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happens. What usually occurs is that the *dalal* notes down the number of *dokras* received from each man and marks them with his name. The *dokras* of each cultivator are not kept separate, but are all mixed together, though sometimes a careful *dalal* will keep separately *dokras* from a village noted for high ginning percentage, and will obtain a slightly better price for them. The actual sale of the cotton does not necessarily take place on the day on which the cotton is brought to the market ; indeed, in many of the smaller markets, sales take place only once in two or three days when the buyers come to purchase. When the *dalal* has got together a number of small lots of cotton and a buyer is found, the *dalal* will sell all the cotton he has on hand. The buyers consist either of regular dealers in seed-cotton or the agents for mills and export firms. Thus in the great majority of cases the cultivator does no more than bring his seed-cotton to the market and hand it over to the *dalal*. The weighment is not done in his presence, nor is the price fixed in his presence. He puts himself entirely into the hands of the *dalal*—why do they do so with the full knowledge that they are not fairly treated by him ? The answer is that they have no alternative, and for the following reasons—

- (a) Most of the cultivators are ignorant of business methods, many are incapable of checking weighments, and few are capable of calculating prices.
- (b) The individual cultivators bring in small lots of cotton to the market, while the buyers want to buy big lots. A middleman is therefore necessary to put the two in touch with each other.
- (c) The *dalal* advances money to cultivators against their crop, making it a condition that the latter will market their cotton through him.
- (d) The *dalal* advances sacking to the cultivators on the same condition.



It is clear, therefore, that in the absence of any other agency to perform the work done by the *dalals* the latter are indispensable to the cultivators. There is no doubt that an efficiently managed Cotton Sale Society could undertake all these duties, could put cotton on the market in the condition in which the users require it, and could establish a reputation for honest dealing and for high class graded produce. Of course, the management of the sale society must be efficient and the commission charged to the cultivators must be sufficient to pay for this.

Mr. Keatinge thinks that the work will naturally be divided between the villages and the market. For making advances against the crop and for supplying the sacking, the agency of the village credit society will come in, and it is through the influence of the village societies that pressure can be brought to bear on members to bring in their cotton clean and unmixed. The marketing operation must naturally be done at the market, but the village societies and the cotton growers must control the society and feel that it is their own; otherwise mutual credit cannot be established. In 1918 a start was made by the establishment of four cotton sale societies in the Dharwar District of Bombay; since then several such societies have been started there. These sale societies buy and issue (1) seed supplied, by the Agricultural Department, (2) seed obtained by the ginning, under the Society's supervision, of cotton sold at the Societies' auction. No other cotton seed is stored or distributed by them.

The system of auction sales of cotton has been found to be the best method of obtaining for the cultivator the full value for his cotton. The success achieved in the Cambodia Auction Sale has been so striking in the Dharwar District, that even the ignorant and the illiterate agriculturists are eager to send their cotton for auction sales.

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At the beginning only auction sales of Cambodia Cotton were held. But recently auction sales of Kumta Cotton have been arranged for the Dharwar, Hubli and Gadag Sale Societies. All these sales are successful and fetch prices from 15 to 25 per cent higher than those prevailing in the market. Buyers are also satisfied with the classification made by the societies on the basis of purity, cleanliness, staple, strength, and ginning percentage. That the buyers pay higher prices shows itself that they have no complaints against the societies' classification. Grading is a great stimulus to keep up the purity of the variety. When a cultivator sees that a neighbour's cotton has been classed "A" whilst his own is only "B" he generally copies his neighbour in his future field work.

What has been achieved in Bombay by the Cotton Sale Societies is also possible in Bengal. We have a notable co-operative achievement in the Naogaon Ganja Cultivators' Co-operative Society which deals with a crop grown on an area varying from 1 to $1\frac{1}{2}$ square miles licensed annually by Government. The crop is grown under license and sold under license—the society has in fact a monopoly of production and sale at fixed price; no wonder, therefore, that the annual profits should be counted in lakhs of rupees. If we have Paddy-growers' Societies or Jute Cultivators' Societies, they may not have the monopolists' advantages or the monopolists' profits in lakhs, but we doubt not that they will enable the ryots to adopt scientific methods of production, to improve their material condition in diverse ways, to eliminate the parasitic middlemen and thus get better value from the joint sale of their produce.

The prevailing system of the sale of the two staple crops of Bengal is almost identical with that described above by Mr. Keatinge. "An experience of over two years in an area entirely jute-producing", wrote Mr. J. T. Donovan



in 1915, "has convinced me that the ryot loses to parasites about three rupees out of ten rupees on his jute. Here is a chance for a co-operative society or a group of societies. Co-operation can eliminate all these parasites and give the ryot a far larger profit on his jute." The main difficulty about the formation of Jute Sale Societies is that transactions in jute are of a highly speculative character and that, consequently, it is subject to great fluctuations in price, which add largely to the risks of co-operative sale. Consequently sale societies which undertake to deal in jute must be financially very strong indeed and thus able to hold back the crop from the market and to store it in godowns during periods of depression. There is no other way of avoiding this particular disadvantage in the case of our leading staple; heavy loss might be caused to members by collapse of the market in the absence of great financial strength. Something could be done in this direction if the sale societies entered into forward contracts with big buyers and exporters and obtained part payment of the price sometime ahead. So far we have heard only of a small Jute Sale Society at Kamarpara in the Rungpore district of Bengal. We have a better and a more successful instance of co-operative sale of agricultural produce in the South Kanara Garden Planters' Society consisting of growers of area and other garden produce. Its main business is the joint sale of these products through the society's agent at Mangalore. In one year it did a trade of about 4 lakhs of rupees.

The Co-operative Commission Shops in the Punjab represent another successful attempt at solving the problem of marketing surplus agricultural produce of districts. In districts like Lyallpur the development of specialisation in agriculture, whereby the farmers raise crops like wheat, cotton, grain, and oil-seeds in excess of local requirements, has brought about an intricate marketing organization.

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The surplus produce is collected in *mandies* (containing shops of *ahrties* or commission agents, practically all of whom are non-agriculturists, through whose shops most of the produce is sold to the wholesale dealers) and transported to large centres of consumption overseas. This collected surplus is made up of the relatively small surpluses of many individual farmers, to deal with which a number of middlemen have arisen, each class of whom discharges a special function; and the various charges levied by them have spread among the farmer the idea that the system is defective and that the costs of marketing could be considerably reduced by the substitution of a co-operative organization with a system of patronage dividends, that is, a division of the profits—after paying a dividend on stock at the current rate of interest—in proportion to the amount of business or patronage contributed by each member.

Accordingly the first Co operative Commission Shop was started at Lyallpur in December 1919 with a membership of 43, ten of these being societies and the rest individuals. Share capital, fully paid up, amounted to Rs. 14,050. A shop in the *mandi* was taken on rent, and sites for the permanent shop and godown were purchased at a cost of Rs. 18,000. The godown, a large building, is nearly completed (December, 1921), and work will soon be started on the shop. The share capital is now (December, 1921) Rs. 26,000, and there are 88 members, 14 of them being societies. Since the start Rs 4 lakhs worth of produce has been marketed through the shop and a net profit of Rs. 1,546 has been earned, after paying all expenses, which amount to about Rs. 150 per month. The bye-laws permit, after placing one-fourth of the profits to reserve, the granting of a bonus of not more than three months' pay to employees and of a dividend not exceeding 8 per cent. on share capital. Out of the balance, a rebate may be dis-



tributed to members in proportion to their transactions, provided that they sell through the shop a minimum amount of produce to be fixed once a year in general meeting. So far the idea has been to build up capital, and no dividend, bonus or rebate has been given. The bye-laws authorise the payment of an advance not exceeding 75 per cent. of the estimated market value of the produce to every member delivering his produce for sale at the shop. The staff consists of a manager and an assistant manager who work under the supervision of the chief director and the managing committee, the latter being, of course, elected in the general meeting. Committee meetings are usually held once a month. The shop charges 8 annas per cent. commission on all produce sold, as compared with the usual *mandi* charge of 12 annas. As regards the other miscellaneous expenses for weighing, cleaning, etc. the co-operative shop charges Rs. 3-9 per cent. less than the other shops, and is yet able to show a fair 'profit' in spite of poor business and a temporary boycott. "Working in close touch with the village society," says Mr. W. W. Powell in an article in the *Bombay Co-operative Quarterly* (June, 1922) from which the above information is gathered, "they are striving to break down an evil system of credit, on which the *ahrties* and village buyers are mainly dependent for their business, and which has made Lyallpur, the most prosperous district in the province, the most indebted as well. From the endeavour to attain this end by the method of co-operation important social and business benefits too are likely to result. Individualistic tendencies will be broken down and the farmer coming in contact with one another at meetings will find it easier to meet in social intercourse. They will learn business methods and gain a higher sense of business responsibility."

The possibilities of co-operative sale organizations are great in every province of British India. Cotton in Bombay, jute

and paddy in Bengal, wheat and oranges in the Punjab—all these are capable of co-operative organization. In an article on "Co-operation Marketing" in the *Agricultural Journal of India* Mr. Calvert laments the lack of proper marketing organization for Punjab oranges. "The province grows a fine orange known as *malta* but there is no attempt to place it on the market on a modern system. There is no grading, and hence there is no inducement to the growers to look after their trees, to prune and manure them, and to improve the fruit. There is little attempt to find a wider market, and hence the production is far smaller than it should be. The garden-owners usually sell the crop on the trees to a contractor and seem quite satisfied with the produce. There is practically no attempt to store, though the orange being hard-skinned keeps well, and the whole produce is thrown into the towns as it ripens. What the industry might develop into, if thoroughly organized on the lines of the California Fruit-growers' Association, can only be guessed!" Similarly, co-operative sale organizations for Punjab wheat and United Provinces oil-seeds are big with possibilities, though in such cases the construction and maintenance of Grain Elevators may be felt to be absolutely necessary; and here the example of Co-operative Elevators in Saskatchewan is highly instructive.

The Saskatchewan Co-operative Elevator Company had the following origin. In response to representations made to the provincial government a Royal Commission was appointed in 1910 to enquire into matters affecting the grain trade and to advise the government in this connection. After a thorough investigation the Commission reported unanimously in favour of special legislation providing a farmers' co-operative grain handling organization, to be assisted by a government loan but to be controlled by a managing body elected by the share-holders. The Commission recommended that



capital should be provided by the farmers in the districts which would be served by the required elevators, these farmers subscribing for stock up to the amount of the cost of the proposed elevators and paying 15 per cent. of the subscribed capital in cash. It was also recommended that the total area which the share-holders had under crop should be not less than 2,00 acres for each 10,000 bushel capacity of a proposed elevator as this would ensure that it would be possible to run the elevator profitably. If these conditions were fulfilled the government would advance the 85 per cent. of the subscribed capital still unpaid, this loan to be repayable in 20 annual instalments and to bear interest at the rate of 5 per cent per annum. An Act embodying the recommendations of the Commission was passed in the spring of 1911 and the executive of the Grain Growers' Association undertook the preliminary work of organization. The following table shows the growth of the enterprise and its business down to the close of 1917-18.

| Year | Number of shareholders | Number of elevators | Number of bushels of wheat stored | Number of bushels of wheat sold |
|---------|---------------------------|------------------------|-----------------------------------------|---------------------------------------|
| 1911-12 | 2,597 | 46 | 3,261,000 | |
| 1912-13 | 8,962 | 137 | 12,899,030 | 12,761,686 |
| 1913-14 | 13,156 | 192 | 19,465,290 | 19,290,531 |
| 1914-15 | 14,742 | 210 | 13,764,653 | 13,642,807 |
| 1915-16 | 18,077 | 230 | 39,089,000 | 39,674,000 |
| 1916-17 | 19,317 | 258 | 32,359,725 | 33,518,836 |
| 1917-18 | 20,683 | 298 | 25,994,552 | 26,554,277 |

Causes of failure of Co-operative Agricultural Sale Societies :—While advocating the development of co-opera-

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tive agricultural sale organizations we should not be blind to the difficulties of working them successfully; and here we cannot do better than study the causes of failures of Agricultural Sale Societies in those countries where they have been started in large numbers. In the *Agricultural Gazette of Canada* of October 1919 were published a series of short articles by different writers explaining the reasons why in the different provinces a certain number of agricultural co-operative associations had failed.

Nearly all the writers assigned as a principal reason the *lack of efficient management*. This applies specially to associations for the sale of produce. To be successful in marketing it is necessary to have had several years' experience and too frequently the sales-manager of a co-operative association is chosen from amongst the members and has had no practical experience. Efficient sales-men cannot be obtained for small salaries and co-operators must be prepared to pay a good man an adequate salary. Nor is a sales-man who has been successful in a private business necessarily successful in managing a co-operative association, as it is a different kind of undertaking.

Another important cause of failure is the *want of loyalty* of the members. Cases are not infrequent where organizations have failed through the disloyalty of a single member. In one of the western states the members of a co-operative society obtained accurate estimates of the crop in which they were specializing, calculated the fair market value, and agreed to sell their total production at a specific price. One member was induced by outside interests to sell for a lower price, apart from his fellow-members. The result was unprofitable returns for their product and the disorganization of the co-operative society.

Closely associated with want of loyalty is the *opposition of those whose interests are affected*. Such persons take advantage



of mistakes made by the co-operative society to arouse discontent amongst the members and induce them to withdraw their support.

Some societies fail through *lack of interest* on the part of the members. In some cases the need of organization was not pressing, as the members had previously been obtaining satisfactory returns for their produce. The most successful societies are usually those which were formed because of the great obstacles with which the members were confronted. Co-operation should be born of necessity. Loss of interest on the part of the members may result from various causes. It is apt to occur where the shares are of small value ; a man's interest in a society is usually proportionate to his investment in it and societies which require their shareholders to invest a fairly large sum secure better support and retain the interest of the members better than societies where the investment is smaller. Another cause of loss of interest is to be found in the fact that many associations carry on their business spasmodically ; car-loads of goods are brought from time to time, but no regular stock is maintained. Organizations which maintain permanent stocks secure better support. The tendency apparent in some associations to leave the business management in the hands of a small group also results in loss of interest amongst the general body of the members.

Some societies have failed through *attempting to operate with too few members*. The business of such societies is too small to make it possible to buy or sell to advantage. It is true that successful co-operative societies have sometimes started in a small way, but there are cases where it is better for a group of farmers in a particular district to join with an organization already formed rather than to attempt to conduct business on a small scale. On the other hand, there have been instances of failure through *starting*

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on too large a scale, before experience had been gained or sufficient capital provided.

The downfall of some societies has been caused by *speculation*. There is a temptation to speculate as a co-operative society must show immediate results to succeed, the members rarely being willing to wait while the business is being built up before deriving benefit from it.

Anxiety to make a good show at the beginning sometimes leads also to *operating on too small a margin*, which is a further cause of failure. Societies are tempted to cut prices of supplies considerably below the regular trade prices or, in selling produce, to give the members prices well above the current market price. This usually causes outside opposition and an attempt is made to break up the co-operative organization. Moreover, by working on too small a margin nothing is provided for emergencies. The safest plan is to follow current prices and to return the members a dividend on their sales or purchases out of the profits made, after setting something aside as a reserve fund.

Lack of education amongst the farmers is another reason assigned for the failure of co-operative sale societies. It has been noted in Ontario that it is less difficult to form a successful co-operative society in a district where there are several farmers who have been trained at the agricultural college than in districts where no such farmers are found.

In a few cases *local conditions* militate against the success of co-operation. There are districts where the people are naturally more suspicious of each other than in other districts.

The joint sale of produce after its preparation for market by co operative activity :—This is a remarkable feature of co-operation in other countries. It is especially manifested in the English and Irish creameries in which very large profits are made. A number of farmers form a society to handle



and market their milk, and extensive buildings and up-to-date machinery are acquired, generally on credit. All the milk is brought to the factory and is there turned into butter by the latest scientific methods and the butter is sold who'sale to big merchants. The essential point about these creameries, apart from the general advantages of joint sale described above, is that in the preparation of the raw produce (milk) for market (in the shape of butter) great economy and great efficiency can be secured by the use of expensive machinery. No individual farmer can produce anything like such good or such uniform butter or can produce butter so cheaply in his own farm as it can be produced by a creamery with its up-to-date methods and machinery and its skilled supervision. And up-to-date machinery is, of course, quite out of the reach of the ordinary farmer.

Now the essential principles of the co-operative creamery are applicable to Indian agriculture and industries. It would seem that there is a reasonable hope that for the preparation of certain kinds of produce for market, some similar method might be used with great effect. The ginning of cotton, the crushing of cane, the clearing of ground-nut, the hulling of paddy are all processes necessary for the preparation of the raw material for the world's markets; and each of these processes can best and most economically be done by the use of expensive machinery.

Burmese co-operators have taken the lead in this line of co-operative work, and they have already begun to undertake the preparation of produce for the market, and the pioneers of the Mahlaing Co-operative Ginnery and the Wethlagale Co-operative Paddy Mill deserve to be famous in Burmese co-operative history. In Bombay attempts are being made to organise Co-operative Cotton Ginning and Pressing Societies at the places where there are Cotton

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Sale Societies; in Behar and Orissa there is a talk of starting co-operative oil and paddy mills. In the other provinces also the importance of this new line of co-operative work is being recognised, though no tangible results are as yet visible.

Agricultural Co-operative Purchase and Sale Societies : - In conclusion, we should note instances of a combination of the functions of purchase and sale by the same society: it supplies the members with their agricultural and domestic requirements and sells their produce on a low commission. Just as it is economically expedient for individual producers to combine into Purchase and Sale Societies for the satisfaction of their common needs and the joint sale of their produce, so it is for individual societies to join into a Provincial Agricultural Wholesale Society. Although it is too premature to hope for such a consummation, yet it is necessary for us to have a clear vision of the goal, so that all our efforts may be co-ordinated and directed towards its early realization: what we advocate, in fact, is the formation of a Provincial Agricultural Wholesale Society in every major province of India on the model of the Irish Agricultural Wholesale Society the object of which was similar to that of practically all co-operative trading federations *viz.*, to supply affiliated societies with the goods which they retailed to their members at rates as low as possible and to market their produce on a very low commission with a guarantee against bad debts. The business of the I. A. W. S. has expanded rapidly with the addition of a grocery department, a banking department, and various new trade departments, so that it is now a position to supply its members with practically everything that they can require, and also to market on a commission basis such agricultural produce as butter, eggs, honey etc. The Wholesale has been successful, among other things, in ensuring to the farmers a reduction of 50 per cent in the price of



guaranteed manures. It was the first body in Ireland to give a guarantee of purity and germination of its seed, and by this means it brought about something like a revolution in the seed trade of Ireland. It gives the lowest rates for reliable feeding stuffs, and also for up-to-date machinery, and carries a full stock of hardware, both agricultural and domestic. Finally, it performs the very useful function of marketing produce for the societies on a very low commission, with a guarantee against bad debts ; and for this purpose it has representatives in the chief distributive centres of Great Britain. The Irish Agricultural Wholesale Society has revolutionised the conditions of agriculture in Ireland. If we start a similar society—of course after a sufficient number of primary and district agricultural purchase and sale societies has been started—with similar objects in each Indian province, we hope to see an all-round improvement of the Indian ryots' material conditions. The Departments of Agriculture and Co-operation in every province should combine their best energies to organise simultaneously primary and wholesale societies and thus hasten the day for a real agricultural renaissance in rural India. We contemplate the establishment of primary and secondary agricultural purchase and sale societies in every nook and corner of every province in India, helping each individual ryot in improving his seed, his manures, his plough, and his cattle, in increasing the yield of his crops, in introducing new crops, in standardising the quality of his crops and in disposing them of in the best market possible. We contemplate the establishment of Provincial Agricultural Wholesale Societies which will not only supply agricultural requisites and necessary goods and organise the sale of agricultural produce, but which will also, in time to come, undertake the production of those agricultural requisites and establish and own rice, jute and oil mills and manufactories. We have visions of Agricultural Wholesale



Societies in every province of India federated into a great all-India Agricultural Wholesale Society which will be the envy and the wonder of the world. The establishment of such an All-India Wholesale Society will enable India to play her part befittingly in the slowly evolving scheme of International Co-operative Trade. But oh ! how far are we yet from the realization of this dream !

Co-operative Dairy and Milk-supply Societies.—

The increasing difficulty in procuring pure milk and other dairy products at reasonable rates has brought the question of co-operative dairying into prominence. It is sometimes assumed in this country that what are needed to improve the city milk-supply are individuals or companies who will take up the matter on a large scale with modern appliances. It would be well to make clear the difference between dairy farming concerns which aim at producing their own supply of milk which they propose to put on the market themselves and those dairying or milk-supplying concerns which merely act as middlemen buying milk in the country and putting it on the town markets by improved methods. The production of milk by dairy farming concerns situated in a town or in its vicinity is not likely to be done so cheaply as it can be by the small cultivator. The most promising source of milk-supply for towns lies in the villages where cultivators keep their animals under natural and economical conditions. It is from such sources that an adequate supply of milk has been secured for the cities of other countries. The transport of milk is no doubt a difficult matter in hot countries, but it has been overcome in the United States of America ; and in this country for some time past pasteurised milk has been sent without difficulty from Poona to Bombay, a distance of 119 miles. It is only lack of organization that handicaps this branch of the industry.

The part which co-operative societies can undertake in



developing the dairying business is thus indicated in the following extract from the Report of the Committee appointed to consider measures for the improvement of the milk-supply in large cities in the Bombay Presidency :—

“ It is a matter of common knowledge that in other countries striking developments in the dairying business have been effected by the agency of co-operative societies, and we are of opinion that much progress may be made in this country by means of the same agency. In such matters as the financing of the milk producers, the joint purchase of feeding stuffs and the collection of small lots of milk, there is no doubt that a co-operative society can be of much use. There is evidence that a co-operative society can undertake on a small scale the marketing of its own milk in a neighbouring town where the distance is not great ; but doubts have been expressed whether a co-operative society is a suitable agency to undertake the more difficult task of handling milk for long transport or the work of retailing milk on a large scale, which demands a degree of care and activity not often found except where the retailer's personal interests are concerned. Co-operation cannot be regarded as a substitute for efficiency, and if efficiency is to be secured, the enterprise in each case must be large enough to afford the cost of capable management. The question how far co-operative societies should go in this matter, must, therefore, depend on the degree of efficiency which they can command and the question whether there are other agencies available to continue the work at the point at which they might feel disposed to leave it.”

It should be carefully borne in mind that an increase in the number of people or agencies who handle the milk in its transit from producer to consumer must bring about a corresponding increase in the price, and the secret of cheap milk lies in confining the profit as far as possible to

the producer. Another point that is to be borne in mind is that in Europe the principal problem in connection with the co-operative dairy is the introduction of co-operative methods in the production of butter, cream, cheese, etc; whereas in India the chief problem connected with dairying is how to secure an improved milk-supply for large towns by preventing adulteration and contamination and also by increasing the amount available by improved breeding, by supplying fodder, and grazing facilities and generally by encouraging the better care of herds. Keeping these general principles in view we may now proceed to give a brief description of some important co-operative dairies or milk-supply societies working in various parts of this country.

The Benares Co-operative Dairy Society—A dairy on a limited liability basis was started in the suburbs of Benares about ten years ago. The members are 'ahirs,' or professional milk-sellers. There is a separate credit society on the unlimited liability basis for these members. The premises of the dairy are situated about 5 miles from the city of Benares. The dairy has got a fairly decent shed for the cattle and also for the stocking of feeding stuffs etc. The dairy society has rented shops in different parts of the city of Benares for the sale of milk and capital has been raised partly by shares and partly by loans from a public-spirited landholder and also from a central co-operative bank at Benares. The cattle belong to the members themselves who sell the milk at a fixed price to the society and the society sells the milk again at fixed cash price to purchasers at the different shops. This dairy did very good business at the beginning and made small profits every year. The supply, however, occasionally diminishes because of fodder famines and the consequent inadequate feeding of the cattle and the members are not able to repay the loans that are granted to them for the purchase of cattle and



are consequently debarred from getting fresh loans in substantial amounts to purchase new cattle. Motor transport has been considered, but could not be adopted because it has not been possible to guarantee a large minimum daily supply to make the use of a motor lorry remunerative.

The Lucknow Baraf-khana Co-operative Dairy Society—
A second co-operative dairy—the Baraf-khana Co-operative Dairy Society—has been established on an unlimited liability basis at Lucknow a few years ago. The details about this society are given in an appendix to the Report of the Committee on Co-operation, from which it appears that the society had a membership of forty. As a qualification for membership applicants must be owners of milch cattle and carry on the business of the sale of milk and dairy produce in Lucknow. The Managing Committee consisted of 7 members, of whom four were elected by the members and three were nominated by the District Co-operative Bank, Lucknow, which finances the dairy. Among these latter was the Deputy Commissioner of Lucknow who was the *ex-officio* Chairman. Committee Meetings were held not less frequently than once a month. Every member of the society was required to take up at least one share and as many more, not exceeding 50, as the Committee might decide after considering his general position. Shares were of Rs. 20 each, payable by 20 equal half-yearly instalments.

The following were the main items constituting the working capital :—

| | | |
|--------------------------------|-----|------------------|
| Paid up share capital | ... | Rs. 1494. |
| Loan from District Bank | ... | Rs. 14,140 |
| Loan from Lucknow Municipality | | Rs. 6,000. |
| | | <hr/> Rs. 21,634 |

As regards share capital 441 shares had been subscribed and were being paid up by half-yearly instalments. The loan

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from the district bank was being repaid by monthly instalments as loans were being recovered from the members. The society was lent Rs. 6,000 by the Lucknow Municipality at 5 per cent repayable in 3 years for the construction of suitable buildings. Cash loans were granted to members at the rate of 15 per cent, chiefly for the purchase of milch cattle and fodder. Small loans were repayable by monthly instalments, and others according to their object and the condition of the borrower. The borrower was required to furnish two sureties and to sign a pro-note. Loans were ordinarily repaid punctually. The members bought and looked after their own cattle. They also bought their own fodder which was inspected by the Manager. In its corporate capacity the society had leased some pasture land in Lucknow itself for the use of the cattle kept in the dairy premises, and had also leased some pasture land in the Bahraich district to which dry cattle were sent. The Agricultural Department in conjunction with the Municipality was to have started a sullage farm in the neighbourhood, and to have sold fodder to the dairy at reasonable rates as soon as it became available.

The society in its corporate capacity had also secured a convenient site for the dairy near the civil station and cantonments, and had invested about Rs. 8,000 of its working capital in erecting (1) a dairy fitted with modern dairy appliances, together with an office room (2) two shops for the housing of the cattle, which numbered 214 and included cows, buffaloes, and calves, and (3) two rows of dwelling houses in which 32 of the members resided including both Mussalmans and Hindus. The cost of each house was debited as a loan to the member occupying it, and when the loan was recovered, the house would become the member's private property. It was proposed, as funds became available, to build (1) additional sheds for cattle (2) quarters for the Manager, and (3) a compound wall.

All animals were milked under the supervision of the



Manager. The milk was received direct in the dairy room at the rate of 11 seers per rupee. From there it was sold direct to the public at 8 seers per rupee as whole-milk, or at 12 annas a pound as butter or cream, or at 14 annas a pound as *ghee*. There were about 100 regular customers both European and Indian. The rate of sale approximated to the market rate as there was little demand for milk at a higher rate. The total receipts on account of sales between December 1913 and January 1915 amounted to Rs. 14,468. The milk was distributed personally by some of the members who were remunerated at the rate of 6 annas per house per month.

The society was one of unlimited liability. No dividends were to be paid on the shares of members for 10 years and after that period a dividend limited to 10 per cent would be admissible on fully paid-up shares. At the beginning all profits were carried to reserve fund, which on June 30th, 1914, amounted to Rs. 885. The profits for the following 7 months were Rs. 848. The reserve fund was used as part of the working capital of the society.

The staff consisted of (1) a manager on Rs. 35 who had visited some military dairies and been trained in co-operative work: he lived in the compound and supervised the whole institution, (2) a whole-time accountant on Rs. 10 per month, (3) a butter-maker on Rs. 9 per month, (4) 2 salesmen on Rs. 6 per month, (5) 1 bhisti on Rs. 3 per month, (6) 1 sweeper on Rs. 2-8-0 per month, (7) 1 chowkidar on Rs. 6 per month, and (8) about half a dozen members distributing milk at the rate mentioned above. The total cost of the staff was about Rs. 110 per month. The dairy, being at the headquarters of the Province of Oudh is fortunate in the amount of supervision which it receives. It is regularly inspected by the Honorary Manager of the District Bank, the Municipal Health Officer, the Sanitary Commissioner with Government, the Superintendent of the Civil Veterinary

Department, and the Officers and Staff of the Agricultural Department as well as by the Registrar. The Agricultural Department has put down a small silo in the compound to demonstrate the system of ensilage, and have presented a bull buffalo to the dairy. The Municipal Board has also given a bull to the institution. These two bulls serve only dairy cattle, and a record of their service is regularly maintained.

The Allahabad Co-operative Dairy Society :—In Allahabad there is a milk-selling society of which the members belong to three small hamlets close to the civil station. There are separate credit societies in these hamlets which are open to the members of the milk society as well as to the other residents. The milk society has got a shop and compound where the owners bring their cattle twice every day. The milking is done in the presence of the manager and the milk is immediately sold to the purchasers. The members here, as in the above case, supply milk to the society at a fixed rate. This society has been going for the last six years. Its organization is simple and the costs of contingencies and establishment are kept as low as possible.

In Bombay Presidency a few co-operative dairy societies are already at work and the formation of others is in contemplation.

The Alibag Co-operative Dairy Society was registered on the 2nd of April, 1915. Its number of members is 35 of whom 28 are cultivators producing milk and marketing it through the society. The milk is obtained from the villages, Veshwi and Mula, which are at a distance of two miles from the town of Alibag. The Society has put up two milking sheds at a cost of Rs. 340 - one at Veshwi and the other at Mula. The members keep their animals in their own houses, but bring them to the Society's milking sheds twice a day at the appointed hours in which they milk them under the supervision of the representatives of the Managing Committee. The work



of supervision is done at Veshwi by the clerk of the Society and at Mula by a member of the Managing Committee. The Society keeps its own milking pails, and one is given to each member for drawing the milk of his animals into it. The milk thus drawn is measured and handed over to the Society. Each member carries a pass book with him, in which the quantities supplied by him to the Society are regularly entered. All milk thus collected at each centre is put in a big brass can, which is locked and sent to the town on headload with a servant of the Society for delivery to registered customers. All the pails, cans and other utensils of the Society are kept in a perfectly clean condition. Every utensil used in handling milk is first washed in cold water, then in warm water with some washing soda in it and finally in boiling water and dried. Before milk is drawn from the animals, the hands of the drawer and the udders of the animals are washed and rubbed with muslin. Bar-soap is kept and freely used. The total number of customers was 76; and the total quantity of milk supplied to them in September 1915 was 2,700 seers. All milk taken by the Society from the members is distributed to customers and no surplus is left on hand.

The Society takes milk from the members at a little over nine seers a rupee and supplies it at eight seers a rupee to the customers. After deducting expenses, a small margin of profit (about Rs. 6) is left to the Society. The members are prevented from adulterating their milk with water, and yet they get good prices and save a good deal of time, which they used to spend before joining the Society, in hawking about their milk. They are entirely satisfied with the prices which they now get. Besides, they get loans from the society at $9\frac{1}{2}$ per cent. for purchasing animals and foodstuffs. The public of Alibag are fully satisfied with the quality and the price of the society's milk. The society is now arranging to keep a good buffalo breeding bull for



serving the members' she-buffaloes. It has also secured some grazing land from the Collector for the use of the members' she-buffaloes, which, with the bull proposed to be obtained from Gujerat, are to be constituted into a herd.

The Belgaum Co-operative Dairy Society consists of 24 members, of whom 20 are milk-producing *goalas* who supply their milk to the Society. The *goalas* at present keep their animals in the town and bring them to two milking centres for milking them under the supervision of the manager. The arrangements as regards cleanliness and the collection, transport and distribution of milk are similar to those of the Alibag Dairy Society. The Society has applied to the Municipality for building a shed outside the town for housing the animals of the members of the Society. The Belgaum Dairy Society market about 3,500 seers of milk a month. The public of Belgaum are entirely satisfied with the quality and price of the milk.

The Thana Co-operative Dairy Society has got a shed in which some animals of the members are kept; other members keep the animals in small huts near the society's shed. Milk is drawn in the presence of the manager. The arrangements as regards cleanliness and transporting and distributing milk are exactly on the lines of the Alibag Society. The total quantity of milk marketed by the society every month is about 6,000 seers. The Thana people are fully satisfied with the quality of the milk. In this society, some of the producing members are *goalas* and others *non-goalas*. The society has got more than 200 families as its customers.

The Dairy Societies of Bihar and Orissa have not proved successful so far. One cause of the failure of these societies is the inadequacy of the milk-supply. For their success it is essential that there should be a steady and sufficient supply of milk, which requires a large number of well-bred cattle. But the greater cause is the want of loyalty



amongst the members. Capital for increasing the number of good milch cows can be found, but loyalty is far less readily available and is of extremely slow growth in a community which has for generations believed in the enriching qualities of adulteration. In Rohika area, 3 cream separators are owned by individual members. Creameries started experimentally by the Dabhari and Lachmipur Guarantee Unions in the Supaul area worked satisfactorily till January, 1921, but had to be suspended on account of the quality and quantity of the milk available. The Dairy society in Barh suffered a loss of Rs. 583 and the Sambalpur Dairy society a loss of Rs. 282. The Mayaganj Goala society though working at a profit has not shown any decided improvement. It made a net profit of Rs. 287 during the year.

In the Central Provinces we have a very successful co-operative dairy in the Telinkheri Co-operative Dairy* at Nagpur which controls both the production and the distribution of the milk. The herd maintained on the farm attached to the dairy consisted (in 1918) of 338 milch animals of which 62 belonged to Government and 276 † to the two co-operative societies of *gorulies* which work in conjunction with the Dairy: in addition to milch cattle there were 165 head of young stock. The statement below shows the quantity (in lbs.) of milk, butter, cream and *ghi* distributed during a period of three years :—

| | | 1914-15 | 1915-16 | 1916-17 |
|---------|-----|---------|---------|---------|
| Milk | ... | 220,754 | 300,714 | 267,384 |
| Butter | ... | 2,240 | 3,130 | 3,328 |
| Cream | ... | 817 | 979 | 825 |
| Ghi ... | ... | | 770 | 1,650 |

* Agricultural Journal of India, Vol. XIII, No. 1, p. 57.

† According to the C. P. Co-operative Registrar's Report for 1920-21, however, the members own a mixed herd of 1 milch animals.

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The profits made by the two societies in one year amounted to Rs. 5,901. The Government breed on the Telinkheri Farm is maintained for two reasons: (1) as a nucleus herd on which the dairy can rely for at least a small yield of milk daily; (2) as an improved herd for the breeding of bulls of good milch strains for the use of the *gowlies*. The milking, both of the Government herd and of the societies' cattle, is done under the supervision of the Overseer of the Dairy Farm assisted by one *kamdar* and three *chowkidars*. The members of the two societies milk their own cattle and get it weighed by the Farm Overseer who sends it on to the dairy. The milk is delivered either in bottles or in brass vessels, fitted with a tap, from which the quantity required by each customer is run off. Short distance customers are served with milk in bottles brought round in small hand-carts, while those who live farther away and institutions requiring milk in large quantities receive it, from sealed brass vessels carried on coolies' head: for quicker service motor transport arrangements are in progress. The rapid success of the Telinkheri Dairy is largely due to the following facts—(1) it is situated in the open country amid sanitary surroundings, and is connected with Nagpur by first-class roads; (2) the shed being on a hill the site is a dry one; (3) the Telinkheri tank affords an excellent supply of drinking water in the grazing area itself; this water is also used for the production of irrigated crops for the dairy cattle; (4) there is ample land on the dairy farm for the production of irrigated and other fodder. The Telinkheri Dairy has added greatly to the amenities of life at Nagpur and has served another very useful purpose in demonstrating what can be done in the way of developing dairying in the Central Provinces on co-operative lines.

The Baraset Milk Societies' Union:—In a paper read before the Bombay Provincial Co-operative Conference in



1917, Dr. Harold Mann insisted that, so far as milk-supply from villages was concerned the first co-operative movement should be "as organizer of the collection and conveyance of the milk to the customers, be they wholesale or retail, in the city." The Baraset Milk Societies near Calcutta, composed mainly of cultivators with whom cow-keeping is a secondary occupation, exemplify such an attempt to secure an improved milk-supply for the city of Calcutta from the surrounding villages. At the end of June 1918, six such societies were formed with a total membership of 201 who sold milk worth Rs. 8, 737; the initial difficulty was the high cost of management due to the societies' refusal to combine: each society sent a man with its milk to Calcutta and thus six men travelled daily where one man would have sufficed. Within two years *i.e.* at the close of June, 1920, as many as 40 societies were registered, with 1,629 members, supplying on an average from 42 to 52 maunds of milk to Calcutta. Meanwhile a Milk Societies' Union had been formed to facilitate the transportation of milk to Calcutta. The Union has, among other contracts, the contracts for the Medical College Hospital, the Mayo Hospital and the Belgachia Hospital. The Government of Bengal have granted a loan of Rs 14,000 at 6 per cent to the Milk Union for the purchase of motor lorries: the Union repays the loan by *kists* of Rs1,200 *plus* interest per quarter. The Government staff placed at the disposal of the Union consists of one Inspector and five Supervisors who are concerned principally with inspection and propaganda work and a trained Veterinary Assistant Surgeon who gives instruction in the hygiene of milk and in simple veterinary science in the villages.

The milk is brought under seal in locked cans to Calcutta where there is a duplicate key: it is tested by the society before despatch and on arrival in Calcutta. Stalls have been opened in the principal markets of Calcutta where the muni-

cipal authorities test the milk thoroughly and, if satisfied, certify it as pure. Already these societies have come to be realised as of great importance in connection with the milk supply of Calcutta. Sometime ago when the milk-sellers in the markets approached the Calcutta Corporation for permission to raise the price of milk to 6 annas a seer, the Chairman of the Corporation consulted the Milk Union and was informed that it was selling most of its milk at less than 4 annas a seer and making a profit on it. In the rains the supply of milk falls off and the Union finds it extremely difficult to meet its contracts : indeed during the year 1920-21 it looked as if the Union would fail. Towards the end of the rains epidemics started among the cattle, a sudden decrease of the supply ensued and the daily total, which had been nearly 50 maunds, fell to 12 or 13 maunds. The Milk Union was unable to meet its contracts from the societies' supplies, and it was compelled to purchase milk at Calcutta at high rates : in spite of the high price, the milk purchased was frequently bad, and the good name of the Union, and its societies which it had taken four years to create, was ruined in a single month. The epidemics began, however, to abate as the newly appointed Veterinary officer began to make his presence felt in the area. Outside purchases were gradually stopped until the total again exceeded 30 maunds by February or March, 1921. The lesson thus learnt has been a costly one : it has taught the Union the necessity of taking proper precautions such as—

(1) The organization of more societies just before the rains, to ensure that the supply of milk which always falls off in the rains, would remain sufficiently large to meet all contracts entered into by the Union.

(2) The financing of members of the existing societies, to enable them to get more cows in milk during the rains, with the same object in view as in (1)

(3) The formation of societies in other areas in order to minimise the dangers from epidemics in the existing area.

Considerable sums of money have been advanced by societies to members for the purchase of cows. In five months or less a cow produces its own price in milk. The members themselves supply half the price of the cows and the societies advance the other half to be repaid in about three months. By these advances the societies have not only improved the quality of the milk, but also have actually increased the supply. The members of societies now get fully one rupee a maund more from their milk than they used to get from the middlemen *goalas*. Two societies combined and bought a bull from Pusa, and other societies propose to follow their example. It has similarly been proposed to invest some of the reserve funds in the purchase of good cows to be the property of the Societies and of the Union, and not of any individual, and to demonstrate, if possible, by this means, that it will pay to keep good cows and feed them properly.

The working of these milk societies has clearly demonstrated—

- (a) that the productivity per member has risen in less than three years from 9 seer to 15 seer : in other words by bringing these men into co-operative societies we have got them to increase the supply of milk they sent to Calcutta by 66 per cent ;
- (b) that the cow can become more profitable to the owner and therefore deserving of better food and better care ; that better food and better care still further enhance the profit the cow can bring, and that it is possible to effect a continuing and increasing improvement in the cow which supplies our milk.
- (c) that, by the system of sealed cans, it is possible to keep dirty water out of the milk ; that by the cleaner methods of transport and by the steriliza-

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tion of cans and the introduction of better cans, it has been possible to exclude millions of bacteria to the centimetre.

- (d) that the societies can teach their members the rudiments of the hygiene of milk and induce them to be cleaner in dealing with their cows.

In a paper on "Co-operation and the Milk-supply of Calcutta" read by Mr. J. T. Donovan, he draws certain conclusions from his experience as to the future of the milk-supply of Calcutta. "Our first conclusion," he says, "is that the only chance of providing a plentiful and pure supply of milk for Calcutta at a reasonable price lies in a system of co-operative societies which will give the full benefits of their industry to the owners of cows. I do not deny that you can produce otherwise a limited but comparatively expensive supply, but I am concerned with a large supply of reasonably cheap milk within the reach of all. Even in European countries where rich pasture is more plentiful it has been found that the co-operative is the best system of dealing with milk. This means that even in European countries there is no room for an unnecessary middleman between the producer and consumer of milk, for it is practically only in the milk business that eminent authorities on co-operation recommend producers on a large scale to undertake retail business. The first advantage of the system is that it gives much more to the producer without increasing the cost to the consumer and therefore encourages the producer, who in Bengal requires a lot of encouragement, to continue this hitherto comparatively profitless industry. Again co-operative milk supply societies are much more easily controlled. They are, as co-operative societies, subject to a certain control under the Co-operative Societies Act. Apart from this, however, it is obviously far easier to exercise municipal control over organizations of



this nature than over innumerable *goals*. Besides a peculiarity of co-operative societies generally is the respect for law and order which they inculcate and milk societies are no exception. The existing societies here have gone out of their way to collaborate with the municipal authorities to ensure quality. They invite control, examination, analysis. The co-operative milk society pays for quality as well as quantity and it further makes it the interest of every society and of every member of every society to see that each member keeps up the quality of his milk. As soon as the societies become strong enough, and they rapidly do so, they deal mercilessly with any member who does not come up to the standard of quality. He goes out of the society and he will have no place else to go to. Similarly the Union of societies—their Wholesale if you like to call it so—will expel a society that fails in quality and the milk of that village becomes useless to its owners. A system of competing buyers would never bring this about. The members by joining a society and the society by joining the Union submit themselves to be dealt with in this way. They burn their boats, as it were, and if they did not intend to act up to the standard required they would not do so. They do so of course because it pays them. The co-operative system not only makes for better quality but since it returns all the profits to the members in proportion to the supply by each it stimulates increased production."

Ghee Societies :—In some provinces—specially in the United Provinces—several Ghee societies have been started ; their work has been entirely separated from the credit work done by village societies. The members of *Ghee Societies* are also cultivators and are more amenable to reason. There is much less risk in the *ghee* business as the product is not as perishable.

Co-operative Dairies in Denmark.*—Most of the Co-operative Dairies in Denmark were founded between 1886 and 1896. In 1909, 1157 Co-operative Dairies were at work in Denmark, and they treated about 77% of the total milk production of the country.

The number of cows at the disposal of the societies varies from 200 to 2,000, but most usually from 800 to 1,200. According to the industrial census of 1906 the average quantity of whole milk received by a society was 2,100,000kg. for an average number of about 880 cows. In recent years, large co-operative societies have often been sub-divided to form smaller societies, though the latter have comparatively high working expenses, and can only with difficulty equip themselves in modern style. They are often obliged, for example, to employ ice safes instead of refrigerators. In an economic sense there is no justification for this sub-division, but the farmers want to have their milk returned to them as soon as possible, which is a quite legitimate desire, above all in the case of those who live at the greatest distances, who are subjected to the double inconvenience of having to deliver their milk earliest, and have it returned latest. At times a certain local patriotism manifests itself, and when business is good, the surplus expense is readily met. These sub-divisions, however, have not been in proportion to the increase of the milk received by the societies, which is due to the increase in the number of cows and the increased production per cow.

A co-operative dairy is generally founded for a definite period of time, varying from 10 to 15 years. During this period, the farmers engage to supply all the milk they produce, except what is consumed on their farms or sold retail to their neighbours. They recognise themselves

* Being extracts from an article in the *Monthly Bulletin of Economic and Social Intelligence* Rome November, 1915.



also as jointly and severally liable for the engagements of the society, on the principle, "all for each and each for all," in proportion to the number of cows they each possess.

On this basis, the funds required are generally raised by means of a loan from a bank or savings bank, so that the members need pay no contribution. Interest and sinking fund are paid out of the profits of the business. The initial capital is generally from about 30 to 40 crs. per cow.

The members can only be relieved of their joint and several liability before the expiration of the term fixed for dissolution of the society, in case of death or the sale of their holdings, or by vote of the General Meeting. At the end of the period fixed, a new society may be formed for a new period, to include all the old members or only such as desire it. For the purchase of the dairy from the former members, a new loan is contracted, the amount being distributed among the producers in proportion to the quantity of milk supplied by each, in the whole period of working. The period for which the members engage varies generally between 10 and 15 years. In recent times, however, there has been observable a strong disposition to reduce this period to 5 years.

The supreme authority in the business of the society is the General Meeting, which is, as a rule, only called once in six months. The rules often provide that the decisions of the General Meeting cannot be impugned in a court of law, a provision which has the force of law. The members have almost always the same voting rights, irrespective of the number of cows they possess. For this reason, the large landholders long hesitated before entering the co-operative societies; but now they feel no difficulty about entering, and independent dairies on gentlemen's estates are becoming, so we have said, rarer and rarer.

The Board of Management of the Society deals with the daily business, the book-keeping, the cash, the administrative supervision, etc. ; it is generally appointed for two years, and is often rather numerous, for it is usual for each member of the Board to make the monthly payments to the members of his district ; so it is natural that each clearly defined geographical district should desire to have a representative on the Board. The Board appoints the Technical Manager who is entrusted with the direction of the daily work of the dairy, and the keeping of the accounts. Formerly, all the rest of the staff were also, as a rule, appointed by the Board ; but this was found inadvisable. The technical manager now receives a fixed amount with which he must provide himself with the assistance he requires. This system has proved the best possible.

The dairy undertakes the collection of the milk, and its return to the producers. In this way the producers who live further away do not pay more for the carriage of the milk than those near at hand. This procedure contributes greatly to the maintenance of good relations between the various members, and is assuredly also a reasonable system, for the situation of the dairy is often accidentally determined, and any sub-division of the society would in any case be contrary to the interest of those who live nearest.

As a rule, the dairy only supplies and keeps in good order vehicles suited for the transport of milk ; tenders are invited for the contract for transport itself, for periods of one year or six months. In this way, the dairy has not to keep horses.

The vehicles generally make one journey a day, and only in certain localities two, keeping to a fixed itinerary, and the producers are bound to bring their milk early to the road, so that they may go on again without delay. Producers who do not live on the road followed by the vehicle generally



receive a certain sum in compensation for every 1,000 kg. of milk they supply. However, the route is so arranged as to serve the large producers directly. The vehicles must reach the dairy in a fixed order, at hours established, so that the milk may be weighed and separated as rapidly as possible, without interruption and useless delay, and each, as the work proceeds, must be ready to start again to return the separated milk and whey to the producers. When the profits are divided, it is a fundamental rule that the division shall be in proportion to the amount of milk supplied. At first this division was made after a very imperfect fashion, and in some places this continued for a long time; it was based only on weight and not on the amount of butter fat in the milk. This was a matter of specially great importance, above all, for the numerous small producers owning few cows, in whose case the amount of butter fat in their milk might vary within very wide limits.

This was one of the first problems science had to deal with, and it was promptly solved, by the construction of an apparatus which allowed of the amount of cream in a large number of samples of milk being determined by means of a single observation. Most of the dairies then began to calculate the value of the whole milk supplied in accordance with the amount of cream or butter, on the basis of the current price of butter. This method, very good and reasonable in itself, which possesses the advantage of preventing any adulteration, has also a great merit which will only be greater in the future, as it draws attention to the advisability of only rearing cows which give rich milk, and of exercising quite special care in the selection of good bulls. This method has also inspired the constitution of "Control" Societies, which, in their turn, have favoured the change to the new system of distribution of profits. The latter system is in use in almost all the co-operative dairies, whilst most of

the old dairies worked in common have remained faithful to the old system.

The calculation of the value of the milk is based on the regular control of the milk of the various producers, generally tested twice a week ; however, the distribution is effected, according to various methods, more or less accurate and complete. The simplest process, which has fairly recently been introduced and has become widespread on account of its simplicity, is to multiply the weight in pounds of the milk by the percentage of cream ascertained, and distribute the price of the butter in direct proportion to the number of what it has been agreed to call "cream units" thus arrived at.

In this way, it is only necessary to divide the amount the whole milk has yielded in butter produced and milk sold ; payment is made once a month. As regards the separated milk and whey the dairy does not sell, and does not use for cheese-making, but the producers are bound to take back, the value is ascertained quite differently. The milk is returned in proportion (up to a certain point) to the whole milk supplied, at a given price, which is very low, and which, while in some degree corresponding with its value as food for cattle, does not take special account of that, and is calculated so as amply to cover the working expenses of the dairy. Generally, the price is calculated so as to leave a large margin of profit. This is distributed annually or half yearly according to the same rules as govern the sale of the butter.

The separated milk and whey are paid for by means of deductions from the monthly contributions. Deductions are also made for butter and cheese bought by the producers at the dairy, as well as for expenses the dairy has been put to for the account of the producers as, for example, the tinning of the cans used for carrying the milk. In dairies which also



engage in the co-operative sale of cattle foods, a practice which may be regarded as generally diffused, there is a further provision that the department for co-operative sale of cattle foods may, if the producers of the society are debtors up to a certain amount for the purchase of cattle foods, keep back the whole or part of the price of the milk or the surplus profit.

The rules of the dairy provide that its members shall only supply pure and natural milk and never supply milk from sick cows or from those that have too lately calved. Often also the employment of certain kinds of cattle foods, known to have a deleterious effect on the quality of the milk, is forbidden. In several districts the milk supplied by each farmer is analysed at regular dates, for example, once a week or once a fortnight. The "societies for the estimation of the value of the milk" have shown great activity in extending this system. One or more local or itinerant experts are charged to give their estimate. The result is expressed, by means of a series of points, in certificates of three different classes. This result is communicated to the producers in the monthly statement of their accounts. This urges them to correct possible defects in their production, and to furnish milk of the best possible quality; and the effect obtained is the more certain as it is almost impossible to prevent the result of the judgment becoming known to the neighbours. It has been found that, where this system has been adopted, the quality of the milk has considerably improved, and this improvement disappears at once when the system is abandoned.

This system has still difficulties to overcome; it is not easy, for example, to prevent the judgment passed on the milk, more or less formally, from having the appearance of personal criticism and giving rise to ill feeling which in several localities has led to disagreeable consequences. It is easy for the technical manager of the dairy, in weighing the

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milk of the various producers to discover the grosser defects, such as an insufficient supply of cans, sometimes rusty cans, dirty or malodorous milk, etc. His task has recently been considerably facilitated by the fact that the milk is now poured into special receptacles in order to be weighed, whilst formerly it was weighed in the cans, the weight of which had afterwards to be deducted. When gross faults of the above kind have been discovered, the suppliers are at once informed, and invited to amend them without delay. Often, a communication of this character is made by letter, or by a note pasted on the can, when the separated milk is returned. Of course milk not suitable for the purpose is in no case accepted for the making of butter ; in the most serious cases, or when remonstrances have been ineffectual, the Board of Management has the right to suspend the producer from membership of the society for a time or permanently to expel him ; but generally a warning suffices to prevent the repetition of the offence for a long time, even in the case of the least conscientious producers.

Attempt has been made to introduce a principle by means of which a certain price may be assigned to milk of a certain quality, but it has not been possible to get it accepted. It is extremely difficult and often impossible to establish a fixed and permanent relation between the quality of the milk and its value for the production of butter. On the other hand, in certain localities a whole system of fines has been introduced, by means of which producers supplying specially bad milk are paid reduced prices for a certain time, or until there is a real improvement.

As security for their various interests and common work, several leagues have been formed among the co-operative dairies. The co-operative movement in Denmark has produced a large number of these leagues, as the organisation is founded on the principle of the division of labour, which

aims at assigning as far as possible each special and definite function to a special association. In accordance with this principle, no single central organisation is to be found in the field of dairy industry, but, in its place, we see a whole series of organisations enjoying equal rights, closely associated, but at the same time completely independent of one another in their work.

We shall now only summarise in a few words the principal duties of these Central Societies, showing their number and their importance and consider more in detail a special institution.

(1) As regards the co-operative sale of dairy produce, there is a series of societies for the export of butter, formed among federated dairies engaging to sell the butter they wish to export through the medium of the society in question, and to accept joint and several liability in regard to the production of butter. In general, non-co-operative dairies may also be members of these societies. The first such society was founded in 1888. Now there are six, in various districts of the country; they associate 275 dairies and the total annual business done by them is about 43,000,000 crs.

(2) As regards the co-operative purchase of dairy machinery and other industrial apparatus, 175 dairies united in 1901 to form the "Co-operative Society for Purchase and Manufacture of Machinery for Danish Dairies." The society has 20 sections, and 851 dairies are now affiliated to it. The total annual business done by it is about 2,200,000 crs., half in connection with the manufacture of machines and half in connection with co-operative purchase. The members of the society are in no way obliged to make purchases. The society was at first only a co-operative society for the purchase of ordinary articles of trade; but it soon began to occupy itself with the purchase of dairy machinery requiring

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to be specially fitted up and a workshop for the purpose, and began actively to manufacture the machines themselves. This was arranged by taking over the succession to a former private, well-organised business, the former proprietor of which was appointed technical manager, which assured the society, from the start, of the necessary administrative and technical competence. The society could thus be placed on a footing of equality with competitors at home and abroad, and fulfil the task it has assigned to itself, consisting not so much in manufacturing the best machines and implements as in directing the business on healthy and honourable lines, at the same time avoiding all the various costs of advertisement, travellers, etc., that the competition of private undertakings necessitates.

(3) The dairy societies occupy themselves with the encouragement of the dairy industry, both from the technical and the economic point of view, and especially with the protection of the interests of the industry abroad. Their activity and efficacy, on which for the moment we shall not insist, is guided by the representatives of the dairies concerned. Most of the dairy associations were founded between 1890 and 1900 ; to-day there are altogether 21, with a total of 1,128 affiliated dairies. The local societies have federated and formed three provincial associations for the three chief regions of the country, and have also become affiliated to the "General Organisation of Danish Dairy Societies." This organisation occupies itself with business of general interest, such as the answers to be given to questions eventually put by the legislative authorities or the Government, in regard to the laws and regulations relating to the dairy industry and represents the interests of that industry with third parties. This central organisation has also other important functions relating to farming statistics and statistics of prices of butter, butter quotations, etc. The presidential office of these bodies



is composed of the managers of the three provincial associations above mentioned, and four members appointed by the Committee of Representatives ; each local dairy society appoints a representative for every 20 members, and he has a seat on the Committee. The Committee of Representatives is invested with supreme authority and elects the President of the Organisation.

The Dairy Associations must not be confused with the Association of the Technical Dairy Managers, which is a league of the Technical Managers and their assistants. Its organisation is similar, as it has provincial sections and a sphere of action coinciding in part with that of the dairy associations and on many occasions has collaborated with the dairy associations.

(4) Sometimes independently, sometimes in dependence on the dairy associations, the associations for the estimation of the value of milk perform the work already described. There are 14 of them, affiliating 258 dairies.

(5) As a central independent organisation of several sections of the Technical Dairy Manager's Association and as a special local union of dairies, we have the committee for co-operative experiments with a view to the manufacture of cheese. This committee proposes to direct experiments in cheese-making and cheese-shows, the object of which is—on the basis of accurate reports, presented by the various dairies, in regard to the methods adopted in cheese-making and its preservation in cellars—to decide what may be the most suitable means for improving the production, taking especially into consideration the general judgment passed on the produce obtained. This committee has a member for each local section represented. Each member organises the shows in his section and, for the purpose of judgment, two experts are attached to him, appointed permanently for all the sections generally.

(6) On the promulgation in 1898 of the law on accident insurance, obliging the dairies, as industrial undertakings, to pay compensation to their employees in case of accident, they formed their own accident insurance society, afterwards so enlarged as now to take in all agricultural businesses subject by the law to insurance, and even voluntary insurance societies. The dairy section of this association now includes 1,311 dairies.

Finally, the dairies are represented by the provincial unions of dairy associations on the Central Co-operative Committee of Denmark, the central organ representing the Unions of Danish Co-operative Undertakings, the duty of which is to promote the action of the societies, and strengthen their position both at home and in foreign relations, in harmony with the international co-operative movement.

Cattle-rearing or Cattle-breeding Societies in Switzerland* :—

Switzerland is the home of Cattle-rearing Societies of which there are now about a thousand.

The objects of co-operative societies for cattle-rearing in Switzerland are—

- (1) the selection and proper maintenance of the best bulls ;
- (2) the selection and marking of the best cows and heifers ;
- (3) the systematic maintenance of animals for breeding purpose, and the proper rearing of their calves ;
- (4) the regular keeping of a Herd book with correct particulars as to the pedigree of animals ;
- (5) enquiry as to the capacity of productions ;

* Being extracts from an article in the International Review of Agricultural Economics, Rome, January, 1916.



- (6) the encouragement and facilitation of the sale of cattle for breeding purposes, and the protection of the interests involved ;
- (7) the exchange of information among the members of the society as to question of breeding and feeding.

Some particulars may now be given as to the foundation, the constitution and the work of a co-operative cattle-rearing society.

The society is founded by a certain number of agriculturists or breeders of the same neighbourhood or of adjoining districts, who subscribe to the bye-laws.

The capital required for the purchase of a bull is generally collected by means of a quota of from 20 to 100 francs per head. The association comprises the general body of members, a President's Committee composed of from three to seven members, a Committee of Experts or Valuers and a Committee for the Examination of the Accounts. The secretary of the society usually keeps the Herd-book and is nearly always one of the President's Committee. The Committee of Experts is generally composed of three members who may be all or in part elected from among the members of the President's committee. The share capital may be formed out of subscriptions and premiums paid by members joining the society, later, from fees for animals entered in the Herd-book (one or two francs per head), from prizes gained by bulls belonging to the society, and from contributions from the state and the commune. The co-operative societies do not aim at making large profits, but they often endeavour, more especially the larger and older societies, to form a reserve fund to meet any eventuality. Members are not responsible for engagements made by the Co-operative Society to which they belong : it must fulfil them exclusively with its own capital. Since 1910 the Swiss Con-

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federation has shared the cost of establishing co-operative cattle-rearing societies, granting to them sums of from 100 to 300 francs. The amount of the contribution depends on the quality of the cattle, and more especially of the bulls belonging to the society, as well as on the correct keeping of the Herd-book.

Individual co-operative societies vary much in importance ; as a rule the number of members is from 10 to 50, but in exceptional cases there are 60 and even 100. The number of animals entered in the books varies from 30 to 100, sometimes even to 200 and more. The territory of a society may include one or more communes and extend even over a whole valley.

The choice of sires from among cattle belonging to members is made by the above-mentioned committee of experts solely from among animals of pure breed and of the proper age. This committee also buys bulls for the society and decides, generally only provisionally, as to the acceptance and entry of cows and heifers in the Herd-books. Their definite acceptance is in most cases made by the cantonal examining commission, which every year revises the assets of the society. Animals to be entered are marked on the left horn with the mark of the society and a progressive number. Should the animal be sold to any person not belonging to the society, or to a butcher, its name is erased from the Herd-book. This must be done also, should the animal prove to be of inferior quality or of insufficient reproductive power. The bulls are chosen with the utmost care. The societies as a rule keep bulls which have certificates for service. A bull belonging to the society must not only possess beauty of form and have proved reproductive capacity, but must also be of a good breed and give reasonable expectation that its good qualities will be transmitted to its descendants. The questions both of descendants and pedigree are of great importance in the selection of bulls. The



co-operative societies generally buy only those bulls acknowledged to be the best, and therefore the prices paid are considerable, sometimes 4,000 or 5,000 francs and even more. It often happens that one bull is not sufficient for the larger co-operative societies which are sometimes obliged to buy a second or even a third, though others limit themselves to one, which they hire. In this case a regular contract is made by which members possessing bulls of good breed agree to put them at the disposal of other members on payment of a fixed sum by the society. Bulls thus hired are entered in the Herd-book of the society.

Cows and heifers are not entered in the books unless they are of good breed. Since the intervention of Government has made itself felt in the breeding of cattle, every animal must be examined, according to a uniform system (classification by marks, highest number 100). In this way a certain uniformity is obtained in the acceptance of cattle, and now the only difference is as regards the minimum number of marks necessary for entry in the books. In consequence of the improvement in the quality of the animals the minimum has been raised and the examinations are more strict.

Co-operative societies for cattle-rearing have also brought about an improvement in the management of the animals. The society generally entrusts its own bulls to the care of one of its members who signs a regular contract by which he engages to feed and take care of the animal for a certain sum as compensation. There are special rules laid down by the society for the management, feeding and hiring out of the bulls. Besides fodder (hay and sometimes fresh grass) bulls should also have a certain quantity of more substantial food, under the form of bran, and specially ground oats. For cows and heifers there are common pastures. Alpine co-operative societies have mountain pastures to which they can send the animals for the summer months. The societies



of the valleys are now continually endeavouring to buy or hire mountain pastures for the cattle of their members, for the beneficial effect of a summer in the mountains on the health and development of the animals, especially of the younger ones, is well-known. It will be seen that owing to the co-operative societies much progress has been made in the breeding and management of cattle. The calves are more scientifically fed, receiving sufficient whole milk for a much longer time, and substantial food as they grow older. They are prepared for the mountain pastures by having full liberty in fields adapted to their needs. The development of the animals is encouraged and protected by sound methods, too early breeding being avoided. The co-operative societies have also undoubtedly contributed to encourage the breeders to perfect themselves by mutual instruction and good example.

These societies have always made a point of requiring a regular registration of cattle and in this respect they are worthy of all praise, for breeding could have no durable result without a precise knowledge of the pedigree of the animals, and thus a carefully kept Herd-book is indispensable. The Swiss Department of Agriculture gives precise and minute directions as to the keeping of these books, so that the system is uniform throughout all the cattle-rearing territory.

Private Herd-books, without official character, are of little importance now that co-operative cattle-breeding societies are widely diffused.

The society's registers comprise the following books, principal and secondary.

The Herd-book properly so called, divided into two parts, one for bulls, the other for cows and heifers ;

The Register of Admission ;

The Stall-Book ;

The Service Certificates ;

* The Register of Service Certificates ;



- The Register of Births ;
- The Certificate of sale, etc ;
- The Register of young Animals ;
- The Extract from the Herd-book.

As already stated the animals to be entered in the books of the society must be marked on the left horn. In the Register of Admission the name and age of the animal and the name of its proprietor etc. must be entered, and from these particulars the regular entry in the Herd-book is made. For the exact keeping of the Herd-book, the Stall-book is of great importance ; it must be kept ready for reference by every owner of a bull. In this book must be entered in chronological order all the services of the bull, also its name, number, and countersign or metal token, and the age of the cow and the name of her owner. From the Stall-book these particulars are taken for entry in the Herd-book in which births must also be registered when duly announced by the owner of the calves. If a member should hire a bull other than that belonging to the society he must inform the society by sending in the Service Certificate. When a bull is sold, the owner must give notice to the society by means of a special certificate of sale. Note of this must be made in the Herd-book in which there is a space for entering the pedigree, the measurements, the classification of the points, and the reproductive capacity.

An essential part of the Herd-book is that which contains the certificates of service given by the federation. Since 1891 the Swiss Department of Agriculture distributes to cattle owners the best bulls selected according to the Service Registers. The certificates are numbered, and contain the name, number, countersign and generally the pedigree of the bull. Cows and heifers also receive Service Certificates containing the name and address of the owner, the name, age and marks (number and countersign), the metal token



(number and entry), and colour of the bull. The certificate holds good for four services, and bears the date of its issue and the signature of the writer (either the keeper of the bull or the keeper of the Herd-book). Another essential part of the certificate is the entry of the birth with the pedigree of the mother, the day of the birth, the name of the calf, the number and the entry of the mark on the ear and the date, also the signature of the registrar.

The calves of such bulls and cows themselves, destined for breeding purposes must bear on the right-ear the federal mark placed there by men duly appointed. The owner of the animal must confirm the birth and pedigree of the calf before the Registrar calling two witnesses as prescribed by law. The registrars are appointed by district Government officers and must be persons worthy of trust, if not the district veterinary surgeons.

The respective cantons must supervise the keeping of the registers of service certificates. The registers are submitted in June of every year to the Swiss Department of Agriculture. Such registers are now in use all over Switzerland but more especially in those cantons where the Brown breed prevails. Since they were introduced and the consequent marking of calves with the federal metal token, the pedigree of the animals is securely established. Such a guarantee is daily required in commercial transactions, offering as it does, a means of identifying the animal much more precisely and surely than by a paper of written notes. The pedigree of the animal is also proved by the federal Herd-book, and in later times by pedigree tables, which are becoming more and more general from their clearness and completeness. The appraisalment of descent considered in the adjudication of prizes, and in part also in the admissibility of the bull for service, is calculated by marks.



A pedigree book is a new factor in guaranteeing pedigrees. It treats of the best breeding stocks and their descendants. In researches for purity of blood it is one of the best helps and renders excellent service in the purchase of animals for breeding. In 1911 the Swiss Agricultural Department published a pedigree book for the territory in which the Brown Swiss prevails. In 1914, a similar book appeared for the Fribourg breed, edited, with the aid of a grant from the Government, by the Federation of the canton of Fribourg.

Though the co-operative societies have displayed great efficiency in promoting regular registration and in keeping exact records of pedigree, the same cannot be said with regard to records of productive capacity. There are some data successfully kept as to the produce of milk, chiefly on the great estates with stall farms, but these are few in comparison with the great extent of the breeding districts and the number of co-operative societies. The reasons for this arise partly from the natural conditions of the country. In the higher mountain regions nearly all the animals for breeding spend the whole summer in the Alpine pastures, exposed to continual changes of weather which cause difficulty in the study of their capabilities. Yet we cannot say that it is better in the valleys and that there is no need for greater care in such matters. Efforts are, however, being made for investigation, and sooner or later they must bear fruit.

Cattle-breeding Societies in India :—So far co-operative societies for cattle-breeding purposes have not been started in several of the provinces of India, though a pre-eminently agricultural country like India offers a rich field for the development of this type of societies. A few such societies have been started in Bombay mainly with the object of purchasing a good bull and herding it with the best of the village cows in charge of a herdsman paid by the society. A proper herd-book is maintained, and, where possible, a

separate grazing area is also secured. In the Punjab a good beginning has been made and about a dozen cattle-breeding societies have been started. In the Central Provinces a few co-operative cattle-breeding societies had been started. There was one such society in the Raipur district, which leased 490 acres of grazing land from Government, and commenced with a herd of forty cows and one bull, purchased for them by the Agricultural Department. The members themselves in their villages had no cows fit to be used as the foundation of a breeding herd. The share capital was Rs. 3,000: the shares were Rs. 100 each. Each member was allowed to have up to six cows on the farm. The cows were branded and remained the member's own property while the bull belonged to the Society.

That co-operative cattle-breeding has not yet taken root in this country is proved by the following observations of Mr. Clouston quoted in the C. P. Registrar's Report for the year 1920-21—"These two co-operative cattle-breeding societies are never likely to do well. The members, with one or two exceptions, take little or no interest in the working of the society, they do not attend the meetings of the societies nor do they even take the trouble to inspect their animals. Cattle-breeding is a branch of agriculture which requires the personal attention of those who take it up—a fact which the members of these societies have failed to grasp."

Co-operative Cattle Insurance Societies.—No occupation is so liable to risks and sudden calamities, beyond the power of man to prevent, as agriculture. Crops may be destroyed by locusts, rats, blight, excessive or insufficient rain, storms or floods; straw or grass may be burnt; cattle may be carried off by epidemics or by other causes of death too numerous to mention. A single one of these misfortunes may make it impossible for a farmer of small means to carry on his business and may bring him to ruin.



It is therefore the bounden duty of a prudent farmer to guard himself by such means as he can against the risks with which he is faced. Of these none is more urgent or more disastrous in its incidence, than the loss of his cattle from whatever cause. Without plough-cattle he cannot till his land or move his produce and his whole occupation is brought to a standstill. If by any effort it were possible for him to assure that on the death of any of his cattle funds would be forthcoming to purchase another in its place, it would surely be his duty to make that effort.

In western countries a method has been devised whereby some of these risks can be guarded against. Co-operative societies have been started to insure them against hail, frost, and storms, and others to insure them against fire. The moderate success which these have gained, however, is quite overshadowed by the remarkable results of co-operative cattle insurance. In the small country of Belgium alone there were in 1909 no less than 1,142 societies comprising 1,01,709 members and insuring 2,94,583 cattle of an average value of Rs. 200 each. In France in 1910 there were 8,428 cattle insurance societies and in Germany 8,400.

Insurance is the method by which a number of owners combine to pay in advance to a society yearly sums (called premiums) sufficient at least to equal the yearly average amount of loss sustained in respect of the things assured. From the sum thus collected the society is bound to pay indemnities for any losses incurred by the members during the year. The premiums are calculated at a fixed proportion of the value of the things insured and vary according as the risk of loss is large or small. For instance, a straw hut is far more likely to be burnt down than a stone house and therefore the premium payable for it would be proportionately higher. Now it is obvious that if any five or ten persons join in paying premiums, one or two losses above the average may

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exhaust all the funds and bring their society to bankruptcy. But when a large number of members join, the total losses are more likely to be near the average and the position of the society is safer. For this reason no cattle society should be started unless at least 100 cattle are insured in it. But the principle of large numbers must not be extended too far, because on the other hand it is absolutely essential to keep the organisation cheap and simple and subject to easy control. The insured animals should be always under the society's eye to avoid any trickery and, therefore, the area should be small. All the cattle should be admitted only after careful examination by the expert Supervisor and should be liable to be watched. The members must be able to see that the rules for keeping cattle are regularly complied with. To keep expenses low the Supervisor must work gratuitously and therefore cannot be expected to spare time for travelling about and supervising a very large number of cattle.

Practical example of insurance.—The working of a society can be best understood by a simple practical illustration. Let it be supposed that there are 100 cattle insured of an average value of Rs. 60, and 80 of an average value of Rs. 40. This means that the total value to be insured is Rs. 9,200. If the premiums on the cattle are calculated at 5 per cent. of this value, the total annual income of the society would be Rs. 460 which is a sufficient sum to pay compensation for 11 of the Rs. 60 animals or 17 of the Rs. 40 animals, provided that only $\frac{2}{3}$ of the estimated value is actually paid as compensation. Of both classes of cattle together, compensation could be paid for 14 heads. Now if losses due to the causes mentioned in the by-laws are excluded, the death-rate ought very rarely to exceed 5 per cent. (in Europe the mortality is as low as 3 per cent.) and therefore not more than 9 cattle should ordinarily die. The unexpended balance of the premiums would remain with the society and go



to the reserve fund as security against bad years and epidemics.

How to fix the premium rate.—It is obvious that the amount of premium charged will depend on the probable mortality among the cattle insured. It is therefore very necessary to estimate the death-rate as correctly as possible. In India there are no accurate and complete statistics available upon this subject and even if there were, the death rate varies so much from district to district that they would have to be accepted with great caution. Each society must try to fix its own premium rate. In fixing the rate, the following points among others must always be taken into consideration:—

- (1) What risks are the cattle to be insured against? As far as possible, in order to prevent disappointment to insurers, all risks should be accepted, even epidemics, otherwise there is room for trickery, discontent and disputes about the real cause of death. A few special exceptions may, however, be made but the number of exceptions should be kept down as much as possible.
- (2) What diseases are specially common? Besides ordinary non-infectious diseases, the chief epidemics that cause death among cattle in India are—
 - (a) Rinderpest—This disease kills about half the cattle which it attacks in the plains and nearly all in the hills. Therefore in hilly tracts either cattle insurance societies should not be started, or they should exclude death by this disease from the risks insured against. Where it is common, young cattle die of it more usually than old ones, and it might be well to raise the minimum age for insurance and to insist on preventive inoculation as soon as the disease appears in the village.

- (b) *Hæmorrhagic septicæmia*—This disease usually attacks buffaloes, and it would be prudent to exclude them altogether from societies in places where the disease is common. The best way to stop it spreading is to clean the byres of the cattle thoroughly everyday and to provide them with clean water to drink.
- (c) *Black-quarter* attacks chiefly young animals up to four years of age. Adult animals are not so susceptible except in a few notorious places and may be protected by vaccination.

Foot and mouth disease, parasites, errors of diet, accidental poisoning, famines, etc., are fair risks and societies must be prepared to cover them.

The amount of indemnity to be paid—In the case of human beings the full value insured is paid because it can always be assumed that they avoid death as far as they possibly can. The same is not true of cattle. Owners might often be tempted fraudulently to cause the death of their stock. Therefore the by-laws should lay down only $\frac{2}{3}$ of the estimated value as the amount of indemnity.

Liability of members.—It may happen that the indemnities falling due exceed the capital that has been accumulated by means of premia, and this is not unlikely to happen in the early years of a society before adequate capital and reserve fund have been obtained. In such a case three courses are open. The members might introduce a by-law providing that every claimant should receive a proportionately reduced premium at the end of the quarter or that the members should be bound to make good the deficit by a contribution all round, or they might induce some charitable body or famine relief fund to guarantee to make up the sum by a contribution.

Administration.—The success of the society will depend



chiefly on the ability of the supervisors mentioned in the by-laws. It is their business to inspect the animals and satisfy themselves that they are kept in sanitary condition and free from disease, and otherwise eligible for insurance. They should revise their valuations half-yearly. They should attest the report of the death of any insured animal. (They should not judge their own cattle or those of their relations)

The Burma Cattle Insurance Societies.—With regard to cattle insurance only two schemes have hitherto been tried, one in Coorg and another in Burma. Under the Coorg scheme the owner pays two-thirds of the value of the animal insured to the society within 4 years by instalments of decreasing amounts. Should the animal die before the payments are complete, the whole amount insured is paid to the owner. If it survives the period, the full amount of the premia paid, but without interest, becomes payable on death or invalidity. Under the Burma system only plough cattle and buffaloes between the ages of 4 and 12 are accepted for insurance. The amount of the indemnity is two-thirds of the value of the animal as estimated by the local committee and this estimate is revised half-yearly. A premium is charged at the rate of 5 per cent. on the value of the animal. As the premia charged under the Coorg system are probably too high to be acceptable to agriculturists except in districts where cattle are very cheap, the Burma system on this account will probably be found preferable. But if it is introduced in other parts of India, local modifications of the scheme will, no doubt, be necessary, specially because Burma has a great advantage over other Indian provinces in that cow's milk is seldom used by the Burmese people for human consumption. Consequently the calves get all the milk and the cattle are more healthy and stronger than in other provinces. There is also plenty of grazing except in certain seasons of the year. The village and tenure systems of Burma moreover enable the



villagers to prevent individuals from adopting practices pernicious to the general welfare of all the cattle in the village. The cattle insurance societies have given further stimulus to this system and sanitary measures for the protection of the cattle are adopted in every village as soon as any disease or epidemic is threatened.

In Burma the area of a cattle insurance society is ordinarily limited to one village. Membership is practically confined to the members of a credit society. (The Registrar of Burma does not consider this rule to be essential, but it has been adopted in order to minimize the chances of dishonesty on the part of the cattle insurance society in its dealings with the re-insurance society. Any such dishonesty can now be punished by the closing of the credit society, which is bound to prove a severe misfortune to all its members). Members are encouraged to insure all their eligible cattle, but at present they are not compelled to do so.

On the death of an insured animal, an indemnity of two-thirds of the value assessed, less the price of the hide and carcase, is paid out. The valuation work seemed to be easier in Burma than it is likely to be, say, in the United Provinces. The cattle are more or less of the same value, if of the same age. In other words the standard of care bestowed on the animal from the time of its birth is uniformly high and there are not many different breeds to be taken into account. It may also be noted that the meat of a dead animal is eaten by many of the local people. The price of the carcase is thus a substantial sum and the indemnity payable is appreciably reduced thereby.

A re-insurance society has been organised for the whole of Burma of which the Registrar is at present the honorary and ex-officio manager. Half the premia collected by the insurance society is deposited in the local credit society. The other half is sent to the re-insurance society along with a



list and particulars of cattle insured and their valuation every half year. If any animal dies, half the indemnity that has to be paid comes from the re-insurance society, the remaining half has to be made good from the funds of the primary insurance society. The latter has two separate funds, viz. : (1) the general fund consisting of all premia realised during the year, and (2) the reserve fund consisting of fines, entrance fees, donations, profits of previous years, etc. In the event of the fund received as premia during the year proving insufficient to meet the claim of half the indemnity payable by the primary society, half of the reserve fund may be drawn upon in any one year with the Registrar's sanction to meet the deficiency. If the funds are still insufficient, the indemnities for all animals that have died during the year will be proportionately reduced. There are now about 400 Cattle Insurance Societies in Burma with about 6,000 members. The Re-insurance Society was started about 1915 and, within three years, its accumulated funds amounted to about 9 per cent. of the whole risk re-insured by it. It has appointed a passed student of the Bengal Veterinary College as its Veterinary Officer who has received a course of training in the flaying and preparation of hides, and the knowledge thus gained he has endeavoured to disseminate among the societies visited by him. It banks with the Upper Burma Central Bank which is the Provincial Co-operative Bank for Burma. In the other provinces of India there has not been any such remarkable development of the cattle insurance movement as in Burma, though in the Punjab there are 37 Cattle Insurance Societies of which 30 are in Rohtak district where there is also a re-insurance society.

Fishermen's Co-operative Societies.—Next to rice, fish forms a staple food of the Bengalees. The supply of fish, however, has not been able to keep pace with the

demand and the result is that the price of fish has increased cent per cent within the short period of a decade. Attempts, therefore, are being made to form Fishermen's Co-operative Societies to improve the condition of fishermen and to increase the supply of fish. It has been pointed out* that if the swamps, hollows and pits by the side of railways are taken over by fishermen's co-operative societies and re-excavated into tank-fisheries the triple problem of fish-supply, water-supply and prevention of malaria would be solved. Such fisheries, it is pointed out, would

- (1) supply an indigenous, nitrogenous and wholesome animal food which is necessary for the health and strength of the people ;
- (2) supply incidentally the want of pure drinking water ; and
- (3) destroy malarial mosquitoes.

By-laws of fishermen's co-operative societies confine membership of the society to bonafide fishermen and declare the object of the fishermen's co-operative society to be—

- (1) to raise funds by way of loans, deposit or otherwise by making use of the combined credit of the members ;
- (2) to grant cash advances to the members for necessary purposes at a moderate rate of interest ;
- (3) to purchase improved fishing appliances to be sold or to be hired out to its members ;
- (4) to arrange for the disposal of the catches of the members when necessary ;
- (5) to accept deposits from members in order to stimulate the habit of saving ;
- (6) to arrange for direct leases of fishery where possible ; and generally,

* See article on "*Improvement of fish supply in Bengal by Co-operation*" by Prof. S. C. Ray in the *Bengal Co operative Journal*, September, 1915.



- (7) to do all such things as are conducive or incidental to the attainment of the said objects.

It has been pointed out that in order to improve the condition of fishermen and to cheapen the price of fish it will be necessary to organize societies not merely with the object of giving loans to the members, but also with the object of taking direct leases of fishery rights, and of making better arrangements for the disposal of the catches. As regards taking direct leases of fisheries, however, it would be advisable to start with those fisheries the rights of which belong to Government. If found successful, it could then be extended to fishery leases which are owned by Zemindars. Only recently the Guzirpur Haldar Society has taken the lease of a portion of the Bhagirathi Fishery and it has commenced exceedingly well.

As a result of the joint efforts of the Departments of Co-operation and Fisheries forty-seven co-operative societies have been started amongst fishermen in Bengal—all, except four or five of them, are however merely credit societies. Madras has also made a very satisfactory beginning as regards the institution of such societies. Thus we read in the annual report of the Madras Fisheries Department for the year 1914-15 :—"After four years of constant talk and persuasion I have succeeded in starting a co-operative society among the fishermen of Tanur. The society was registered about the end of March and arrangements are being made to commence business. Fifty of the leading fishermen who own boats and nets have already joined the society and paid the first call on their shares. This is a co-operative *nidhi* and each shareholder has to pay a sum of Rs 50 within 25 months by instalments of Rs 2 per month, and thus the members have to create a capital by their own contributions. As the maximum number of shares is 200, this society will have a capital of Rs. 10,000 in two years' time provided the fishing



season is good, and with this large amount it will be easy enough to put a stop to the sowcar's greedy transactions in the place. Most of these people will require only short term loans, and it is not unlikely that they will have money in hand to lend to other societies or banks. Fishermen at Quilandi, Tellichery and some other places are being persuaded to organize similar societies, and as soon as the successful working of the Tanur society comes to their knowledge it may be presumed that they will also come forward to form societies in their respective villages."

There are 18 Fishermen's Societies in Bihar and Orissa with a membership of 240 and a working capital of Rs. 13,111. The members of the societies within the jurisdiction of the Khurda Central Bank have been able to provide themselves with boats and nets of their own with which they make large catches. They sell their fish to Calcutta merchants who flock there with ice-boxes and pay good prices. They take away nearly all the big and good fish and little is left for local consumption.

General organizations for the development of co-operation in agriculture :—Agricultural co-operation must be treated as a whole movement of which agriculture credit and agricultural co-operative societies for purchase and sale, insurance, etc., are all inter-laced members. To promote agricultural co-operation in all its varied aspects and to co-ordinate their activities, associations have been started in different countries under different names. The best known among these associations are the Agricultural Syndicates of France. These Agricultural Syndicates are a peculiarly French institution and were brought into existence by the law of 21st March, 1884, since when they have been established in great numbers. The following extracts* from

*From Mr. Otto Rothfeld's "Impressions of the Co-operative Movement in France and Italy."



the bye-laws of an Agricultural Syndicate may be of interest :—

Art. 4. The following may belong to the syndicate. All persons within the district who are either owners of agricultural property, farmers, agricultural servants or laborers, wine growers, gardeners or manufacturers or merchants, buying and selling agricultural products and in general all persons exercising a trade connected with agriculture.

Art. 8. The general object of the syndicate is the study and defence of all agricultural economic and social interests and its special aims are—

- (1) to examine and put forward all legislative or other reforms and all economic measures, to support them before the authorities and to claim their realization especially in all that concerns charges which are burdens on real property, tariffs of railways, commercial documents, customs duties, octrois and rents of stands in fairs and markets ;
- (2) to stimulate and favour experiments in cultivation, manure, improved machines and tools and all other means suitable for saving labour, reducing expense and increasing production ;
- (3) to encourage, create and administer economic institutions such as credit societies, societies for production and sale, insurance societies and offices for information in regard to the supply of, and demand for agricultural products, manure, cattle, seed, machines and labour ;
- (4) to serve as an intermediary and to organise depôts for the sale of agricultural products and for the purchase of manure, seed, implements, cattle and all primary or manufactured articles useful for agriculture, in such a manner as to benefit its

members by the discounts they obtain. The syndicate is not responsible to the sellers for the payment of articles, for it has served only as an intermediary ;

(5) to supervise the deliveries made to the members of the syndicates or obtained for them in order to secure their purity and to suppress fraud ;

(6) to give advice and consultations in all matters which concern agriculture and to supply expert arbitrators for the settlement of all economic disputes.

Art. 9. The syndicate is administered gratis by an officer nominated by the Governing body.

Art. 20. The property of the syndicate is composed of the following—

- (1) entrance fees of members,
- (2) annual subscriptions of members,
- (3) donations and legacies,
- (4) subscriptions which may be given.

Art. 22. Each member must pay an entrance fee of 2 francs. All demands for State subventions have to be addressed to the Prefect.

These Agricultural Syndicates have so far worked extremely well and have achieved their purpose. Among other things they do a good deal of excellent work by arranging excursions to industrial centres and by organizing agricultural instruction. Mr. Rothfeld thinks that "an institution like the Agricultural Syndicate would be extremely useful in India in order to group together and unify the various agricultural co-operative activities of a village. In India there is too much of a tendency for the various societies—manure, seed, cotton sale, and so on—to be regarded as entirely separate, and all of them as being of less importance than the credit society. In the long run it can hardly be healthy that the



obtaining of credit should hold the first place and of two extremes it probably shows the sounder organization if improvement of agricultural methods takes the first place."

Associations on the above model—known as "District Agricultural and Co-operative Associations" in Burma and as "Co-operative Agricultural Associations" in Bengal—are being started in some provinces of India. The general object of the Co-operative Agricultural Association of the Bengal model is to promote agricultural interests by the application of co-operative methods and to introduce and popularise agricultural improvements amongst members by such methods; and in furtherance of the above object, the Association is at liberty :—

- (a) to acquire or take on lease land for joint cultivation by members or for leasing out amongst members for cultivation on such terms and conditions as may be agreed on between them and the society ;
- (b) to grow such seeds as may be recommended by the Agricultural Department on land belonging to the society, or by special arrangements with members to have such seeds grown on land belonging to them and reserved by them for the purpose of producing such seed for distribution among the members ;
- (c) to sell the agricultural products belonging to the Association, and to undertake the sale in common of the agricultural products of the members ;
- (d) to undertake—
 - (i) the supply of fodder, manure, seed, implements and all primary and manufactured articles useful for agriculture, and.

- (ii) the maintenance of selected agricultural implements which shall be available for use by members of the Association ;
- (e) to grant loans to individual members provided that such loans are required for the purpose of developing or cultivating the land allotted to them by the Association or for meeting the expenses of any cultivation undertaken by them at the instance or under the direction of the Association ;
- (f) and generally to do all such other things as are incidental or conducive to the attainment of the objects of the Association.

Membership of the Association is open to all persons above the age of 18 years and holding immovable property in the area defined or otherwise interested in agriculture, who have subscribed to the application for registration or who may hereafter be elected according to the rules. Every member has to pay an entrance fee of Re. 1/- and take at least one share in the Association.

To carry on the work of the Association the society may borrow money, receive deposits at interest from members and non-members up to a limit fixed at the general meeting provided that the maximum amount of liability is not to exceed five times the amount of paid up share capital plus the reserve fund separately invested. The Society is competent to receive donations and subscriptions from persons interested in the objects of the Association.

The Committee of Management from time to time draws up rules with the approval of the Registrar of Co-operative Societies, Bengal, and the Director of Agriculture, Bengal, relating to the cultivation of lands belonging to the Society, and the manner in which the seeds grown by the Society or the members at the instance of the Society should be stored and



distributed. The dealings with non-members in the matter of supply of seeds, fodder, manure, implements, etc., purchase of agricultural products for sale along with members' products, the use by them of agricultural implements maintained by the Association are subject to such rules as the Registrar of Co-operative Societies, Bengal, may from time to time lay down.



CHAPTER XI.

CONSUMERS' CO-OPERATIVE STORES.

In country bazars the rates charged by the shop-keepers are often found to be far in excess of any justified by market conditions. Instead of remaining content with a fair commission on their outlay, they frequently form rings in order to control the market, and fix the selling prices of their goods at a figure that secures them quite an exorbitant profit. The purchaser is helpless against them because there is usually no other bazar in the neighbourhood, and because he is often in debt to them and, therefore, not at liberty to deal with other merchants even when opportunity offers. The shopkeepers abuse their power not only by exacting high prices, but by adulterating their goods or by giving false weight or by selling old and rotten stock. These are the evils which a co-operative store society is designed to remove.

Such a society sets out to sell to members and customers articles of consumption bought by the society or manufactured by it. According to Professor Gide "every consumers' society has for its object *production*, but, as a matter of fact, it only achieves this at an advanced point in its evolution. In its beginnings a consumers' co-operative society is satisfied with buying the requirements necessary for its members; it is a shop-keeper long before it is a manufacturer." It is as a shop, or to give it its familiar name "a co-operative store," that the consumers' co-operative movement first manifested itself in the middle of the last century. The consumers' primary object in combining themselves into such a store is to avoid the long series of middlemen by obtaining direct from the producers what they want, in the amount and



quality in which they want it, or by themselves directly manufacturing their own requirements. To this end the members of a store co-operate. But it does not follow that a passive union of consumers is of itself sufficient to guarantee that certain economies should fall, as it were, heaven-sent into their lap. By uniting they secure for themselves the possibility of obtaining these economies ; but to realize them in fact they must *do* certain things. The required activity is three-fold—(1) the members of the consuming body must make known their wants to the store, (2) they must satisfy their wants from the store, and (3) they must control those who attend their wants in the store. The immediate advantages of a co-operative store are that (1) it protects health by preventing adulteration ; (2) it lowers prices all round by its influence and example ; (3) it provides its members with an easy method of saving by the bonus system ; and (4) by its management it secures an education in business management for the working and the middle classes.

Stores of this kind exist in almost all countries of Europe ; their constitution is in its essentials the same everywhere ; their evolution has always had the same significance. But one country holds an unchallenged position as the place of their origin and of greatest development and that country is Great Britain ; and one Society—the Rochdale Pioneers' Society—has been the pattern and example on which the co-operative stores systems are modelled in every country in Europe and elsewhere. Let us begin therefore, with an examination of the Rochdale Pioneers system. While Raiffeisen and Schulze-Delitzsch were laying the foundations of the structure of credit co-operation in Germany, Robert Owen and his followers were sowing the seeds of distributive co-operation in Great Britain. It was on October 24th, 1844, that the 28 flannel weavers of Rochdale—the “Fathers of Co-operation” as they have been called—formed the Society of the Equitable Pioneers of

Rochdale. The objects of the Pioneers are thus set forth in their famous manifesto—

“The objects and plans of this society are to form arrangements for the pecuniary benefit and the improvement of the social and domestic condition of its members by raising a sufficient amount of capital, in shares of one pound each, to bring into operation the following plans and arrangements :—

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

“To commence the manufacture of such articles as the Society may determine upon, for the employment of such members as may be without employment or who may be suffering in consequence of repeated reductions in their wages.

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

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

“That for the promotion of sobriety, a Temperance Hotel be opened in one of the Society's houses as soon as convenient.”

The Pioneers started with a capital of £1 each and theirs was a small store open only on Thursday and Saturday evenings, offering for sale small quantities of the necessities of life. It can hardly be made a matter for reproach that the practice of the Pioneers fell short of their declared intentions. Starting from retail distribution they carried out that part of

their original scheme which was found to develop most naturally out of the store's main objective. They made bread themselves in their own bakery : they built houses for their members and recreation rooms for the society. But they refrained from what was alien to their development, viz.—out of work employment and land colonisation. Almost from the very beginning the Pioneers insisted on (1) sale at market price with cash payments to members as well as outsiders ; (2) distribution of profits among members in proportion to the amount of their purchases ; and (3) strict neutrality in religion and politics. These three essentials of the Rochdale system became universal in all the stores that were organized in every district of Great Britain, and we should now discuss these principles and their corollaries and their bearings on the course of the future of the consumers' co-operative movement.

(1) *Sale at market price.*—The first thing that a prospective member of a co-operative store asks, is—"will the store sell cheaper than the ordinary retail shopkeeper?" If the store began by underselling the market, it will not only exasperate the traders of the neighbourhood by a price-cutting competition and prevent sales to non-members, but it will also, as Prof. Gide points out, prevent the society from attaining any of the larger items of the co-operative programme (*e.g.* individual or collective saving, insurance, production, education or propaganda work or the building up of capital) which can only be carried out out of the differential surplus between cost of purchase and sale at market price. Indeed experience shows that a co-operative store can very seldom really sell at the beginning at cheaper rates than those offered by the retail trade. The retail shopkeeper is after all an expert and his cost of management is much lower and so he can often undersell the store by fair means while it will always be found that if the store tries to sell at the beginning at considerably below the market price, the retail trader will beat the

store by buying and selling the articles at a lower price even at a loss. The real point is to sell on business principles and by economic management and by giving customers what they want to secure a large surplus which can be divided as a *bonus* at the end of the year.

(2) *Sale for cash only* :—All transactions between a co-operative store and its members should be for cash, and, indeed, if a co-operative store can do without credit from its wholesale suppliers, it will be well for it to do so. Why should there be no credit transaction ? Because credit is just as much a commodity as, say, cloth or oil, and one cannot get credit without paying for it. Hence it must be added to the price. Simple people may say—"Such and such a shop gives us long credit and does not charge anything extra for doing so." It is an impossibility. No one can give us long credit without making us pay for it. If a store gives credit to its members a certain amount of that store's money is locked up and that means so much interest lost. The store does not get that capital free. It must pay interest upon it. Again, the giving of credit, locking up capital as it does, decreases the available capital for turnover and thus restricts the business of the store. Then, too, credit necessitates the keeping of accounts which otherwise there is no necessity to keep. It thus increases the cost of management. Credit also, even in the best of times and places and with the best of people, involves some bad debts—it may involve even litigation and the less litigation we have the better. Furthermore credit given to its members often makes it necessary for the store to make its own purchases on credit and no matter what simple people believe about philanthropic wholesale dealers, a store that pays cash will always get better terms than a store that promises to pay within a month. Besides this, the store that pays cash like the man who pays cash is independent and can go where it likes and is not tied to any particular



house. The worst evil is when a co-operative store uses the sale on credit as a means of enticing away the members of a store which sells only for cash. Finally, as a co-operative store in the beginning has not generally a very large capital and as it should avoid borrowing from outsiders, if possible, its only hope is to turn its capital over rapidly, and this it cannot do if it gives credit.

(3) *Sales to members as well as non-members* :—It has long been debated whether, according to strict co-operative principles, the co-operative store should confine its sales to members only or extend them to the outside public as well. In Germany the law prohibits sales to outsiders; but in Great Britain, Russia, Spain, Belgium, Holland, Italy and France, the store sells to members as well as to the outside public. The Rochdale Pioneers followed the ingenious method of giving the non-members who dealt with their society a bonus or dividend at half the rate of that returned to members, placing the surplus in the reserve fund. Professor Gide prefers the system of sale to the public for the following reasons—"First, because it is believed that selling to the non-member is the most efficacious means of propaganda on behalf of co-operation; secondly, because, according as it increases the takings of the society so it enables the society to reduce its working expenses, to increase the rapidity of its turn-over and finally to enlarge its sphere of operation." The Rochdale rule of sale to outsiders with limited participation in dividend is now almost universally followed.

(4) *Distribution of profits among all the members in proportion to the amount of their individual purchases* :—The sales by the co-operative stores being usually fixed at the competitive market prices, the excess over wholesale rates serves to cover the expenses of management, allows for depreciation of plant, provides a reserve fund and finally supplies the "dividend" which has everywhere proved to be

a great attraction to members. The customer, on making any purchase, however small, gets a paper or metal voucher, stating its amount. At the end of each half-year the ascertained surplus is, after payment of all expenses and charges, returned to the members in exact proportion to their purchases. "It is this returning to the purchasers of the margin between the cost of production and the price paid that distinguishes the co-operative society from capitalist joint-stock trading. In the British Co-operative Movement the characteristic, and even to this day the most generally adopted, method for this distribution of the surplus, misnamed 'profit', is by a dividend upon the amount of each member's purchases during the period of the account. In adopting this 'dividend on purchases', as contrasted with dividend on share capital the 28 flannel weavers of Rochdale hit upon a device of extraordinary potency, affecting alike the constitution and the economic and social results of the vast organization that they were unwittingly founding." (*Sidney and Beatrice Webb*).

We should add to these main principles another rule of conduct which is of vital importance to the success of co-operative stores *viz.* that the members of a store should be unflinchingly loyal to the stores *i. e.* should make it a point to purchase all or most of their requirements from the store. Regarding this vital principle on which the very life of a co-operative store depends we cannot do better than quote Mr. J. T. Donovan's plain but straight words—"There are persons who start with the intention of supporting the stores and are seduced by the wily trader from their loyalty to their own institution. These persons are committing a crime against co-operation. It were better that they never had anything to do with it. They are abetting either adulteration or an attempt to cut the throat of their own society in 99 cases out of a hundred. If, therefore, you



are not going to be loyal to your store, to give it a fair chance by your loyalty to be a success, I appeal to you not to join the store. Stay away." Every member of a co-operative store must co-operate whole-heartedly and not in a half-hearted and doubtful manner. The success of the big co-operative stores in the West is built on the willing loyalty of their members ; and the members of our co-operative stores should first promise to give their full support to the stores before they are admitted to membership.

Such are the main principles of the consumers' stores movement laid down by the Rochdale Pioneers and followed with more or less little variation by consumers' stores all over the world embracing a membership of about 30 million souls. In the United Kingdom alone there were, in 1920, 1379 such co-operative stores with a membership of more than four and a half millions and they carried on an annual trade worth more than 254 million pounds. Russia has the enormous number of 25,000 stores with twelve million members ; Italy and France come next with about 4000 stores each, Denmark and Hungary following her each with about 2000 of them ; while Germany accounts for 1291 stores with a membership of 2,714,109 and a total annual trade of about 140 million pounds.

The stores are in a particularly privileged position as regards wholesale production of commodities. The ordinary shop does not know the exact amount and nature of the demand for commodities ; but the store knows them exactly, for the members are morally bound to make their purchases from the store. When the demand for a certain commodity is sufficiently high, the store finds it more economical and profitable to undertake its production. Many Co-operative Stores have productive departments for making bread and confectionery, for manufacturing boots and shoes and for corn-milling and tailoring.

Just as it is economically advantageous for individuals to combine into Co-operative Stores, so it is for individual stores to federate into Co-operative Wholesale Societies; and just as the success and strength of stores depend on the individual member's loyalty to them, so also the success and strength of Co-operative Wholesale Societies depend on the individual store's loyalty to the Wholesale in the matter of custom. Almost from the outset British co-operators had in view the necessity of a wholesale society which would strengthen the position of the stores as buyers. Between 1863 and 1868 the English and Scotch Wholesale Societies were formed—they are the crowning points of the British store movement on its commercial side. These Wholesales are in the first place wholesale merchants with their central houses at Manchester and Glasgow and depots in the provinces. They have also purchasing depots with resident buyers in different parts of the world. They are, secondly, wholesale producers—industrial and agricultural.

The C. W. S. Productive Works include—Biscuit, Preserve and Soap Works, Flour Mills, Tobacco Factory, Lard Refinery, Margarine Works, Printing Works, Rope and Twine Works, Colliery, Flannel and Blanket Mills, Hosiery Factory, Corset Factories, Shirt Factories, Woollen Mills, Weaving Sheds, Boot & Shoe Works, Cabinet Factories, Brush Works, Iron Works, Bucket & Tinsplate Works, Paint and Varnish works. In the year ended June 26th 1920, these various C. W. S. productive works supplied commodities worth more than 30 million pounds. The number of members belonging to the English C. W. S. share-holding societies was, in 1920, 3,341,411 holding shares valued at £4,270,408; and the net sales were valued at more than 105 million pounds. In the Report published by the Co-operative Survey Committee in 1919 it is observed that "the Wholesale Societies stand as giants in the mart of commerce not only in Great Britain but also



in the colonies and foreign countries beyond the seas." "It has raised up a magnificent fabric," says Mr. Wolff in his *"Rural Reconstruction,"* "supplying almost literally every one of its numerous members' very varied wants, among such insurance, which insures people's lives at a nominal cost of only 5 per cent. of the premium income—as compared with 25 or 50 per cent. in joint stock companies—maintaining its own great banking department, farming some 50,000 acres in this country and more in Canada, having its own plantations in India, Ceylon, and elsewhere, its own colonial possessions for the supply of raw material for its large soap works and the like, keeping its own flotilla of ships to carry its goods across the seas, its gigantic cornmills in which it grinds its corn, and its immense depots in which are stored, ready for distribution, vast quantities of goods of every description, agricultural requisites of every sort included. From their great centres the two large societies mentioned cater for their co-operative clientele of somewhere about four millions of people, saving them millions of money in the year, greatly assisting them in the education of their children, emancipating them from previous bondage, and raising them in every respect".

The chief features of the administration and control of the Wholesale Societies are the management committee and the quarterly meeting. The management committee is a representative body elected only by the member-societies. The quarterly meeting is a meeting of delegates from the Retail Societies, held to criticise and receive or reject the report of the committee on the business of the society during the quarter just ended. The C. W. S. in Manchester is managed by 32 full time directors who get £900 per annum each as remuneration. As for the quarterly meeting the arrangement is to hold meetings on the same day in the different sectional areas, and to hold the general meeting on the following week. This



brings the individual members in closer touch with their representatives and through them with the wholesales. The employees of the wholesales now number many thousands. The management committee meets weekly. The bulk of the trade is done in goods bought by the society's buyers at home and abroad and distributed to the Retail Societies from its warehouses, or in the case of very large consignments of certain goods, sent direct to the Retail Society from the manufacturer or from the port of landing. Large stocks are always kept in Manchester, Newcastle, and London warehouses. The principle of purchasing in every instance is to go direct to the source of production whether at home or abroad so that the commissions of middlemen and agents may be saved. For those articles sold by auction by brokers, the society's buyer has to bid with the rest. The home buyers usually get samples from the manufacturers, but they have also to visit special markets. The millinery buyer visits London and Paris at certain seasons. The buyer for dried fruits goes to Greece in autumn and secures the pick of the crop by calling on the largest grower and paying cash on delivery. In New York, Montreal, Sydney, Spain, Copenhagen, Hamburg, and Gottenburg, the wholesale has purchasing depots with resident buyers.

Great Britain has taken the lead, but almost all the European Countries have followed her example and have built up a co-operative edifice of almost equal grandeur and stability. The Danish, Dutch, French, German, Polish Co-operative Wholesale Societies, the "Hangya" Co-operative Wholesale Society of Austria, the "Centrosoyus" or the All-Russian Central Union of Consumers' Societies—all these are mammoth co-operative organisations of the consumers of the various countries ministering to the diverse needs of millions of men. A detailed study of these various wholesale organizations will be found in a separate chapter.



But this is the proper place for dealing with an important question which has arisen because of the enormous productive activities of Consumers' Co-operative Wholesale Societies *viz.* the conflict between Consumers' Co-operation and Producers' Co-operation. This conflict has arisen because what is essentially a *consumers'* movement has placed the *consumers'* interest "so over-towering above every other consideration, that it now even openly and advisedly makes it its aim to do away with individual farming and asks that agricultural as well as industrial production shall be placed as a subordinate service under the mastership of distribution, in the way in which husbandry is already carried on, on the farms already owned by co-operative societies and cultivated for their exclusive benefit, for the distinct purpose of supplying independently the produce which is to be sold at the stores" (*Wolff: Rural Reconstruction, pp. 112-113*). This is really too ambitious and rather dangerously inclusive.

The Associations of Producers maintain that they have the requisite technical skill for production; that if the consumers associate themselves for production, the laws of the division of labour and of the specialisation of function will be infringed and economic progress will thereby be retarded; and that the progressive increase in productive undertakings by associated consumers will only perpetuate the present wages system and retard the emancipation of the working classes. To these objections advocates for production by associated consumers reply thus—The associated consumers will have their work done by persons with the necessary skill and technical knowledge and there will thus be no infringement of the laws of division of labour. Although production by associated consumers does not do away with the present wages system, it certainly mitigates its evils: working for a society of which one is, or may be, oneself a member is very like working for oneself; moreover, as a



worker member he gets, as consumer, his share of the "profits" which he helps to turn out in his capacity as a producer. Then, again, if the consumers gradually enlarge their productive activities till they absorb all industries, there will be a far nearer approach to the realisation of the ideal of the collectivist state than if the producers, by their sporadic and local efforts, control only some industries and perpetuate the competitive system with all its struggles for profits and privileges. These are sound enough arguments as far as they go, but they do not justify the total absorption of productive co-operative societies by the associated consumers' organisations. Such an absorption will entail a barren uniformity which will, in the long run, retard rather than help forward the economic progress of nations. The best solution of the conflict will be the simultaneous, parallel and independent development of productive co-operative societies and associated consumers' organizations. Co-operators should follow Prof. Gide's sound advice—"Let producers' and consumers' co-operation develop freely, each in its sphere, even if the two spheres seem to overlap; by inter-penetration they will end by forming a single whole."

Consumers' stores in India.—Let us now turn to India and examine the present position and the future possibilities of the consumers' store movement in India. In this vast continent inhabited by 315 millions of people there were, in 1920, only 475 co-operative stores with limited liability and 121 with unlimited liability, whereas, in the same year there were as many as 37,000 credit co-operative societies, agricultural and non-agricultural with limited or unlimited liability. Ever since the inception of the movement in India officials and non-officials have directed almost their whole attention to the solution of the great problem of agricultural indebtedness in India and that is one of the reasons of the comparative neglect of non-agri-



cultural non-credit forms of co-operation. And the few consumers' co-operative stores that have been started in different parts of India within recent years are mainly to be found either in the large towns amongst employees in mercantile or Government offices or amongst the educated middle class population or in large centres of student population. Rural India has not yet sufficiently appreciated the value of association for purposes of consumption. The standard of life of our rural people is comparatively low and their wants are few : these few wants are mostly supplied by that most economical shopkeeper in the world *viz.* the *moodi* or the petty rural trader. Under present conditions it is well nigh impossible for any small local organization of rural consumers to compete with the village shopkeeper with his hereditary training, age-long business connections, with his habit of giving credit facilities to customers and with the advantages accruing from the free and unpaid labor of family members : the instinctive habit of our people of never paying cash where credit is available is an almost insuperable bar to the successful working of consumers' co-operative stores—specialy in villages. The ryot is as much indebted to the *Mahajan* as to the *Moodi* or the petty shopkeeper, and unless there is a radical change in the habits of the ryot brought about either by education or by a higher standard of life, it will be almost futile to attempt to organise stores among them. But the difficulties mentioned above can be largely overcome if the members of neighbouring credit societies (preferably working under a Union) combine to establish a store (as in Burma) or a trading union (as in Madras). Thus in October, 1919, the members of co-operative credit societies of the Kontha Union (in Burma) decided to establish a store with head-quarters at Nattalin. A share capital of Rs. 6,610 was raised from the members and a borrowed capital of Rs. 2,000

was obtained. A small building was taken at a rental of Rs. 10 per mensem and business started with such articles as salt, oils of all kinds, onions, chillies and other household requirements. Three months after the Kontha Union had started business, the idea spread in the neighbourhood and the members of the Pankton Union of co-operative credit societies also decided to establish a store. They raised Rs. 5,300 as share capital and took a loan of Rs. 2,000. The turnover for this store in six months amounted to Rs. 28,900. The members are enthusiastic and have built a shop costing just over Rs. 500 to carry on their business. An auditor paid by the societies has been appointed to check the accounts and teach methods of keeping accounts.* These are undoubtedly very promising examples which might suitably be adapted to the needs of other provinces. Another almost identical method of overcoming the intrinsic difficulties of keeping a regular co-operative retail shop in villages and of popularising the store idea amongst our rural folk is what has been called "indent co-operative trade" by primary credit societies. The method has already been described in the chapter on Co-operation and Agriculture.

Judging from the experience of the several provinces—and particularly of Bengal—during the past few years one cannot be very sanguine about the prospects of the consumers' store movement even amongst the urban workers or the educated middle class. Writing about the co-operative stores in Bengal, the Bengal Registrar observes in his Report for 1920-21—"I found that in most of them the management was hopelessly bad, co-operation was absent, members were disloyal, credit was too freely given, reckless attempts to undersell the market were being made and every defect that could exist in such societies was common." The

* Distributive Co-operation—by W. L. Barretto : Rangoon, 1920.



Behar and Orissa Registrar unfolds a similar tale in his Report for 1920-21: he says—"The goods are indifferent and even bad in quality, the prices of many articles are higher than those in the market, the books are not properly kept, there is no responsibility for the stock nor for anything in fact, and of course as honorary workers they are immune from harsh criticisms." The Punjab Registrar observes in his report for the year ending 31st July 1920—"In our big towns the co-operative spirit is very weak. Unselfish workers are hard to find. Self-help is less welcome than government aid and enterprise gives way before the extortions of the Railway subordinates. Some of the societies at least are doing well, others will be closed." A similar tale of woe is recorded in the report of the Registrar of Co-operative Societies in the Central Provinces and Berar. The Registrar observes—"the dark shadow of politics has fallen across the path of the co-operative store movement. An acute difference of political opinion arose amongst the members. Some of them wished to turn the store into a purely *swadeshi* concern, while others did not. Ten stores have failed to start operations and ten have worked at a loss. * * * Accounts have not been properly kept; stock has not been taken and committee meetings have not been held in accordance with the bye laws. * * * In general the bye-laws which restrict sales on credit have not been obeyed, and in some cases even the members of the managing committee have run up bills which are outstanding against them." The Bombay Registrar regretfully remarks—"few of the members of co-operative stores have a genuine understanding of the wastefulness of the present distributive system and are animated by an intelligent desire to substitute the direct control of the consumers for the complicated and expensive system of distribution by middlemen." The Madras Registrar is equally despondent in his tone: in one



of his recent reports he observes—"The history of distributive co-operation in the Presidency (Madras), with the single brilliant exception of the Triplicane store, has been such that its results far from encouraging tend actually to discourage and prevent the rapid spread of distributive and productive work * * * whatever may be the cause or causes of failure and howsoever one may estimate the ill success of such good societies as those of Coimbatore and Madura it must be admitted that the stores are the weak point of co-operation in this Presidency." As a tragic *finale* to this dismal story of failures we have to record with the deepest regret the cancellation of registration of the Bombay Co-operative Wholesale Society which began its career early in 1920 and is now in liquidation. The objects of this wholesale society were—(1) to buy wholesale and supply to co-operative societies and others articles in general use, of good quality (2) to arrange for the sale to the best advantage of agricultural and other products of members of co-operative societies, (3) to encourage the formation of co-operative stores and supply unions, (4) to serve as an information bureau for co-operative stores and supply unions and to communicate to them information regarding market prices of articles of daily use and other trade matters. The objects were as comprehensive as possible, the inauguration was made under the happiest auspices, but within two years of its start it has had to be under liquidation—to the utter dismay and disappointment of co-operators throughout India. In the face of such a conspicuous case of failure, one cannot be very enthusiastic about the inauguration of the "Hindusthan Central Co-operative Store" which, like its late Bombay prototype, has been started at Allahabad with the object of catering to the needs of the whole province. Its objects are (a) to obtain, produce and supply to its members articles in general use of good quality and save as far as possible



the middleman's profits for the members, (*b*) to carry on trade on wholesale and retail basis, (*c*) to arrange for the sale, at the best advantage, of the agricultural and other products of co-operative societies (*d*) to encourage manufacture by productive co-operative societies and (*e*) to serve as an information bureau for co-operative stores, supply unions and productive societies. The membership of this society is open to individuals as well as to co-operative societies. The promoters of this solitary wholesale co-operative venture in India should proceed very cautiously and justify the hopes that are entertained about its ultimate success by co-operators all over India.

The lesson to be drawn from the experience in several provinces of India is that the Indian soil is not yet sufficiently prepared for sowing the seeds of consumers' co-operation. It appears, too, that nothing short of the experience of failure will make the store movement a success—and the history of the store movement in the European countries is marked with early failures—and from this point of view the results are not regrettable. We have made an advance: we have learnt what not to do. The danger lies in the disheartening effect of this education. Many stores will fall out and co-operators will have very great difficulty in reviving the idea in the places where this happens. Some—and it may be hoped a not inconsiderable number—will benefit by their experience and set themselves to work on proper lines, and, if they do, there is no reason why the working and middle classes in India cannot effect what the working classes in England have effected in their co-operative stores and what groups of middle class men and bands of students have achieved in Triplicane and in Amritsar respectively.

It will not be out of place to try to summarise here the main causes which retard the progress of the stores movement in India: a competent critic thus summarises them—

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- (1) Want of business training on the part of the committee members and particularly the Secretary-Manager;
- (2) Over-cautiousness or too much speculation;
- (3) Difficulty of getting the right sort of men to be placed in charge of the stores;
- (4) Keeping the accounts in a way that render them difficult for a satisfactory audit;
- (5) Want of interest and loyalty in the general body of members, and particularly on the part of the members of Managing Committee.
- (6) Infrequency of balancing accounts and holding the general meeting. In the English stores accounts are audited quarterly and general meetings are also held quarterly, in some cases even monthly. This is possible because the system of account-keeping is such that the position of the Store can be examined at any time. The Birmingham Co-operative Society, which is one of the biggest societies in England, can tell at the end of each week the approximate profit that the society made during the week.
- (7) Payment of dividend on shares instead of payment of dividend on purchases. In Great Britain the societies pay an interest of only 5% out of the balance of profits on paid up share capital, and distribute them, after deduction of the Reserve Fund and some other funds, amongst the purchaser-members in proportion to their purchases. We should also note here that the Societies in England invariably allow heavy depreciation on fixed and rolling stocks every quarter. The stock-in-trade is always taken at cost price.



- (8) Defective method of stock-keeping which is responsible for heavy leakages and consequent loss.
- (9) The statutory requirement of assigning one-fourth of the profits to the Reserve Fund—thus preventing the store from distributing as much as it might in the proper way as dividend on purchases.

If we want to make our stores successful we should take steps to remedy the above-mentioned defects.

The system of paying a fixed interest on share capital and distributing profits according to purchases is a sound system to which the success and growth of the stores movement in Great Britain may be mainly attributed. Usually 2s. 6d. per pound purchases is paid out as dividend which comes to about 2 annas in the rupee. The system has many advantages. The selling of goods at the prevailing market price maintains a friendly relation with the neighbouring shop-keepers and the return of the surplus to the purchaser-members means that the members can purchase from the store practically at the cost price plus the actual cost of distribution. Moreover, the distribution of dividend according to purchases stimulates the trade of the store and automatically ensures loyalty on the part of the members. It is true that our bye-laws provide payment of rebate on purchases but this becomes more or less uncertain when there is also the provision to declare dividend on share capital up to $12\frac{1}{2}\%$ of the net profits. The fact that it is the consumers who mainly contribute to the success of the store by stimulating its trade should never be lost sight of. Capital is only entitled to a fair rate of interest. The stores bye-laws of our country require some alterations and modifications. Most of the other defects can be removed by providing a system of efficient training and education. Lack of education in the masses is a stumbling block in all our

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programmes of progress and unless we can tackle this problem successfully we will never be on the path of sure progress. This question should be taken up in right earnest and should be solved with a determined effort.

The story of the consumers' store movement in India is not, however, a story of wholesale failures and disappointments. There are notable successes and remarkable achievements here and there which it is now our pleasing duty to record. In Madras we have a model co-operative store in the Triplicane Urban Co-operative Store, Ltd., which was initiated even before the enactment of the Co-operative Credit Societies Act of 1904, and which was one of the first societies to be registered under that Act. Since September, 1905, the Triplicane Society has had a triple function. Its original and important duty is to maintain co-operative stores on the Rochdale plan, selling articles in common household demand, of sound quality, free from adulteration, for cash only, and dividing the profits among the members in proportion to their purchases. Its second function is to maintain a Co-operative Credit Bank, receiving deposits from, and making loans to, members at varying rates of interest. Its third function is to manage *chit* funds. We need not describe in detail the second and third functions, for we are more directly concerned with the first one, *viz.* its character as a co-operative store. On June 30, 1919 the Society had a membership of 3559; it had a share capital of over 54,000 rupees; its reserve fund amounted to more than 51,000 rupees; it had a common good fund amounting to more than 26,000 rupees; and it had an annual turn-over of more than nine lakhs of rupees.

The services which the T.U.C.S. renders, directly to its own members, and indirectly to the social advance of the people of South India, are thus described by Dr. Gilbert Slater—

- (1) It sets an example of better methods of trading.



Prices are fixed and there is no scope for chaffering and the consequent waste of time and effort that it involves.

(2) A child may be sent to make purchases and will receive full weight and the correct quality of goods just as an adult.

(3) Sales are for cash ; and the dividend on purchases is capable of becoming a means of rescuing poorer members from debt.

(4) It forms the most hopeful form of organization against adulteration in articles of common consumption.

(5) Valuable training in the management of business and public affairs is given.

(6) The development of Co-operative Stores in the cities reacts very favourably upon the growth of agricultural co-operation along many possible lines of development.

Some College Co-operative Stores have achieved remarkable success in various parts of India. Following the example of some of the leading Universities of the West, such as, the Oxford, Dublin, Harvard and Madison Universities, educational institutions in India have recently awakened to realise the value of Distributive Co-operation. The first such co-operative store in India is, we believe, the Allahabad Hindu Boarding House Co-operative Store Ltd. registered on the 25th of April, 1915. This store works on the Rochdale plan. It stocks most of the articles of daily consumption, such as ghee, sugar, flour, rice, pulses, salt, kerosine oil, candles, soap, stationery etc. These are purchased wholesale, and in large quantities, and are advantageously retailed to members at the current market rates. Special arrangements have been made for the supply of pure milk: the society even contemplates having a dairy of its own. During the first two years it has worked at a profit of $6\frac{1}{4}$ per cent. The ideal which this society has set before it can best be described in words of Mr. A. C. Chatterji—
“Even if the society does not make high money profits, it

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will render a valuable service by the growth of *esprit de corps* among the members, by teaching them business habits and methods, by securing a superior quality of goods at ordinary bazar rates and by spreading ideas of co-operation among the educated citizens of the province." Surely this is an ideal worth striving for and living for. The ideal may seem difficult to be realised ; but we are happy to be able to record that there is at least one College Co-operative Store in India which has nobly striven to realise this ideal and has well nigh succeeded in realising it. We refer to the Khalsa College Co operative Stores Ltd. at Amritsar—the most successful college co-operative store in India. The objects of the society are "to promote the economic interests of its members by means of business operations in common, and more specially by obtaining the ordinary necessities of life of good quality at reasonable rates ; to receive money on deposit from members, and to promote thrift and self-help and knowledge of co-operation." It is expressly declared in the bye-laws that "profit-seeking is not an object of the society." Members are of two kinds—(1) student members confined to students of the Khalsa College, and (2) ordinary members confined to members of the staff of the Khalsa College or students thereof over the age of 18 years. "The society is only two years old, and began with a sack or two of *atta*, an order for text books, and a contract with a few local *gujars* for milk. Now 100 buffaloes and cows come twice a day to be milked, the sack of *atta* has grown into a wholesale store with an annual turnover of Rs. 14,000, (now it amounts to Rs. 50,000) and the order for books into a regular shop, where every description of lesson and text books can be had at a fraction above cost price. In the bookshop alone over Rs. 20,000 worth of books have been sold in two years. Even more remarkable is the dairy. In the first eight months of last year 148 maunds of



milk were sold to the students at $7\frac{1}{2}$ seers to the rupee against a bazar rate which varied from 3 to 6 annas a seer. The difference represents a saving of well over Rs. 5000 a year to the members of the society; and this, rather than the net profit, is the real measure of the society's material benefit. Altogether the society saves its members Rs. 8000 a year (in 1919 the store is estimated to have saved its members Rs. 16,000). This is as good as an additional grant from Government." (*From the Stores' Second Annual Report*).

It is interesting to note that the Khalsa College Co-operative Store has six departments *viz.* the Book Depot, the Provisions Store, the Dairy, the Cloth Depot, the Fuel Depot and a Labour Board for managing the society's farm. Each of these branches is worked by a students' sub-committee presided over by a Professor: indeed the Khalsa College Co-operative Store is a vivid example of an ideal College Co-operative Store built up and managed in true co-operative spirit by the joint and harmonious efforts of students and professors alike.

Similar attempts—though on a much less ambitious scale—have been made in almost all the provinces by several Colleges. Their objects, generally, are—(1) to assist the members of the Society in purchasing at reasonable rates such commodities as are generally required by them, (2) to carry on, in common, trade, both wholesale and retail, for the benefit of the members, (3) to encourage thrift, self-help and co-operation generally among the members and to promote the development of co-operative ideas and enterprise among them. The objects are high and wide, and the Societies have begun work in right earnest. The success of such stores depends largely on the self-sacrificing real and the spirit of selfless mutual service displayed by students and teachers alike: they will have to devote a part of their

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leisure time and energy to the actual working of the society : no mere temporary enthusiasm, but enthusiasm sustained throughout the days, and the months, is necessary for the success of these stores ; as Lady Hamilton pointed out in her speech on the occasion of the opening ceremony of the C.M.S. College Stores in Calcutta—"you need faith and courage and perseverance. It is easy in the first flush of enthusiasm to undertake some great work, the testing time comes when difficulties and disappointments appear and slackness follows. Keep your faith bright and carry on as our soldiers are doing ; work steadily on, and the result will be certain. When you have begun the work of your Stores, keep in your minds the sage advice of Ruskin—'Around this temple, let the merchant's law be just, his weights true and his contracts guileless.' "

We should like to point out in this connection that the full benefits of a college co-operative store cannot be reaped unless a wholesale society composed of at least 10 college co-operative stores be started. We are not advocating here the Oxford plan of first starting a central wholesale store and then affiliating college stores to it. Let several colleges, say in Calcutta or in Bombay or in any other large centre of University education, simultaneously start their stores and federate into a central wholesale store. It will then be found that 100 maunds of rice can be had at cheaper wholesale rates than 10 maunds, 1000 copies of the same book can be had at a larger rate of commission than 100 copies. But such large orders cannot be placed by any single College Co-operative Store. If, however, all the colleges in a University centre simultaneously start co-operative stores, they can be federated into a central wholesale store (preferably associated with the University) which will bulk the orders of affiliated stores, call for tenders in the open market and buy the best things at the cheapest price. Such a cen-



tral wholesale store would be in a better position to deal with the market than any individual store. The ordinary traders may show a good deal of hostility towards such a store : in Dublin, for example, the newspapers which specially represent the traders showed a good deal of hostility towards it at the time of the establishment of the Dublin University Co-operative Store, and a newspaper indulged in witticism by publishing a cartoon entitled—"Delicious degrees given away for a pound of tea." But with the growth of the store movement such opposition is bound to die away.

The time may not be distant when such a wholesale store will directly encourage and foster the development of productive and distributive Co-operative Societies to supply its own requirements. Thus it would be advantageous for the Wholesale to deal with Industrial Societies to get its supply of clothes, blankets, shoes, knives etc., and with Agricultural Sale and Supply societies and Milk Supply Societies to get its huge supply of rice, vegetables, milk etc. Books and stationery may be purchased at their source and the middlemen's profits which are enormous—specially in the case of books—can be wholly eliminated. The result would be that our students would not only get good things, but there would also be a many-sided development of hitherto neglected forms of co-operation, and over and above all this, there will be a great saving in the students' cost of living in the city. This last is a point of great importance to students, their parents, and to the University itself. It should have somewhat of the effect of a universal scholarship.

The College Co-operative Store has the double advantage of benefiting the students in their college life, and of giving them a personal acquaintance with the principles and practice of a great movement with vast potentialities for the future good of our country. As a means for solving the many press-

ing economic problems of Bengal and of India, co-operation is unequalled ; and as a part of a world movement it cannot any longer be ignored or lightly brushed aside by educated Indians who, up till now, have not unfortunately realised the immense possibilities of this—the most potent economic movement in India to-day. “The obvious starting point for an alliance between co-operation and educated India is the college.” Once the principle of co-operation is introduced into the seats of learning we may well look forward to a great development of co-operative ideas. The University age appears to be the most receptive age for social ideas and colleges ought to be made use of for the recruitment of the ever-increasing band of co-operative workers. Wherever economics is taught there at least should be a co-operative society for practical illustration of what may well be the most powerful economic force of the future. It would familiarise the members with practical economics. The demands made on modern universities to-day are much greater than in the past. It is demanded of them that not only are they to impart to students a general culture, but that they are to fit them to cope with the great economic and social problems which in modern times are throwing into the background all other problems. They are required to be practical as well as ideal in their methods. The education in economics, to be effectual, must be practical as well as theoretical. No one can learn science from books alone. Natural science as explained in the lecture-room must be supplemented by practical experiments in the laboratory. One could hardly imagine bacteriology, physiology or chemistry being learned without the use of the microscope, the dissecting knife, the crucible or the retort. And we believe it is equally true of economics that theory only becomes really illuminating when it is conjoined with practical undertakings such as college co-operative stores.

From what we have said above it may appear that the College Co-operative Store, like other stores, is a mere business concern which will enable its members "to eat their way into wealth, by means of dividends derived from heavy meals." They should rather be regarded "as a branch of a new social order, destined in the evolution of the Race to replace the old antagonistic order which is fast passing away." The knowledge which the students will gain of the practical working of Co-operative Societies will stand them in good stead in educating the members of rural societies. The spirit and principles of co-operation have to be infused into the very souls of our rural folk—and who can do it in a better or more sympathetic way than our Young Missionaries of Co-operation trained in the hard school of practical experience? The enthusiasm and the inborn spirit of social service in our young men will find ample scope for exercise. A College Co-operative Store will afford a common platform for teachers, students and ex-students to work harmoniously and whole-heartedly for the college and a new spirit of comradeship and corporate life will be born—a spirit which will supplant the spirit of aloofness and dull monotony which unfortunately characterises present-day college life in large cities.

It should not also be forgotten that a College Co-operative Store may be instrumental in promoting habits of thrift amongst our students—specially amongst those living in messes and hostels where there are so many opportunities for extravagance and improvidence. Such habits of thrift are not only of importance to the individual but also to the nation as a whole—and this has been very well demonstrated in Great Britain during the terrible days of the war when everybody from His Majesty the King-Emperor down to the common day-laborer helped the cause of humanity by practising thrift and economy in his daily life. Such habits of thrift can best be acquired at a period of life when the

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opposite tendencies hold sway over youthful minds. The College Co-operative Store offers a unique opportunity for controlling those tendencies and for acquiring those habits. If students could be induced to deposit in the Store a certain percentage of what remained of their monthly remittance from home after paying College and Hostel charges, they will not only be learning habits of thrift, but they will also be creating the nucleus of a fund which will help them out of financial difficulties on many an emergent occasion ; and if this fund is not drawn upon, but is allowed to accumulate uninterruptedly throughout a student's college career it may amount to a decent sum—specially in the case of the scholarship-holder—which will give him a good start in life and an advantage over his thriftless and improvident brother.

Finally—if the student wants good things at reasonable prices ; if he wants to have fuller and more wholesome meals and thus improve his present dietary (specially in the messes and hostels) which is insufficient for the healthy nourishment of the body and the brain ; if he wants to promote habits of thrift and avert pecuniary troubles ; if he wants to have practical training in co-operation and learn business habits ; if he wants to learn the first lessons in self-government ; if he wants to foster the corporate life of his college by rendering mutual service ; if he wants to have a common platform where teachers, students and ex-students, Europeans and Indians, Hindus, Mahomedans and Christians—all can work harmoniously and in a spirit of mutual good will and forbearance ; above all, if he wants to popularise and develop the co-operative movement in his province he should bestir himself to start a co-operative store in his college and reap all the benefits mentioned above.



CHAPTER XII.

CO-OPERATION AND INDUSTRIES.

Co-operation and Cottage Industries :—In this country there are two schools of thought in the matter of industrial progress,—one holding that we should neglect our home industries and take at once to the factory system, the other maintaining that our artisans and craftsmen should continue to work in their cottages as before and should not be dragged into the smoke-laden and morally unhealthy atmosphere of the large cities and mill towns. The apologists for the rapid industrialisation of the country ignore the fact that the source of supply of factory labour in India is almost entirely rural, that the rural recruit for mills is “not at all cut out for wholesale monotonous and wearying mill-work in more or less close and shut up, unhealthy rooms, at a steady grind, away from his home and little field.” The protagonists of cottage industries, on the other hand, fail to realize that they cannot, with all their efforts, cover more than a very small portion of the space to be provided for, and that they cannot set back the tide of Western industrialism so long as India maintains her relations with the rest of the world.

The fact is that there is no real conflict between the two : both can exist side by side. In Japan, in Russia, in Germany and in many other industrially advanced countries the home industries have not been ousted or superseded by the power industry. The small industry can hold its own with the big power industry provided that its devotees select the right class of articles for manufacture. As Mr. Collins points out in an article in the *Bengal Economic Journal*, “the hand-loom can beat the power-loom in mere mechanical efficiency at least in all types of work in which constant stoppages, an intricate

pattern or the fineness of the material, necessitates a slow rate of progress." Power industry is indeed increasing rapidly and making a great show of its growth ; but the small industry is advancing no less steadily although with less of blowing of trumpets.

Moreover, India has need of her home industries. "The dweller in the country, in his more or less isolated village with a field or two to cultivate, needs a small home industry, though not probably, as a rule, as a main employment but as a make-penny supplementary occupation, to fill up time which he would otherwise waste and earn him some additional rupees." The conditions of our agricultural operations leave the cultivators out of employment for nearly half the year : this vast amount of surplus unemployed labour ought to be utilized in our rural areas to improve the economic condition of the cultivators. Besides, the horrors of famines, due to drought or failure of crops in a predominantly agricultural country like India, can to a large extent be mitigated if the people have a subsidiary occupation to fall back upon.

Apart from those who carry on some cottage industry as an occupation subsidiary to their main agricultural occupation, no less than 1,66,92,00 people are exclusively engaged in small workshops and home handicrafts in different parts of India. The very existence of these cottage industries, in spite of so many depressing factors operating against them, proves their innate vitality and their suitability to the genius and temperament of the people. We should not forget the unwillingness with which a born potter or weaver leaves his ancestral employment and village home to join a factory ; so strong are the hold of ancient family occupation and the ties of caste and joint family that he scarcely loses his connection with his ancestral home. Apart from attachment to the ancestral home, there is the love of freedom and the dislike of the discipline and of the regular hours of factory life



which are common to all factory laborers throughout the world. Above all, the tropical climate of this country makes strenuous exertion in factories a heavy strain on the ill-fed physique of the laborer and leaves him open to dangers and diseases of slum life. Moreover, it is in the cottage industries of India that the creative genius of the people find their true expression and their age-long hereditary traditions and training find their proper embodiment.

A cottage industry in India is generally carried on in one or other of the following ways —

- (1) Poor but independent workmen, possessing only the most primitive apparatus of production and having a very small capital of their own, purchase raw materials separately in very small quantities and at the worst retail rate ; after manufacturing articles out of them by means of some extremely laborious process they take the finished product separately to the market or sell them to the village *datal*. Frequently, these people are compelled to sell the articles at a very low price simply because they have no surplus capital with them for purchasing a fresh supply of raw materials for further production of commodities. They cannot hold up their wares for a better market.
- (2) Poor workmen with no capital of their own take advances from the *mahajans*, both in cash and in kind, at exorbitant rates of interest, and are compelled to sell their finished products to the *mahajan* at a price dictated by the *mahajan* himself—and in the majority of cases this system does not leave to the worker even his bare subsistence wages.

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Sometimes the workman works for the *mahajan* on the *bani* system *i. e.* for fixed wages only—both the raw materials and the finished products being the *mahajan's* property. In such cases the *Mahajan* often advances to the workmen a sum of money, generally free of interest, on their undertaking not to work for any person other than the *mahajan* himself during the pendency of the loan. But as the wages fixed are quite insufficient to meet the absolutely bare necessities of life, the workman's indebtedness to the *mahajan* continues throughout his life. Instances are not rare where a workman is found to be repaying the so-called debts contracted by his grandfather.

- (3) A master workman, owning the instruments of production, sets up a factory and engages the services of fellow workmen. He finds the necessary capital, supplies the requisite raw materials and arranges for the sale of the finished products. The net profit which remains after paying interest on the capital invested, the price of raw materials purchased, and expenses of running the factory and selling the products, is divided between himself and his fellow-workmen. In certain cases, however, the other workmen get fixed wages only and the balance of the profit goes to fill the pocket of the Master-workman.
- (4) In certain home industries, such as the manufacture of conch-shell articles, brass and bell metal utensils—different stages are worked by persons who get wages according to their skill and workmanship. In these cases also the factory belongs to a Master-workman who is responsible for the capital re-



quired and for the marketing of the finished products.

These are the cases which fall within the purview of the Co-operative Societies Act. But of these cases, again, where the factories are run by, and under the control of, a Master-workman on the profit-sharing system, the lot of the other workmen does not appear to be so unfortunate as in the other cases. Here the industry is somewhat systematised, although there appears to be room enough for improvement in the direction of introducing modern and up-to-date appliances. In such cases, therefore, we should proceed with caution so that we might not create unnecessary disturbance or rouse unfounded suspicion. It is the cottage worker of the first two classes mentioned above who require the help of co-operation for the betterment of their productive processes and the methods of sale of their finished products.

If we analyse the conditions under which these independent cottage workers carry on their work we find that they have certain rather formidable adverse conditions to battle with ; these may be briefly described as follow—

- (1) The supply of raw materials is controlled by village merchants or mahajans who advance them to the cottage workers at exorbitant prices.
- (2) The cottage workers have to sell their manufactured products through the same village merchants or *mahajans* at inadequate prices.
- (3) Most cottage workers are deeply indebted and pay rates of interest which make their extrication by their own efforts impossible. This condition prevents them from putting their heart into their work. Owing to their hopeless outlook they remain, as a rule, illiterate, unenterprising, and unmindful of the duties of life.

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- (4) The technical improvements, which would enable them to increase their output and improve its marketable qualities without destroying the special characteristics of their hereditary craftsmanship, are not generally known to them.

The functions which can be performed by co-operative societies are—

- (1) Purchase of raw materials in large quantities at wholesale rates ; their distribution among the members ; and the recovery of their price after the sale of the products.
- (2) Provision of cash loans at reasonable rates of interest for the purchase of tools or materials, for livelihood during the slack season, and for necessary ceremonial, social and domestic expenses.
- (3) The establishment of an agency for the sale of members' products, and, during the slack season, for accepting the products in hypothecation, and granting advances against them for further continuance of members' productive activities.
- (4) The provision for state aid in the shape of expert advice, technical training and demonstration exhibitions of members' products.

The best method of enabling the cottage workers to enjoy the blessings of co-operation is to divide the province into industrial blocks and to found an Industrial Central Bank or Union in each of them. These bodies should make it their business to organise industrial co-operative societies, to finance and supervise them (of course, in collaboration with the departmental staff), and to help them in procuring raw materials and disposing of their finished products. The first such Union was started in Bankura which is a great centre of the weaving industry ; and recently two similar Unions have been started in Dacca and in Krishnagar. We may now proceed to describe



the growth and achievements of the Bankura District Co-operative Industrial Union and we think such a study will reveal the difficulties as well as the possibilities of such organizations in general.

The Bankura Union was registered towards the end of the official year 1917-18: it began with a membership of 14 weavers' societies; in the course of a year 27 more societies joined and these 41 societies had about 520 members, about half of whom worked whole time for the Union. The share capital of the Union originally consisted of about Rs 5,000, subscribed by individual preference share-holders, and a sum (exceeding Rs 600 at the end of the first year of working of the Union) subscribed as ordinary shares by the weavers, each man giving one anna in the rupee from the wages he earned through the Union. At the end of the official year 1920-21 the number of affiliated societies was over fifty, the total working capital was about Rs 25,000, and the paid-up share-capital exceeded Rs 10,000 of which nearly half belonged to the weavers themselves—the system of deducting one anna in the rupee from the wages and crediting this to share-capital having produced this effect. In the course of the year ending on June 30, 1920, the Union sold goods to the value of Rs 1,25,495 and its profits during the year amounted to Rs 7,351. During the year, the Union provided employment for 550 families of weavers and received from them finished cloth worth Rs 1,37,668. It paid to the societies about Rs 20,000 in wages and received back Rs 1,155 (a deduction at one anna in the rupee towards its share-capital. It is significant to observe that though the Government of Bengal had guaranteed the Union against loss up to Rs 25,000, the Union has had no occasion to use it and the Bengal Registrar, in his 1919-20 Report, observed that "the present financial position of the Union makes it unlikely for it to require any Government guarantee in future."

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In the absence of a central sale depot the Union and the Registrar's Department have had to adopt various expedients to dispose of the products turned out by the weavers not only of the societies affiliated to the Bankura Union, but of the other 67 weavers' societies in different parts of Bengal. Thus it secured orders from the Munitions Department, the Tea Gardens and from other big customers. It has also set up a small depot in its Calcutta office in charge of an Inspector who keeps himself in touch with the Union and the Calcutta market. The chief problem now is to find a good market and a steady supply. The Indian Industrial Commission have expressed themselves on this point in the following terms—"The problem is to find an outlet for his (weaver's), increased production, and efforts to improve the lot of the handloom weaver must end in failure, unless attention is concentrated, to a much larger extent than has hitherto been usual, on commercial questions, which involve the purchase of raw materials, the selection of suitable designs and patterns and the establishment of commercial agencies for disposal of goods". (para 144 of the Report). To keep the Industrial Unions (of which we have already three in Bengal) well posted with commercial information and to help them in disposing of their stocks it is necessary—so far as Bengal is concerned—that there should be a central institution in Calcutta—a Provincial Co-operative Industrial Union. Such a body will be in a position to take expert advice in matters of design and sources of supply and sale from the Director of Industries and the Department of Commerce and to communicate the advice and information to the Mofussil Unions. It could maintain a parallel list showing the places where certain articles are produced and the places where they are consumed. The information furnished by such a list would be of immense advantage to the societies, for they could enter into direct correspondence with consumers and could send their products to them.



In Bengal we have already in the "Bengal Home Industries Association" a nucleus for the future Provincial Co-operative Industrial Union. The Association is being utilized as a marketing agency of the co-operative industrial societies, but it is not in a position to assist them much as there is no sort of organic connection between industrial societies and the Association, nor are the industrial societies represented on its management. Proposals have frequently been made for its conversion into a Provincial Co-operative Industrial Union: the Association enjoys a substantial Government subsidy; it has built up a reputation for honest dealing; its sale depot occupies one of the best sites in the business quarters in Calcutta. Nobody will lose, but the industrial co-operative movement will be considerably strengthened and consolidated, by the conversion of the Association into a duly registered co-operative union of industrial societies. The establishment of such a Provincial Union will make it possible for us to follow Mr. Wolff's, advice to look wider afield and to act up to the proposal* of his London merchant friend *vis.*—"If a consignment of Indian goods—of general utility—were to be delivered to him 'on sale or return' he would, as an experiment, make a very good show of the wares by themselves in a distinct department"—the Indian Department—on the model of the "Japanese Departments" which have proved so successful in popularising Japanese home industries amongst English customers.

In the Punjab where, as in almost every province of India, the weavers form an important class of cottage-workers, there are about 60 weavers' societies, and a central institution called the Weavers' Central Co-operative Stores Ltd, located at Amritsar. This central store was registered in 1917 and is a federation of weavers' societies. It finances the weavers'

* The Bombay Co-operative Quarterly, Vol. III, p. 137.

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societies and carries on banking and sale business. It has a working capital of Rs. $1\frac{1}{4}$ lakhs most of which is on loan from central co-operative banks the directors of which have always shown the greatest sympathy with the movement to uplift the weavers. The government, too, has advanced a loan at a moderate rate of interest, while the balance of about Rs 16,000 is made up by share contributions and deposits from societies and by the reserve to which all the profits are placed. The shares are of indeterminate number and of the value of Rs. 100 each of which Rs. 20 is to be paid with the application for membership and the remainder in four equal annual instalments of Rs. 20 each. "Registered Weavers' Co-operative Societies may be admitted to membership of the store-, after election by the managing committee subject to confirmation of the general meeting. The Registrar or a Deputy or Assistant Registrar, generally or specially nominated by him, is also eligible for membership. The latter is *ex-officio* president and a member of the committee, the remaining five members being elected annually at the general meeting. At present, all the members of the managing committee, with the exception of the president, are weavers and it is hoped that the stores will soon be able to have a non-official president. The manager is appointed and paid by Government and works under the direction of the committee. Urgent and routine business is disposed of by him either independently, or in consultation with the president; but on all important matters the action taken is subsequently laid before the committee for approval. The latter take a keen interest in the working, and are not slow to criticise the manager's action when dissatisfied with it. In addition to the manager, there is an assistant manager who is paid by the stores; and there is a proposal under consideration to appoint an educated weaver as a travelling agent to bring products to the notice of Government



departments, business firms, and the general public and to canvass for orders. Recently, exhibitions of cloth at the Lyallpur fair, at the Dalhousie club, and at conferences showed that people are prepared to take an interest in the work and to place orders."

"The 'field' staff consists of an industrial inspector, three sub-inspectors and three supervisors—all paid by Government : with two exceptions, these are weavers. A weaver B. Sc. is now in training as a candidate inspector. The sub-inspectors do propaganda and teaching work, and audit and check the societies' accounts. The supervisors keep the accounts of the Unions, and the shops attached to them, they also help the societies which have not got literate secretaries. Most of the societies are of cotton weavers who prepare *Khaddar*, *Dosuti*, *Ghabrun* and *Susi*. There are two societies of Duni weavers in Sialkot city whose bed Dunies are widely popular, and are often purchased in large quantities by Government for the Army*."

The stores charged a commission of Rs. 1/8 per cent on the goods of the societies sold by it. A rebate on the purchases from the stores by the societies was to be given out of the profits after the completion of five years from the date of registration. No dividend was to be declared until after this period, and it must not exceed 6 per cent per annum.

As in Bengal and the Punjab, so in the other provinces as well, weavers' co-operative societies are being formed in large numbers ; thus in Madras there are 32 weavers' societies : some of them are mere credit societies, others are for the purchase of yarn and dyes, their manufacture into cloths and the joint sale of the finished products. The Madura Sourashtra Co-operative Society is one of the most flourishing

* From an article on "Weavers' Co-operative Societies in the Punjab" by Major W. W. Powell I. C. S. in the *Bombay Co-operative Quarterly*, Vol. V. pp. 125-126

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weavers' societies in Madras. It has a membership of 756 and a paid-up capital of Rs. 23,245. Raw materials such as yarn and dyes were purchased at a cost of Rs. 2,64,569. Stock worth Rs. 2,64,345 was sold at a gross profit of Rs. 8,035. Other connected activities of the society such as manufacture of dhoties, shirting cloth, sarees etc gave the society a profit of Rs. 1,503 on transactions amounting to Rs. 27,817 in all. In Bombay there were 44 weavers' societies at the end of the year (March 31, 1921); they had a membership of 2,850 and commanded a working capital of Rs. 2,36,344. Of all the weavers' societies in Bihar and Orissa the Bhagalpur and Ranchi weavers' co-operative stores deserve special mention. The former had, on the 31st May 1921, a working capital of more than Rs. 40,000 and a membership of about 150. The net profits of the stores during the year was Rs. 1,396. The functions of the stores are to buy raw materials, supply them to members and purchase the finished products of members. The sale and purchase are extended to non-members as well but they are not entitled to any share in the profits. It also proposes to have affiliated to it all the weavers' societies in the town. It has established agencies for the sale of cloths in Bengal, Bihar and the United Provinces. The Ranchi Weavers' Co-operative Stores supplies yarns to members on 15 days' credit. During the year it sold yarns worth Rs. 27, 270 indented direct from Calcutta. The hawker system for the sale of cloth has now been abandoned and new and profitable markets have been found in the Assam Tea Gardens, Jemshedpur, Patna and Calcutta. During the year it sold cloths worth Rs. 23,566. It has succeeded in teaching many of its members the use of fly shuttle looms and the goods produced by its members are far superior to those brought for sale in the local market. The working capital was Rs. 17, 499 and a profit of Rs. 2,766 was made.



So far we have described the progress and achievements of weavers' co-operative societies in the several provinces of India, because, next to agriculture, weaving is the most important and universal cottage industry in India. Besides weaving, however, there are various other typical home industries characteristic of different localities and different communities and castes. No systematic survey has yet been made of the various cottage industries still extant in India; but, still, provincial surveys have been made in some cases and from them it is possible to make out a fairly comprehensive list of such industries: we need not however, give such a list here; it will serve our purpose if we attempt a brief survey of the co-operative efforts made in the provinces to revive the cottage industries other than weaving.

Thus in Bengal we have societies of cocoon-rearers in Malda and Rajshahi: these are really credit societies, but the idea is to organize compact groups of them, and then attempt to apply co-operation to the members' trade, erecting central reeling sheds and improving the reeling apparatus. The other so-called professional societies of blacksmiths, oil-pressers, carpenters, spoon-makers, basket weavers, lac-growers etc. are also really credit societies. It must be remembered, however, that credit is the easiest way of introducing co-operation amongst these backward people and it is hoped that co-operative credit will educate them up to applying co-operation to their trades. There are various other cottage industries in Bengal which can be developed by the adoption of co-operative methods—

- (1) Among the brass and bell-metal workers in almost every district of Bengal societies may be formed for the introduction of labour-saving appliances and for the joint sale of the utensils.
- (2) Societies may be formed amongst potters for the production of a better class of articles and

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- among carpenters for the supply of wood and for the sale of finished products.
- (3) The Mother of Pearls Button industry, recently started at Dacca, can be improved and developed by starting co operative societies for the purpose of getting better classes of shells and also for the introduction of labour-saving machinery and joint sale of the articles manufactured.
 - (4) Carpet-weaving and blanket-making are also industries which can be organised co-operatively.
 - (5) Attempts may be made to organize societies at suitable centres amongst blacksmiths for manufacturing agricultural implements of an improved kind at a cheaper price. Improved tools and improved designs may be introduced among these men through the medium of co-operative societies.
 - (6) Mat-making is another industry in Bengal which can be developed on sound lines by co-operative methods.

In Bihar and Orissa there is an oilman's society which purchases oilseeds which are given out to members, who press the same and sell the oil. There are, besides two carpenter's societies, one blacksmith's society, four tailors' societies, two potters' societies, and eleven shoemakers' societies. The Khurda Bank proposes to organize co-operatively such home industries as cutlery of Dhalapathar, silk cloth of Olsing and stonewares of Bhubaneswar; in other areas, too, the Central Banks are making good efforts to organize co-operative societies for the development of local cottage industries.

In Madras there are not many co-operative home industries societies except those amongst weavers; in Bombay also there has been no remarkable development along this



line, there being only a few weavers' societies; three new industrial societies were registered a year ago—one of them is composed of coppersmiths of Poona, another of a number of dyers in Ahmedabad; the third is a soap-producers' society in Bombay. But the possibilities for the co-operative development of cottage industries are as great as they are in Bengal or the Punjab: this will be evident from a perusal of an informing article on "Rural Secondary Occupations and Cottage Industries" published in the *Bombay Co-operative Quarterly* (December, 1921): the writer gives a long list of cottage industries which can advantageously be organized on co-operative lines. The list includes, among others, the following articles of manufacture—coir goods, paper pulp, basket and mat, lac and lacquer work, tins and tin toys, bricks, tiles and pottery, china pottery and toys, glass-making.

If proper enquiry be made, it will be found that every province of India has her own special characteristic lines of cottage industrial work. As a first step in their co-operative development a regular survey should be made of the existing cottage industries in every province of British India: this work should either be performed by the Local Governments or by a committee appointed by the Central Government of India. Such a survey will reveal the conditions under which our cottage works ply their humble trade and will be helpful in suggesting a systematic co-operative plan of their simultaneous development in all parts of India.

Co-operation and Capitalistic Industries:—In the last few pages we have emphasized the need of industrial co-operation with reference to cottage industries but the utility of co-operation for Indian industrial progress goes even beyond the modest scope thus assigned to it. It is a mere truism to say that factory industry in India will never be placed on a proper basis until the blessings of co-operation have

been brought to the very doors of the urban factory laborers. One of the greatest hindrances to the progress of Indian industry is the "paucity of labour"; this mysterious phrase does not imply any inadequacy of mere human material. Sir Harcourt Butler has accurately expressed the true significance to be attached to the phrase—"At present our labour is immobile. The bulk of it is recruited from rural areas and is uncertain and unstable." And well may it be so. What with poor housing, want of congenial surroundings, absence of any *esprit de corps*, with high costs of living and still higher usury eating into his slender pay, there is no wonder that labour from the country does not take to urban conditions. It is for co-operative efforts to remove his disabilities and make him take more kindly to urban life. The efforts of Debt Redemption Committees such as have been started in Bombay should enable him some day to call his wages his own. Housing societies among working classes should acquire for him the possibility of living in a decent cottage. His moral would be raised by belonging to a co-operative society and then we shall hear no more of "paucity of labour". Indeed, thus fortified the labourer will be able to bargain with his employer on terms of greater equality and independence. The Factory Acts, too, on which the welfare of labour depends to so great an extent, will be better enforced when the labourer will have a co-operative organisation of primary societies, unions and federations to give voice to his grievances. In short, the organization of labour on co-operative lines will serve many of the functions of Trade Union organizations without importing the excesses of the latter movement and will thus benefit at once capital and labour. We must not forget that there is a borderland between co-operation and trades unionism and they have some beneficial features and functions in common.

• Incidentally, the recommendations of the Indian Indus-



trial Commission, if followed out, will open fresh fields for the introduction of the principle of Co-operative Production. Where the Commission has advocated provision of current finance for middle class entrepreneurs, it might have added that such provision of capital should be granted the more readily in cases where production is carried on by groups of persons collectively and on co-operative lines. There is an additional advantage to government in subsidizing such co-operative production, since the loans would be backed up in these cases by the collective liability of the members of the group working jointly. In many cases of the kind, for instance in the matter of small factories started by groups of weavers, there is the additional advantage of the pooling of the skill and resources of the joint workers. In any case when such financial help is given by the State, our co-operative industrial societies should have a special claim on it alike in the interest of the lending Government and of the borrowing bodies. If Government is going to take a hand in the work of financial irrigation, the ready-made streams and channels which have already been formed by co-operation should be advisedly utilized in the work of such irrigation.

We shall now indicate some of the opportunities for introducing the principle of Labour Co partnership in India. The Industrial Commission has made some valuable suggestions as to the powers to be retained by Government in those cases where industrial undertakings receive state aid. Such aid can be rendered by the State in various different ways, *e.g.*, by way of guarantee of dividend or by subscription to the share capital. It is wisely emphasized in the Report that in such cases Government should see to it that the opportunity of subscribing to such undertaking is fully open to all classes of the public. Government should also in such cases control the allotment of shares, for example, by formulating rules designed to give an opportunity to small investors to

join in the industrial enterprise. The Government and the public whom it represents should obtain a *quid pro quo* for the assistance given to the industrial undertakings.

We accept such dicta of the Industrial Commission and welcome the proposals so far as they go. But we cannot help observing that the Commission should have gone much further and should have suggested that power should be reserved in such cases for the initiation of the principle of labour co-partnership into Indian Industries. India is about to begin a new stage in a vast Industrial Revolution, and such Revolutions, though they are on the whole beneficial to the nation, have also dangers for labour. The industrial history of the most advanced nations has shown the need of labour co-partnership both in the interests of capital and of labour. Some of the best firms abroad have seen that the only way to reconcile the interests of capital and labour is to introduce such co-partnership or profit-sharing. In India we should take opportunity by the forelock and prevent the very beginnings of any such antagonism between capital and labour. The labour question is becoming very serious throughout the world and we should lay down a policy at the start which should eliminate the possibility of such dangers arising in our country. If the Government is to control the allotment of shares, as the Commission has said, why should not some of them be reserved to be handed over to labour in part payment of wages? If the opportunity of subscribing is to be kept fully open to all classes, what class has a greater right to that privilege than the operatives? If the working classes are also induced to become "small investors" in concerns they will work the harder for what they will come to regard as their own business. When the Government subscribes to the share capital of a firm, as urged by the Report, it would be the best policy to keep the shares in hand to sell them as time goes on to the



operatives on favourable terms and in small amounts. The Indian Government has a unique opportunity of furthering the common cause of Industry and Co-operation such as perhaps was never vouchsafed to any other Government. In most other countries the Industrial Revolution has generally been begun and accomplished by the unaided efforts of the entrepreneur class. In India we have the opportunity of benefiting by the mistakes of these nations. It is a great chance for initiating the beginnings of Industrial Co-partnership in India and of starting a new chapter in the great history of Co-operation.

Co-operative Labour Societies.—The labour co-operative societies, generally known as *Brachianti*, represent one of the most original forms of Italian co-operation. Formed among workmen, especially among labourers in the building industry, they arose with the principal object of withdrawing labour from the yoke of common contractors and themselves accepting contracts for public works directly. In certain districts—Emilia, Romagna—where there is an excessive labour-supply, they also aim at lessening unemployment, by obtaining the concession of works from the State and distributing the accompanying employment. These co-operative societies undertake by preference the making and upkeep of roads, bridges and canals, the construction of water-works, the execution of works of land improvement and irrigation and the arrangement and transformation of lands, etc. Their development has been much helped by the passing of the special laws as to the contracts of co-operative societies.

Though the movement is 40 years old it is only 20 years since it began to take root. At the end of 1920 there were about 2,500 societies, of which nearly three-fourths belonged to the socialist organization. Since the war the growth has been extremely rapid, and the root cause of this is said to be the

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desire for independence, which is a profound and widespread effect of the war. Another and more obvious cause is the lavish assistance given by the Italian Government through the National Institute of Credit. Government has been quick to realise that there is no better sedative for industrial ferment than the labour society.*

The method by which such societies work is thus described by Mr. Otto Rothfeld :†—

The society itself is governed by three smaller bodies or committees. There is, first of all, a committee composed of workers only which is in sole charge of the policy of the society. There is, secondly, a small supervisory committee responsible to the General Meeting whose duty it is to audit accounts, see to book-keeping, and generally control the observance of all rules and regulations. Thirdly, there is also a technical committee which usually consists of an expert engineer and a secretary with some legal training whose business it is to look after the actual contracts, the settlement of wages and salaries, and the distribution of work. Such being the governing bodies the next thing is how the work actually undertaken is to be distributed by them amongst the members of the society. But before this can be fully considered, another practical question very constantly arises. The societies are of course composed in most cases of members of one trade or one branch of a trade only. This is necessary in order to ensure solidarity, discipline, and compactness. But as a practical affair, it is obvious that nearly every contract implies the employment of labourers of various trades. A house, for instance, needs for its building not only brick-layers, but also masons, stone-cutters, carpenters and so on. A bigger contract like the construction of a port obviously would

* For further details see (1) Mr. M. L. Darling's *"Co-operation in Germany and Italy,"* and (2) Mr. C. F. Strickland's *"Studies in European Co-operation."*

† *The Bengal, Bihar & Orissa Co-operative Journal*, Vol. VII, No. 1.



require a still larger number of specialized trades for the completion of the contract. Hence the next step to be taken by any society of this class is to combine with other similar societies of different but kindred trades. This difficulty has been grasped by combining such societies of allied trades into federations, and where a federation exists, it is the federation which tenders for the contract and then subdivides the contract amongst the individual societies and not the individual members themselves. This overcomes the second difficulty. Another difficulty remains. Employment is not always steady. It fluctuates in each trade in turn. At one moment it is possible that all the brick-layers in a given area may not be sufficient for the work required, while carpenters may be sitting at home without employment. A month later the reverse may take place. And it is not possible for a society to exclude from its membership willing and competent workers who wish to join. The society has therefore to face two possibilities : firstly, the very probable result that its total membership may in general exceed the amount of work available at any moment, and secondly, that at times even its whole membership may be insufficient to cope with a large contract. They have provided against the one possibility by allowing outside labour to be engaged when necessary. In that case the non-members who are employed obtain weekly wages but do not obtain any shares in the profits. The other case is met by a system of giving employment to members by rotation ; so that even in the slackest times each member at least obtains some employment in his turn although he may have to seek outside employment when the society is no longer able to find sufficient work for him. The profits of the society are ultimately divided in proportion both to the capital subscribed by the member and to the number of days worked by him. It is perhaps doubtful whether in the present condition of Indian labour, especially in view of the illiteracy of most of the

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labourers and the consequent want of understanding of joint purpose and of self-sacrifice of the individual for the whole, it would be possible for such societies to combine effectively into federations or to introduce a rotation system without dispute and acrimony. Yet if such societies are to be founded, and their need is urgent especially in industrial centres like Bombay, these difficulties must be met by a slow but devoted and energetic educative propaganda.

In Italy in the past, as will also be the case in India in the future, two main difficulties met these societies at the outset of their career. The one, superficially more important, was to supply them with capital. The other ultimately the greater was to supply them with discipline. The difficulty of capital was not solved in Italy until Government finally decided to abandon its policy of non-intervention and by progressing beyond old-fashioned Liberal ideas, agreed to adopt the policy of rational and moderate State aid. Since that change of policy there has been no real difficulty in finding capital. Capital is provided partly by the *Istituto Nazionale di Credito*, a bank which is under very strict Government control and which is largely financed by Government assistance given partly by way of grant and partly by way of guarantee. In addition direct Government grants are made to such societies. And lastly advances are made by co-operative banks to such societies from time to time against certificates from the public bodies with which they have contracted. To those who know the Italian character, however, it might seem an even greater labour to overcome the other difficulty of discipline. No nation in the world can be more individualistic and broadly speaking less amenable to control or obedience. Yet the result shows that discipline has been achieved in these societies. This has been largely done by one device. The workers are divided into sections of about twenty. At the head of each section is



a foreman who is nominated by the Executive Committee subject to the approval of the General Meeting. This foreman is responsible for the supervision of the men and for the preparation, checking and payments of pay-sheets. This device coupled with the fact that expulsion is immediately resorted to in any case of quarrelling or slackness has proved sufficient to enforce that strict and rigid discipline which is necessary in a co-operative society of this type. Not only are members liable to immediate expulsion in every case of friction or disobedience, but the society itself is compelled to go into liquidation if its membership should at any time fall under twenty. It may be added that the foreman is paid by making each worker in the section pay each day one per cent. of his weekly wages to the foreman. In this way the workers feel that the foreman is their own man, while at the same time the foreman knows that he has the Executive Committee behind him and that he can at any moment get an insolent or lazy workman expelled from the society. In India the difficulty would be to find on the one hand a foreman sufficiently strong to control his section and on the other hand an even greater difficulty of getting an Executive Committee which could be counted on to support its foremen instead of yielding to the easy temptations of leniency and *meharbani*.

The attention of Indian co-operators to the new co-operative enterprise has only recently been drawn; and there are only scattered examples of this type of co-operative institution in some of the provinces of British India and in the Kashmir State. We are indebted to Mr. C. F. Strickland for a description of the co-operative labor societies in Kashmir.* A group of societies for laborers has been formed under the patronage of the State Forest Department of Kashmir for

* The Bombay Co-operative Quarterly, Vol. V, no. 3.



carrying on the work of the extraction of timber from the forests of the Kamraj Division in Uttarmachipura Tahsil, and of the transport of scantlings and sleepers by road and river to the towns—a work which had hitherto been carried on by contractors, great and small, some of whom were as remarkable for the scamped and inefficient work as for the extravagance of their rates.

In August 1921 were registered ten co-operative societies for sawyers, and one union ; the number of affiliated societies has subsequently risen to 22. A society consists usually of 20 members, that is, ten "pairs" of sawyers, and each member pays Re. 1 monthly as share money until he has accumulated 12 shares of Rs. 10 each with unlimited liability. A society takes a share of Rs 500 in the Union with four-fold liability. The function of the union is to obtain contracts, and distribute the work among the societies, to receive advances from the contract-giver, to pay them out to the societies, and debit them against the work done. The first societies, formed at a time when the contracts for the year had been given out, were only able to obtain a section which a contractor had left unfinished on account of its difficulties. They cleared up the mess left by him, and were found to have done 98 per cent of first class work. Other contracts were obtained, and the net result of a year's working is that contracts were executed at a cost of Rs. 40,000 for which contractors would have charged Rs. 60,000, though their sawyers would have received only Rs. 25,000. The Forest Officer in September, 1921 declared himself content with their behaviour and hoped for an extension of co-operative activity. These successes in the distant regions of Kashmir should open the eyes of Co-operators in British India as to the possibilities of this new movement for the emancipation of the laborer from their *Sirdars* and contractor-employers. The local Governments, district boards and



municipalities can give an impetus to this movement by encouraging the formation of labor societies and by giving them the contracts for work in forests, for the construction of public roads and buildings, for the clearance of canals, etc : we are happy to be able to record here instances where local authorities have actually rendered such help to newly started labour societies. The Salem Scavengers' Society was able to secure the contract for supplying bullocks to the municipality for the conservancy carts. The Puttur Labour Union (South Kanara, Madras), the first labour society to be started in India, began work in 1919 and has had a successful year (1920-21); its activities are full of promise. With a small share-capital of Rs. 200 and a temporary accommodation of Rs. 3390 from the Central Bank, the Union undertook four pieces of road repair work covering a length of 36 miles at a cost of Rs. 6, 544 and earned a net profit of Rs. 2, 212. Following the lead of Puttur a society of salt-workers has been started at Mauripur near Karachi. This society has been allowed to tender for the contract offered by Government for the transport of salt from the works to Karachi. Similarly, the Salt Loaders' Society at Madras has received the loading contract from the Salt Department and has been working satisfactorily during the last four years. A new society for laborers has recently been started in Broach for undertaking contracts for road construction and the repair and building of houses.

There is no doubt that the success of these societies will lead to a further growth in their numbers. In Italy, masons, brick-layers, cement workers, dockers, carpenters, day laborers, carters and many other classes of manual labour have organized themselves into societies to eliminate the contractors and undertake contracts themselves. Both urban and rural India afford ample scope for the

development of labor societies: the construction of good roads, the digging of tanks, the clearing of jungles, the building and repair of houses, the laying of railway lines—not to speak of large irrigation or industrial projects—all these are now placed in the hands of big contractors who get their supply of labour through the medium of the *Sirdars*. If the laborers specialising in each line organized themselves into labor societies, the contract-givers will get better work for lower payments, and the laborers will get more than they did formerly. The local and district boards can get rural development schemes carried through quickly and efficiently, if they encourage the formation of labour societies within their areas and give them their contracts for rural development work. In this way the problems of unemployment, sanitation, water-supply, means of communication can be simultaneously solved. Moreover, these labor societies will bring prosperity and contentment to the laboring classes: and peaceful labour means progressive industry which again implies contentment in the country at large. Economic, political and social considerations thus equally urge the progressive development of labor societies in all parts of India.



CHAPTER XIII.

CO-OPERATIVE HOUSING.

In Calcutta, Bombay, Karachi, Madras, Poona and Rangoon—in fact, in almost every big city in the Empire—the housing problem has, during recent years, grown in acuteness. In most parts of Great Britain and in Dublin and Belfast also, there is said to be an appalling shortage of houses, and the Joint Committee on Labour Problems after the War declare “that no one but the municipalities and the National Government can possibly shoulder the task of building 1,000,000 new rural and urban dwellings or 5,000,000 additional rooms”. The magnitude of the problem in Indian cities may not be as great, but its urgency and intensity are the same in both countries.

If we enquire into the etiology of this problem, what do we find? We find that the rise in rents in Calcutta and other big cities in India may chiefly be attributed to the following causes—(1) the expansion of commerce and industries and the consequential influx of people from outside; (2) speculative purchases of house property due to the acquisition of fortunes made by traders during war conditions; (3) acquisition of large areas by the City Improvement Trust without providing facilities for re-housing the displaced population; (4) projected schemes of acquisition by public bodies inducing landlords to squeeze up rents for the support of their claims to high compensation; (5) rise in the cost of labour and material, preventing construction of new buildings; (6) want of easy means of communication with the suburbs, and the resulting congestion within a fixed area; and, last, but not the least, (7) the westernization of the taste of the people in the matter of housing comforts and accommodation. All these

various causes have operated together to create a situation which has become well-nigh intolerable. The situation requires prompt handling, otherwise its effects on the social and economic life of the city will be disastrous. The pinch is felt by the middle-class salary-earners, the petty tradesmen and by the mill-hands and artisans : high rents lead to overcrowding and underfeeding, both of which are, as everybody knows, deleterious to health and morality. Further, high rents of shops and flats affect retail prices of commodities and are thus a contributory cause of the high prices which are still ruling the market everywhere.

The measures suggested for the prevention of excessive raising of rents are as follows—(1) the appointment of a Rent Controller with power to call from landlords for return of rents charged by them during recent years ; (2) temporary legislation prohibiting the raising of rents above the standard rent ; (3) the raising of the period of the notice to quit from one month to six months or more ; (4) the requirement that the notice to quit must show cause and that the sufficiency of such cause must be certified by the Rent Controller ; (5) the special empowering of Courts of Small Causes to refuse ejectment unless sufficient cause is shown by landlords, and to raise the period of notice to quit if hardship or other sufficient cause is shown by tenants ; (6) the lowering of suburban railway fares ; and 7) the development of means of communication with the suburbs.

All the above suggested remedies except the last two are merely temporary palliatives ; even the Rent Act is only a temporary measure and affords only temporary relief from exorbitant rents. The real solution lies in increasing the available space for building purposes and in the rapid construction of houses in large numbers. The fact of the matter is, that owing to various causes, the demand for housing accommodation is very great in every large city, and



the supply has not kept pace with it. The forces of demand and supply should be allowed to have free play ; but if capitalistic enterprise tends artificially to restrict the supply by attempts at cornering or monopolizing, the consumers—in this case, the tenant class —should combine into co-operative societies to fight the profiteering landlords, and the State, as the guardian of the public interests, should step in to protect the majority (*viz.*, the tenants) against the minority (*viz.*, the new rack-renting land speculators). Thus, briefly stated, the housing problem in big cities is that there is a combination of house-owners to exploit the weak and helpless position of the unorganized tenant class ; the most effective way of fighting the capitalistic combination is for the homeless tenants to combine into co-operative housing societies.

There are several kinds of co operative housing societies. The nature of a society to be started at a particular place will depend not only upon the requirements of the people to be benefited, but also upon the local conditions of each place. For instance, it may be the want of suitable building sites, or the absence of facilities to obtain capital on favourable terms, or it may be both these causes that have prevented people of small means from building houses for their residence. Consequently there are, as Mr. Talmaki points out, in one of the excellent pamphlets issued by the Bombay Co-operative Housing Association, four kinds of societies which might possibly be started on co-operative lines for housing purposes—

Firstly, those of the type of Land Societies of England formed by persons individually capable of paying the cost of the whole building, but joining together collectively to purchase or take on lease a sufficiently large plot of land to be parcelled out among them for building houses thereon ;

Secondly, those of the type of Mutual Benefit Building Societies formed by persons, each wishing to own an inde-

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pendent house, but not able to pay the cost thereof at once and therefore taking a loan from the society on the security of the house and repaying it by instalments with interest ;

Thirdly, those of the type of tenant co-partnership societies formed by persons not in a position to own the houses independently and, therefore, joining together to own them in common, each tenant advancing a part of the cost of the house he resides in, the remainder being raised by the society as loans or debentures ;

Fourthly, societies of persons who are not able to contribute anything to the cost of the building, but joining together to hire collectively houses for their residence to be let out amongst themselves on easy terms.

These four types are intended for different grades of people, the last type for the poorest and so on upwards. Of these four types of societies, the first and second exist in Europe and America and the third has not spread beyond England. The fourth type has not yet been tried anywhere on co-operative lines ; but intelligent, though poor, tenants may be brought together to form societies of this type without much extraneous aid, and ample material of this kind is to be found in Calcutta or Bombay for successful experiments in this line. Experts in co-operative housing like Messrs. Ewbank and Talmaki recommend the third type, *viz*, the co-partnership tenancy societies as being the most suitable for our middle classes. In forming such a society it is of the first importance that its members should be bound to each other by common interests and pursuits, and, therefore, they should, as a rule, belong to a single community, caste, class or profession, and should be of about the same social standing. Such tenant co-partnership is intended to meet the needs of those persons who are not in a position to purchase or own an independent house. Here we shall take the liberty of quoting from an excellent paper on the subject



read by Mr. Ewbank before the Bombay Co-operative Housing Association—

“The members of a tenant co-partnership society join together to own a house or houses in common, each tenant advancing in the form of share money a part of the cost of the house in which he resides, the balance necessary being raised by the society in the form of loans or debentures. The houses built by the society are owned jointly by all the members, not individually by any of them, and are, therefore, kept up well. *The landlord's profit is abolished and rent is fixed on the lowest possible scale, and is not liable to be raised by competition.* Although a member is part-owner of the house in which he lives, he is not tied down to remain in it, and may, on his departure, realise the amount invested by him in the building from the incoming tenant or from the society. His shares also may be transferred by sale to other members as provided in the rules.”

The tenant co-partnership system, as described above, though of very recent origin, has become so very popular in England that numerous societies have been organized on these lines, and fourteen such societies, federated into a central organisation, have invested about two crores of rupees in land and buildings ; there are besides many such societies outside the federation. In India the first society of this type was started in Bombay under the name of the *Saraswat Co-operative Housing Society* and was registered under the Co-operative Societies Act. Within a year of its registration it built three houses for accommodating 18 families in as many self-contained four-room tenements at a cost of Rs. 72,000, and in the year following, it added two bigger houses to accommodate 24 families in self-contained three-room tenements at a further cost of Rs. 72,000. In this way in Bombay, we are told, it is now possible—thanks to co-operative building efforts—to rent a self-contained flat, consisting of two bedrooms, a

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hall, a verandah, a kitchen and a bathroom, fitted with electric lights and fans and all modern sanitary arrangements for the small sum of from Rs. 25 to Rs. 33 per month, according as the flat is on the ground floor or on one of the upper floors ; and what is more, these rents have been so fixed as to yield a net interest of 5 per cent. per annum on capital, after covering all outgoings.

It must, however, be remembered that the success of tenant co-partnership largely depends upon the certainty of regular enlistment of fresh members to take the place of those who may retire in view of the freedom enjoyed by members to give up residence at any time they desire after the ordinary notice. This type is specially well suited to the European and Anglo-Indian communities. In fact the selection of a type at a particular place will much depend on local conditions. But whatever may be the type of housing societies selected, *cheap land, cheap building materials, and cheap finance are in every case the primary requisites for their successful launching.* Both in Calcutta and in Bombay it is well nigh impossible to get cheap land in the heart of the city : only in suburbs could one possibly hope to find building sites : there they were undeveloped, insanitary or inconveniently situated. Fortunately for Bombay the newly created Development Directorate has, in the course of less than two years, developed suitable sites for the use of Co-operative Housing Societies and the Bombay Improvement Trust is generously seconding the efforts of the Directorate in this work. Suburban Calcutta is, however, still undeveloped, and much of the congestion and overcrowding in Calcutta is due to the utter neglect of her suburbs—Howrah, Manicktolla, Baranagore, Dhakuria, etc.—which can provide magnificent dwelling sites if our City Fathers and the Improvement Trust authorities do but turn their attention to them. But the land speculators have been more alert than they, and are already buying up all available



suburban sites in anticipation of future development, so that the price of land in the suburbs is also going up by leaps and bounds. But there is time yet for Co-operative Housing Societies being formed and land acquired by them or for them in the suburbs.

We suggest, first of all, that each of the three leading indigenous communities of Calcutta—the Hindu, the Mahomedan and the Anglo-Indian—should immediately bestir itself and form at least one society each like the Mangalorean Garden Homes Co-operative Society or the Bombay Catholic Co-partnership Housing Society. The former owes its birth to the desire of the Roman Catholic Christians of South and North Canara—otherwise known as the Mangalorean community—to have decent dwellings for themselves, somewhat similar to those which they have left behind in their homes in Canara. The buildings contemplated by the society are of three kinds. The first class of buildings comprises sixteen one-storied cottages on the co-partnership principle to be rented to such members of the community as have no houses of their own ; an elementary school for the children of the colony, a garden and a convalescent home are also included in this part of the building programme. The third class comprises a certain number of houses built on the hire-purchase system ; while the majority of the buildings come under the second class comprising houses for the members on the individualistic principle ; the society allots one plot to each member under definite conditions and under a definite agreement which includes the payment by the holder of a certain amount every year towards taxes and the general maintenance of the society giving at the same time complete liberty to each holder within his own grounds. Each shareholder builds his house according to his own requirements and with his own capital, but the plans are subject to the approval of the Managing Committee of the Society. The society

helps its members with the services of its expert staff and, if necessary, with a loan. It even undertakes the construction of houses, but on the financial responsibility of the member, and gives him the benefit of all its contracts for bricks, timber and other materials, if he chooses to take advantage of them. It has been pointed out that this type of housing society has the following, among other, advantages :—

- (a) Each shareholder looks upon his house as his own, builds it according to his own tastes, needs and means, at a time when it is most convenient to him.
- (b) Each shareholder subscribes his capital without hesitation when he understands that he has full rights, and will borrow from the society only the amount absolutely necessary.
- (c) The capital to be raised on the joint responsibility of members would be less, thus reducing the prospective risk to each.
- (d) The members would enjoy comparatively greater freedom, and would have the prospect of investing his own capital at a greater advantage than will be the case in a purely co-partnership scheme. Add to all these the feeling of pride and satisfaction of living in one's own house—a feeling ingrained in the minds of us all !

That is one model for us to follow. The other model is furnished by the Bombay Catholic Co-partnership Society registered under the Co-operative Societies Act a few years ago. It has a membership of about four hundred, and a capital of about four lakhs of rupees. Forty-five acres of land have been purchased at Santa Cruz near Bombay, and a co-operative colony—called the “Willingdon Co-operative Settlement”—has been established there. The forty-five acres of land are all in one block and situated in an advantageous



position near the railway station and fully open to the sea, with a high road dividing the estate into two. One-half of this estate has been laid out with roads. Six cottages (for 12 families) have been completed and are occupied : there is a keen competition for them and members readily pay the minimum capital required to qualify for tenancy. The society's programme is to construct on the tenant co-partnership system forty upper-storied cottages with accommodation for eighty families, a school, a church, an institute hall, a co-operative store, a dispensary, a dairy and a poultry farm, to make ample provision for play-grounds, and, after reserving land for public purposes, to allot to each family a compound of eight hundred square yards on the average, which will be planted and maintained by the society for the benefit of the tenants. To satisfy those who desire to possess houses of their own, this society is prepared to let out plots of land, fully laid out and connected for water, drainage, etc. on lease for 999 years on terms which ensure *bona fide* building and not speculation. The principal features of this plan are that the land should be built upon within a minimum period, that the houses should be according to plans approved by the society and that they should be kept insured and in proper repair. The society itself undertakes to build cottages for lessees at cost price, to keep them in repair and to rebuild them at the end of their life on payment of a trifling contribution for repairs and sinking fund. The owner is at liberty to sell and keep the profit for himself after five years, but may sell only to Roman Catholics. On the other hand, in the event of his not finding a buyer, the society guarantees to purchase the cottage at cost price after four years. It may be of interest to record here that the rent charged varies from Rs. 20 to Rs. 34 only per month, inclusive of all taxes, together with the use of the compound and the benefit of the amenities provided by the Society. What has been possible for the Mangaloreans or Catholics of Bombay

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should also be possible for the Hindus, the Mahomedans and the Anglo-Indians of Calcutta.

We should like to emphasize here that the establishment of such co-operative settlements or colonies or co-operative garden suburbs can only be facilitated if the Improvement Trust and the Local Government afford them the necessary initial aid. The nature of the aid which the Calcutta Improvement Trust can afford to such housing societies will be evident if we consider how the Bombay City Improvement Trust has helped the Bombay Housing Societies—specially the “Saraswat Co-operative Housing Society” which had been granted a very important *concession* by the Bombay Trust *as regards the payment of ground rent*. The society had been fortunate in securing *land* from the City Improvement Trust *at a reduced rate* and the other important concession the society had received was that under the Trust rules a lessee had the option of paying the whole price of the plot taken by him within five years of the date of lease which in the case of the society had been extended to twenty years. These are important concessions which, we believe, it is within the power of our Improvement Trust to grant to any such housing society as may be started in Calcutta. The Saraswat Co-operative Housing Society not only received concessions regarding land, but it also received cheap finance from a Bombay philanthropist, the Hon’ble Sir P. D. Pattani, who gave the society a long-term loan of Rs. 24,000 at 4 p.c. But with the growth of the Co-operative Housing Movement in Bombay it was felt that, as in other countries, State financial help was necessary to make further progress possible. The most important form of State aid to co operative housing in European countries consists of special facilities, such as long-term loans at a low rate of interest, sale or lease of land on easy terms, guaranteeing interest on loan-bonds, exemption of taxes on houses for the first few years, etc. Ever since its inception



the Bombay Co-operative Housing Association, under the able leadership of Messers. Talmaki and Orr has been repeatedly asking Government to afford some such aid to the projected Co-operative Housing Societies in Bombay. At first the Government of India refused to allow local governments to grant loans to Co-operative Housing Societies. They held that such societies should be financed by Central Co-operative Banks and similar institutions which have been established for the purpose of financing co-operative societies. In reply to this the Bombay Co-operative Housing Association pointed out that Co-operative Housing Societies required capital repayable by easy instalments over periods varying from 20 to 50 years ; and it was notoriously impossible for any banking institution to advance loans for such long periods as these, and this fact had been amply recognized by the MacLagan Committee on Co-operation. Moreover, the rates of interest charged by the Central Banks or the Provincial Banks are such as to place advances from them beyond the reach of any ordinary Housing Society. The Government of India have yielded at last and have allowed local Governments to advance long-term loans to Co-operative Housing Societies within their jurisdiction. The Government of Bombay took the earliest opportunity of affording such financial assistance. In a communique issued early last year they said—"The most appropriate and effective direction in which such assistance can be given by Government is by the grant of State loans, with adequate safeguards, to co-operative societies which have for their object the provision, on the lines of co-partnership tenancy, of dwelling houses at moderate means and in suitable localities for the accommodation of workmen, clerks and other classes of the population, on whom the present conditions, in respect to house accommodation, press most heavily. The Government are prepared to make advances to societies up to a limit of Rs. 5 lakhs during

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the next financial year. Ordinarily interest will be payable on such advances at the rate of 6 per cent. per annum, but in special cases in which Government are satisfied that there are strong grounds for making a concession in this respect, a lower rate of interest will be charged." "The system on which loans are granted " says Mr. Otto Rothfeld, " is one of sanctioning a total loan up to three quarters of the total estimated cost of the settlement, site value as well as building cost being taken into account. One quarter of the total cost must, therefore, be met out of the members' own shares or deposits. Three quarters are lent by the general tax-payer, but the loans are divided into instalments spread according to plan over a number of years, and after the first instalment no succeeding instalments are paid until a certificate is received from the appropriate officer of the Public Works Department to say that actual work amounting to one-quarter more than the loan already disbursed has been satisfactorily performed by the society. The interests of the taxpayer or of the community are, therefore, safeguarded as well as can be by recurring valuations made by experts before further instalments can be paid. The loan is usually settled for repayment in 40 years by annual equated instalments, the first instalment falling due three years after the loan has been paid. Interest is slightly lower than the present exorbitant market rate." (*The B. B. O. Co-operative Journal*, July, 1922). We believe that the Government, of Bengal, who are staunch supporters of the co-operative movement, will follow in the wake of Bombay if a genuine and earnest Co operative Housing Movement is initiated in Calcutta and the suburbs.

We propose here to describe a way in which co operative housing can be developed in Calcutta in the easiest manner and with the least possible delay. There are, we believe, at least 50,000 clerks serving in the various Government,



mercantile and railway offices in Calcutta. These clerks, who form an indispensable part of the body politic and whose welfare it should be the concern of all employers to promote, have been hardest hit by the prevailing high rents. If the employers of these clerks in co-operation with the Calcutta Improvement Trust, can help in the inauguration of suburban co-operative settlements, not only will great relief be afforded to a most deserving class of long suffering men, but a great step will have been taken towards removing congestion in the city. The mill authorities may similarly help in the establishment of co-operative labour colonies or Workmen's Co-operative Building Societies on the Danish model. In Copenhagen there is a Workmen's Co-operative Building Society which builds large model dwellings which remain the property of the society. These dwellings, containing many flats, all light, roomy, airy, and with all modern conveniences, serve as dwellings for members only. The members are joint owners of the buildings, and pay a weekly rent for the flat they occupy. Each member pays an entrance fee of two guineas to meet expenses of administration and sinking fund. When a member moves into one of the flats he has to pay £14 to £25 according to the size of the flat. On these contributions an annual interest of 4 per cent. is paid by the society. The rent charged is just enough to cover interest on cost of building, taxes, repairs, and a moderate addition which is put aside to meet extra expenses. For each division of the society, that is the collective families living in a building, the rent is gradually reduced as the loan on the building is paid off, and this represents the profit of the members. Instead of gradually acquiring his own house he gets a reduced rent, but only as long as he remains a member of the society. If a member moves away from the society's building or withdraws from the society, the society refunds him his part in the property, but he cannot sublet his flat to a third party. The society disposes of the

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flat which is let to a new member who pays to the society a sum equal to that which the society has had to pay to the member who left. In this way all chance of speculation in the flats is removed.

The aim of the society is to build as perfect and as cheap dwellings as possible, and for that purpose it has become its own contractor whereby it has accumulated very valuable experience. It also attempts to produce its own building materials and has bought a Brick Works, producing annually four million bricks which has proved a very profitable venture. It has also built a factory for casting cement goods (pipes, bricks, tiles, &c.) and a Plaster of Paris Works. The cement is purchased from the co-operative cement works, the Co-operative Building Society being a member of the Co-operative Cement Works Society. The Bank of the Co-operative Building Society is the Danish Co-operative Bank, of which society it is also a member. The co-operation between these various co-operative societies has been found very useful.

The Workmen's Co-operative Building Society has built nine large model dwellings with more than 600 flats, at a total cost of £240,000, and several more dwellings are in the course of erection. The model dwelling houses and flats in these are very good and convenient, and the rent is considerably cheaper than that of equally good flats in other similar buildings. If the mill authorities round about Calcutta help in the establishment of such societies for their employees, they will considerably increase the efficiency of labour and make it less shifting and migratory. Now, when and is still comparatively cheap in the suburbs, is the time for establishing such co-operative settlements or building societies. The G. I. P. Railway Company and the Government of Madras have already shown the way, and it is for us to follow. The former has promoted a Co-operative



Housing Society among its employees. One great advantage of such housing societies amongst employees is that it creates a contented body of men who think their interests are interwoven with those of their employers and the *chances of strikes are thus reduced to a minimum*. Similarly, the Government of Madras propose to acquire a broad belt of land for the establishment of a colony of menial Government servants, and offer to assist the proposed Government Servants' Co-operative Building Society and other building societies in the establishment of co-operative settlements. It may be mentioned in this connection that a sum of Rs. 4,75,000 had been entered in last year's Madras Budget for loans to co operative Housing Societies. We would suggest, therefore, that the big commercial houses of Calcutta, Bombay and other commercial cities should actively encourage the formation of Co-operative Housing Societies amongst their permanent staff, both Indian and European. These commercial houses are in a position to secure for such societies important concessions from the Improvement Trust and to advance cheap long-term loans to them repayable by convenient instalments. The loans have excellent security in the salaries of their employees and in the contentment which they will enjoy. Similarly the Governments of Bengal and of Bombay may very well follow the example of the Government of Madras by encouraging and assisting the different classes of Government servants including Secretariat clerks in forming Housing Societies.

By affording such facilities to their employees the Government, the commercial houses and the mill-owners will not only be conferring a great boon on deserving classes of people, but they also would be indirectly solving the problems of high rents and of public health. The removal of so many men out of an over-crowded city will have the effect of considerably increasing the building accommodation of the

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city, and what is most important, the low rents, charged by the co-partnership tenancy societies, will have the deterrent effect of generally lowering the level of rents in that city. Besides, the example of so many co-operative housing societies will not be lost upon the upper middle classes, who also suffer as greatly from the prevailing high rents, and who have in the Bangalore City Gavipur Extension Co-operative Building Society a model on which they may proceed to organize themselves.

This Bangalore Society was started in January 1916, with the active help and co-operation of the Registrar of Co-operative Societies in Mysore. Its members are all holders of building sites in the new extension of Bangalore, known as the Gavipur Extension : it is significant that special facilities were afforded by Government to their servants to acquire sites in this new area which was developed at the cost of the Government and of the Municipality. The following are the chief objects of this society—(1) to provide facilities to its members in securing loans for long periods at a low rate of interest ; (2) to purchase materials in bulk and sell to its members at rates far below the prevailing market rates and (3) to arrange, if desired by the members, for the construction of houses under its supervision. The society has already built 22 houses which are all occupied. This type of society is admirably suited to those amongst us who wish to have independent house of their own, but who, for want of adequate funds, cannot do so.

The people of Bombay have felt keenly the need for Co-operative Housing, and Bombay has naturally taken the leading part in developing Co-operative Housing Societies which now number as many as 35. The present position of the co-operative housing movement is fully described in the following extract from Mr. Otto Rothfeld's article referred to above.

"As a matter of fact there are at the present moment 36



societies registered in the Bombay Presidency including Sind. For the reasons already suggested, however, the larger portion of these registered societies have not yet been able to commence actual work. A group of some eight societies, for instance, belongs to the City of Karachi. These societies are themselves more than willing to commence work and have treated the preliminary steps with becoming seriousness and attention. The Municipality itself, however, consists largely of members of a capitalist class some of whom may themselves have indulged in the favourite local amusement of speculation in land values. The available land in or near Karachi had long ago been vested in the Municipality by what at that time appeared to be an act of generosity on the part of Government. It is, therefore, hardly a matter for astonishment that much delay should have occurred before Co-operative Societies, whose success would certainly not add to the profits obtainable by capitalist land-owners, were able to obtain even at fair prices grants of land from the Municipality. The difficulty has now been overcome or is in process of being overcome, and it may be hoped that in the course of the next 12 months the Karachi Societies will really be able to commence building. Two of the societies in the Presidency are situated in the small town of Dharwar, a notable centre of co-operative activity in this Presidency. These societies have commenced actual building, and in one case have practically completed their settlement. Both have so far done without any loans from Government and are good examples of communal enterprise. Their settlements have been thoroughly well-planned and laid out with the assistance of the Consulting Surveyor to Government and are on the lines of Garden Cities in Europe. Another small society is situated in the garrison town of Ahmednagar and is composed entirely of poor Christians. These have obtained a small loan from Government and have commenced raising

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tenements suitable to their class and income. In the City of Bombay eight societies have actually done substantial building work. One has already been mentioned above; another, the Bombay Catholic Copartnership Society, has spent practically four lakhs, and has already raised a very satisfactory settlement in a suburb recently reclaimed on the foreshore of the island. The society has been helped by a substantial loan from Government amounting to about three lakhs and would have received a third instalment in the course of the present year, had disagreement within the Managing Committee not unfortunately made it necessary to withhold the instalment due. In all about 10 lakhs have already been given as loans to Housing Societies, and further provision for substantial loans in the course of the present year has been made in the budget. The Bombay Government is fully alive to the financial responsibilities which it is incurring by its policy of encouraging such societies and steps are being taken to secure sufficient funds for Co-operative Housing during the next 10 years by measures outside of the annual revenue accounts."

Mr. Rothfeld is not oblivious of what he calls "the most serious defect" in the Co-operative Housing movement in Bombay *vis.*, that so far it has been utterly unable to touch the class which suffers the most from congestion and is the most severely oppressed by capitalist owners. "The mill-hands in Bombay, and even more in the City of Ahmedabad are living in conditions which are repellent to the observer, and demoralizing and vitiating to themselves. The most desirable object for Co-operative Housing would certainly be the relief of those classes by the provision of co-operative settlements with cheap but healthy tenements suited to working men and their families. So far nothing has been done in this direction. The mill-hands themselves are uneducated and are to a large extent a floating popula-



tion, consisting in many cases of men alone without their families. To expect them at this stage to assimilate the principles of co-operation or apply them with any unity and consistency seems almost impossible. I know of only one society which has ever attempted to do anything approaching that class, and even that society does not go down far enough to give relief where it is most urgently required. It is natural enough that the educated middle class, constrained as it is itself by the conditions of Bombay to look after its own interest as urgently as possible, should hardly find time or energy to devote to the laborious process of educating the labouring classes in self-help; and yet without some such consistent effort by unselfish workers of a higher class, extending perhaps over years with constant reiteration and explanation of facts and principles, it seems difficult to hope for any early relief to a situation among the labouring classes which is already dangerous not only to themselves, their health and their morals, but also to the well-being and peace of other classes in the community in such centres as Bombay."

In Madras also the Co-operative Housing movement has made good progress; there are now 16 Building Societies, as they are called, in the Presidency of Madras. The latest one to be started is the Sivanandanpuram Co-operative Building Society in the South Arcot district. It was started towards the close of the year 1920-21 and deposited with the South Arcot District Co-operative Banking Union the sum of Rs. 3,683, the cost as estimated by the Revenue Department of 4.22 acres of land within the Cuddalore Municipal limits.

A Housing Society has recently been formed at Cawnpore: it has collected Rs. 22,460 in shares, but has not been able to get any land from the Improvement Trust which it would regard as favourable, and no building operations have, therefore, been started yet. The Chairman of the Lucknow Improvement Trust, we are told, has set aside a fairly large

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area for the proposed housing scheme on co-operative lines, but the terms offered do not appear to be liked by the intending members who were at first very enthusiastic about the scheme. The idea of Co-operative Housing, the U. P. Registrar tells us in his Report for 1920-21, has still plenty of vitality in Lucknow and Cawnpore, but the citizens who are to benefit expect better terms than what the Improvement Trusts are prepared to offer. The grounds on which their claims can be justified are—(a) that it is easier for a Trust or a Municipal Board to deal with a society than with individuals, (b) that societies as corporate bodies and consisting chiefly of educated men can be expected to conform better to sanitary principles than individuals, and (c) that they would consist mostly of men with small incomes who are not living in cities by preference and who are experiencing the greatest difficulties in securing accommodation in large cities. In view of these considerations these societies deserve sympathetic consideration from the local bodies and the Government.

A Co-operative Housing movement has recently been inaugurated in Calcutta under the auspices of the Bengal Co-operative Organization Society. Twenty-five middle-class Hindu gentlemen, mainly in Government employ, have agreed to form themselves into a Co-operative Housing Society. The scheme proposed may be outlined as follows—

(a) Twenty-five Bengali Hindu gentlemen, mainly in Government employ, will subscribe Rs. 2,500 each towards the share capital of the society.

(b) With the paid-up share capital of Rs. 62,500 eight or ten bighas of land will be purchased.

(c) The land will then be laid out and, after making provision for common amenities of life to be enjoyed by all members of the Society, the remaining land will be divided into 25 equal plots which will be distributed among the members by lot.

(d) A loan of two and a half lakhs of rupees (at not more than 5%) will be taken from Government for the purpose of erecting houses. Either this loan will be equally distributed among the members to enable them to build their own houses on their own plots ; or, preferably, the whole building operations will be left to contractors according to a plan agreed upon by the members.

(e) Each member will pay every month $1/12$ of the annual interest on the loan, the municipal rates, depreciation charges etc. ; and, in addition, he will pay either monthly or annually a sum which will form a Sinking Fund for the repayment of the loan he has taken from Government through the Society.

(f) As the Sinking Fund charges to pay off the loan from Government are paid annually the interest charges diminish year by year, till after 20 or 25 years, the loan is repaid, the interest charges become nil and the members become proprietors and owners of their own houses, and the Society is dissolved.

(g) If all the members of the proposed Society are Government servants there will be this additional advantage that they will be able to get the House Building Loan *free* of interest.

It was at first proposed that the Society would be composed of fifty Bengalee Hindu gentlemen : but as that would require a bigger loan from Government the number of prospective members has been reduced to twenty-five. If larger loans are available even more than fifty men will be ready to join.

The proposed Society is to be composed of Bengalee Hindus because it is the basic principle of Co-operative Housing that members of the Society, living too contiguously to one another, should of the same community and of equal social and economic status and position as far as possible. Once this pioneer society is started, its example is sure to be followed by other communities like the Mahomedan, the Anglo-Indian and the Indian Christian communities,



CHAPTER XIV.

MISCELLANEOUS TYPES OF CO-OPERATIVE SOCIETIES.

Co-operative Electricity Societies.*—One of the most noteworthy recent developments in German co-operation has been the rise and rapid extension of societies for providing rural districts with electric light and power. In 1900 there was not a single registered electricity Society ; in 1907 there were 16 ; at the present time, their number may be estimated at about 3000. The use of electric light and power is to be noticed in even quite small villages in most parts of the country, and electric motive power is considerably utilized by large towns in many of the Eastern Prussian provinces. Its use by farmers has been stimulated by the marked increase in the employment of large and small agricultural machinery ; threshing machines, hoes, cultivator's mills, milk centrifugal machines, etc. are now very commonly driven by electricity. The dearth of farm labour has been another concurrent factor. Apart from the advantage of saving or replacing the labour, whether of man or beast, electricity is advantageous for farmers through the low cost of maintenance of the electric apparatus, the absence of running expenditure when not being utilized, the rapidity with which it can be put in operation, its simplicity for handling, the facility with which the motor can be applied to the working of several machines simultaneously, its precision, its cleanliness, its freedom from danger of fire, and, under normal conditions, its comparative cheapness. Smaller farmers are making an increasing use of electric power.

[*Based on Mr. Capill's Report on Agricultural Credit and Agricultural Co-operation in Germany.]



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There are three principal groups of such Co-operative Electricity Societies :—(1) those producing and distributing electricity ; (2) those erecting their own conductor installation but obtaining their supplies from others ; and (3) those representing merely combinations of persons for obtaining electric supplies by guaranteeing a minimum purchase of current for obtaining reduced rates therefor. The great majority of the present societies fall in the latter category. By co-operative action cheap electricity is obtainable by small farmers even of the remotest village.

Public authorities (Provincial, District, Local, as well as the State Railway authorities) have materially assisted the movement to bring electricity within the reach of the inhabitants of country districts. In one province a large number of communes and districts have become share-holders and consumers in co-operative control stations, and thereby given considerable solidarity to the particular undertakings. Such participation is specially important for electrical undertakings depending largely on agricultural consumers, who require power for only a few months in the year, although they use it then to such a considerable extent that the conducting lines and sub-stations must be upon a considerable scale.

The Co-operative Hospital in Spain.—The co-operative hospital at Barcelona consists at present of 103 societies with a total membership of 21,000, the number of those entitled to use the institution being 117,000, since the privileges of a member extend to his or her wife or husband, children, parents and parents-in-law. Each member has to pay an admission fee of 1.50 pesetas (1s. 2½d.) and a monthly contribution of 0.10 pesetas (one penny). When a member is ill, he is received by the institution, which for a sum of 3 pesetas (2s. 5d.) per day provides food and medical aid, including surgical operations. The institution was

founded in 1904 by the Barcelona Waiters' Union and Friendly Society. It began with one society of 800 members and with 5 beds. It has now 55 beds. The present building is held on lease, but the new one will be the property of the Society. "La Quinta de Salud la Alianza" has cared for 2,148 in-patients, 83 per cent. of whom were operated upon. It has free general dispensaries and surgeries for diseases of the eye, throat, nose, ear, etc. Up to now 82,000 patients have been gratuitously attended in these dispensaries. There is no interference with the political, religious and social ideas of members and patients.

The members of the Society are greatly indebted to the noble generosity of Senor Done Juan M Grino Farges and Senora Dona Rosa Robero de Grino, who have made a gift of 125,000 pesetas (£5,000) for the purpose of acquiring the land on which the new Co-operative Hospital is to be erected. The hospital is attended by fourteen doctors, two resident students and two midwives. Dr. R. Girona Trins, the founder, is at the head of this staff and of the institution.

A novel form of Rural Distributive Co-operation.—

In the village of Stapleford (Hertfordshire) the local agricultural co-operative society has made an interesting experiment in the co-operative purchase, on simple lines, of domestic requirements (food-stuffs and coal).

The village contains no shop, and local requirements were catered for by tradesmen in the neighbourhood. The members of the society realised that they did not possess the requisite experience for running a co-operative store, nor were they prepared to accept the responsibility of doing so. It was decided, therefore, to approach some of the tradesmen who already did business in the village and to ask them whether, if orders for bread and groceries were bulked and payments



made weekly by the society, special terms would be offered. As a result of these negotiations certain tradesmen agreed to quote special terms and business was begun.

The methods of conducting the business are as follows :—

“The trade is divided into four headings, *viz.*, Groceries, Bread, Corn (feeding stuffs) and Coal. Every six months tenders are invited by advertisement in the local papers for supplies under these headings. In the case of groceries the firm tendering is supplied with a list of principal articles of consumption in order that prices may be quoted for each. Tenders are invited on the basis of cash prices with a discount to the society in consideration of bulked orders and weekly payments ; delivery by the contractor to the houses of the individual members is included.”

Each purchasing member, except in the case of their purchase of coal is supplied with ordinary tradesmen's books, one for each of the different classes of goods. The Secretary and Committee of the Society meet every Friday to receive orders for the coming week and payments for the past week's goods. Each member brings his (or her) tradesmen's books, which contain particulars of the order placed the previous week with the cost of the articles entered in by the tradesmen and totalled ; the total is the amount which is paid to the Secretary. In the book is also entered the order for the coming week. The grocery book is retained by the Secretary and forwarded to the tradesmen, the bread and corn books being retained by the members. On the day previous to the Committee Meeting the Secretary receives from the various tradesmen their weekly bills showing the amounts due. This enables the Secretary to prepare a statement showing the amounts due from each member under the different headings ready totalled to save time when collecting, and this also acts as a check on the members' books. To enable members to check their own books they are supplied with a list showing

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the prices at which the tradesmen have contracted to supply the various articles.

The money thus collected on the Friday night is paid by the Secretary to the tradesmen the following day and the balance representing discount is banked in the Post Office Savings Bank.

Every half-year a distribution of discounts takes place. The Committee deduct a small percentage to cover expenses and allow for a reserve fund, and the balance is distributed in proportion to the purchase of each member of each class of goods.

Delivery of goods is undertaken by the contracting tradesmen. Bread is delivered four times a week, groceries once a week, and coal once a fortnight.

If a member prefers to select the goods at the shop, the tradesmen's book is handed back to him after the weekly payment instead of being retained by the Secretary.

The Society started in January, 1913, with a membership of 34 which by October, 1915, had increased to 55. Of this number 48 are purchasing members, and the weekly takings average £20. Almost every house in Stapleford is represented in the membership and eleven members have joined from the neighbouring village of Watton.

Co-operative Farm Implements Societies in Ireland.—Though the war has caused an advance in the price of farm produce, which would, therefore, lead to an increase in the arable area, it should be borne in mind that it has also brought about a great shortage of manual and horse-labour on the farm. As a consequence of this fact, the difficulties of the arable farmer have greatly increased.

The shortage of both kinds of farm labour could undoubtedly be overcome by the use of labour-saving implements on a more extended scale. Except in very large farms, however, the introduction of such machinery presents



another difficulty ; farm machinery is very costly, and average farmers of medium-sized and small farms have not sufficient capital to purchase the necessary machinery for a large extension of their tillage area.

This statement is specially true of Irish farmers, and, realising this difficulty, Mr. T. Wibberley, Agricultural Expert to the Irish Agricultural Organization Society, a few years ago, devised a co-operative farm implement scheme, through the operations of which it has been possible to place practically every farm implement, from a one-horse plough to a high-power agricultural tractor, at the disposal of farmers who become members of the co-operative implements societies. Further, the implements have been made available to farmers by the contribution of a merely nominal amount of capital on the part of the individual farmer.

The Formation of a Co-operative Farm Implement Society.—When it has been decided by a community of farmers to start a co-operative farm implement society, a general meeting is held by those interested in the project. At this meeting with the help of a co-operative organiser (who always attends for the purpose) the following matters are dealt with :—

- (1) The formation of a Committee, consisting of a Treasurer, a Secretary, and about nine ordinary members ;
- (2) The drafting of general rules for the future government of the society ;
- (3) The financing of the society ;
- (4) The drafting of by-laws in accordance with which the society's implements are let out on hire.

The committee are empowered to raise the necessary capital for the financing of the society, and to transact all business appertaining to the society.

Capital.—The capital is invariably obtained in the form of

an overdraft from the local branch of joint-stock bank. The committee act as guarantors for the amount of the overdraft, and are thus directly responsible to the bank for the security of the amount involved.

On the other hand, each shareholder in the society signs a form making himself responsible to the committee for the payment of his shares in full, in the event of the society meeting with the financial disaster. The object is to make every individual shareholder financially responsible, and since the overdraft is not greater than the amount of shares allocated, the committee are guarded against any financial risks. As a rule £1 shares are issued, and each member is obliged to take at least the minimum number of shares specified by the committee, and also pay on each share at the time of allocation whatever amount the committee decide.

As a rule each member is required to take at least five £1 shares and pay on allocation the sum of 2s. 6d. per share. The rate of interest charged by the joint-stock bank to a co-operative society is very low, usually 4 per cent., and it should be understood that interest is charged only on the amount of the overdraft which the society actually has in use, that is to say, if a permissive overdraft of £500 has been obtained, and only £200 is used, interest is only charged on the latter amount.

Hiring of Implements.—The bye-laws controlling the rates and terms of hire of the society's implements are framed—again with the expert assistance of an officer of the Irish Agricultural Organization Society—to meet the specific requirements of the particular district.

As a general rule, the implements are hired out in the order in which applications for them are made by the members; but since the main object is to encourage tillage, precedence in the use of an implement is given to the member who wishes to use the implement for the longest period. That



is to say, if on the same day two men require the use of a corn-binder, one having 10 acres of corn and the other 2 acres, the former takes precedence, and so on with all other implements. If in the case mentioned a second binder is not available then the applicant with 2 acres of corn has no alternative but to harvest his crop in the ordinary manner, that is, with an ordinary manual reaper and in some of the poor districts with a scythe. Such action gives an opportunity for the display of one of the finest features of the co-operative movement, viz., the exercise of private co-operation amongst the members themselves. For example, in the case referred to, the farmer who has been fortunate enough to secure the use of a corn-binder, requiring at the most only one other manual helper for the harvesting of his crops, would in most cases come to the help of his fellow-farmer by lending to him those of his own workers whose help is not immediately required for the saving of his own corn. It may also happen that a farmer with only a small amount of tillage is debarred from the use of several implements, and one might be surprised that such a farmer persists in remaining a member.

In actual practice, however, it usually happens that the farmer who requires the use of expensive farm machinery himself possesses the cheaper implements, and thus does not require to hire such implements from his society ; in consequence, the cheaper implements are more at the disposal of the smaller and poorer farmers, who individually cannot afford to buy them.

Further, the greater the amount earned by the machinery, the stronger the financial position of the society becomes and the sooner more implements are purchased. As will also be readily understood, the greater the demand for any particular type of implement, the more of such implements are purchased by the society.

As a general rule, the rate at which the implements are

hired out to members of the society is about half of what it would cost to carry out the various operations under the old regime. If, for instance, potato-sorting by hand costs 15s. per ton, the potato-sorter is hired out at 7s. 6d. per ton. If corn-binding with the manual reaper costs 15s. per acre, then the combined reaper and binder is hired out at 7s. 6d. per acre. Again, if the ploughing of stubbles by horse-labour costs 10s. per acre, a double disc harrowing with the agricultural tractor (which tills the land more effectively) is undertaken at the rate of 5s. per acre. In the case of corn threshing, the usual rate is a half-penny per stone threshed.

Implements for Nothing.—Apart from the great saving effected in the cultivation of land and the harvesting of the crops through the operations of an implement society, it is remarkable how soon a well-conducted society can earn sufficient to pay for the initial cost of the implements. Many instances are on record where a society commencing with two binders has in one harvest earned sufficient to purchase a potato-digger. The potato-digger has gone out on hire, and in its first season has earned sufficient to buy a corn-drill, which in like manner has earned the price of a horse-power sprayer, and so on. It is usually in such a small way as in the preceding case that a society commences its operations. Once the farmers of a district recognise the utility of such a scheme, the membership increases very rapidly. Automatically the society's borrowing powers increase, and it is then in a position to undertake the purchase of the more expensive implements such as agricultural tractors and complementary implements, combined threshers and finishers, and mole-draining plants.

Co-operative Anti-malaria Societies :—To Rai Bahadur Dr. Gopal Chandra Chatterji, Bengal owes the inception of a new type of co-operative society *viz.* the Co-operative Anti-malaria Society. The aim of these societies is to create



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local agencies in the villages of Bengal for the purpose of carrying out anti-malarial measures within their respective areas. There are now 23 of these societies in different parts of Bengal, and a Central Co-operative Anti-malaria Society located in Calcutta. The Central Society has got about a hundred members, most of whom are medical men of repute. The members of the Central Society have to pay Rs. 6 each as entrance fee, and an equal amount as annual subscription : they, however, do not enjoy any benefit from the membership. Many of the members have paid handsome donations ranging from Rs. 500 to Rs. 1000 in furtherance of the objects of the Society. The management of the Society is vested in a Board of Directors of not less than nine, and not more than thirteen members. Some of the medical members of the Society have given an undertaking that they will render their services free of charge whenever they are required for rural propaganda, or training, or other work. The total capital of the Central Society amounts to Rs. 34,000 of which Rs. 10,000 has been placed at the disposal of the Society out of a donation of Rs. 50,000 made by a generous anonymous Englishman : the total yearly income of the Society is Rs. 3,000 only.

The rural Co-operative Anti-malaria Societies are the agencies by which anti-malaria work is actually carried out under the general direction of the Central Society. Each member of a rural society has to pay a monthly subscription of an amount varying from four annas to a rupee. Each society tries to maintain a medical man on the subsidy system (it is interesting to note, in this connection, that altogether 10 medical men, of whom two are M. B.'s, are being thus maintained) and he attends the families of members free of charge. The Central Society pays a monthly contribution and may also issue loans to rural societies for helping them in carrying out big anti-malaria projects. Six dispen-

saries are being maintained—some on a share basis, some on charity. The total fund of all the existing rural societies amounts to Rs. 10,000 and the total monthly income comes up to about Rs. 1,000. Many of these societies have succeeded in bringing the services of qualified medical men within the reach of the inhabitants of inaccessible rural areas.

The anti-malaria methods followed by these societies are thus described in the latest Annual Report of the Central Society :—

“The work is divided into two parts, one part consists in filling up all redundant stagnant pools and ditches within the village areas, and in grading the drains properly, placing bed bars along the beds of the drains. This portion of the anti-malaria work is done during the dry season. It will necessarily take a long time, and has to be carried out from year to year on a definite plan. The second portion consists in kerosining all stagnant accumulation of water likely to be haunts of anopheles mosquito every seventh day, the operation beginning immediately after the rains and being carried on for three months. A novel feature of the work started this year is that each householder is given a printed book in which he enters every week the number of days for which members of his family suffer from fever. From this a fever index of the village is prepared by the secretary of the society, and from it the members will be able to judge for themselves whether the operations undertaken by them really reduce malaria or not.”

The achievements of co-operative anti-malarial work are thus described by the Secretary of the Society in his Report for the year 1921-22—

“The voluntary nature of our societies and the fact that the villages are able to realise that they are solving the greatest economic problem of the country have made our movement very popular and not a week passes when I do not receive proposals for forming a society in some village or other. But our financial resources do not allow us to maintain an adequately paid inspecting staff who can give training to the people seeking our aid, for carrying out the work of the society. So wherever we find men of light and leading



taking interest in our work and able to grasp the method of our work and to give a lead to the people, there the societies have developed and the work has been carried on successfully without much outside help. An instance to the point is a society situated in Malda. The Civil Surgeon of that place, Dr. Sarkar, who is a member of the Central Society, was able to organise, within a few months of his arrival there, a society in Rohanpur, a village near Malda. In a remote village like this, it requires a large amount of robust optimism to expect so much public spirit as to enable the organisers to realise a monthly subscription of Rs. 30/- for running the society. But not only has this actually taken place, but the society has also been able to deposit to its credit a sum of Rs. 500/- realised by donations from the members of the local Co-operative Bank. Besides they have been able to induce the Local District Board to pay a subscription of Rs. 25/- a month. And the society is not yet ten months old. I cannot help noting the good work done by another society, as this will clearly show our method of work, and it will also show the vast amount of potential source of strength which is remaining dormant, and which can be diverted by propaganda and by sympathetic organisation to the cause of public health. The name of the society is Ghola Anti-malaria Society. The Society was started 9 months ago. At first 15 members joined the society, paying a monthly subscription of 8 annas only. Gradually by propaganda work, the society gathered strength, till the number of members swelled up to 27. It is a small village consisting of 500 souls. Practically all the adult earning villagers became its members. At one of its meetings, the society discussed the question of water-supply. A large tank belonging to several parties served as source of drinking water. It was overgrown with weeds and was shallow. Every effort made previously to excavate it was frustrated on account of the eight part owners of the tank not coming to terms. The eight owners, some of whom were members of the society, moved by a superior sense of public spirit, gave up their title to the tank by executing a deed of gift to the society. Shares have been issued by the society for excavating the tank. This, together with the subscription and contribution from the Central Society, amounted to Rs. 300/-, the balance of Rs. 600/- was given as loan by the Central Society. Besides this, the society has drawn up another scheme costing about Rs. 1,000/- for filling up all insanitary

excavations within the village with the earth excavated from the tank and also for grading all the drains of the village, placing bed bars along the beds of the drains. For this the society has asked for a grant of $\frac{1}{3}$ of the total expenditure from Government through the Sanitary Board.

The older registered societies are not showing any signs of flagging energy and have kept their position unimpaired and some are showing signs of further growth. Nobogram in Burdwan is building a dispensary and medical officer's quarters out of their resources at a cost of Rs. 1,000/-. Sukchar has got a dispensary and is maintaining a passed compounder. Panihati has also done the same. Recently Rai G. C. Mookerji Bahadur, late Civil Surgeon, has kindly offered to make a gift of all his ancestral property in the village to the society."

Co-operative Post Offices:—In some villages in the Punjab Co-operative Post Offices have been organised: a society agrees to pay for the runner and to arrange for the clerical work; but so far wherever co-operators have agreed to bear these expenses, the Postal Department has found reason to believe that a wholly departmental office would pay its way, and thus attempts to open co-operative post offices were most pleasantly defeated by the Postal Department undertaking the whole work. Here is an easy method by which rural people may effectively induce the Postal Department to open a post office in their village.

Co-operative Arbitration Societies:—These are also to be found in the Punjab: they are formed to save the members from the trouble and expense and waste involved in unnecessarily resorting to courts of law. Such societies have generally a hundred members each. Every member has on admission to pay four annas; this admission fee and $\frac{1}{4}$ per cent. of all the value of the suits and fines realised form the fund of the society. The liability of each member of a society is generally limited to Rs. 5/- only. A panel of nine judges or arbitrators is appointed by the General Meeting



once a year, and out of this panel parties to a suit must select one or two arbitrators. The Registrar is the final appellate authority. In the bye-laws of the Kalian Village Arbitration Society it is provided that if a member is determined to proceed to court he has three courses open to him—

- (a) He can get the sanction of the committee to go to Court.
- (b) He can pay Rs. 100 as penalty and then go to Court.
- (c) He can withdraw from the Society by giving three months' notice.

These are provided in the bye-laws to overcome the legal point which does not allow a man to divest himself, by agreement, of his right to seek redress in a Civil Court. No member of an Arbitration Society is entitled to claim a specified share in any of its funds. There are now 120 Arbitration Societies in the Punjab. The Punjab Registrar makes the following remarks on the working of Co-operative Arbitration Societies in his Report for the year ending July 31st, 1920.

“The rules have been made elastic as it is not intended that these societies should usurp the functions of the Courts in cases of real legal difficulty. These cases, however, form such a very small proportion of the total that there will be ample scope for the societies' good offices. A few disputes have already been dealt with. Disputes relating to the business of credit societies have, in the last few years, been freely referred to arbitration, and, as the arbitrators seem to have given practically no ground for complaint, it is but natural that the idea of dealing in the same manner with other disputes should take root. * * * Our enquiries seem to indicate that the mass of the people are heartily tired of litigation and will welcome any suitable measure for the settlement of differences without resort to the Courts.”

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Crop Protection Societies: – “An interesting development in Berar is the Crop Protection Society. Usually such societies take the form of pig-killing clubs. One such club accounted for 9 pigs last year, and another for 65 pigs this year. The activities of these clubs prevent extensive damage to *juar* and groundnuts, the extension of the latter crop being proportionate to the pig nuisance in any given area. Another form of crop protection is afforded by societies which employ, not *Shikaries*, but watchmen.” (C. P. Registrar's Report 1920-21).

Co-operative Printing Presses:—The Sadananda Co-operative Printing Works, Ltd., of Puttur, south Kanara, was the first co-operative printing society to be started in India. It commenced work during the year 1917-18 with 49 members of whom ten were Societies, and with Rs 17, 370 as working capital of which Rs 2870 represented its paid-up share-capital. The nominal capital of the Society is Rs 20,000 made up of 200 first class shares of Rs 50/- each, and of 2,000 second class shares of the value of Rs 5 each. Any person over 18 years of age and of sound mind, and any society or company registered, incorporated or constituted under the Co-operative Societies Act, Societies Registration Act, Indian Companies Act or any other Act is eligible for admission as a member. The bye-laws of the Society permit the employment of the funds of the Society in starting and carrying on the business of printing and book-binding. With the previous approval of the general body, the Board of Directors may conduct a retail shop, where all the books, forms, and other matter produced in the press or bindery may be had, and may undertake the purchase and retail sale of paper and stationery, or any other branch of work likely to be useful or profitable and not inconsistent with the objects of the society. The society has all along been working at a profit. Another co-operative printing society—the Madras Central Co-operative Printing



Society—was started to undertake printing for all co-operative societies in the Presidency. Seventeen Central Banks, eighteen local Supervising Unions and fifty six primary societies have already taken shares in it. At the end of the year (1920-21) the paid up share-capital amounted to Rs 8,830, and the working capital to Rs. 11, 852. Orders to the value of Rs 9, 298 were executed during the year. The society keeps a stock of account books and forms required by co-operative societies and prints the *Madras Bulletin of Co-operation*. During the year the society sold books and forms to the value of Rs. 2, 370. The net profit on the year's working was Rs 3,045.



CHAPTER XV.

GUARANTEEING AND SUPERVISIONAL UNIONS

Before dealing with the higher co-operative financing agencies, we desire to describe briefly the systems of Guaranteeing and Supervisional Unions which, in most of the provinces, form the link between those financing agencies and the primary societies. The Guaranteeing Union is most common in Burma, the Central Provinces, Bihar and Orissa and Bombay, while the Supervising Unions are mostly to be found in Bengal and Madras. The Supervising Unions work within a very small area: societies in close proximity to one another combine into a Union for mutual supervision. The Union does not carry on any banking business, but, as a result of its supervision, it recommends loans to its affiliated societies. The liability of the Union is, of course, limited by shares, and a very small payment is enforced on each share. It employs a supervising officer who is responsible to an elected committee, and the expenses are chiefly met by a levy of contributions from the component societies. The Guaranteeing Union serves as a buffer between the primary rural society and the distant Central Bank which is unable to get any detailed knowledge of its client's affairs: the affiliated societies make themselves mutually responsible for each other's borrowings and restrict such borrowings to a figure approved by themselves. The duties of a Union comprise the assessment of the credit of each society belonging to it—but not the credit of individual members of a society—inspection, advice and propaganda. They provide, when well organized and taught, for the decentralization of detailed control from the remote central bank, with local

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knowledge which must grow more and more attenuated as its business increases, to a body the control of which can be co-operative because proximity is secured by the by-law which restricts jurisdiction.

The number of such unions, whether guaranteeing or supervisional, is thus shown in the "*Statements showing progress of the Co-operative Movement in India*" during the year 1920-21—

| | |
|-------------------|---------------------|
| Madras—177 | United Provinces—10 |
| Bombay—66 | Punjab—1 |
| Bengal—6 | Burma—492 |
| Bihar & Orissa—80 | C. P. & Berar—308. |
| Assam—2. | |

The four hundred and ninety-two unions in Burma are all guaranteeing unions, and these have had their birth in Burma. A guaranteeing union, as a rule, consists of 5 to 35 societies within a maximum radius of about 8 miles, *i.e.*, a morning walk from the union headquarters. It is managed by (i) a Committee consisting of the Chairman and one or more Vice-Chairmen, (ii) the Union general meeting at which each society is represented by two delegates. Its objects are :—firstly, mutual inspection and assessment of credit, and secondly, mutual guarantee. The means by which the first object is secured are (a) by the employment of a Union clerk, generally not a whole-time employee, drawing Rs. 15 per month, whose duty it is to keep the Union accounts and records, and to train and help the Secretaries of all societies in the Union, (b) by arranging that members of the Union Committee should inspect and visit affiliated Societies, by giving warnings and by issuing any general regulations that seem desirable, (c) by contributing towards the maintenance of a Union Inspector, a whole-time officer on about Rs. 50 per month, serving 5 to 10 Unions, whose business it is to inspect societies on the spot, to help in correcting faults, and

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to send inspection notes to the Union Committee for their information, (d) by considering indents for loans from affiliated societies at a general meeting of the Union and sanctioning such loans as, in each case, may appear to the meeting to be suitable. The Unions do not themselves handle any cash, nor do they do any banking business. Funds for the maintenance of the staff are obtained by levying a Union rate which varies from 4 to 12 annas per cent per annum on the working capital of constituent societies. Mutual guarantee is effected by the rule that all societies constituting the Union shall be liable for any default by a society in the repayment of a loan recommended by the Union to the extent of the maximum amount of loans from non-members held by each of them in the course of the preceding year. All applications for loans pass through the Unions to the Registrar who can check their discretion and see that such Union gets its fair share of funds available in the Central Bank. The Registrar informs the Provincial or Central Bank of the amounts sanctioned by him and directs it to make a remittance accordingly.

So essential have these Unions been found as agencies for assessing credit, for control and for propaganda on sound lines that it is now the rule in Burma that no society in a Union area is registered unless its admission is promised by the Union, and no society is registered outside an existing Union area unless there is a good prospect that a Union will later on be likely to come into existence.

The by-laws provide that no society can be admitted unless four-fifths of all societies in the Union agree to admission—as a rule a society is only admitted on a unanimous vote. No society can withdraw without 18 months' notice. Affiliated societies have a *right* to be inspected and advised and to have their borrowing capacity assessed and guaranteed by the remaining societies in the Union. Their *duties* are to be loyal



to the Union in every way, to assist it and inform it of all matters affecting it adversely.

Each society, before admission, must pass a resolution in general meeting agreeing to join the Union, to abide by its by-laws, and authorising its chairman and two committee men to sign on its behalf a declaration to the effect that the society accepts all the rights, duties and liabilities imposed or to be imposed by the Union.

"The chief benefit conferred on the movement by the Union system," says the Burma Registrar, "is that it brings out and develops the best human talent in the primary societies. It is surprising what responsibility and local support will produce in this way. The movement thus develops from within, and the humble cultivator whose gifts of capacity and authority were unknown to his neighbours and to himself, becomes a leader of men, specially trusted and specially influential as one of themselves."

Mr. Wolff, with his life-long and world-wide knowledge of co-operation, also asserts and emphasises the good work done by such Unions : he says—"By all means let us turn to account for common business over a wider, though still sufficiently limited area, the stimulating action opportunely discovered in the grouping of Societies." But he is strongly opposed to the introduction of the system of Guaranteeing Unions *as a permanent feature of organization*. He thinks that it distorts co-operative organization and spoils the co-operative character of the movement in India. His arguments, with which we are in complete agreement, may be briefly summarised as follow—

(1) The policy based upon guaranteeing unions is designed to save Central Banks from trouble as much as possible and partly, therefore, to adopt capitalistic methods of credit, in the place of co-operative methods.

(2) It involves entanglement of interests and responsibili-

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ties which necessarily means confusion, breeds carelessness, and may bring about disaster, just by reason of the absence of clearly marked delimitations.

(3) It involves interlocking of liabilities. "As matters stand now, you no longer give your comrades a blank cheque, but you give them a cheque made available up to a certain fixed sum. Up to that sum you are committed to them without reserve. You have lost the command of your own money. Up to the point named, the disposal of your money is in other people's hands. Within such limit, liability certainly is interlocked, and that should not be in Co-operation."*

Mr. Wolff rightly repudiates the suggestion made to the effect that "societies should actually be compelled to 'squad' themselves willy-nilly into Guaranteeing Unions." The Eighth Conference of Registrars of Co-operative Societies considered the question whether the Burma system of voluntary entry of primary societies to guaranteeing unions was preferable to that of direct or indirect compulsion introduced in certain provinces *e.g.*, Madras and the Central Provinces, and adopted, by a large majority, the following recommendation of its sub-committee—

"We do not recommend to the Conference the adoption of any system of direct or indirect compulsion to join a guarantee union, but we do not advocate interference with any existing system."

The discussion on the above recommendation is very instructive and is reproduced below—

Mr. Calvert in presenting the report of the sub-committee said that no one on the sub-committee had been in favour of Guaranteeing Unions. Some of the members of the sub-committee were definitely opposed to them as a result of their experience, and others had no intention of trying them. It had been found quite definitely in the Punjab that a Sikh of one village would not guarantee loans to Muhammadans in another village.

* *Co-operation in India*, pp. 207—220



Mr. English said the system was voluntary in Burma.

Mr. Mathias said it was also voluntary in the Central Provinces.

Mr. Collins said it was compulsory in Bihar and Orissa to the extent that he refused to register any societies which did not promise to join a Guaranteeing Union, if required to do so. But no Guaranteeing Union was compelled to take in any particular village.

Mr. Hemingway said in Madras they were prepared to exercise indirect pressure to compel societies to join Supervising Unions, but that the Unions in that province accepted no guarantee.

Mr. Mathias said that if their Federation in the Central Provinces compelled societies to join Guaranteeing Unions they would have to do so.

Mr. Donovan said that such Unions made up for a lack of Central Banks. A Central Bank in Bengal was more or less a Guarantee Union. Each society guaranteed to pay up Rs. 25 on its share in the Bank if the latter went into liquidation. Mr. Wolff had condemned Guaranteeing Unions as unsafe. He therefore agreed with the recommendation of the sub-committee.

Mr. Ewbank said that in Bombay when a Guaranteeing Union had been formed, and a new society came up for registration within its area, it was required to join the Guaranteeing Union before it was registered and to contribute towards local supervision in conjunction with societies in its neighbourhood. Guaranteeing Unions necessarily supervise as a condition of their guarantee. The guarantee only amounted to this. Every loan application to the Central Bank or the Provincial Bank was examined by the Union Committee and only granted after it was sanctioned by the Committee. If the society did not repay the loan punctually in spite of the efforts of the Union, the Registrar would have to liquidate it. If the amount realised on the completion of the liquidation was still deficient, the other Union societies had to make up the balance within certain specified limit. There were 31 such Guaranteeing Unions in Bombay; he did not consider the liability accepted as in any way reasonable.

Mr. Collins said that in Bihar and Orissa it had been found that without some connecting link between it and its affiliated societies no Central Bank could manage more than 150 societies, which was the absolute limit of expansion. Some means of decentralization was therefore necessary and therefore it had been laid down that no new society could be registered unless it joined a Guarantee Union. No compulsion

was used to make a society join any particular Union, but as no Central Bank could manage more than a certain number of societies direct, it was impossible to register societies, unless they agreed to the system. The second point was that all societies were shareholders in the Central Banks, had to take one ordinary share of the face value of Rs. 10 for every 100 rupees loan and were liable for the debts of the Central Bank to the extent of five times the amount of that share. But being mostly composed of ignorant people they do not exercise any check on the policy of the Central Banks or in regard to the loans given to other societies. When it was pointed out to them that by joining a Guarantee Union they could limit this liability to the debts of the neighbouring societies, the position of which they knew and the loans of which they could limit, they jumped at the idea. It was only in the case of new societies that any compulsion was exercised in regard to joining Guaranteeing Unions.

Supervisional Unions are more co-operative in character and purer in form than the hybrid institutions known as Guaranteeing Unions. It is the essence of any co-operative organization that a co-operative society should look after its members and that the members should look after one other. It is equally a principle of co-operation that, just as the members of a society influence and improve the conduct of one other by mutual supervision, so also societies should influence and improve each other's working by accepting the mutual responsibility of supervising each other ; and it is on this principle that Supervisional Unions of primary societies are formed. The members of a local union are societies, each society sending a delegate to represent it on the general body of the Union. These delegates elect from among themselves a governing body, consisting generally of about seven members, and this body manages the affairs of the Union. The Union is ordinarily comprised of some 20 or 30 societies. It must not cover too large an area, for otherwise the members of the various societies will not be mutually acquainted with each other, and mutual supervision will, thereby, be rendered difficult or impossible ; nor, on the



other hand, must it be too small, as it is necessary for it to collect funds for the payment of its establishment; if the affiliated societies are few, their contribution will not be sufficient for the maintenance of an efficient establishment.

The primary function of a Union is to supervise the societies affiliated to it. This duty it can carry out by obtaining reports from societies as to their working and by inspecting the Societies either through the agency of one of the members of its governing body or through the agency of a paid supervisor. Each Union employs a paid supervisor who is always a qualified man certified by the Registrar to be fit to do audit and inspection. And these supervisors not only inspect societies but also do no small portion of the audit of societies. Much good can be done by the inspections of the Union supervisor controlled by the Union Governing body. But still more valuable are the visits and inspections of members of the governing body of the Union themselves.

The Union is generally entrusted with the duty of scrutinizing the applications for loans sent by affiliated societies to the Central Banks; and indeed the Central Banks do not ordinarily give a loan unless it is recommended by the Union. Similarly also all correspondence between societies and the departmental officers relating to the affairs of societies, such as matters connected with internal management, arbitration etc., passes through the Union. And both the banks and the departmental officers always consult the Unions before taking any action about a society. The Union pays for its supervisor and other expenses from a fund which is contributed partly by the affiliated societies and partly by the Central bank.*

The true line of progress lies in a progressive development of these Supervisional Unions. With Mr. Wolff we also hope to see these Unions multiplying—"but as *supervising*

* *From the Madras Co-operative Manual, pp. 67-68.*

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Unions, to be eventually merged into larger Unions, of the European type, after which they may remain in existence and continue to do admirable work as sub-unions, a most useful category of organizations—just as the present 'Central Banks'—useful in all cases, and under present conditions absolutely indispensable, are likely to continue, although eventually brought to play only a secondary part under Provincial Banks, once such become well-established and strong" *

* *Co-operation in India*, p. 216.



CHAPTER XVI.

**HIGHER CO-OPERATIVE FINANCING AGENCIES :
CENTRAL CO-OPERATIVE BANKS.**

Constitution and Management of Central Banks—Central Banks in India may be classified according to their constitution as (1) banks of which the membership is confined to individuals (2) banks of which the membership is confined to societies, and (3) banks which have a mixed membership of both individuals and societies. The first class includes banks in which individuals only are share-holders and banks in which registered societies may become share-holders, but upon exactly the same terms as individuals, and without any special provision being made for their representation. In the case of banks of the third class a certain proportion—generally a large proportion—of the shares is reserved for registered societies which are given special representation on the board of directors : these banks are best suited to present Indian conditions.

Banks of the second class called Banking Unions are those which would ordinarily be described as most truly co-operative in character, since in them is eliminated all conflict of interest between the Central Bank as lender and the local societies as borrowers. It differs from the other two classes in respect of its smaller area usually confined to a radius of not more than ten miles, and in admitting no individual share-holders. It is a feature of the Punjab system, though not unknown in Bengal and Madras. Banks of this class can be conducted at a very small cost for management, as the amount of supervision necessary is

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reduced to a minimum. But, though desirable in themselves, they are seldom competently managed, and do not leave room for the help of the middle classes, and should therefore be started only in those areas where all classes are imbued with the true co-operative spirit.

It might seriously be disputed whether banks of the first class are really entitled to be considered co-operative. They are hardly to be distinguished from joint-stock banks, and in some cases they do not even limit their activity to transactions with co-operative societies. Such Central Banks should not be registered, if they propose to grant loans to any other persons or institutions except to co-operative societies, or to undertake any outside banking business. The by-laws should include provisions limiting dividends, and the directors should maintain an independent staff for assessing the credit of the borrowing societies. It is the Registrar's duty to see that the contract between the Central Bank and the societies is not unfavourable to the latter. In any case this type of Central Banks should gradually disappear.

Central Banks generally serve a well-defined area which usually coincides with some administrative division, such as district or tahsil. The number of societies to which a bank makes loans varies very considerably, chiefly because in some cases the bank deals directly with each local society, while in others it deals with unions of the societies. Central Banks should, however, ordinarily be prepared within a reasonable time to deal with 200 or 250 societies.

Composition of Capital—As in the case of primary societies, Central Banks draw their working capital from four main sources—(1) shares, (2) deposits (3) loans, and (4) reserve fund.

(1) *Shares*.—The share capital is subscribed by individual share-holders and by affiliated societies. In banks of



the mixed type the shares held by individuals are sometimes distinguished as preference shares and enjoy either a certain right to a cumulative dividend or a prior claim on the capital in case of liquidation, the object being to make investment in the shares attractive to the outside public. The nominal value of shares ranges from Rs. 10 to Rs. 500, the shares assigned to individuals being sometimes of higher value than those held in the same bank by affiliated societies. Under section 5 of the Co-operative Societies Act, 1912, no individual may hold more than one-fifth of the total share capital of any society, or in any case more than Rs. 1000, except with the special sanction of the Local Government.

Practice varies with regard to the distribution of voting power. In the Punjab and the United Provinces, for instance, each share entitles the holder to one vote ; in Assam and the Central Provinces each shareholder has one vote only ; in Bombay and Burma voting power is carefully graduated so as to give proportionately fewer votes to large holders than to small ones.

Liability with respect to shares is ordinarily limited to their face value, but in a few provinces the banks have adopted the practice of fixing the liability at some multiple of the nominal value of the shares held. Thus in Bihar and Orissa the liability of preference share-holders is usually double, while that of ordinary share-holders varies from five to ten times the value of the shares held. It is not the rule that shares are fully paid up.

The following table will show the amounts of share capital paid up by members of Central Banks in 1921 and the amounts of uncalled and subscribed share capital *i.e.* the reserve liability of members of Central Banks in the several provinces of India—

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| Province. | Share Capital paid up. | Reserve liability | Total number of Central Banks. |
|-----------------------|------------------------|-------------------|--------------------------------|
| | Rs. | Rs. | |
| Madras | 18, 82, 358 | 25, 12, 646 | 32 |
| Bombay | 7, 53, 659 | 2, 08, 456 | 17 |
| Bengal | 15, 58, 882 | 15, 18, 739 | 71 |
| Bihar & Orissa | 5, 65, 922 | 6, 74, 392 | 41 |
| United Provinces | 13, 78, 595 | 16, 52, 513 | 68 |
| Punjab | 13, 31, 321 | 8, 81, 395 | 98 |
| Burma | 6, 06, 825 | — | 11 |
| C. P. & Berar | 18, 27, 032 | — | 34 |
| Assam | 83, 574 | 36, 826 | 15 |
| Ajmere-Merwara | 2, 40, 504 | — | 6 |
| Delhi | 7, 950 | — | 1 |
| TOTAL (British India) | 1, 02, 36, 622 | 74, 84, 967 | 394 |

From the above table it will be evident that only in Burma and the C. P. there is no reserve liability, the full amount of the subscribed capital being paid up ; in Bengal, Bihar and Orissa and the United Provinces about 50 per cent of the share capital has been called up ; in Bombay and the Punjab the amount of the reserve liability bears a smaller proportion to the amount paid up.

The Maclagan Committee disapprove the use of reserve liability, particularly in the case of individual share-holders, on the ground that after the lapse of a certain time, and specially in moments of financial stringency, banks would find it difficult to obtain payment of any part outstanding on shares,



In order to gain public confidence and attract deposits it is desirable that the share capital should be as large as possible consistently with economy in working. But the maximum rate of dividend on such shares is usually fixed by the Local Governments at 12 or $12\frac{1}{2}$ per cent, though the usual dividend paid per share in the several provinces is 6 to 7 per cent, the maximum being only reached in the case of a few Central Banks.

(2) *Deposits*.—For the whole of British India deposits amount to a little above 64 per cent of the total liabilities of Central Banks. They are obtained chiefly from professional men, landowners of medium status, Government servants and Europeans. Only to a very limited extent, do Central Banks compete with Joint-Stock Banks for deposits. The rate of interest paid on deposits varies from 3 to 10 per cent, but is normally from 5 to 7 per cent on deposits for one year, increasing by not more than one per cent for each additional year on deposits for longer terms. A certain small proportion of the deposits consists of deposits made by societies affiliated to the Banks. In Madras it is compulsory for societies to deposit their reserves with the Central Bank; in Burma one-quarter must be so deposited.

(3) *Loans*.—The loans received by Central Banks are generally from (i) outside banks, (ii) other Central Banks, (iii) Provincial Banks and (iv) Government. The outside banks are either the Imperial Bank of India or ordinary joint-stock banks: in provinces which have apex banks, the Central Banks have generally no direct dealings with the Imperial Bank or joint-stock banks: they are given loans, or cash credits are sanctioned, by the Provincial Banks which in their turn get cash credits from the Imperial or joint-stock banks. In case of extreme financial crisis, local Governments and the Government of India come to the rescue of Provincial Banks. Thus in 1921 the C. P. Government, with the sanction of the

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Government of India, provided the C. P. Provincial Bank with 17 lakhs as a cash reserve or fluid resource for the protection of depositors and 19 lakhs for the finance of members of rural societies. The former was granted by means of a cash credit for 3 years with the Imperial Bank of India on the security of the promissory notes of the primary societies endorsed by the Central Banks and again by the Registrar on behalf of Government, ultimate repayment being guaranteed by Government. The sum of 19 lakhs for the finance of the members of societies took the form of a *takkavi* loan from the Government of India repayable in four years.

Loans from other Central Banks are taken in provinces where there is no bank in the position of a Provincial Bank, and where, therefore, the only way in which Central Banks can use their surplus funds for the good of the co-operative movement is by lending to one another. Loans from Government are insignificant in amount and are decreasing gradually. Thus, in 1921, the total amount of loans given by Government to all the 394 Central Banks in British India was only Rs 2, 78, 106.

(4) *Reserve fund*.—Central Banks as a rule place only the minimum of one fourth of their net profit to the reserve fund, distributing the remainder as dividend or allotting it to certain special funds, such as, Building Funds, Dividend Equalisation Funds, etc. The actual amount of the reserve and other funds of all Central Banks in 1921 was Rs. 31, 39, 074, equal to 41 per cent of the total liabilities. There is no uniform rule with regard to the employment of the reserve fund, and it is often used in the bank's own business as part of its working capital.

The capital *owned* by the Central Banks (as opposed to capital *held and used* by them) consists of the reserve and other funds and the paid-up share capital; in 1921 the average proportion in British India of the total owned



capital to the total liabilities was 21 per cent which may be considered to be satisfactory. The MacLagan Committee express the opinion that in ordinary circumstances paid up share capital and reserve fund should be equal to not less than $12\frac{1}{2}$ per cent of the total liabilities, and it will be seen that the actual percentage for all Central Banks in British India is 21.

The following recommendations and opinions of the MacLagan Committee on the subject of the composition of capital in Central Banks deserve careful attention :—

There is no objection to the discontinuation on the part of Central Banks of the practice of levying affiliation fees.

All shares in a Central Bank should preferably be on one footing. But if it is absolutely necessary in order to attract local capital, the shares assigned to individuals may carry preference as regards dividend, but not cumulative dividend.

It is simpler if the shares held by societies and individuals are of uniform value.

Societies should ordinarily be required to take shares in their Central Bank in proportion to the amount of their borrowings from it.

Every shareholder in a Central Bank should have one vote only. If there is a difficulty in raising capital, Local Governments may properly authorise individuals to hold shares in excess of the statutory maximum of Rs. 1,000 but otherwise the limit fixed by the Act should be adhered to.

All shares held by individuals should be fully paid up. Reserve liability is permissible in the case of shares held by societies.

Reserve liability should be restricted to the face value of the shares and not to some multiple of it.

The rate of dividend should be limited by rule. When most of the shares are held by societies, the maximum should be the same as the average lending rate. When the shareholders are chiefly individuals, it should not exceed the average rate paid on deposits by more than 2 or 3 per cent. Bonuses should be prohibited.

Deposits by primary societies in Central Banks should consist of (1) excess deposits received by them and passed on, and (2) small deposits for short periods. Reserve funds should not be deposited in them.

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The opening of current accounts is deprecated, but in places where banking facilities do not exist may be permitted. A low rate of interest not exceeding 2 per cent. should be paid on such amounts, and the whole amount so held should be covered by cash or Government paper irrespective of fluid resources kept to cover other liabilities.

Savings accounts may be opened on behalf of members and non-members provided that 75 per cent of the amount so held is covered by cash or liquid investment, that the maximum accepted on one account is small, that notice of withdrawal is required and that they are not allowed to become current accounts.

Central Banks should make every effort to obtain deposits sufficient to meet all their needs and may draw them from any area subject to such restrictions as may be found locally advisable.

The average period of deposits should not be less than the average period in which loans are repayable. In arranging to repay deposits banks should not count on renewals or fresh deposits but rely on stipulated repayments of loans, and should spread receipts, add payments as far as possible over the whole year.

To meet all charges entailed by our recommendations, Central Banks require a 3 per cent margin and primary societies the same.

Special care should be taken to repay deposits punctually. The intentions of depositors with regard to renewals should be ascertained in advance.

Central Banks should be allowed to regard the undrawn portion of any cash credit granted to them by a Presidency Bank as a fluid asset.

Cash credits with Joint-Stock Banks of recognised stability also constitute legitimate fluid resource. The Registrar should introduce Central Banks to Joint-Stock Banks and furnish the latter with any information they require. Joint-Stock Banks should be expected to examine the position for themselves and not to rely on Government support for repayment.

Loans by Central Banks may with the Registrar's sanction be made to other Central Banks. Loans between Central Banks should cease as soon as a Provincial Bank is started.

Banks should raise capital by means of long term deposits rather than debentures, unless in very special cases they are in a position to secure debentures on immoveable property.

Share capital *plus* reserves should be at least $12\frac{1}{2}$ per cent of the total liabilities.



Employment of Capital.—Owing partly to the mistaken ideas with which some Central Banks were started, and partly to the fact that several of these banks have developed out of ordinary urban credit societies, it is in some cases customary for them to grant advances to individual share-holders, where they exist, as well as to affiliated societies. In most banks this practice is being gradually abandoned—and we think rightly so. Wherever it is found essential that individual members should be enabled to take loans, we should prefer that a separate urban bank should be formed to meet their needs; but in cases where this is found impracticable, a by-law should be introduced with the object of gradually restricting the practice. It should be no part of the business of a Central Bank to grant loans to individuals. The object of the admission of the individual shareholder should be to secure his help and it is not intended that he should borrow funds or appropriate capital intended to support primary societies.

The Maclagan Committee observe “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. In Europe, it is true that outside business is undertaken both as a convenience to members and in order to increase the turn-over, but with the agency at our disposal in India, and at the present stage of development among the people 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.”

The following opinions and recommendations of the Maclagan Committee on this subject deserve careful attention :—

Central Banks should not grant loans to individuals, nor should they undertake any outside banking work.

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A Central Bank should assess the credit of an affiliated society after re-examining and testing either by its own staff or through a union the society's own estimate of its borrowing power and the data on which the society has fixed the normal credit of its members and considering the society's needs and its own existing funds.

The data required by a Central Bank should include a valuation of (1) the moveable and immoveable property of the members of a borrowing society and (2) the earning and saving capacity of the same members. These data should be used to check conclusions based on the character of the society and on its past record.

Where a union exists the valuation mentioned above should be made by it; where not, by the Central Bank. Responsibility for the making of the valuation should be undivided. The Registrar should have power to require the reduction of the credit of any society.

Loans should be sanctioned as far as possible all together at one or two main seasons in the year.

Central Banks should accept the opinions of Unions with regard to the purpose and amounts of loans, but in case of insufficiency of funds to meet all claims, may refer back to the Union.

Subject to the condition that the terms of loans must depend on the terms for which deposits are held, and that repayments due within a given period should exceed the deposits falling due within the same period, Central Banks may grant loans either recoverable in fixed instalments or on pro-notes nominally payable on demand, the society's repayment corresponding with the repayments made by members.

Cash credits should be freely opened in favour of thoroughly well-managed societies.

The security taken from a borrowing society should ordinary be a pro-note. Shares held by societies in Central Banks should not be accepted as security for a loan, though deposits may be.

Rates charged on loans should be below bazar rates, but should be high enough to allow of a wide margin. Rates may vary on a definite system with reference to the character of the borrowing society and the length of the loan.

Money recovered from members should be at once available for repayment by a society to a Central Bank. The Central Bank should supervise recoveries, but need not prepare lists of overdue loans.

Central Banks should not ordinarily institute proceedings against defaulting societies in civil courts, but should exercise pressure through



their staff and finally apply to the Registrar to take action under section 36 of the Act.

After providing fully for fluid resources a Central Bank may legitimately use balance (if any) of reserve fund in its own business.

To meet contraction of credit Central Banks must keep fluid resources.

These should be sufficient to meet half deposits due during the ensuing year, supposing no fresh deposits or renewals were made and no repayments received.

Fluid resources are only to be utilized when other sources fail.

The fluid resources of a Bank must suffice to meet its own requirements and those of societies which have entered into arrangements with it.

The standard of fluid resources should be re-adjusted quarterly.

Superfluous funds should be passed on to Provincial Banks.

In calculating net profits for purposes of distribution, Central Banks should always deduct interest accrued and overdue. Interest earned but not due should be shown separately in the profit and loss account.

The provision of contingent or bad debt fund is desirable in the case of banks which only place the legal maximum to reserve.

Building funds are permissible, provided that they are postponed to the provision of an adequate fluid resource. Where such buildings serve also as agricultural depots Government may properly contribute to their cost.

Statistics relating to the operation of Central Banks in British India during the year 1920-21 :—

In 1921 there were 394 Central Banks in British India, the membership of which included 97,727 individuals and 33,204 societies of which 31,165 were agricultural credit societies. Loans made during the year to individuals and to societies amounted to Rs 12, 21,495 and Rs 4,23,13,566 respectively. Some of the Central Banks—notably those of the Punjab, the United Provinces and Bengal—sold goods to members : the total amount of sales by all the Central Banks was Rs. 7,42,525 : the Punjab and Bengal Central Banks also purchased members' products valued respectively at Rs. 2,28,651 and Rs. 1,66,352. The total paid-up share capital of the Central Banks amounted to Rs 1,02,36,622 (there being a reserve

liability of Rs 74,84,967) and the total sum held in loans and deposits (from Societies, Provincial or Central Banks, Government, individuals and other sources) was a little above 628 lakhs of rupees as against an owned capital (composed of the paid-up share capital and the reserve fund) of over 133½ lakhs of rupees. The total working capital of the Central Banks (including paid-up share capital, loans, deposits and the reserve and other funds) came up to Rs 7, 62,56,372 on which a profit of Rs 15,86,425 was made. The usual rate of interest on borrowings varied from 6 to 8 per cent in the several provinces, and that on loans from 7½ to 12½ per cent, while the rate of dividend paid on shares was generally 6¼ per cent, in some cases rising up to 12½ per cent, the maximum allowed under the Rules.

True Sphere of Central Banks* :—There has recently been a great controversy regarding the true sphere of the activities of Central Banks. The controversy was started by Mr. R. B. Ewbank, then Registrar of Co-operative Societies, Bombay, in an article on "The True Sphere of Central Co-operative Banks" published in the July (1918) issue of the *Agricultural Journal of India*. In that article he draws attention to the fact that in the last few years there has been a distinct tendency, most marked in the Central Provinces, the United Provinces, and Bihar & Orissa, "to make the District Central Bank the pivot of co-operative administration." Mr. Ewbank says,—“The true function of a Central Bank is simply to say ‘yes’ or ‘no’ to loan applications and when it says ‘no’ to explain why, in order that a society may know in what way its credit is defective.....Their true sphere is finance and not administration and control.” In the words of Mr. Wolff,—“The Central Bank is, when all has been

* The controversial literature on this subject is to be found in the *Agricultural Journal of India* Vols. XIII-XIV, in the *Bengal Co-operative Journal*, Vol. V, No. 4, in the Proceedings of the Third Annual Conference of the Indian Economic Association, in Mr. Wolff's *Co-operation in India* and in Mr. Crosthwaite's "Co-operative studies."

got ship-shape, to serve, not to be tutor to, the local banks. It is in fact designed to be a *bank*." The questions at issue may be formulated, thus—(1) Should the Central Bank dominate the societies too much? (2) Should it combine banking with propaganda, organization and inspection?

1. *Should the Central Bank dominate the societies too much?*

In establishing his thesis that "during the last few years there has been a distinct tendency in several Indian provinces to make the District Central Bank the pivot of co-operative administration," Mr. Ewbank refers to the practice adopted in the United Provinces and it is implied that the practice adopted in those provinces is typical of the system adopted in the other provinces mentioned (*viz.* the Central Provinces and Bihar & Orissa). The U.P. system is thus described in the (1916-17) Administration Report for the United Provinces—

"The system to which we are committed in this province entrusts the finance, supervision and indeed the whole fortune of the movement to the District and Central Banks. These Banks are administered by Boards of Directors who are predominantly urban and professional. Such bodies are, by their constitution, ill adapted to establish the intimate contact required for the fostering and training of such a delicate plant as the young village credit society, and even for its control or finance when adult. The lawyer, banker and other professional gentlemen can hardly be expected to find time constantly to visit villages, often distant, and to find out what their staff is doing there. They are inevitably dependent on their paid staff. * * * Experience has continued to show that too many central societies regard their primaries as customers to be bled than as children to be fed."

The more one looks into the new system the more completely does one find that all power is centralized in Central

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Banks. Apart from every individual member being requested to take shares in Central Banks, and every society to deposit their reserve funds in them, one finds that every society belonging to a Guaranteeing Union affiliated to a Central Bank is prohibited from accepting any deposits at all from non-members and is compelled to borrow all its capital from the Central Banks. Comparing Central Banks to "guardians" and primary societies to "wards", a writer in the *Bengal Co-operative Journal* (Nov. 1919) thus corroborates Ewbank's thesis—"As yet there is no sign of the guardians' relaxing an inch of their control over their wards. * * * They (the village societies) are the real units of the co-operative movement and for the ever-ready compliance of their real or supposed wants by their guardians—the Central Banks—they are not getting the gradual strength with the increase of their years. * * * It is for this reason that I am deliberately of opinion that our Central Banks, started with the best of intentions, are indirectly doing harm to the societies in this respect. How many of them are confined to their real work, that of merely balancing capital between the different village societies?"

Perpetual guardianship—be it over the ward or over the village society—cannot but hinder natural development and growth : it deprives the ward of all initiative and makes of him a perennial baby which would always require spoon-feeding and grand-motherly care and which would never be able to walk on its own feet. The more the powers of a Central Bank are extended over the village societies, the less will be its vitality as a self-reliant, self-helping co-operative unit.

There are many reasons for the view that there is no *permanent* need to keep local societies in tutelage—rather they should be trained to self-management as an educative agency. To start with, and on account of the prevalent illiteracy, there must be leading strings but " those leading strings ought



to be held with a light hand". That is Mr. Wolff's view and it finds a qualified support even from Mr. B.A. Collins—a strong opponent of Mr. Ewbank's thesis, for, says Mr. Collins, "if central banks, guarantee unions or federations centralise, more than is absolutely necessary, either finance or control, the peasants of India, always ready to rely on Government assistance, will never learn to think for themselves and to manage their own affairs" (*Agricultural Journal of India, XIV, II*). Control in the sense of compulsion and dominating interference should not be a permanent feature of a Central Bank's policy *except* under certain temporary circumstances to be described below. The reasons are, in the first place, the control of the Central Banks is not the control of the agriculturists, but that of the expert officials or managers of the banks who must be financiers first and co-operators afterwards. A Central Bank is a *bank* and must be run on strictly business principles by a few financial experts. Again, the "individual" share-holders and the bank officers are townsmen with far more education and skill than their confreres from the country. In dealing with such members of the Central Banks the rural representative is at a great disadvantage, since there is a great gulf fixed between the representatives of the town and those of the country. Moreover, it is not possible for a Central Bank to exercise proper control over primary societies. Its area embracing a whole Tahshil or District, is too wide and its clients too scattered for close mutual knowledge, while its control is too urban for that feeling of proprietorship which societies have in their union.*

We have referred above to certain exceptional circumstances which have in various provinces of India made it necessary to entrust the powers of control to Central Banks

*These lines and the following paragraph are taken from Prof. J. C. Coyajee's excellent article on the subject in the *Bengal Co-operative Journal*, Vol. V., No. 4. It is hardly possible to improve upon him.

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as a temporary measure. In those places where primary societies are educationally very backward they cannot be entrusted with the freedom which they can legitimately enjoy in more fortunate provinces. Another tendency which favours the assumption of functions of control by Central Banks is the small size of our primary societies. As Mr. Wolff says, "there seems a rather dangerous tendency in India to overdo the smallness of societies. It is that overdoing which, among other effects, concentrates business in the hands of Central Banks and makes these the 'pivot'—that is a mistake". It must also be admitted that guaranteeing unions have not yet been acclimatised in all parts of India; and in those provinces where they are not yet in existence we must needs entrust the Central Banks with some measure of the function of control over the primaries. There was undoubtedly a period of transition before Indian Co-operation had been furnished with the full equipment of propaganda, supervision and control *viz*, the Co-operative Organization Societies, Central Institutes and Guaranteeing Unions, when Central Banks had to be furnished with more than their normal powers. Mr. Wolff wisely acknowledged that this was for the time the best course. He observes in an article in the "*Bengal, Bihar and Orissa Co-operative Journal*"—"You have in India tried control by Central Banks. And under the circumstances.....that is *for the time* probably the most advisable solution of the problem." But he emphatically says that the Central Banks are only temporarily to be endowed with this additional function of control. "The Central Bank is, *when all has been got ship-shape*, to serve, not to be tutor to, the local Banks." On p. 146 of his "*Co-operation in India*" we find the following corroborating statement—"The placing of too much power and discretion in the hands of what are called Central Banks distinctly militates against good co-operative practice. There must be supervision,



control, and leading strings. However, those leadings ought to be held with a light hand. They do not want to be tightened, as there now appears a disposition to do, but on the contrary, gradually relaxed, so that by being made to think that they are doing things for themselves, members may be gradually taught to do so." No blame need be attached to those who, during such a period of transition, sought or seeks to enlarge the powers of the Central Banks. But objection must be taken when the temporary situation is accepted as an ideal one for all time to come.

(2) *Should the Central Bank combine Banking with Propaganda, Organization, Inspection and Audit?*

Those who answer this question in the affirmative argue thus—Suppose you have your "pure" bank which does nothing but says 'yes' or 'no' to loan applications, how does it get its knowledge to enable it to discriminate? A loan involves inspection. A money-lender who is advancing money on tangible securities like gold ornaments, wants to test with the help of a touchstone whether the gold of the ornaments is of good quality or not. He then assesses the credit of the borrower. In the case of mortgage loans, the scrutiny of a lawyer is found essential to know for certain that the land has got good titles and that the mortgagor has right to the land. If minute inspection and scrutiny are necessary in case of tangible securities, how much more necessary they must be for the Central Co-operative Banks, when they finance co-operative primary societies the basic security of which is personal. The need of supervision, inspection and assessment of societies' credit by Central Co-operative Banks was fully recognized by the MacLagan Committee in the following paragraph.

"In assessing a society's credit there are many factors which a Central Bank must not overlook. The data on which a primary society fixes the maximum normal credit



of each of its members and the reasonableness of the total borrowing power fixed by the society for itself should be carefully examined and *tested by the Union, or if there is no Union, by the staff of the Central Bank* and these data should, after verification, serve as the basis of credit permissible to the society. It is then for the bank to decide, after considering the needs of the society and the funds at its disposal, at what figure to assess the actual credit of the society for the year. In assessing the credit of a society, the degree to which the society as a whole has developed its co-operative capacities, and the sense of mutual obligation among its members, is of the most valuable consideration."

So long as a central propagandist body—preferably a Union of Societies—is not started in every province to undertake the works of Organization, Propaganda and Education, Central Banks have to perform these functions as best as they can. The illiteracy of our people and their innate conservatism demand ceaseless educational and co-operative propaganda work among them; it is the direct interest of Central Co-operative Banks to foster co-operative ideas amongst members of their constituent societies. If the Central Bank consists of individuals only, then one might take objection to its undertaking propaganda work because it may naturally give rise to a suspicion that it is anxious for the artificial creation of societies with the selfish motive of dividend hunting; but a mixed type of Central Co-operative Bank is not likely to be actuated by such sordid motives of gain and it can safely be entrusted with the work of propaganda and organization.

Thus it cannot be pronounced, as an absolute canon of co-operative practice, that Central Co-operative Banks shall not undertake the functions of propaganda, organization and education. Time, place and local circumstances have to be taken into account in deciding this question. In the present



transitional stage when Unions of societies have yet to be formed in most of the provinces, when Co-operative Organisation Societies or Institutes have not yet fully developed themselves, propaganda, organization and education must continue to be an important function of Central Co-operative Banks. The function of audit should, as at present, continue to be done by an outside agency appointed and paid by Government. Central banks should have nothing whatever to do with audit, except to see that the defects pointed out in audit notes are remedied.

In conclusion co-operators should take note of the following words of warning uttered by Mr. B. A. Collins, lately Registrar of Co-operative Societies, Bihar & Orissa, in the course of an article in the *Agricultural Journal of India* (Vol. XIV, ii)—

“If central banks, guaranteeing unions or federations centralise, more than is absolutely necessary, either finance or control, the peasants of India, always ready to rely on Government assistance, will never learn to think for themselves and to manage their own affairs. They must have advice and control but *in their own* villages and not at headquarters, and this advice and control must take the form of making themselves to decide their own policy, whether in respect of new members, or personal credit or what not. If they do this under guidance, in time they will learn to do it themselves; otherwise co-operation will never rise above the level of a semi-official *takavi*.”

CHAPTER XVII.

HIGHER CO-OPERATIVE FINANCE : PROVINCIAL CO-OPERATIVE BANKS.

Although the Maclagan Committee recommended the early institution of "Apex" Banks in all the provinces of British India, the United Provinces and the Punjab are still without such apex banks. But all the other provinces of India including Burma have each one such bank. These apex banks have different names in different provinces, as the following list of existing apex banks will show—

- (1) The Bengal Provincial Co-operative Federation.
- (2) The Behar and Orissa Provincial Co-operative Bank.
- (3) The Madras Central Urban Bank.
- (4) The Provincial Co-operative Bank, C. P. & Berar.
- (5) The Bombay Central Co-operative Bank.
- (6) The Upper Burma Central Co-operative Bank.
- (7) The Assam Provincial Co-operative Bank.

Though the names and constitutions differ, they all perform the functions of Apex Banks as conceived by the Maclagan Committee. "The extent of supervisory duties of the Central Bank," the Maclagan Committee remarks, "would of course, vary according to the existence or non-existence in the province of a Union system and the efficiency of that system when it existed. Although this edifice affords adequate additional assistance to the Registrar in the matter of supervision and audit of primary societies, it is by no means complete as regards finance. In the absence of an apex controlling institution Central Banks have to make such arrangements as they can, either by circularising each other or through the Registrar, to lend out their surplus funds or to borrow to meet their needs. This system is inefficient and



uneconomical when the work is done by the Central Banks themselves and, if it is carried out by the Registrar, entails a substantial addition to his already onerous duties. Moreover, uncontrolled inter-lending among Central Banks involves an inter-locking of liabilities which may well lead to trouble. In some provinces, too, the Central Banks are unable unaided to secure locally sufficient funds to meet their needs, and these can best be provided by a bank capable of attracting deposits from the richer urban classes and more suitably equipped to serve as a channel between the co-operative movement and the Presidency or Joint Stock Banks. It is, therefore, in our opinion, necessary to provide in each of the major provinces an apex bank which will co-ordinate and control the working of Central Banks, forecast and arrange for the provincial requirements as a whole and be the financial co-operative centre of the province. An apex bank of this nature should have as its express object the direction of provincial finance by the control and support of Central Banks. Central Banks should be prohibited from dealing with each other or with Presidency or Joint-stock Banks except through its medium while it should itself be obliged to confine its dealings with co-operative institutions to Central Banks and leave to them the work of dealing with societies."

1. The Bengal Provincial Co-operative Federation, Ltd.—Up to the end of the year 1917 the Registrar of Co-operative Societies, Bengal, was the intermediary between the needy Central Banks and the Calcutta financiers: it will come as a surprise to many to learn that a sum of about Rs. 25 lakhs was invested directly in the Central Banks through the then Registrar of Co-operative Societies—Rai J. M. Mitra Bahadur—who had to exercise a personal supervision over the investment of this money and to provide the labour to keep accounts of it. The establishment of a Federation of Central Banks in Calcutta in which the constituent Central Banks

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would take joint responsibility was thought to be the only way in accord with the Maclagan Committee's recommendation quoted above.

Accordingly, the Bengal Provincial Co-operative Federation, Ltd, was, with the permission of the Local Government and of the Government of India, registered in February, 1918. The operations of the Federation are intended to extend to the Presidency of Bengal, but it may deal with the Provincial Co operative Banks of other Provinces. Its objects are to finance the co-operative movement in Bengal and to grant loans or advances to members (being Central Banks) and, with the permission of the Registrar, to other registered societies, whether members or not, upon such security as may be thought fit.

It has an authorised share-capital of 10 lakhs of rupees, the shares being held only by registered co-operative societies in the presidency of Bengal. The Board of Directors consists of not less than 9 and not more than 18, including the Chairman. All, except a maximum of three members of the Board of Directors, are elected by the share-holders from among officers or members of registered societies who hold not less than 20 shares in the Federation (if nominated by the registered society on that behalf). Thus co-operative interests fully predominate in the Directorate presided over by a non-official elected Chairman. The three outsiders either represent the interests of depositors or supply the necessary business and banking ability. The Bengal Federation does not contain any Founder-members or Preference share-holders ; but it is a pure and ideal co-operative apex Bank—an ideal to which all provincial banks must approximate before we can have a truly co-operative All-India Bank. It, of course, receives deposits from outside individuals or corporate bodies ; and though the rates of interest allowed for such deposits have been generally lower than current