AGRICULTURAL CO-OPERATION*

THE Indian cultivator, a man of small means in a land of precarious rainfall, stands naturally in need of credit, and the co-operative institutions in India—which now number over 100,000, with a working capital of £75 million—are performing a valuable service. The problem, however, with which the co-operative movement is faced is to secure skilled and constant supervision over the finances of the societies. The danger is less of dishonesty and embezzlement, though this also occurs in India as in England, than of laxity and consequent misuse of credit. What the ryot does not readily grasp is the essential duty of punctuality in repayment, so far as his crop and other income allow: and until this novel idea has become firmly settled in his head, a trained adviser, with knowledge alike of co-operative principles, of banking rules, and of the language and habits of the peasant, should be frequently beside him to discourage extravagance and to instil the lessons of prudence. The absence of such trained men, and the devolution of all guidance on an unstable group of elected villagers in a union, was one of the leading causes of the troubles of the co-operative organization in Burma, as revealed in a recent report of a special committee appointed by the Burmese Government.

In Burma, the growth of societies, chiefly of urban and rural credit and of cattle insurance, has been steady and encouraging since the introduction of the Co-operative Act in 1904; there were nearly 4,000 credit and 400 insurance societies on the register at the end of 1928. Over them stood nearly 600 local unions of societies, 21 central banks, and the Burma Provincial Co-operative Bank at Mandalay. The working capital amounted to £3,750,000. In recent years, however, a growing reluctance on the part of the peasant-cultivators to repay their debts to the small village societies, which finance their agricultural and domestic needs, has raised to an uncomfortable figure the percentage of "overdues" in the provincial and the central banks. The object of the rural unions was to secure, by a mutual guarantee, the loans advanced to their affiliated societies from the banks, and the committee members of a union should have denounced to their own general meeting and to the bank the name of any recalcitrant village society, while exercising all possible moral and social pressure on the defaulters. The social ideals of an Oriental country do not always include punctuality in repayment, and the duty of recommending so unpopular a virtue proved most unwelcome to the leaders of the unions. Consequently, little or nothing was done, and the example of unpunished default was infectious. The Registrar is provided with a staff of official inspectors, whose functions cover propaganda and supervision, and who should, on the complaint of an unsatisfied creditor, move him to bring a society compulsorily under liquidation. Here, too, the report of the Calvert Committee to the Burmese Government shows that there has been undue leniency, and insolvent societies have been allowed to remain on the register in the idle hope of their improvement.

The result is a crisis. Burma Co-operative Bank in 1928 recovered only one-sixth of the principal debt and one-half of the interest due to it; a loss on the year's working was avoided only by writing up the investments to their market value; and it became necessary for the Government to guarantee a temporary overdraft of the Co-operative Bank with the Imperial Bank of India, and to accept responsibility for the full repayment

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of all deposits. The loss to the provincial revenues is officially estimated at Rs. 30 lakhs (£250,000). The Burmese Co-operative Bank is to be wound up, several of the central banks will probably follow suit, at least three-quarters of the insurance societies will be closed, and 1,400 out of 3,800 rural credit societies are already in liquidation. The co-operative movement in Burma is not dead, but will require to be built up again on sounder lines. In the meantime, the shock is severe.

To what causes is the disaster arttributed, and how is the restoration to be carried out ? In the first place, there is no suggestion of bad faith. Audits have been imperfect, auditors' warnings have been neglected, local supervision has lacked courage and thoroughness, but dishonesty, with the exception of minor incidents, is not alleged. The chief weakness has been an excessive reliance on the Guaranteeing Union, a group of rural representatives who possessed neither the character nor the inclination to be strict at the price of unpopularity. Co-operation among Asiatics differs from that of Europeans in no point more sharply than in the capacity for facing an unpleasant duty and for insisting on rules of business. Certain Indian provinces, therefore, have laid on the official inspectors the duty of reporting to the financing bank on the condition and "credit worthiness" of its debtor societies, and of stimulating the latter to fulfil their obligations. Eager to evoke the power of co-operative self-government, the Burmese left this burden to the unions, which failed to shoulder it.

The unions are now to be abolished. The inspecting staff, however, when working among a simple peasantry must also be occupied in constant teaching and guidance, and for this purpose they must themselves be steeped in co-operative knowledge. A fuller course of training is in future to be given to the Burmese inspectors, equipping them as sympathetic guides of the villagers and as real sources of authority. Whether their opinion should be demanded by the financing banks on the fitness of applicant societies for further credit is a question on which the Government and the special committee have disagreed, the former rejecting the recommendation of the latter that such help should be sought. Theoretically it is undesirable, but in practice the banks will find it difficult to obtain from elsewhere the intimate information which they need. Villages are remote and villagers are taciturn, communications are poor. If the policy of extending mortgage credit to the peasants, for clearance of old debt and for opening up new land, be adopted as is now proposed, special mortgage institutions will no doubt be required, and the ordinary co-operative banks will then confine themselves to advances of shorter term. Loans for the period of one agricultural crop are easily controlled, since full repayment will normally be made after the harvest, but intermediate loans for cattle-purchase, etc., will still call for information over a longer period. The banks may perhaps have recourse to the stronger step of asking the Registrar to liquidate an unpunctual society, but will be in the same difficulty, without the advice of his staff, in judging beforehand the real wisdom of an advance for which application has been made. Other Indian provinces foresaw at an early stage the need to strengthen village societies by the help of a trained supervisor. In Bombay the latter is often a non-official, who takes charge of a circle of societies and spurs them to activity. In other parts a full-time official is more usually employed, whether in the service of Government, of the co-operative banks, or of an organising and auditing union. The policy of high training has been carried farthest in the Punjab, which appoints Indian graduates of rural sympathies and require a probation of 18 months in the field and study, culminating in an economic test of post-graduate standard. Several of the inspectors thus trained have proved capable, in addition to their ordinary duties, of conducting intensive or extensive economic enquiries into the welfare of the people, either under the

Registrar of Co-operative Societies or under the Board of Economic Inquiry. It is held that an agricultural credit policy should be based on an exact and intimate knowledge of peasant economy, without which the most skilled economist, in advising the cultivator, is working in the dark. More than 100 of these specialists are now serving under the Punjab Government, and the best of them are able to grapple with the puzzling and multifarious problems of a country, in which all economic conditions, and above all the fortunes of the cultivator, are being affected and reshaped by the change from a subsistence to an export system of agriculture.

The organisation, both of the cultivators and of the artisans and clerical classes, has thus been developed, with the assistance of the Government, until, not only credit societies, but also agricultural purchase and sale, cattle-breeding, and land improvement institutions are found in half the villages of the province. There are now no less than 20,000 societies of every kind, with a membership of 600,000 and a working capital of £12,000,000. Over the primary societies are 120 central banks and a provincial bank, the latter serving also as the financial agency for a dozen mortgage banks and attracting funds for their use by the issue of 25-year bonds. A thorough audit of the primary societies is annually conducted by the employees of the Provincial Union, and of the secondary bodies by chartered accountants. A European banker has been appointed by Government as financial adviser to the Registrar of Co-operative Societies, not only because a small proportion (about $1\frac{1}{4}$ per cent.) of the working capital has been lent by Government for special purposes, but also because the moral responsibility of the State for a movement so closely intertwined with the life of the people renders financial skill and caution indispensable. The managing officers and the directors of the central banks and the Provincial Bank gladly welcome technical advice, and though certain of the minor banks have from time to time been closed for lack of wise policy, no central institution in this area has ever failed to pay its creditors in full or has required financial subsidies from the State.

Surprise has sometimes been expressed at the ability of Indian peasants and artisans to accumulate considerable funds from their own savings, and there is no doubt that, when the earliest societies were founded 25 years ago, the prospect of such thrift appeared to be dim. Confidence has nevertheless attracted the more long-sighted villagers towards the credit banks, and a sum of £3,250,000 represents the share money and other savings of the members in the Punjab. The remainder of the working capital is derived from deposits in the central banks, drawn, to a great extent, from the professional and clerical classes, who prefer to place their money in a secondary and well-managed institution rather than in a virtuous, but not highly educated, village society. Minor speculations in the latter undoubtedly occur, but are not numerous or alarming if it be remembered that 92 per cent. of the people cannot read or write; the central banks, on the other hand, are financially sound, and maintain for the most part a good level of accountancy. The banks, no less than the primary societies manage their own affairs, being advised by the official staff in difficulties and checked in case of irregularity. Such a supervision, which would be irksome and superfluous in a European community, is desirable and convenient where business methods are less standardised and social pressure renders impartiality less easy to attain.

The clearest conclusions from the comparison of the stricter and the looser systems are that simple men in an Oriental country require prolonged guidance in their economic dealings from trained experts, and that financial laxity should be immediately corrected before it becomes habitual. It is on these principles that the more successful Indian provinces have erected their co-operative organisations, and the less fortunate will, if patient and courageous, be enabled to rebuild their own.