,738 | 1,49,80,885 | 2,31,631 | 89,066 | 5½ to 8 |
| Burma | ‡ | ‡ | ‡ | ‡ | ‡ | ‡ |
| Central Provinces and Berar | 6,21,650 | 4,26,883 | 1,06,47,284 | 32,892 | 39,370 | 6 to 7 |
| Madras | 6,19,750 | 13,28,015 | 1,82,92,698 | 98,255 | 2,44,250 | — |
| Punjab | 10,91,167 | 1,02,725 | 96,81,176 | 36,590 | — 2,52,332 | 6½ |
| Total (British India) | 58,55,452 | 33,26,780 | 7,97,05,249 | 4,55,656 | 6,15,321 | — |
| *Total previous year* | 54,99,982 | 28,19,794 | 7,39,11,424 | 4,22,439 | 5,41,649 | |
| Hyderabad | 4,96,610 | 1,73,726 | 37,08,434 | 14,992 | 75,209 | 8 to 9 |
| Mysore | 2,02,974 | 86,748 | 27,86,825 | 11,367 | 48,405 | 8½ |
| Total (Indian States) | 6,99,584 | 2,60,474 | 64,95,259 | 26,359 | 1,23,614 | — |
| *Total previous year* | 6,90,152 | 2,96,872 | 62,30,414 | 28,558 | 95,263 | — |
| GRAND TOTAL | 65,55,036 | 35,87,254 | 8,62,00,508 | 4,82,015 | 7,38,935 | — |
| GRAND TOTAL PREVIOUS YEAR | 61,90,134 | 31,16,666 | 8,01,41,838 | 4,50,997 | 6,36,912 | — |

* India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India during the Year* 1929–30, pp. 10–11.

† Share capital, reserve and other funds, and loans and deposits held at end of year. See also Table XV (*a*).

‡ Figures not available.

TABLE XVI

*Percentage of Population directly Affected by the Co-operative Movement in* 1929–30.

| Province or State. | Population.* | Members of Primary Societies.† | Per-centage.‡ |
|---|---|---|---|
| Ajmer-Merwara | 560,576 | 18,602 | 16·6 |
| Assam | 8,784,943 | 66,167 | 3·8 |
| Bengal | 49,997,376 | 707,749 | 7·1 |
| Bihar and Orissa | 37,590,356 | 261,228 | 3·5 |
| Bombay | 21,102,126 | 563,086 | 13·3 |
| Burma | 14,652,272 | 88,037 | 3·0 |
| Central Provinces and Berar | 15,472,628 | 79,912 | 2·6 |
| Coorg | 163,089 | 13,750 | 42·2 |
| Delhi | 636,827 | 7,247 | 5·7 |
| Madras | 46,731,850 | 973,308 | 10·4 |
| North-West Frontier Province | 2,423,380 | 5,675 | 1·2 |
| Punjab | 23,580,520 | 644,941 | 13·5 |
| United Provinces | 48,423,264 | 148,601 | 1·5 |
| Total (British India) | 270,612,162 | § 3,578,303 | 6·6 |
| *Total previous year* | | ‖ 3,442,197 | 6·4 |
| Baroda | 2,442,924 | 37,884 | 7·8 |
| Bhopal | 732,104 | 20,304 | 13·9 |
| Cochin | 1,204,235 | 21,198 | 8·8 |
| Gwalior | 3,520,708 | 68,724 | 9·8 |
| Hyderabad | 14,395,493 | 52,558 | 1·8 |
| Indore | 1,315,902 | 11,124 | 4·2 |
| Kashmir | 3,645,339 | 51,430 | 7·1 |
| Mysore | 6,554,573 | 123,256 | 9·4 |
| Travancore | 5,090,462 | 211,720 | 20·8 |
| Total (Indian States) | 80,838,527 | 598,198 | 3·7 |
| *Total previous year* | | 557,892 | 3·5 |
| GRAND TOTAL | 351,450,689 | § 4,176,501 | 5·9 |
| GRAND TOTAL PREVIOUS YEAR | | ‖ 4,000,089 | 5·7 |

* Based on Preliminary Census Returns, 1931.

† India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India during the Year* 1929–30, p. 4.

‡ Counting each primary society member as one of a family of five.

§ Excluding 5,403 members of 17 societies in Hyderabad Administered Area in 1929–30.

‖ Excluding 2,108 members of 14 societies in Hyderabad Administered Area in 1928–29.

TABLE XVII

*Termination of the Co-operative Year in Different Provinces and Indian States.**

| | |
|---|---|
| 31st December. | |
| *Baroda.* | Bihar and Orissa. |
| 31st March. | |
| Assam. | Bombay. |
| 14th June. | |
| *Travancore.* | |
| 30th June. | |
| Ajmer-Merwara. | *Gwalior.* |
| Bengal. | *Indore.* |
| *Bhopal.* | Madras. |
| Burma. | *Mysore.* |
| Central Provinces and Berar. | United Provinces. |
| Coorg. | |
| 6th July. | |
| *Hyderabad.* | |
| 31st July. | |
| Delhi. | Punjab. |
| North-West Frontier Province. | |
| 16th August. | |
| *Cochin.* | |
| 15th September. | |
| *Kashmir.* | |

* Based on India, Department of Commercial Intelligence and Statistics, *Statistical Statements Relating to the Co-operative Movement in India*, 1929–30, p. 1. (Indian States in italics.)

## GLOSSARY OF INDIAN TERMS

*Anna :* $\frac{1}{16}$ of a Rupee.
*Bania :* Trader; Money-lender.
*Beopari :* Trader; Money-lender.
*Bhang :* Dried leaves of Hemp.
*Charkha :* Spinning-wheel.
*Chawl :* Small Apartment or Flat; Tenement.
*Crore :* 10,000,000.
*Ganja :* Unfertilized Blossoms of Hemp used in making Bhang.
*Ghee :* Unclarified Butter.
*Godown :* Store-room or Warehouse.
*Gur :* Crude Sugar; same as *Jaggery.*
*Hundi :* Bill of Exchange; a Two-Name Trade Acceptance.
*Jaggery :* Crude Sugar; same as *Gur.*
*Kallar :* A Criminal Tribe in Madras Presidency.
*Khaddar :* Hand-spun and Hand-woven Cloth.
*Lakh :* 100,000.
*Mahajan :* Money-lender (literally, Great Man).
*Marwari :* Money-lender.
*Paddy :* Unhusked Rice.
*Panchayat :* Literally, Council of Five; the traditional Administrative Authority of the Indian Village; also the Managing Committee of a Co-operative Society.
*Panchayatdar :* Member of a Managing Committee.
*Pathan :* Itinerant Money-lender from North-West India.
*Pie :* $\frac{1}{12}$ of an Anna.
*Rupee :* 29 cents (Exchange value November 5, 1931).
*Ryot :* Farmer; Peasant.
*Sahukar :* Money-lender; Trader. (Sometimes spelled *Sowcar.*)
*Shroff :* Indigenous Banker.
*Swadeshi :* Indian-made Goods.
*Zemindar :* Landholder; Landlord. (Sometimes spelled *Zamindar.*)

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