NOTES AN   RS SUBMITTED

TO

TH TWELFTH

Madras Provincial Co-operative Conference.

under the Presidency of

Mr. G. K. DEVADHAR,

Vice-President,

(CENTRAL CO-OPERATIVE INSTITUTE, BOMBAY)

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QUESTIONNAIRE.

The following questions sent by the Provincial Co-operative Union to co-operators and on which many of the notes are based are published below as a help to the readers in understanding the notes.

1. Primary Societies.

1. Have you anything to suggest in the matter of organisation of credit societies by the Department and non-officials? Have you any views to offer on the starting and organisation reports as prepared at present? Can you suggest any standard in the selection of organisers as, ability to write a satisfactory report, to test the suitability of a locality, and so on? If the Central Bank's consent is to be taken before the registration of a society, what materials has it got to arrive at proper conclusions? If a Local Union is to be consulted before the registration of a society, has it been trained and educated in the responsibility of organising societies? Who is to do it?

2. What are the reasons that prevent a society from really functioning for the whole village? What arrangements should be made if its membership is to include all classes in a village?

3 What arrangements should be made to satisfy the short term credit needs of all the members? How far can the system of crop loans on the security of produce be tried in primary societies?

4. What opinions have you to offer on the following points relating to the release of members from indebtedness?

(a) Complete redemption from outside indebtedness.
(b) Further alienation of properties or incurring debts to be prohibited.
(c) Deputing one or two members to watch over such redemption cases for ten years.

5. Have you any suggestions to offer about the methods of increasing owned capital in primary societies?

6. Complaints are made that loans are sanctioned without a reference to their purposes whether they are of short term or long term durations. Can a clearer demarcation of the purposes be made in the by-laws with a view to standardise them?

7. Can the system of loan recommendations by Unions and A. Rs. be improved so that the short term needs of societies might be promptly and fully satisfied?

8. What arrangements do you propose for maintaining sufficient clerical service in societies?

2. Central Banks.

1. Is the attempt of departmental officers to reduce the shares of individuals in Central Banks and to have purely society

representatives as shareholders, a desirable step in the direction of the development of deposit banking?

2. What have you to say in the direction of strengthening the M. C. U. B. as the apex bank for the regulation of Provincial Co-operative finance? Have any steps to be taken in the near future?

3. Are you satisfied with the present system of audit of Central Banks? Have you any improvements to offer?

4. Is it desirable to start branches of a district bank or form banking unions federated to a district bank?

5. Have you thought over the present scheme of land mortgage banks now being put into operation by the Department in a few places? What views have you to offer on the scheme proposed by Mr. A. Vedachalayar and published in the English Bulletin of Co-operation Oct number?

6. What arrangements can be made for the training of bank managers of urban and central Banks?

3. Urban Banks

1. Is there any conflict of interest between urban and district banks on account of competition for deposits?

What methods would you suggest for connecting the large membership and the Directorate in an Urban Bank?

(a) Decentralisation by starting small societies in the town and affiliated to the Urban Bank?
(b) Sub-committees for different localities to sanction loans and ensure repayments?
(c) Council of supervision over the Directorate?
(d) A volunteer committee to check the register of members and assess their credits every half year?

2. Have you any methods to suggest to increase deposit banking in urban societies with a view to train the public in banking habits?

3. The Bombay Registrar writes of urban banks in his Presidency that "there is too much dependence on long term loans and too small a proportion of short term accommodation for business purpose. In consequence or in connection with this fact it is also to be noted that the turn-over is in most cases not sufficiently rapid. Another point that is open to criticism is the insufficiency and underpayment of the staff in many cases. It seems difficult for Indian gentlemen in up country districts to grasp that big business must imply an efficient, honest and contented office establishment." How far is this true of urban banks in this Presidency and what improvement would you suggest in these directions?

4. Transference of Control from official to non-official hands.

It has been accepted by Government that the limit to state aid for co-operative societies begins where co-operative education and training ends, and the administrative business of a society begins. Can it be said that Inspectors in this presidency undertake to the desired extent the training and education of societies, and never actually do their accounting work? What causes hamper them from doing so? How are they to be removed?

2. Granted that the object of the departmental staff is to train the societies to conduct themselves, how would you like the inspection reports to be, if a society's progress in the matter of such training is to be tested? Have you any improvements to offer on the present methods of writing inspection reports by either inspectors or supervisors?

3. If you admit that the policy of the Department should be to educate societies to stand on their own legs, and not do their work themselves, where will you demarcate the functions of the cooperative staff in the district, particularly on questions of administration of socities and Local Unions?

4. What arrangements should be made by co-operators or the Department to strengthen the non-official side of the credit movement?

(a) Can the work of organisation of credit societies be handed over to Local Unions?

(b) What steps should be taken to train the primary societies and Local Unions in understanding the principles and the working of the credit system in this presidency? Who is to organise, finance, and supply the lecturers for them?

(c) Have you any scheme for the recruitment and training of supervisors?

(d) What powers in your opinion can be safely transferred from the Asst. Registrars to Local Unions and Primary Societies?

5. Local Unions.

1. It is felt in some quarters that the Local Unions cannot be relied on in the work of properly sanctioning the loans. On this account the Department's control over loan recommendations is sought to be continued. There are three methods of viewing the question. The District Bank might assess the credit of societies, sanction loans and ensure repayments by a system of direct inspection through a paid staff; or, the Departmental control might be maintained; or the Local Unions might be educated and strengthened in human resources so that they might be vigilant in maintaining a high standard of efficiency of the societies under their charge. Can the Local Unions be trained and regulated in their work through the District Councils or the District Banks?

2. Is it necessary that the following powers of the A Rs. should be continued?

(a) Approval of union budget statements.

(b) Appointment of supervisors.

3. Is it possible to have a system of inspection of societies by Governing Body members with or without payment for the same?

4. The Unions are now financed by societies by way of supervision fund and rebate by district banks. It is hardly sufficient to maintain an efficient staff and do other propaganda work. Are there ways of improving this position?

5 Can the Unions undertake the disbursement of loans and remittances of collections from societies, and what is the financial security for doing so?

6. The Madras Provincial Co-operative Union & District Councils.

1. What means and methods do you suggest for the P.C.U. to undertake all the work mentioned in its objects?

2. What are the causes that hamper the formation and successful working of the District Councils? What remedies would you suggest for the same?

7. Agricultural Cooperation (Non Credit).

1. Why is it that no trade societies were started during the last three years and what are the causes for their failure? How were they able to make a profit in the beginning?

2. Has cooperative trade once for all been given up, or what are the steps to be taken up to build it up on a sound basis? Can the Department take the proper initiative in the matter by withdrawing its best men from credit side where there is much of overlapping and posting them for non-credit work?

3. Is there any objection in selling things to non-members in a store, if their rebate for purchases is carried to the reserve fund?

4. What steps would you propose for making cooperative societies fully utilise the assistance of the demonstsators of the Agricultural Department?

5. Can you suggest any method of coordinating the work of the Agricultural and the Cooperative staff in the districts?

6. Can any control be exercised and how, over the utilisation of the short term loans given for buying seeds, manure and implements?

7. Can local unions undertake the supply of Agricultural requisites with the assistance of the Agricultural Department? (ref. The articles of the Deputy Director of Agriculture, Madura in the September number of the English Bulletin.)

8. Can Local Unions undertake to organise demonstration farms with the assistance of the Agricultural Department, and appoint trained maistries for their supervision?

9. What initial steps should be undertaken to help farmers in marketing their produce? Can a cooperative marketing survey be instituted for one or two commodities. Can the system of storage of grains be undertaken by trading unions at a small commission, while leaving the entire responsibility of selling to the members themselves?

10. What possibilities are there of forming cooperative farming societies among the field labourers in this presidency?

8 Producers' Societies

1. Have you any views to offer on the formation of labour societies for undertaking contract works? Are any special facilities required from Government to work them?

2. Can an industrial survey be undertaken to study the economic condition of craftsmen in wood and metal with a view to see how far they can be helped by supply of capital and facilities for marketing? Do you expect the Department to do anything in the matter?

3. What methods do you suggest for the successful working of weavers' societies?

9. Consumers' Cooperation.

1. Stores.

1. What are the main reasons for the unsuccessful working of many of the stores in this presidency?

2. If it is want of managerial ability, can you suggest some methods for training efficient stores managers?

3. If it is want of propaganda, what do you suggest for the same?

4. Will the appointment of trade advisers and efficient auditors improve the position?

2. Housing.

1. What are your views on the present rules relating to housing grants by the Madras Government?

2. Can the co-partnership system of cooperative housing be introduced in this presidency?

3. State your views on the problem of rural housing?

4. How far can cooperative societies for acquisition of house sites for the poor really help them? Have you got any scheme on this question?

NOTES AND PAPERS

SUBMITTED TO THE

XII MADRAS PROVINCIAL CO-OPERATIVE CONFERENCE.

I. Primary Societies, Central & Urban Banks.

ORGANISATION OF RURAL CREDIT SOCIETISE.

Mr. A. Nagaraja Iyer (Co-operative Union, Villupuram.)—I believe that the time has come to stop the practice of the department alloting a certain fixed number of societies to be organised in a taluk or other area by an Inspector or other officers. Hereafter societies ought to be organised only when people in the villages desire for such organisation and when there is an application from them. The thrusting of societies on unwilling villages has already resulted in a large number of dormant societies which have to be liquidated sooner or later. There are many societies which have been organised but could not be started owing to the indifference of the people. The departmental officers may organise societies but only after consulting the non-official co-operators in the neighbourhood. It is necessary that the organisers should have a thorough knowledge of the agricultural and economic conditions of the village. The peculiar conditions of life in the village, the agricultural seasons in the place, the usual money-lenders of the locality, the rates of interest they charge, whether the loan amounts are collected in kind or in money, the usual marketing place of the agricultural and industrial products, the usual middlemen or traders who take the products of the village and the general tendency and habits of the people regarding the repayments of the loans to the money-lenders, the tendency or otherwise of the people to drive such money-lenders to court, should all form part of an organisation report. Central Banks need not be consulted before the organisation of all societies. But Central Banks may insist on such consultation before special types of societies are registered, provided, of course that such organisations will require financial aid from the Central Banks. Local unions may be consulted generally where the unions are in a position to advise.

The question of making credit societies function for the whole village depends on ...onomic condititions of the Indian villages. Difficulties are manifold. (1) Inter- ... (2) Clash between landlords and cultivators, (3) Money-lenders' ... [illegible] ...wer classes, especially the panchamas ... [illegible] see any easy solution for the problems connected with this except organisin societies for the different strata of the society—though this by itself is not the best solution. Unless the mass is educated as a whole, the problem is not easy.

I would commend the system of preparing annual budgets in societies showing the personal needs of the members and arranging for the increasing needs from the financing banks. This system is already in vogue, I understand, in North Arcot District. In future in organising societies care should be taken to impress that these societies are intended to satisfy the short term needs of members and loans ought not to be disbursed for long term purposes.

LONG AND SHORT TERM LOANS.

The term "long and short term loans" are apt to be misunderstood, as these indicate periods and not purposes for which loans are issued. Of course the by-laws of societies contain definitions of these terms. "Long and short terms" are defined now according to the purposes of loans. For instance, discharge of prior debts, purchase of houses or lands, sinking of wells and the like are termed long term loans irrespective of the periods within which they are repayable. It is time that we should reclassify the loans according to the purposes for which the loans are disbursed and not upon the period of repayment. The present state of co-operative finance in the presidency does not allow the movement to invest money in the shape of long term loans. The Provincial Bank is not prepared to lend to Central Banks for periods of more than 7 years, and the Central Banks for more than 5 years to primary societies. The deposits the banks receive are also only for very short periods. So Co-operators should solely direct their attention to a more careful scrutiny of the purpose of loans. I would even suggest that, except in special circumstances and in well-worked societies in existence for a long time, loans ought not to be restricted only to short term needs of members, *i. e.*, for purposes now classified as short term purposes. There is no doubt that there will be attempts at evasion. Members will resort to state one short term purpose for a certain loan, but use the loan for a long term purpose. But the members should be educated to watch mutually and find out whether the loans are utilised for the purposes for which they were granted. I think it will not at all be difficult for the Panchayatdars to find out whether the loans have been properly used or not. Another common measure of evasion on the part of members is not to specify the actual purpose of the loan but to give 'family expenditure,' 'urgent expenditure,' 'household expenditure' and such other vague and meaningless expressions as purposes of loans. Members ought to be compelled to state in precise terms the actual purpose of the loans. I would recommend the inclusion of the discharge of sundry debts as a short term purpose. But it is inadvisable to fix a special maximum amount for this purpose as is sought to be done in the case of ceremonials. Again Panchyatdars should be trained to verify the purposes for which loans are disbursed and to see whether the loans have been so [illegible]

It is absolutely necessary that provision should be [illegible] the complete redemption of agricul[illegible]

to co-operative [illegible] s also advisable to see that the land is not further alienated. I think it is enough if provision in the bonds and in the by-laws is made to cancel a loan in cases of such transfers on alienations, and to recover the amount irrespective of the period specified.

CENTRAL BANKS.

I believe elimination of individual shares is necessary. Ultimate federalisation of the whole system should be the aim. This is not opposed either in principle or in practics to Deposit Banking. The big Joint Stock Banks never depend upon their own share-holdere for the deposits received by them. The depositing public has, I believe, learnt the value of the basis of co-operative finance and credit and has enough reliance upon the same. The Government free audit and unlimited liability basis of the rural credit are alone sufficient for attracting deposits. I do not believe individual share-holders contribute to the flow of deposits into the movement.

To utilise the present Government Inspectors for audit purposes of the Central Banks will not be possible hereafter. Services of trained and certified auditors should be utilised. Such audit should be paid for by the Central Banks. It is also necessary that the auditors should be absolutely independent and under the control of the Registrar of Co-operative Societies. I suggest the appointment of some half-a-dozen certified auditors by the Department for the different groups of Central Banks. The cost of the staff should be recovered by the Registrar from the several Banks audited.

To split up the existing District Banks would only weaken the financial arrangements. I am not for starting smaller Banks federated to a Central Bank. The system of having branches may be tried. The success of the experiment in this direction attempted by the Conjeeveram Central Bank should be watched and then attempts be made to start branches. Branches may bring in further advantages to the movement in the shape of mofussil deposits.

Mr. K. Krishnamachari (Greamspet).—The chief defect that lies in the way of the real functioning of a society in a village is the want of instruction in the subject in schools. The Government that spends large sums for the upkeep of the department, should, if its object is sincere, order the teaching of the subject in each and every school at least from the 4th class to the 8th.

As it is, the headman and the karnam of a village and only some of the Panchayatdars can by any stretch of imagination be said to have some inkling of the advantages of a society and it is not infrequent that these with their influence in the village direct such knowledge to their own advantage.

The Inspectors and other officers should during their visits call on the villagers after their return home from their daily avocations to congregate in some place and explain to them the benefits of a co-operative institution.

Now that the prices of the necessities of life have increased by at least 80 per cent. than what it was in 1912, the borrowing capacity of a society should be enhanced to 12 times the paid-up share capital and that of a member to 6 times, subject in each [illegible] to proper security.

Statistics may be obtained from each society as to the amount of total indebtedness and assets of each member composing it, and then loans sanctioned to the extent of 50% of the market value of the entire property at favourable rates of interest, the term of repayment extending to 20 or 25 years even in consideration of the repaying capacity of each member.

Mr. V. L. Vasudeva Rao (Coimbatore District Bank).—The question of organisation will be solved by the appointment of say 5 or 6 additional Assistant Registrars who may be selected from among the present Union Governing Body members and invested with full power as to arbitration and also organisation. My reason for confining the selection to the members of the Unions is because they possess large influence in the locality and the fact that they are acquainted with a very large number of members taking loans will go a long way to reduce the number of cases for arbitration which is not likely when arbitration work is a stipendary office like that of the present Assistant Registrars. It is also in my opinion necessary that before a society is registered, the financing bank should be consulted as otherwise there is a chance of friction between the Directors of the Bank and the Department in cases where they hold different opinions.

The Bank is prepared to meet short term needs of societies provided it is informed sufficiently in advance as to the amounts likely to be required under this head, the loans being made repayable in a year. So long as drunkenness and mischievous habits of indulging in litigation criminal and civil continue it is not possible to undertake complete redemption of prior debts.

All loans for purposes other than purchase of seed grain, manure, payment of kist, domestic expenses for the dull season, for the sale of produce, purchase for cloths and such-like family routine expenses may be treated as long term loans. I would insist on such a demarcation as very necessary not only in the interest of the financing bank which has to find funds but also those of the borrowing public which will be enforced to observe thrift and punctuality in repayment.

Loan application with the recommendation of the Union concerned may go direct to the Bank as the basis for the decision as to whether the loan should be granted or refused. If the property statement is alright, I can dispense with the rule that applications should go through the Department. Of course applications from societies not affiliated to a Union will continue to go through the Department.

At present we have deposits from individual share-holders to the extent of Rs. 3 lakhs. This will disappear if share-holders are purely societies.

Both the Manager and the paid Secretary where there are Secretaries should have the requisite training. The Board of Management should take steps for the selection and training of suitable candidates for the Secretary's place with the sufficient qualifications as to character, property and business capacity. The Secretary ought to furnish security to the extent of Rs. 500. Details as to period of training etc., may be left to the Board of Management to settle.

Mr. C Ranganatha Iyengar (Gooty).—The organisation and starting of societies should be conducted on the recommendation of the Local Inspector or Union by a capable and senior Inspector of the District under the immediate presence of the Assistant Registrar. At present the Local Inspectors seem to care more for volume of work than efficiency and permanency. The Assistant Registrar should be present on the spot and satisfy himself by enquiries of the need for a society, the nature of the society required for the locality, and availability of enthusiastic and influential persons to take charge of the work and run it on. The Central Bank is not in a position to advise being remote from the area. The local Union, as it present constituted, is a much inferior body to the Committee of the society and its voice will be little heard in matters of registration. It can only offer suggestions which are not binding. The Directorate of societies should, as far as possible be drawn from various interests, so that the persons may influence all classes to join the society. The system of *co-operative marketing* should be tried by these rural societies. It is possible to clearly demarcate the periods of loaning with reference to the purposes, *e. g.*, for trade and household expenses the period should not exceed at the most a year. For marriage purposes loans can be granted for two years, provided no additional expenses are incurred during the period in connection with the same purpose. Certain clerks should be trained as volunteers in the District Bank to be released for service in primary societies which need them.

Mr. R. G. Nallakuttalam Pillai, Hon. Asst. Registrar, Srivilliputhur.—The movement has not yet reached the masses sufficiently. Illiteracy is still rampant in the country. Societies are started without any reference to economic strength or poverty of the locality. There are very few organisers of societies who are qualified to study the economic conditions of a village and suggest the proper form of societies. The capacity of individual members to stand the strain of distress or calamity must be the criterion for judging the economic conditions of a village, and on that judgment should depend the form of society and the special by-laws the village may require. There may be not only heavy indebtedness but also drink, non-employment etc. causing havoc in the village. The third may be relieved to a certain extent by suitable by-laws, the second may have to be left to time and gentle persuasion and even in the case of the first ordinary by-laws may not be sufficient to relieve the members of all their indebtedness. Societies started with stereotyped by-laws in such economically poor localities cannot flourish even for a year. The department is not only very rigid but also delays unnecessarily long, by raising series of questions even when slight changes are proposed. The Inspectors and all organisers of societies recruited must have a special study of rural economics. A detailed report of the economic condition of villages cannot now be expected from them. Such of the details as are required by the Manual are sufficient for the present day purposes.

A central bank cannot have proper materials to decide upon the registration of society. Whoever may organise a society, it is the Registrar or the Assis-

Registrar that registers it. He makes all necessary enquiries before doing so and when he is once satisfied there may be practically nothing for the Bank to be dissatisfied. There cannot be any difficulty for the Bank to finance any new society as it can always insist upon the new societies investing all the share capital or a reasonable portion of it in Bank shares. Some of the Governing Body members, if not all of them, may be in a position to advise the department on the registration of a society. But all such consultations and taking consents would be not only causing unnecessary delays, but also in some cases undesirable frictions. There is the department to co-ordinate the organisation of societies by all and sundry, and it seems not yet to have felt any difficulty in the matter.

There is not the cohesion necessary for bringing in the several classes of people in the same society; in some villages there are factions and in all there is want of mutual confidence and goodwill. Office-bearers generally try to have their own partisans and partisans alone in the society. Nothing but gentle and continuous persuation of authorities could have the desired effect.

CENTRAL BANKS.

Reduction of shares of individuals in Central Banks and their consequent eleminating may not be inadvisable. Popularity of the movement requires that a large number of people especially of well-to-do and enlightened classes should be drawn to it somehow or other. Most of the individual members and depositors may not be otherwise connected with the movement. Most of the depositors may not have brought their money but for the influence of some individual or other and the confidence such a member infuses in him. The bank cannot afford to lose deposits that bring in more profit to it.

The functions of a Bank are more that of a creditor than that of a borrower and it may not be wise to allow them to be exercised by unions of society representatives alone which will be the case when individuals are eliminated. There should be a clear majority of individual share-holders over that of union or society representatives who cannot but be a little biassed by their very association in favour of borrower societies.

Mr. V. Krishna Menon (Malabar District Bank.)—Great benefit can be derived by members by the encouragement of short term crop loans. Suitable centres should be selected for trying these kinds of loans on a larger scale than at present. Co-operative Department and Non-official Co-operative Agencies by concentrating their energies in suitable centres, under the direct supervision of an officer appointed by the District Bank, Co-operative Department or District Union, can make this kind of loan very popular in the interior. We are going to increase shortly short term loans for sweet potatoe, arecanut and ginger crops.

Indebtendness of members generally is the result of one or more defects either social, moral or economic. I don't think much benefit can be derived by freeing ·mbers from their existing indebtedness without taking steps for minimising chances for falling into debt again. I do not think that our efforts in this [illegible]

the condition of memb ers, especially their capacity to produce more, have been sufficiently energetic. We ought to work more in this direction than in anything else for some time to come.

Speaking in a general way, the working capital of a primary society should be fairly large—say not less than Rs. 5,000—for insuring sufficient business and income for paying a suitable clerk.

CENTRAL BANK.

Perhaps a day may come when it will be desirable to eliminate individual share-holders from all central banks. But this central bank and some others, I know of, have not reached a stage where they can depend entirely upon the shares of societies for maintaining confidence in the minds of depositors.

Official audit we prefer. But it may be made more regular; at least at intervals of three months.

Branches of a District Bank may be started in places where there are branches of Imperial Bank; but the volume of business the District Bank can command must be sufficiently large to necessitate a branch or branches.

Mr. T. S. Venkatarama Iyer (Coimbatore District Urban Bank).—Honorary Organisers selected must be men of influence and education and having enthusiasm and necessary leisure for work. They should be drafted from among those engaged in the direction of co-operative work, both in the rural and urban areas. Experienced members of Governing Bodies of selected Unions may be consulted, as they possess practical knowledge regarding organisation of societies. Financing Banks should invariably be consulted before each registration.

A society should be organised for a single village or hamlet and membership confined to that village or hamlet only. A number of existing societies with wide jurisdiction and large membership may with advantage, be split up into numbers so as to secure compact jurisdiction and facilitate intensive work.

All necessary preliminaries regarding security for *short term loans* being completed by societies to the satisfaction of Governing Bodies of Unions, recommendations by the latter bodies direct to the financing banks should be enough for sanctioning such loans. Other formalities may be dispensed with.

Central Banks with mixed constitution are the best suited for successful working. Successful deposit banking depends upon efficiency of management, and efficiency of management depends, to a large extent, upon an intelligent Directorate which, as things stand, is best secured by the co-operation of shareholding middle classes.

Each Central Bank if possible, or two or more Central Banks of adjoining Districts in combination, if necessary, may arrange for non-official independnnt audit, in addition to the audit by Government Inspector (Assistant Registrar) as at present. This will infuse greater confidence in the depositing public.

Branches may be started by the larger Central Banks in promising centres in the District, and also at Headquarter stations with a view to promote banking facilities.

With the concession now tentatively granted by Government for lending to non-member depositors also, additional branches may serve as means to attract greater deposits.

PRIMARY SOCIETIES AND THE VILLAGE

Mr. S. Annadurai Iyer, Nangavaram Co-operative Society.—I wish to suggest that organisation of new societies should be now temporarily suspended both by the department and by non-officials, till all the existing societies are placed on a stable and workable footing. In the Trichy District there are more than 330 societies and only a few of the societies can be placed under the heading of good model ones. The rest are badly managed due to improper understanding among the villagers and hence they are working at a loss. It is only a very few of the societies that gain confidence of the rural population. So a systematic attempt should be made to educate the villagers about the advantage and scope of co-operation in all its forms. Societies which were started by the Department merely for a show in statistics should be examined thoroughly by a local Taluk Committee and advice and suggestions must be given wherever necessary. Societies in unworkable condition must at once be weeded out. Moribund societies must be helped by finances and advice from the non-official as well as from the department. It has been found out that where a society has been thrusted in a village against the teeth of opposition from the majority of residents, the society does not thrive well and in one or two years after starting they are necessarily to be liquidated. So a society must be started in a village only when there is a demand for it and all the people patronise it. To create a demand of this sort in the village, propaganda is necessary only through non-officials, efficient societies in their neighbourhoods should be cited as examples. So organisation must at first be done by non-official agency and the business of starting and registration should be left to the department.

The selection of organisers should be left to the Local Unions who will choose influential gentlemen connected with working of societies. There will be no difficulty in the selection of organisers.

The Central Bank's consent must be got before the registration of the society. In this district there are instances where the Central Bank has not advanced even an initial loan to new societies. Without initial loan to new ones, we cannot get any good by a society being started.

So to guarantee at least an initial loan, Central Bank's consent is necessary.

The real reasons that prevent a society from doing its real function in a village are:

1. Only 25 per cent. of the residents in a village join as members of a society.
2. Most of them join with a view to get a loan that can satisfy their temporary demands.
3. All the Panchayatdars are not thoroughly educated in principles of co-operation and rural reconstruction.

4. Most of the well-to-do stand aloof from societies and hence the society is unable to get local deposits.

A co-operative society has now only one side of activity *i. e.* lending to members whenever necessary.

The society can only be felt as a force in the village provided it can meet all the demands of ryots. A ryot should be supplied all the necessary articles of consumption at favourable prices; for this purpose a co-operative store should be started in every big village. His cattle must have a good grazing, for which a common pasture-ground under the management of the society is necessary. There must be a co-poerative hospital, reading room and an elementary school.

All classes in a village can even now become members of society and there is nothing to prevent them.

The District Bank must allow societies to open overdraft and cash credit accounts with them. Then the urgent needs of the members for one year loans can be satisfied. In primary societies loans on grains can be advanced only when there are safe granaries.

Interest on loans advanced to members must not exceed 9½ per cent. Then there will be no outside indebtedness.

A strong movement should be started in every village persuading members to work hard and earn a decent livelihood. Drink and other evils should be eradicated from every village. There must be social pressure on members to retrench all their expenditure especially regarding marriages and other religious ceremonies. Efforts should be made to prersuade members to take to productive works with the capital supplied by the society.

COMPLETE REDEMPTION OF A SOCIETY FROM OUTSIDE INDEBTEDNESS.

Mr. P. Srinivasachari:—The door of co-operation can be freely opened to those who follow the golden mean. Neither the rich nor the poor will be of any use in furthering the interests of the movement. It is a live child to be cared for very vigilantly. It will gather muscular strength neither by exuberent growth, nor by hopeless underfeeding. So then it is the methodical middle-class man who can nurse it well for a healthy growth. And therefore it is highly important that sufficient care is bestowed in the matter of selecting members for admission into a society. Any failure in it will cause great inconvenience. So we pre-suppose that such a careful selection has been made before we attempt to redeem a member from total indebtedness.

A complete redemption of a society member from outside indebtedness is a most desirable thing in that the procedure makes the particular member to be indebted to the society only. But to secure this end, an adequate source to finance him promptly to his needs should be found.

Indebtedness may arise out of extravagance and thriftness for productive purposes. If it is of the former type, a member finds himself in perpetual want and to adjust himself he selects immediate source of help available to him without a forethought as to the future effects of his foolish action. But if it is of the latter, he aims at a stage of living where he would find himself free from all indebtedness and be in a position to make deposits in the society itself to supplement his own humble part in providing the society a source of financing other members to release them from further indebtedness. In this case the society should try its level best to meet his demands promptly, adequately and completely on easy terms.

Any hard and fast rule to forbid a member from resorting to outside indebtedness will only weaken the strength of character in him and render him less useful and less to the society. It is therefore suggested that a society, while it tries to help him to extricate him from indebtedness gradually, will also see that it indirectly brings down certain results whereby the relation between the debtor and the creditor is clearly made known. It may be done by calling for a list of debts due to the creditor and another list of debts which the debtor owes to the creditor; wilful omission by either party being expressly put under a disadvantage of all rightful legal claims. This kind of procedure will clearly enable the society to regulate its fluid resource according to the troublesome nature of creditors and urgency of debtors.

Besides, preference in the matter of lending rate of interest, may be given to those who induce their creditors to transfer their claims to the society by way of converting the dues into deposits for sufficiently long periods. Here the creditor may not be very willing to agree to the low rate of interest offered by the society when there is a tempting offer for a high rate in the money market. But he should be sufficiently made to realise that deposits on the lines of co-operative scheme is one of the surest and best way of protecting himself from all evils arising from a resort to law courts.

Lastly there is an inexorable grievance which human intelligence is quite unable to cover up. It is the corruption that is slowly coming to existence in the matter of account keeping by responsible men of a society. It may be added here that a majority of them at the present stage of the movement are quite ignorant of the elementary knowledge of book-keeping. But there are a set of people who appear to have become capable men by having learnt the wrong ways of co-operation. What they do is this. When a deserving member applies for a loan he is politely refused accommodation on the ground that there are heavy overdues by him to the society while they make tactful adjustments in the case of the most undeserving members whose dues to the society are long overdue, by months together, simply because these men are specially interested in them. They even keep a private account book to avoid recurrence of all irregularities in the regular books of the society which are open to the Departmental scrutiny. The refusal to grant loan need not be animosity or jealousy between the members. It may be to protect the interest of those who are very useful to those responsible men in attracting large bribes and in accounting society money in the books of accounts by nominal vouchers with a view to appropriate the money themselves.

Complete redemption of a member from outside indebtedness can be undertaker by a society only when:

1. A careful admission has been made.
2. The real position of the debtor and creditor has been known.

3. The ways to put down the practice of private account keeping for making tactful adjustments in the society books are found out.
4. The creditors are made to make deposits in co-operative societies.

REDEMPTION OF PRIOR DEBTS.

Mr. M. Venkoba Sastri (Adoni).—To improve the working of primary societies first of all, the Department and the Central Bank with the help of the Union should try to redeem completely the debts of the ryots in the village, and such of the members who join the society should be strictly informed that their produce should not be sold without giving notice to the Local Union to which it is affiliated. The Local Union in turn must make arrangements in their Governing Body, or with the help of some paid agents to visit at once such of the places where the Union finds difficult to carry on the above work with the help of the members of the society, and find a way to keep the produce safely preserved duly insured in Insurance Companies, and the Union must find a sale for the wholesale produce kept. Arrangements should be made to supply the ryot with the necessaries of life. The debts of members should thus be cleared.

The other thing is that the Union should be given powers to recommend short term loans required by the societies direct to the Central Bank without the intervention of the Assistant Registrar to whom intimation of such recommendations should be intimated in a form once in a week. Such loans should not be sent direct to societies. The Central Bank should sanction such loans and keep the amount ready at hand to disburse when the society wants it, and it should be sent to the agents where the supply of seed for the season is arranged by the society or by the Union authorities.

I hope that if the above conditions are satisfied, we can help the ryots and also increase the non-credit functions in rural societies.

For paying the agents, arrangements should be made to meet the expenditure within the Dalak of ½ anna that may be derived by the system as the ryots are already in the habit of paying one anna.

For watching the storehouse, watchmen at the cost of the ryots should be engaged, or if the directors take up the *responsibility* of watching by turns, this will be well and good.

As regards the clerical work of the society the teachers of elementary schools should compulsorily be made to work with some grants that may be recommended by the Union with the sanction of the Assistant Registrar and the teacher will be ex-officio Secretary of the society.

MAXIMUM BORROWING POWER IN PRIMARY SOCIETIES.

Co-operator.—First of all, assessment of maximum credit firstly of the individual members and then of the whole society has to be made from two aspects *viz.*, co-operative and businesslike. "The two qualifications are largely interdependent, but for the sake of clearness it is necessary to scrutinise them separately as far as possible." (para 2, page 10 of Maclagan's Committee Report). Assessment of credit for individuals and societies from *co-operative aspect* has to be made on the principles laid down in para 59 of the Maclagan's Committee Report with reference to (a) the "limit upto which the members as a body are prepared to pledge their liability" and (b) "the limits upto which individual members should be entitled to receive normal loans from the committee, firstly to avoid absolutely the members being drawn to private money-lending for future needs, and secondly to clear off their old debts as far as possible in the manner laid down in para 37 of the report. The total maximum worked out as the needs will therefore consist of two parts, firstly for future needs, and secondly for the payment of past debts. The total of these two parts may very often be and even the first part alone may sometimes be more than an outside creditor will be willing or should be allowed to trust a new society. The limit upto which such outside creditor, be it a depositor or a central bank, should trust the society will depend in the early stages of a society solely on the material or business aspect even as any joint stock bank would do (*vide* paras 141 and 142 of the Report) because the co-operative or moral aspect is yet to be worked up. But "as a society grows older, its records afford a visible index of its moral worth." Again when the maximum borrowing power for a society worked out in the *co-operative aspect* as detailed above for both or even the first of the above-said purposes is less than what is assessable for the society as a whole on the *business aspect*, and also enough money is available in the market to borrow upto the former limit, the problem is easy to solve as all the members can be benefited to the degree required to help them even from their usurers. If not, the procedure detailed in the second sub-para of para 59 of the Report will apply.

The maximum borrowing power that is fixed in the by-laws of the primary societies in our Presidency is, in the early stages, to determine that assessable on the *business aspect* only as it should be acceptable to creditors and central banks. In this *business aspect* again there are two methods of valuation of this maximum borrowing power. In the case of limited societies as the whole structure of credit is based entirely on its owned capital of share capital and reserve fund, naturally there is only one possible rational method of assessment. Therefore we have the rule and practice that the credit raised by such society should not exceed some definite multiple of its owned capital. What that exact multiple ought to be is further determined with reference to the class and kind of the society, nature of its transactions, its efficient working and its Board of Management. Thus for our Provincial Bank ten times the owned capital is fixed as the maximum borrowing power while that for our central banks it is eight. For our urban societies it varies from 4 to 8, for stores it is generally 4 or 5 and the Government has directed it should be three for the House building societies which expect Government loans for twenty years. The principle underlying this determination of this limit is the usual banking one that in the ordinary circumstances even if the worst happens, the loss will not exceed that margin of the owned capital, thus making the money of the creditors who may have no voice or hand in the management absolutely safe. In the case of

societies for agriculturists or poor men, though this principle of assessing on the basis of owned capital be equally well applicable in theory, it is not workable in practice because they cannot afford to put in enough share capital or till the society has worked for some years. Therefore for these societies, which are generally organised on the unlimited liability basis in order to enable them to borrow even for the first needs, the basis of *material property* of all the members is adopted. It is fixed in our Presidency at one-eighth ordinarily. This basing of credit entirely on the property is not at all satisfactory either from material or moral point of view for various self-evident reasons. It will be somewhat better if at least a bulk of such property is productive and there are amongst members some who have tangible property without much need to borrow. To make it co-operative it should be seen that the members are thrifty and possess in practice a saving capacity and above these that the loans are asked not merely for necessary but at least mainly for productive purposes and they are honestly applied and punctually repaid. In other words, the financing, supervising and auditing agencies (*viz.*, Banks, Unions and Government Officials) have to keep wide awake incessantly as to these several moral aspects of the society if the society should be living.

The question arises as to whether this moral aspect which begins with *no index at all* if its existence, except in mere estimates and promises at the starting of the society, should continue in the same state for ever for the judgment of the members and creditors, or whether any index of the development of these moral aspects, which again may be availed of for the basis of credit on business aspect also, may be looked into.

In fact, to work up this moral aspect and security both to members and creditors to a larger degree concretely in unlimited liability societies than in limited liability societies, rules have been framed by our local government prescribing 50 per cent. as the minimum quota for reserve fund and a maximum dividend of 6¼ per cent. only on share capital is allowed out of profits. Again no option is yet given for using the reserve fund in the working capital of the society or for providing for building or dividend equalisation and other funds in these societies. We are in this Presidency also trying to work up share capital even in our unlimited liability societies, (a) to develop thrift of members and the owned capital of the primary societies, (b) to increase the safety of members from their personal property liabilities, (c) and to afford facilities for banks to draw this share capital when required for its own share capital in order to strengthen its own "share capital" within the movement, and thus democratising the movement speedily. Thus the working up of unlimited liability basis has advantages both morally and materially, both from co-operative and business aspect, alike to the individual members of the societies and to the societies and the banks. At present the achievement of this object is sought to be done only by rules and by-laws. The object of basing the maximum credit of the society even those on unlimited liability basis, on its owned capital as an alternative to the property basis is to work it up by keeping the members and Panchayat themselves to look up to the development of this owned capital, not merely to obey rules and by-laws, but also to have the chance of increased credit to some extent automatically on this aspect also. Surely the property statement is not to be dispensed with in such unlimited liability societies and it will be open to any creditor or central bank to see how the two maximum figures compare and grant loans only to such an extent as it can reasonably rely mainly from a business point of view. For instance if one-eighth of property basis is found insufficient, it is often urged that one-sixth or one-fifth may be allowed. To which societies should this higher rate be allowed? It can't be at random or pleasure. Surely in a society which has worked up its own share capital and reserve fund to such a limit, as the maximum credit assessable on that basis at 5 or 6 times is not less than one fifth of the property, it will be found in most cases that the moral aspects of the society have been developed in that society that the maximum of 1/8th may be raised to 1/5th or even 1/4th for reasons given in para 141 of the Report. In fact compared with societies on limited liability basis, which usually have 5 to 8 times share capital and reserve fund as their maximum credit, fixing at 5 or 6 times share capital plus reserve fund is far better even on material points because while the creditor to the former one will have no more than the reserve fund and share capital as his guarantee money, that of the unlimited liability society has not only this but also the unlimited liability at the bottom as the foundation below that of the owned capital.

ORGANISATION OF SOCIETIES.

An experienced Co-operator:—Organisation of a Co-operative Society is the most difficult task for one who feels the responsibility and the success or failure in the long run is accountable to his knowledge and abilities. On the other hand it is the easiest portion of work that can be done by anybody with no responsiblity. Go to a village and say if 10 people join and organise, they will get loans at a cheap rate of interest and may be repaid in 10 years. Other aspects, responsibilities and consequences are matters that cannot be easily understood by the villagers and the organiser should have the shrewdness to find out whether there are people who will conduct the Society for common good and whether it has the prospect of a successful running. Organising Societies to satisfy the number allotted and the district bank financing blindly on such ceremonial application is a danger to the movement. Organisation must be left to the unions and district banks who alone can understand the local needs, and the Department may depute its officers for organisation in areas where the societies are not working and where such a help is necessary. But even in such cases the unions and district banks must be consulted beforehand so that the union may be able to take up the supervision of the society and the district bank undertake to finance the society. It may be that the district bank and the union may not have sufficient material to decide, but it may be easy for them to depute one of its members and get the necessary information.

SHORT-TERM LOANS.

When a loan is given for repayment within one or two years, it is said to be a short-term now and many advocate the use of short-term loans in rural societies and some even go to the length of advocating that societies should allow only short-term

loans. The district central banks are very auxious to introduce only short-term loans to societies and the Madras Central Urban Bank prescribed 25% of its loans to be short-term loans. After all the loans are intended for the village ryot and how far it is useful and how it must be given, must be ascertained only after a careful study of the position, requirements and capacity of the village ryot. In an article about short-term loans in the Bulletin for October 23, it is said that many District reports deplore that short-term is not properly used, not largely wanted and abused. The present system of short-term is based not on the requirements of the ryots, but on various other causes. The system of short-term has not been definitely understood and more prominance is given for the period than for the purpose. The Madras Central Urban Bank decides to issue 25 per cent. of its loans as short-term, because it fears at one time the short period of its deposits will not allow long periods for its loans. The district banks at one time feel that that cannot meet all loan applications and decide to allow only short-term loans. In such cases, irrespective of the purpose for which the loan is required and the ordinary capacity of the borrower to repay, short-term is the only accommodation available in the society and it is natural it is freely given in large sums. But the repayment can never come as stipulated and I find nothing immoral in it, as far as the agriculturist is concerned. Usually whenever any loan bond is written in favour of a sowcar or a pronote is given, stipulations are entered into to repay within a fixed period or on demand. Does this mean that the borrower's capcity and the purpose of the loan were taken into consideration when fixing it, or the borrower at least intends to keep up to it, or at any rate knows it? Not at all; even if the time has been fixed on consultation, he must have settled within himself to pay it off by borrowing elsewhere if it is beyond his power. So also, when the District Bank, the union, and the society has allowed short term for purposes of long term duration and is fully aware that the short repayments fixed is beyond the capacity of the borrower, there is no meaning in holding it as a case of default, overdue, immoral and unbusinesslike and taking steps for the complete recovery of such loans is immoral and un-co-operative in character.

A Short term loan must be utilised only for purposes that will reproduce itself within the period. Seed, manure and other agricultural expenses will be reproduced as soon as the harvest is over, and it is reasonable that the loan taken for seeds etc. are paid and the remaining utilised by the borrower for his own use. If the short term loan has been used only for such purposes as will be reproduced entirely within the short period stiputed, and the society can satisfactorily control the same, there will be no difficulty in repayment in time. Societies now allow short term loans to members irrespective of the purpose for which it is used, only if the member agrees to repay the same in a short period. This is no short term loan intended to meet agricultural charges, and, whatever may be the capacity of the borrower, it must be avoided if the purpose is not one of reproduction within the period. Another difficulty with the agriculturists in short term is that some societies allow only short term loans and discourage long term. Some Districts take credit for allowing only short term and not utilising its resources in locking up in long term loans. Superficially and scientifically this is a best arrangement. District banks are very wise in lending for short term so that their obligations may be kept up. But we will have to look to the practical side of it. Commercial banks lend only for a short period for a season and get them returned. It is not the case with agriculturists. Our ryots are already indebted to sowcars and annual advances are got only from them and the entire produce is left at their disposal. Unless our ryots are reclaimed from their clutches, is there any practical use of a short-term loan? It will surely go to replenish the resources of the sowcar and he will see that the society does not get it repaid. How can we expect the ryot to utilise a short-term loan earmarked, for agricultural expenses, when he is trembling under the control of the sowcar and the money will surely go to the sowcar at his bid? So, short-term loan is practically useless and unnecessary for ryots not reclaimed from outside creditors and it is impossible to insist on its proper utilisation. If it is said that there are many who will take thousands every year and repay in time, I think it is not co-operative and they are not the kind of people that the movement intended to help. When the ryots are groaning under usurious debts and no succour is found for them, it is not co-operative to issue thousands of rupees of the co operative movement to well-to-do people as short-term loans. Short-term loan again must not be given in a lump to the ryot and it is no fault of his if it is misapplied. Ryots are not to be expected to keep the amount safe for expenses throughout the year. His tendency is, whenever he has money, to spend it or assume the position of a money-lender. So the society must ascertain his wants throughout the year and prepare a forecast fixing the instalments to be paid then and then and the panchayat must see to the prompt payments of instalments and to the legitimate utilisation of the same. As regards repayment of short-term loans, it is easy for the panchayat to collect them during harvest as is now done by the sowcar if only the society can take the repayment in kind. But this may involve a lot of difficulties and will lead to abuses.

In summing up I may give the following points:—

1. Short-term is very essential to the ryot and without it he cannot conduct his agricultural operations satisfactorily and keep up his long term obligations. The system is nothing novel and is freely resorted by the Sowcar to his own interest.

2. The society must see that the loan is used only for the purpose for which it was given.

3. Short term will be properly utilised only if a member has no outside obligations.

4. It must be distributed in instalments whenever required, and necessary arrangements be made with the district bank sufficiently beforehand.

5. Repayment must be insisted on during harvests whatever may the period of the loan, and the district bank should fix its repayment period accordingly.

6. Members may get the necessary amounts by drawing cheques accepted by the society and the union may formulate a scheme for the free use of such cheques.

CENTRAL BANKS.

Mr. A. V. Gurumurthi.—Central banks are mostly constituted on the mixed membership of societies and individuals who are well-to-do, who have come forward to help the co-operative movement and lend their business capacity to run a higher banking institution. When it was purely an individual concern, the members were allowed to participate in its entire profits and there was a tendency to aspire for higher dividends and adopt all means of getting fat profits at the cost of its constituents. But the Maclagan Committee recommended to fix a maximum limit for devidends (Para 45) to check the profiteering tendency and our Local Government accordingly framed the rule 9 A. in the year 1915 fixing the maximum at 9%. So the individuals cannot claim more than 9% as dividend and the association of the society members with them has given them scope to study the beneficial aspects of the movement. The individuals are no doubt educated, businesslike and capable people unlike the village society members, and the movement must congratulate itself in enlisting the sympathy of so many non-officials who have to meet and discuss the different problems that confronts the co-operative movement and lend their intellectual support. No doubt they are not amenable to all kinds of dictation and are able to realise their duties and limitations. But in a democratic movement like co-operation, the tendency must be to encourage democracy by enlisting the sympathy of capable people and it is retrograde to treat them as obstructionists. Individual share-holders of district banks are reproached as selfish men, profiteering, and obstructing the progress of the movement. Individuals unable to bear the reproach have even accepted schemes for redemption of their shares in some Districts. The reasonableness of this agitation and the *pros* and *cons* may be briefly discussed. Who is this undesirable individual? He has paid in his hard-earned money as shares in the district bank feeling content to get a maximum of 9 per cent. dividend and staking their share capital for the common debt of the Bank. Even granting that he has no interest for the movement, his investment in the Bank induces him to see that the Bank is stable, loans are given on sound securities and prompt and punctual recoveries are made. The existence of these individuals is the security for depositors and our co-operative finance in this Presidency depends mainly upon deposits. On the other hand, it can be advocated that the management of the affairs of the Bank will be more co-operative in character, and also efficient if it is purely directed by society members. The society collects share capital from members who require loans and the amount thus collected is invested in shares in a central bank. The society member pays Rs. 2 for a loan of Rs. 50, and hence he does not feel it as any stake of his money and he is also sure that the amount will be adjusted to his loan in the last instalment. Likewise the society as a whole pays a certain sum as share capital while it is indebted to the central bank more than 20 times. Is this staking and will it create the responsibility to maintain sound banking methods in the Bank? It is no wonder societies agitate for a quarter percent margin and openly express foregoing of dividend. Central Banks are not in the same category of rural societies. A village society is no bank attracting others' deposits, but a credit association formed for the purpose of borrowing money on the unlimited liability and distributing the same as loans to members to enable them to be free from outside debt and increase their productive power. Beyond this it has no banking business. To lend to these credit associations a central bank is started and it should find the necessary money required by these societies and it is a regular bank in all its aspects and must explore the money markets as other banks do. It cannot be run on gratuitous services, small margin, and poor management. Expert staff, adequate margin, large reserve fund, attractive dividends, careful lending, alert recovery and efficient management are the necessary factors for attracting deposits and borrowings. The individual share-holder is surely capable of contributing to the above factors to a very large extent and it is a pity it is not recognised in some places. I remember that an individual speaking at a meeting on the subject said that he would be glad to withdraw as an individual, but yet work for the welfare of the bank and get a seat by coming through a society. Again some people who are individuals get themselves admitted in the affiliated societies and at once declare themselves as society share-holders and condemn the individuals. What was the baptism, gone through to effect that sudden change of mentality? The individual share-holders rightly feared in the beginning that higher banking is foreign to rural societies and they will be wanting in business habits. But, they were assured of protection and sound banking by the expert guidance of the department; and yet this sudden change has come. It would be better that the advice, guidance, credit, business capacity and sympathy of the individual shareholders are retained in the central banks for some time to come. A member in a village society, a store, or a central bank is a co-operator and there can be no difference among them and no reproach is possible one against the other. The goal for which all are working is the same and everybody in the movement has sacrificed as far as he could. The veil of delusion must be raised and all co-operators must meet as brethren of the same family with one object.

A village society has to carefully select its members whom it decides to reclaim from outside debt or increase its resources by getting the same from the central bank. So, a village society is a democratic and philanthrophic institution pure and simple and is a business organisation so far as its financial aspect is concerned. But a district bank is purely a banking business concern and involves greater risk affecting the public at large. It stands in the same position as a joint stock bank in all its aspects except it lends only to Co-operative Societies. More safeguards are necessary in view of the fact that it lends for longer periods than its deposits can safely permit, and its transactions are limited only to the ryots who may not keep up to their obligations regularly owing to seasonal variations. Evidently deposits are pouring in because the rate of interest offered is a little higher than in joint stock banks and because of the impression that the government takes up some responsiblity in its affairs. Government has undertaken to audit and publish the affairs of the bank every year and taken no responsibility in other matters even though it is offering its

guidance as far as possible to the management. So the entire responsibility rests with the management and for success or failure, profit or loss, the management is liable. The important business of the bank is tapping all resources for deposits and lending to societies, arranging for repayments at reasonable instalments. So the responsiblity for loans and their due collection entirely rests with the management. In the beginning, the loan applications were recommended by the department and the central banks used to formally sanction them having no scope for any sort of scrutiny; and for collection they were entirely depending upon the Department and used to send in arrear lists. Now in many districts, union recommendations are allowed instead of the department and, consequently the department does not trouble themselves about collection of arrears. Formerly the unions and the department jointly worked for both lending and collection. Now, any defect in the work is attributed to the inefficiency of unions only. It is an open secret that without the co-operation of both, the official and the non-official ageneies, there will be no satisfactory progress and the financnig bank must be very careful in its transactions. No doubt both are irresponsible bodies and their recommendation is next to nothing especially in a race course to throw the blame aganist each other. It is time for the central bank to depend upon its own-self for scrutiny or make the union responsible for its recommendations. There must be a guarantee for recovery and the agency that recommends the loan should be able to recoupe the loss if any, arising out of such recommendations. If this is not possible, the central bank should have a supervising agency of its own to scrutinise the recommendations and to supervise and invigorate the collection work by unions. The better arrangement will be to convert, if possible or wherever desirable, the supervising unions into banking and supervising unions with the share capitals of societies pooled together and treat it as a branch of the central bank. A definite proposal on the above lines was circulated to unions by the Registrar some years back. Similarly the provincial bank must make its own arrangements to assess the credit of the constituent central banks and scrutinise their working.

LAND MORTGAGE BANKS.

Rao Sahib M. S. Seshachalayar.—The primary consideration is to decide for whose benefit the system is to be introduced. The credit obtained by land mortgage can benefit anybody who has lands to mortgage and every body will find a use for such money obtained on easy terms. It may be used for lending to poor people on exorbitant and usurious rates; it may go to purchase all lands of poor people; it may go to provide luxurious bungalows and motor cars to the rich and it may go to oppress the poor and put down his aspirations to independance. So, mortgage bank must be started for the benefit of a definite class of people and any abuse may lead to its failure.

We have the rural credit societies in villages and we allow loans (Long term) on mortgage of lands. A separate mortgage bank may be unnecessary if it is not intended to provide more facilities to the borrower. In our rural society, the maximum we lend is 500 to 1000 Rs., the period of repayment is 6 to 10 years, and the rate of interest is $9\frac{3}{8}$ to $10\frac{15}{16}$ %. Evidently the system does not help a number of rural families indebted in thousands and being devoured by usurers every year. Land mortagage system is to supply that want; and the government will be justified in incurring any kind of expenditure, in allowing concessions and in underwriting debentures, so far as it goes to redeem the sinking tax-payer. The credit of the mortgage bank must be exclusively used for the redemption of the agriculturists high and low and not be used for any other purpose. Mr. Strickland remarks, "Until the burden of debt which crushes the life and thought of the Indian countryside is lightened, it is useless to look either for individual enterprise or mutual aid among the sufferers."

To prevent abuse and to have effective redemption scheme, the consideration of the following points may be useful:—

(1) The assets and liabilities of a member should be properly ascertained before admission. The bank must publish a notice calling for registration of claims against the member before a fixed time and legal sanction be got to make the non-registered claims barred by linitation. The land mortgage bank will then only be able to fix the reasonable period for repayment and be in a position to offer complete redemption in any case. This process will be undertaken only by those who are really in need of immediate help, and who really feel the notification as a blessing for them. Others who want to utilise the benefit for other purposes than redemption will be prevented from doing so, as their public credit will suffer.

(2) The borrower must be prohibited from borrowing from outside until the mortgage loan is discharged; it may be made if proper, that any loan advanced to such a member when a bank-loan is outstanding, may be declard invalid.

(3) Provision must be made to advance short-term loans for agricultural and ceremonial purposes, and to regulate the savings, if any, to be paid into the bank.

(4) The maximum must be Rs. 10,000 at least with a minimum of 1000; else the system will interfere with the existing credit societies.

(5) The period of repayment as Rao Bahadur A. Vedachala Aiyar puts it may be 20 years at least and other suggestions regarding the issue of debentures and rate of interest and published in the Bulletin page 147 of October 23, may be suitably adopted.

SOME BUSINESS PROPOSITIONS.

Co-operator.—Co-operators meet with some difficulties when the law which has been purposely made elastic and loose, is narrowed down and compelled to be insisted on. The movement is a moral one and the Act is provided only to safeguard it whenever anything detrimental to the progress of the movement is attempted. On the other hand irregularities leading to the defeat of the objects of the movement are left unchecked on account of the elasticity of the Act. I will narrate a few of them :—

(1) The individual maximum borrowing power is fixed so that co-operative finance may be utilised for the benefit of a certain class of people deserving help. In one locality, there is an unlimited liability society and 4 other limited liability societies. One may be eligible to become a member in all. Though the maximum individual power provided in these societies is only 500, he earns a capacity to borrow more than Rs. 2000 in all and defeats the objects of the movement: and it also gives him scope for book adjustments for his repayments. Will it not be possible to make that one must not be a member in more than one primary society?

(2) In primary societies members pay share capital in instalments and accumulate it for years. By-law allows withdrawal after 5 years. The natural tendency is to adjust the same for his loan in the last instalment and get himself removed; and then get readmitted by paying small instalments. Is this moral? and is it not right that such members who have no interest in the society, and who care more for their share capital than for common good, should never be readmitted?

(3) Share capital in a village society is collected in easy annual instalments and subsequent instalments are paid only by those who have loans due to the society. There are others who have been admitted to lend support to the society and who did not take any loan. They do not pay the instalments and become liable to be removed from membership under the by-laws. Large arrears in share capital also accumulate. They are willing to be removed; but the society will lose considerably in "Net assets." Ruiffisen will not organise his societies if a considerable number of non-borrowing well-to-do people do not join it (Wolff's People's banks page 133). Can it be made that the non-borrowing members need not compulsorily pay the instalments?

(4) (a) Individual loans are now sanctioned in societies and on scrutiny of each by the district bank, they are disbursed; but in so doing societies sometimes lend them to others than those to whom the loans were originally intended.

(b) Loans are given without sanction of the Panchayat, or more than the borrowing power, or for periods not allowed in the by-laws etc.

(c) Bonds are not written or registered and got before disbursment.

(d) Previous encumbrances are not discharged by the society and hence the society loans becomes a second charge.

In all these and similar cases, the irregularity is done either by the secretary or president and the society is not aware of these things. The common liability and irresponsibility emboldens the perpetrator to continue the same. Will it be possible that for such individual actions those responsible are proceeded against and the losses recovered?

(5) The new model by-laws provide that the panchayats should be elected every year. It is usual that a panchayat that was strict in its business is always considered to be unsuitable by the members and dissatisfied people always await an opportunity to overthrow them and get into it. Further loans granted by the outgoing panchayat under such circumstances are always condemned and viewed with a step-motherly attitude. The period of tenure of office of the Panchayat may therefore be 3 years as it was before.

(6) In a society, almost all the members and panchayatdars are defaulters; and they are not willing to take legal steps for recovery and practically enjoy extension not solicited or granted. What is the procedure in such cases?

(7) The general body meetings of Unions, Urban Banks and District Banks are conducted as conferences and resolutions are passed. Non-members are also invited to

be present as a sort of propaganda and some influential non-member if necessary is elected by the general body to preside on the occasion. Business propositions and elections also are dealt with, only members being allowed to take part and vote. The non-member President does not vote even though he conducts the meeting. Such proceedings are considered invalid in certain quarters. From the inception of the movement all conferences from the rural to the provincial have adopted the procedure, and so far as the President did not vote, the procedure is perfectly sound and valid.

(8) The Committee on co-operation contemplates the assessing of the credit of the society every year and hence the borrowing power of the society is ever changing. The fixing of the borrowing power in the by-laws necessitates constant amendments and registration which causes a great delay and hardship to the transactions of the society. Is it necessary that the borrowing power should be fixed in the by-laws?

LOAN PURPOSES.

Mr. V. C. Rangasami.—It is a fact that the period for which loans are sanctioned do not take into consideration the purposes for which the loan is required by the ryot in the Primary Societies with the result that every loan that is applied for by the Primary Societies is for long periods of seven years. It is needless for me here to point out that this is a most undesirable state of things. Normally most of the Central Banks and even the Provincial Bank accept deposits from the public for a maximum period of three years and to invest all those monies received, with Primary Societies as loan for seven years is the least to say unbusinesslike. Whatever Co-operators may say on this point, even Co-operative Banking is business, must be clearly understood by all people who have anything to do with Co-operative Banking and Finance. It seems that not only the Primary Societies have to be educated in this matter but also the Central Banks and many Assistant Registrars.

It is all well and good as long as things move on smoothly, but supposing owing to unforeseen circumstances there is either a run or large withdrawals of deposits, can the Central Banks or for the matter of that even the Provincial Bank be able to stand such onslaughts under the present system of their investments? I am of opinion that specific proportions of the loans outstanding in Primary Societies have to be earmarked as loans repayable in short periods. It is not that every member in every Society requires that every loan granted to him should be for long periods of seven years. The purposes for which loans are granted have to be taken into consideration in fixing the time for repayment. Suppposing, that in a Primary Society a large number of members apply for short term purpose loans, and that out of a loan application say for Rs. 5,000, Rs. 3,000 is intended for short term purposes; there is no meaning in lending all the Rs. 5,000 for a long period thereby locking Rs. 3,000 for an unnecessarily long time.

I think it would be far better to categorically state in the by-laws what purposes require short term credit and what long term ones. The matter seems to have been well thought out in Burma and there it is definitely settled for what purposes short term credit is sufficient and what purposes require long term credit.

In the Burma Manual under Chapter VI, Model by laws for a Rural Co-operative Society, an attempt is made to classify the loans according to the purposes for which they are required and also to fix the time for repayment according to the purposes. Some such sort of system has got to be introduced in our Primary Societies. Unless some such system is introduced, there is a tendency for all the loans to get locked up as long term ones, and would, I am afraid, cause a great inconvenience to the Financing Banks. It is better for all concerned that this fixing up is done in the Primary Societies. The fixing of the time either by the Financing Banks or by the Registrar may not be relished so much. Since many of the Central Banks have not large amount of Deposits, and do business on the amount borrowed from the Madras Central Urban Bank Ld., they do not seem to have bestowed any thought upon the question and simply raise a clamour that co-operative loans must all be for long periods. If co-operative literature is read aright, I do not think people will talk so glibly. Surely no authoritative pronouncement has emanated from any quarter saying that all loans should be for the maximum period, irrespective of the purposes for which the loans are borrowed.

It is a well understood principle in Joint Stock Banking that of the total amounts in investment, not more than 30 or 35 per cent are given out as loans for long periods. The longest period for which any Joint Stock Company lends out money is six months. As the Co-operative Banks (financing) have only one business to do and almost the total of their investments are given out as loans to Co-operative Societies, it is necessary that all the loans do not get stuck up for long periods. Further it has to be granted that monies taken in Fixed Deposits for one, two or three years may not all be lent out for five years and seven years. It is to safeguard against all the money getting locked up for long periods, that some clear enunciation must be made in the by-laws of the Society, detailing the maximum period allowable for various purposes. The classification of loans into long and short term ones and the insistance upon the repayment on due dates will enable the Financing Banks to net in deposits for shorter periods also and utilise them for co-operative finance.

INDIVIDUALS AND CENTRAL BANKS.

Co-operator.—1. The attempt of the Departmental Officers in trying to reduce and finally wipe out the shares of individuals in Central Banks, does not seem to me to be a wise step at all. It seems to me that they do not seem to have bestowed that amount of thought and attention the subject deserves. Why the attempt is made by the Department passes my comprehension. I suppose they want to reach the co-operative millenium in the shortest possible time. The individuals rather than being a clog to the Movement have helped the Movement in more ways than one. The cry that the Individual Share-holders in the Central Bank are always after dividend is one that is far from the actual and from truth. Under the existing By-laws of various Central Banks, there is a limit fixed to the holding of Shares by Individuals. The rate of dividend payable by the Central Banks on the shares is also fixed. The business that a Central Bank can do is also limited to lending to the Primary Societies. That with all these limitations to think that individuals are hankering after large dividends is to say the least, revolting to commonsense. No definite charges have been laid at the door of the individual Share-holder and been brought home to him, that he ever stood against the interest of the Co-operative Movement at any time. On the other hand he has always been helpful to the onward progress of the Movement. Even a cursory inquiry into the origin, growth and development of the Co-operative Movement in this Presidency will clearly reveal how much the Individual Share-holder in the Co-operative Institution has contributed to the up building of it.

The rankest anti-individual co-operator (if I may coin such a word) cannot even in his dream of dreams find anything that the individual has done, which has run counter to the spirit of the Movement. While such is the case, one is pained to find that the Department is embarking on a scheme of de-individualization which I think is fraught with a great deal of harm. No individual Share-holder is overanxious to continue as such in the Central Banks. It needs no force of argument to say, that they did not take Shares in the Central Banks out of greed for the dividends that are likely to be paid out. Most, if not all of them joined as Share-holders, mainly with a view to help the Movement. It is ungracious that they should now be called dividend hunters and such other names.

Instead of trying to get in a large number of people to take interest in the Co-operative Movement, the present attitude of the Department is driving away even the few that take some interest in it. The Movement is still in its infancy. Even the credit aspect of the Movement has barely touched the fringe of rural indebtedness. Co-operative purchase and sale have yet to be tackled. More enthusiasm and interest has got to be created among the non-officials. A great deal of co-operative education and propaganda has got to be done by and through the help of the non-officials. While such is the case, one is unable to understand the unreasonable attitude taken by the Department towards the individual Share-holder in the Central Banks.

Deposit banking in its initial stages generally grows out of the confidence reposed in some individual or individuals connected with Banking Institutions. It is only after the Institution establishes a name for careful handling of the monies entrusted to its care, that the personal element ceases to control the confidence of the investing public. It cannot be said that Co-operative Banking has been in the land for such a long time, as it can dispense with the influence attached to leading men. All Co-operative Institutions sail under the same flag and if owing to some mischance or mismanagement one institution inflicts loss on the Investors, then we shall have for ever to bid good-bye to public patronage. Look at Bombay and Bengal. In Bombay we see the most prominent members of the mercantile community on the Board of Directorate of the Provincial Bank.

While in Bengal, though there is no provision for individuals to hold shares in the Provincial Bank, yet year after year the President of the Bank is elected from among the non-shareholders of the Bank. To enable them to do it, they have created a

provision in their by-laws. While in the Sister Provinces of Bengal and Bombay every attempt is being made to focus the sympathies of non-officials, it is only here that active steps are being taken to drive them out of the field of co-operation as if their personal interests are always clashing with that of the Co-operator. It is sad to think that the Department should try as if to create a new caste among co-operators. The sooner such a step is given a quietus to, the better for the Movement.

THE APEX BANK.

Mr. V. C. Rangasamy.—The Madras Central Urban Bank Ltd., as the Apex Bank should be the connecting link between the money market and the Co-operative Movement. The first necessary step in the regulation of provincial finance would be to concentrate the overdraft of the Imperial Bank of India in the hands of the Madras Central Urban Bank Ltd. The separate accommodations now given to the various Central Banks ought to get concentrated in the hands of the Madras Central Urban Bank Ltd. The Maclagan Committee recommends " that Central Banks should be prohibited from dealing with each other or with the Presidency Banks ". Now that the Madras Central Urban Bank Ltd. has been gradually egging out individual share-holders and since the Central Banks have the majority of shares and the controlling voice, it could no more be said that the interest of the Central Banks and that of the Madras Central Urban Bank Ltd., are divergent. The first step that is necessary for regulating Provincial Co-operative finance, is to get the Imperial Bank of India overdraft, that is now granted to each individual Central Bank, concentrated in the hands of the apex Bank.

In order better to control provincial finance some arrangement must be come to whereby competing rates are not quoted for deposits by the Central Banks as against the Provincial Bank. It is a matter for regret that of late many Central Banks in their eagerness to get deposits quote high rates for them even when they have no demand for the money. It will be a salutary rule if Central Banks are prohibited from touting for deposits from outside their area of operations by quoting competing rates. Of late such cases are becoming more numerous and it will be better if the management of the Central Banks are made to understand that such unhealthy competition stimulates an unhealthy desire in the investing public for higher rates of interest on their deposits.

Recently a large amount of the surplus money of the Local Boards and Municipalities, as well as the accumulated Railway Cess in various Districts, were released for investment in Co-operative Banks. Even here many of the District Central Banks seem to have almost grabbed at the money with eager hands even though they could not find a profitable investment for the money. Having received the money they in their turn dumped it on the Provincial Bank. It will further be seen that such unregulated borrowings are likely to cause great inconvenience to many of the Central Banks if the investing Local Boards withdraw the amount on the due date. It must be left to the Provincial Bank to net large deposits as it is in a far better position to maintain the needed liquid resources to meet their withdrawals.

The present system of audit of Central Banks is not very satisfactory. Generally the audit is conducted by the Chief Inspector of the District in which the Central Bank is situated. I am not sure whether the class of Chief Inspectors who are detailed to do the audit of the Central Banks possess the requisite knowledge of accounts and co-operative law and practice to efficiently conduct the audit of a Central Bank. It is high time that the audits of the Central Banks at least are conducted by a staff of well-qualified auditors. The Central Banks may well be called upon to meet the charges of audit themselves. As many of the Central Banks are opening and maintaining Current Accounts that are being operated upon by cheques it is also necessary that they should be manned by well-paid officers possessing the knowledge of Banking practice and also the law dealing with Negotiable Instruments. It goes without saying that the persons who are entrusted with the duty of auditing of accounts of such Central Banks, should have the knowledge of Banking Practice and the law dealing with Negotiable Instruments. They must also be conversant with modern methods of Book-keeping in order that they may instruct such of the Central Banks as need advice in Book-keeping. There is a great deal to be said in favour of scientific book-keeping and if the Central Banks ought to be trained in the proper methods of Book-keeping the auditing staff should possess the knowledge and be conversant with up to date methods of book-keeping. Hence it is necessary that either the existing Staff of Inspectors must be made conversant with sysematic methods of Book-keeping or those that are conversant with it have to audit the accounts of the Central Banks.

I am of opinion that one strong Central Bank for each District is far better than having a number of smaller institutions. If and when the business of a Central Bank grows to such an extent that the Directors of the Bank think it will be helpful to their business to start branches of their own in various places within the the district, it may be left to them to decide the question. In the present state of growth of the Co-operative Movement in our Presidency it is not advisable to start either branches or form Banking Unions federated to the District Bank. It will be found difficult to run small Banking Unions within the district for the following among other reasons (i) It will not be paying itself out unless it can do a large turn over (ii) The difficulty of getting proper working material to run the Banking Concerns. (iii) Sufficient number of enthusiastic people from the area of operation with requisite knowledge and interest to run the Concerns may not be easily had and (iv) one more link of a middleman will be introduced between the Borrower and the Lender. For all these reasons the question need not be considered at present.

LONG TERM LOAN TO AGRICULTURISTS.

Co-operator.—More than 75% of the loans granted to the members by the village societies are all long term and for purposes from which the profit earned will take a longer period for repayment of the loans. The Madras Central Urban Bank when it was lending direct to societies allowed a period of 10 years to be repaid in 10 annual instalments beginning from the second year. In all the total period allowed for

'm was 11 years. The society was using discretion and fixed the period of loans according to the purpose and earning capacity of the member and in many cases where it was necessary allowed 10 years. Thus the Society was able to keep up its obligations even in adverse seasons. The Madras Central Urban Bank instead of lending to a member of primary societies has now to transact only with the District Banks that are more reliable institutions in a business point of view; and I find no difference in the nature of the resources of the Provincial Bank even now when it refuses to allow more than 7 years for repayment. The deposits and the overdraft are on the same terms even now as they were some years back when 10 years was allowed. The result of the change is vividly to be known from the ever-increasing and alarming overdues in societies.

A villager having a previous debt of Rs. 500 or purchasing a land may under the by-laws pledge the land worth 1000 or granting the society adopts the same calculation as District Banks it may be justified if the man had got a property worth Rs. 4,000 *i.e.*, 4 acres of wet lands. The average income in a very good year will be about Rs. 200 net from which he will have to pay a revenue kist of Rs. 50. If 10 years period is allowed he will have to pay about Rs. 100 and the rest will maintain him at reast for 3 months in the year. If the period of 6 years is insisted on he will have to pay the entire sum got and will have to incur debts for his maintenance and in the next year he will not be able to pay anything to the society as the loan for maintenance will be more pressingly demanding. Added to this there are bad years in which he is not only able to repay the loan but is in need of fresh loans for maintenance and other expenses. In such years even the short term loan raised and genuinely spent for agricultural operations are not repaid in full. Under these circumstances it is no wonder that the overdues are increasing year by year. The remedy is not taking legal steps to recover the entire dues by selling away the properties of the villagers, but it lies in finding out the real cause of the inability of the ryot to repay his loan and adopt a system by which he may without loosing his assets keep up his obligation. 10 years is a minimum for a long term loan to agriculturists and in the interest of the District Banks and the Madras Central Urban Bank they will be well advised to reconsider and revert to the old system of allowing for 10 years. Until this is done the Districts Bank will either not get their dues regularly collected or will be selling the properties of the poor ryots in the name of Co-operation.

SOCIETIES FOR DEPRESSED CLASSES.

Co-operator.—Co-operation is intended to uplift the down-trodden and the poor. Our village societies mostly consist of caste people and the panchamas and depressed classes are not usually taken in large numbers. The reason is obvious. The panchamas are mostly indebted to the local caste people and many of them are mere labourers. The agricultural operations of the middle classes are done only by the labours of these people and the fear that if they are redeemed out of their clutches their agriculture will suffer makes the caste people to keep them aloof.

This fear is groundless and unjustified and many a society now feel for such people and take them into their fold. However separate societies for the depressed classes are more advantageous wherever they are possible and such societies are many in our Presidency. Before the Government thought the necessity of the Labour Department to help these people, the function of organising the co-operative societies among the depressed classes was taken up by the Christian missions taking advantage of the shyness and the unsympathetic attitude of the caste people. The missionaries organised societies not only for the Christian disciples but also for the caste panchamas. The money got from a missionary even as a loan is never understood by the disciple to be repaid and philanthropic missionary who looks God in every human being cannot be expected to be business like. The District Banks when approached to finance such societies flatly refused to do so on business considerations. However a Central Bank was starting to finance such societies and all the mission bodies contributed largely to its assets and many a Christian or panchama society was brought to existance. Thanks to the prominent executive officers of the Christian Central Bank for the prompt action taken in finding out the lethargetic and dangerous plight in which their societies were placed and for the attempts made to reorganise them in proper lines. I have known Christian Societies where Missionaries are honorary presidents. The loans are disbursed even without bonds or signature as they are disbursing charities and no collections are attempted for repayment. When questioned as to why bonds were not taken, one said : " We are all Christians Sir, we will never speak an untruth." Many are not affiliated to unions and their accounts are very shabby.

After the propogandist work undertaken by the Labour and Co-operative Departments, many depressed classes societies were started by the caste people themselves and are run on best business lines. The District Banks came forward to finance such societies and they are even anxious to reorganise the old societies and take them under their care. The special Central Bank started for the depressed class societies claims its vested right to finance them.

The District Banks on the other hand feel that the depressed classes in their own Districts have been made to revolt by such communal organisations and desire to finance them. Bad societies or societies where necessary assets are not forthcoming are nowadays not financed either by the Christian Central Bank or the Central Banks. In many Districts annual interest is collected whereas the Christian Central Bank demands half yearly interest. The depressed classes societies in the District prefer to be financed by its own District Bank which is near at home and the personnel is known to it than by the Madras Christian Bank. At this juncture, the Conference of the Assistant Registrars met in 1921 passed a resolution that all Christian and panchama societies in the Presidency should be recommended for accommodation only to the Christian Central Bank and was pressed to be adopted by all of them. The Societies that were financed by the local District

Banks were refused further accommodation by the District Bank on the ground that it is against the departmental policy and by the Christian Central Bank on the ground that it must be free from liabilities to other societies. As a result thereof the members of the depressed classes are getting no accommodation and their position has become miserable. Even the recent Chittoor Co-operative Conference resolved to finance all societies in their District and the same feeling is evinced in almost all the Districts. There is no justification for compelling a certain section of the societies to go to a particular institution for finance and the freedom of selecting its own financiers within the District in the same way as the other societies, should not be curtailed to the depressed classes. They are free to go to the Christian Central Bank if they find it advantageous.

ARBITRATION IN SOCIETIES.

Co-operator.—The Committee on Co-operation laid stress on the desirability of introducing arbitration rules for awarding decrees in overdue cases without resort to civil courts and accordingly our Madras Government made Rule No. 12 in 1915. The rule is intended to get any dispute between the society or its officers and members, decided by the Registrar or any one authorised by him summarily. Dispute includes overdue debts due by members. In the year 21-22. alone not less than 15,000 cases were instituted of which 12000 cases were disposed of ; whereas only 600 cases were taken to civil courts. In the same year, the Registrar remarks in the administration report, that a too-ready resort to Arbitration proceedings, not only weakened the fibre and lessened the sense of responsibility of unions and societies, but also led to a relaxation of effort and to the swelling of outstandings under demand. This statement is correct in all its aspects and this article aims at the investigation to see how far the arbitration rules have benefited the movement and also into its defects if any. The rules provide for arbitrators to be appointed by both the parties to the dispute and in default the Registrar to decide either by himself or by authorising anybody. The societies have resorted very freely to arbitration either *suo moto* at the advice of the union supervisors or Inspectors in order to show that steps have been taken in overdue cases and to shake off the responsibilities. They think by sending cases for arbitration, their responsibility for overdues ceases and all other steps up to collection must be taken by the department. There are also very many societies, when even the panchayat is not willing to send cases for arbitration, and the supervising staff gets them sent up with great difficulties. In such cases it is difficult to expect the Panchayat to try to get decrees and also to execute the decrees as soon as they are passed. The result is.

(1) Societies send up all cases of overdues in many places as a panacea for its slackness in collection and enjoy an unauthorised extension indefinitely, the system of arbitration being very slow.

(2) Societies unwilling to take action even though they send cases for arbitration by compulsion evade the execution by their indifference in the proceedings.

(3) Decrees are kept unexecuted for years.

These things go to bear out the remarks of the Registrar that arbitration has in some districts led to relaxation of efforts. When once a case was sent for arbitration, the society thinks its responsibility of collecting the loan was over and expects the Registrar to do the needful; whereas if the society files a suit in a civil court, it does all necessary to get a decree. The procedure prescribed by the department in arbitration is also responsible for unnecessary delays in deciding cases, whereas in a civil suit the disposal is speedy. The society sends up to the union, where they are scrutinised and forwarded to section office. It takes up a long time for the transfer of these files to arbitrators. Sometimes all cases are held up on the plea that too much of resorting to arbitration is not good and other times on the ground that the arbitrator has too many cases finding. The powers of the Registrar can be exercised by the Asst. Registrars and Hon. Asst. Registrars under Rule 12, and the latter officers are honorary men and facilities for disposing of arbitration cases are very much in wanting, summonses, decrees and other forms are not supplied and plaintiff societies should provide them; whereas the official Asst. Registrar will have the govt. supply. Summonses must be served by the societies themselves. The honorary men have no peons ever and the whole clerical work should be done by himself. He is the supreme judge, his clerk, his peon and it is no wonder he is not able to discharge the duties assigned to him. When he visits a society he will have to search for the secretary, cause him produce the accounts, search for the parties and decide the cases. Summonses are never served by societies and returned, and the society will not be represented in many hearings. Added to these difficulties he may come to know of many arbitration cases sent up and not transferred to him while visiting a society and he will get them only after he finished his tours and will have to keep them for his next visit. Though a definite jurisdiction has been given to each honorary men, the official Asst. Registrar will take up some cases by himself in the same jurisdiction, a novel proceedure in civil law and it makes the Honorary men, irresponsible and effects his prestige. Under such disablities, the cases are pending undisposed of for years and the society is supposed to be regular if it has sent up its overdue cases for arbitration. Finding nothing is done in arbitration, regular members also become defaulters to save the worry of demand of instalments. Arbitration may be effective and make the members punctual only if they are disposed of as speedily as possible and executed and the loan recovered at once at least in a few cases. Originally arbitration was resorted to avoid the so-called delay in civil courts and a careful examination of the arbitration proceedings will show that resort to civil court is by far better. Revision of the proceedure now adopted will surely make the rule very useful and effective.

(1) Societies should also consider an arbitrator as civil court and should send up only cases they would like to file in a civil court.

(2) The arbitrator must be supplied with all kinds of forms etc. necessary for disposing of cases and the services of a peon and the Inspector or supervisor may also be provided.

(3) The arbitrator who has been invested with the powers of a Registrar under Rule 12, must be allowed to take the cases to their file direct from unions or societies and disposal files sent eventually to Asst. Regrs.

(4) In such civil jurisdiction as arbitration of a certain class of cases in a definite area, it is objectionable to have more than one to decide cases and it is against the principles of civil law, and it must be avoided at least to keep up the dignity of the arbitrator.

(5) Arbitration decrees should be made to be executed then and there.

(6) The procedure prescribed for execution under Revenue recovery is too elaborate and involves enormous delay. The union or the society must be able to approach the Tahsildar for a demand and get the decree collected. I may note here that a Collector ordered that only actual amount claimed in the application made many months ago should be collected and the Revenue Department not authorised to collect interest thereon. Serious loss of interest was the result, such unhappy features in procedure nullify the expected benefits under the arbitration rules.

CO-OPERATION AND THE DEPRESSED CLASSES.

Mr. D. Santiago (Y. M. C. A.):—In the year 1921-22 there were 732 depressed classes societies and 42,891 Adi-Draviba members in societies of all classes. Co operation has only touched the fringe of this community and they suffer from economic ills which cannot be cured by one stereotyped method. Debt is generally incurred by this class to buy lands, to sink wells, for marriages, religious and social ceremonies, for provisions and industries. The purposes of these debts are productive except in 3rd and 4th cases. What they suffer from is the exorbitant rate of interest, the impracticability of part payment to the Sowcar, refusal to sell a portion of their land to repay debts which they consider a disgrace-and the tricks and deceits of money-lenders arising from the ignorance of this poor class.

The remedies for redeeming these poor people are many:—1. Long term loans should be issued for redeeming them from prior debts. By enforcing a short term loan upon the society for which there is no immediate demand, the members are placed in an awkward situation, on one side the Sowcar, and on the other the society. One distinct advantage in immediate payment of prior debts will be that the debts may be reduced to some appreciable extent by appealing to the Sowcar on behalf of the members. 2. A portion of the maximum loan given may be reserved for short term loans. 3. The maximum berrowing power should range from $\frac{1}{3}$ to $\frac{1}{4}$ of the net assets. 4. The philanthropic public should be appealed to, to invest sums as deposits at a low rate of interest. Low rate of interest alone will ensure quicker repayment of the loan, and a greater impetus to the movement. 5. Lack of frequent and efficient supervision is one of the causes for the bad working of societies.

(a) The societies should be visited once a week or at least twice a month. Even if there are no transactions the rudimentary principles or co-operation should be constantly explained and taught to the members. (b) The Supervisor should care not only for the business side of the society but for the moral and material welfare and uplift of the members. (c) The checking of accounts by collecting the books of societies in a central place to suit the convenience of inspecting officers should be mercilessly condemned. It is this kind of supervision that kills the societies and hampers further progress of the movement. (d) The Supervisor should check at every visit the property statement and keep upto date and see to what extent the outside indebtedness of the members is increasing. (e) A special Supervisor should be appointed for these societies by unions. If funds are not sufficient, the unions should appeal to government or missions who are working among the poor in that locality for co-operation and financial support. The first 4 panchama societies in South India were organized by Rev. H. A. Popley in the Erode area. I would suggest that a definite arrangement should be made with local missionary bodies and the work should be started and carried on with their co-operation. (f) The societies affiliated to a union should be divided into convenient groups each containing 3 or 4 societies and make one of the teachers or Pastors or Priests in that locality responsible for that group of societies and pay the man some remuneration from the union funds. The Financing Banks also should contribute something towards this extra expenditure on supervision. (g) Remuneration should be paid to the Secretries of the societies until the Secretaries themselves are able to pay them some remuneration. The local mission teacher who has to do secretarial work has multifarious duties and this will be an additional burden upon him. If he works enthusiastically, everything will be alright. Unless he gets something in return for his services, he will have no mind to throw himself heart and soul into the work.

The share capital should be built up by the instalment system of payment of As. 4 per month.

The system of probation followed by the Department of enforcing instalment payment of share capital for 3 or 4 months before registration does not guarantee that they will continue it after registration. The delay in starting the society and sanctioning loans will kill the new-born enthusiasm and co-operation in the members.

It is also necessary that provision stores should be opened at rural centres, separate societies be organised till these classes are a little raised in habits and morals, and their cottage industries be improved.

ORGANISATION.

Rao Bahadur A. Vedachala Iyer :—Organisation of credit societies by the Department is the only method available when there is no non-official agency available in any District to undertake the work. Where non-official agency competent to undertake the work becomes available such as the Hon. Asst. Registrars, Local Unions, District Banks or District Federations of local unions, a fund should be created for the purpose of propaganda and education in each District and this fund should be pooled to some extent for the Presidency in the Provincial Union. The Provincial Union should arrange for the training of efficient men in each District to become organisers attached to each local union. The District Federations and the Provincial Union will hit upon the cheapest and most efficient method of getting the work done by instituting classes in selected places where not only honorary organisers will be trained, but co-operative education will be carried in an intensive scale for all connected with local unions and co-operative societies.

The present position is that we have not created yet a strong financial non-official agency for this work while we have one in the shape of banking union for financial purposes. Till in each District a non-official institution for co-operative education comes into existence, the only remedy, though it may not be theoretically satisfactory, is to ask the District Central Banks to undertake such a function as such work will help the Bank to secure a better method of working the primary societies and thereby strengthen its position in its financial aspect.

How the Government should regulate the organisation work by its staff is a different matter and there does not seem to be much use in non-officials discussing the matter.

The organiser should be a careful student of the principles of economics, should study the economic situation of those who are to organise themselves in a co-operative society, and should be able to educate the would-be members in the privileges, duties and responsibilities attached to the membership of co-operative organisations.

Central Banks and local unions should be consulted beforehand because the former has to consider how far their financial position will admit of expansion in financing arrangements and the local unions will have to see if they can undertake efficient supervision work over expanded areas.

No one need be averse to the Government subordinates undertaking the work because they are Government men, but every one should expect that an organiser official or non-official should be one with proper qualification and efficient training so that his work can be viewed with confidence and respect by all connected with the movement.

Organisation of societies for the depressed classes requires special care and special men suitably trained will have to undertake the work. Government should certainly recruit suitable men and for a long time to come non-official agency could not be created with the help of the slender resources of existing co-operative organisations. Equally difficult is the supervision over such societies and we have to expect the Government to undertake this. The only ground for this attitude is the fact that Government can be relieved in the near future of the work to be done as regards the economic development of other classes.

THE VILLAGE AND THE SOCIETY.

Various reasons hamper the rural societies functioning for the whole village.

1. Financing banks in existence should realise the ideal that they are there for the betterment of agricultural industry and should so arrange their working as to suit the needs of the industry.

2. Nervousness in financing is to be deprecated. Discipline in lending and recovering should be efficiently administered.

3. Co-operative education should be carried on in an intensive scale and form the bulwark of safety for the financing arrangements.

4. Experts in banking and agricultural industry arising in rural life should become available with or without payment.

5. A permanent association of leading men interested in the application of co-operative principles to agricultural industry should be brought into existence in each District. It should regulate the policy of the movement, of course getting the advice of the Department instead of depending for the whole on Government officers, ever changing in their charges and with no high order of equipment for the work expected of them.

REDEMPTION FROM OUTSIDE INDEBTEDNESS.

(a) Complete redemption from outside indebtedness is an ideal to be aimed at but it is difficult of solution in the early stages of the movement. A great deal can be done to minimise the scope of outside indebtedness if the financing agencies develop suitably and work up the ideal of being a banking concern for the agricultural industry.

(b) Further alienation of properties or increasing debts should be prohibited. The societies are enforcing a moral obligation in this direction on the members of co-operative organisations. It could not be strictly enforced by by-laws, as such a course pre-supposes the fact that a society will give all credit accommodation to all members at all times and without delay. Till such a position is reached, it will be unwise to insert a rule to the effect proposed.

Note :—I should advocate complete redemption of outside indebtedness to the depressed classes even if such a course is attended with some financial risks. Such risks can be avoided in full or minimised to a large extent if handled by competent men as we are financing labour, which is a very valuable product now-a-days.

OWNED CAPITAL.

The only reasonable method is to tap as much share capital from the member as he can be reasonably expected to spare. It can be paid in small instalments and may be continued for a number of years. Any forcing the pace under pressure of refusing loans will drive the members to the sowcar or lead to subterfuges, as borrowing from the society itself and placing the borrowed money as share capital.

Definite purpose of loan and fixing conventional periods for repayament will not solve the difficulties experienced. It will only serve on paper that an attempt has been made in the direction. Education is the only remedy.

CLERICAL SERVICE.

Well-paid staff should be entertained on adequate pay in all societies except in regard to those for the depressed classes where we may resort to have group secretaries paid partly by Government and partly by the financing bank, and the primary societies. Honorary service is good in its own way, but it may not be efficient and continuous in a number of cases. The societies should have full discretion in the matter and interference of Government or other outside agency should be strongly protested.

INDIVIDUALS IN CENTRAL BANKS.

It is not known whether the Department of Co-operation has decided on eliminating the individual share-holders from the Central Banks, but there are indications of it by the advice tendered by one or two Assistant Registrars to the co-operators. In some places the co-operators wish to bring about such a change. Of course those who hold the view that deposit banking in the co-operative movement will not suffer by the elimination of individual share holders should satisfy themselves that they are sure of their position. After all, the ryot who puts his share capital in a primary society does not become a co-operator imbued with real co-operative principles more than the one who buys a share in the District Bank. I should attempt the process of assimilation of individual shareholders in the co-operative movement rather than the process of their annihilation. At any rate this is the principle which was trotted out by the Department when the Central Banks were originally formed with the share capital put in by the individual share-holders, and when the constitution of such banks was changed into mixed ones composed of individual and society share-holders.

The Central Banks require a very large multiple of their present paid-up share capital to carry out their function of financing agricultural industry and this could be secured from the individual share-holders at a far more rapid rate than from societies.

The process of assimilation is not a difficult task and must be attempted in earnest before the process of annihilation gradual or immediate is attempted.

THE APEX BANK.

The question of interfering with the present constitution of the apex bank might be left unsettled for some time longer. The process of elimination of individuals is being attempted and carried out. When this is completed, the affiliated Central Banks will treat the apex bank as their own and each central bank which now looks after its individual interest as it should, will be prepared to apply the co-operative principle of losing its interest in the interest of the many.

AUDIT OF CENTRAL BANKS.

The audit of central banks should be secured month after month and this can only be done by a specialised staff organised for the Presidency. The present audit by Government staff is not adequate either in quality or in volume. The central banks should tax themselves and form an audit union and employ the requisite staff. If they all pool their funds together, cheapness can be secured without sacrifice of efficiency, and such work can be got conducted under the Provincial Union.

BANKING UNIONS.

Where District Banks feel that they are unable to have personal touch with their clientele, they should take the initiative of forming banking unions which will merely be a bank to carry on its transactions in books for the benefit of the District Bank. It will receive deposits on behalf of the District Bank and get a certain amount of profit thereby. Even in the lending operations, it will be given a certain percentage. The share capital should be pooled in the Central Bank. Small Banking Unions will not admit individual shareholders. Such Banks can be established only where human material is available fit to carry on such transactions.

The audit union contemplated in section three above can undertake the work of training bank managers of central banks and urban banks.

PRIMARY SOCIETIES.

Messrs M. Ananta Rao, Shiva Rao and Venugopal Rao :—1. The work of organising ordinary credit societies may be left to non-officials fuuctioning through supervising unions. Organisation may be part of the normal work of Honorary Assistant Registrars but Honorary Assistant Registrars are in very many cases officers of Unions also. Where they are not connected with unions, the organisation papers may well pass through the concerned unions. In South Kanara it has almost invariably been the practice to consult the Central Bank in the matter of registration. So far as South Canara is concerned, it may safely be said that there is some one or other member on the directorate of the Central Bank who has a tolerably good knowledge of the locality where a particular society is proposed to be organised. This is likely to be the case in other Districts also, and so the practice may with advantage be followed elsewhere as well. Organisation of new societies is one of the questions usually considered at the half-yearly "Business Conferences" held in the District and areas are then marked out.

Organisation reports have tended to become more or less formal and rather mechanical, but if unions and the Central Bank are consulted in every case, it is sure to help the registering officer in coming to a correct conclusion as regards the prospects of success of the proposed societies.

So far as South Canara is concerned, it cannot be said that any particular classes have been consciously or wilfully excluded from any societies. Membership of societies in South Kanara has always been fairly large. Societies cannot yet be said to be in a position to function for the whole of their villages, but this can only be attributed to the ordinary causes of indifference and want of enthusiasm and edcuation which prevent societies from remaining equally active at all times even within their limited scope.

The introduction and development of the forecast system has in our opinion seemed to be a tolerably good method of attempting to satisfy all the short term credit necessities of all needy and deserving members.

The system of crop loans on the security of produce may well be tried in at least some selected primary societies, but the successful working of such a system must depend on the availability of specially good human material, which, though it probably exists in almost every village, becomes difficult to be secured for a society on account of the influence of vested interests or the conflict of interests involved.

Complete redemption from outside indebtedness should of course be a primary object. Prohibition of alienation of properties *without the sanction of the Managing Committee of the existing society* is sure to provide the safeguard necessary when redemption is to be undertaken on a large scale. A start may well be made by changing purpose No. 9 in by-law No. 40 of the Model by-laws (for unlimited liability agricultural credit societies) into the payment of debts incurred prior to admission into the society and of such subsequent debts as have been incurred with previous intimation to the Panchayat.

A suggestion has sometimes been made that small amounts on some definite percentage may be retained in the society as a deposit whenever a loan is granted to a member. This does not commend itself to us. We have no particular suggestions to offer.

Our experience too has shown that periods on loans are not fixed properly having regard to the purposes and the needs and circumstances of the borrowers. This seems to us to be one of the main causes of the alarming increase that is to be found in overdues throughout the presidency. Clearer provisions may well be introduced in the by-laws, even at the risk of making the by-laws less elastic and more wooden, so to say, in their application.

The following is a rough outline of the forecast system that has been working for more than a year now in South Kanara. Each society draws up a more or less detailed forecast of the loans required by its members during the next twelve months, and such applications are considered at general meetings of the concerned unions and forwarded to the Central Bank through the Assistant Registrar. After such loans are sanctioned in the Central Banks the society executes a single bond for the whole amount of the loan. Both in the Assistant Registrar's and Union's offices, analysed lists of these forecasts are maintained showing in respect of each the amounts required by each society in that month, The lists pertaining to the following month come up before the last meeting of the Governing Body of the Union in the previous month, and the resolution passed then is duly communicated to the Central Bank ; if there are any reasons why no loans should be granted to any particular societies in the following month, the names of those societies are specially mentioned in such resolutions. The Assistant Registrar also scrutinises every month's list in the previous month itself and communicates his opinion also to the Central Bank, likewise mentioning any societies to which the loans asked for by those societies in their previous forecasts should not be granted. On the strengh of such resolutions and opinions, the loans are disbursed (or refused) to the concerned societies, when they send in their loan demand slips in the respective months as forecasted in the forecast application sent at the beginning of the year without such slips being placed again before the meeting of the Union or the Bank. This system reduces the delay that might otherwise occur in the loan applications having every time to be forwarded through the concerned union and then through the Assistant Registrar.

Time was when the work of societies was all being done without any remuneration by honorary workers. The model by-laws of that time contained no provisions for payment of any remuneration, and all went well. It is not known what the exact circumstances were which induced the Department to introduce the question of remuneration in the later by-laws, but no sooner were such provisions introduced than demands began to arise everywhere for remuneration and more and more of it. The system that prevailed in South Kanara in the early stages of the movement was for the Panchayatdars of necessity to work in turn as Secretaries for any definite period which usually was about three months. The work of societies in villages does not really amount to so much as cannot be done without any paid agency. The needs of the members are confined only to some seasons of the year, and the repayments also come in only at particular seasons. There is no work all the year round as it is quite possible for a person of average intelligence and capacity to attend to it during his ordinary leisure hours. Now, however, it seems a bit too late to revert to the old system of honorary work. The question, therefore, ought to be how to keep the system of payment for clerical service within reasonable bounds, rather than how to arrange for maintaining sufficient clerical service in societies. The question of clerical service seems to us to raise a more or less incorrect, inaccurate and wholly undesirable issue.

II CENTRAL BANKS.

1. Attempts at reducing the interest of individual shareholders and correspondingly increasing the interest of societies will have to be made sooner or later in all Central Banks which are at present of the " mixed " constitution. (It is presumed that there are no Central Banks in the presidency now, which are composed entirely of individuals). The issue sought to be raised by the question is not clear. If it is meant that deposits may not flow into Central Banks of the pure type as plentifully as into those of mixed type, we do not think there are any reasonable grounds for such fears. We hope that the experience of the existing Central Banks of the pure type will bear us out in this view.

2. The M. C. U. B., has already been converted into a Bank of the mixed type. Redemption of preference shares has also been begun. The maximum holding of share capital by Central Banks has also been raised. This will doubtless strengthen the financial position of the Bank. No other steps suggest themselves to us just now.

3. We cannot say we are quite satisfied with the way societies have been audited so far. When audited figures were being required for the Administration Report, there was perhaps some sort of a justification for the audit being conducted hastily. This system has been done away with so far as primary societies are concerned. It is sincerely to be hoped that audit will be thorough in future. The old system still remains in the case of Central Banks but even in their case the audit can doubtless be very much more thorough than it has been in the past. All Central Banks cannot perhaps be said yet to have grown strong enough to pay and employ an independent staff for their audit, but the Department can well maintain select staff for that purpose exclusively.

4. In our opinion there would be no special virtue in forming banking unions federated to a bigger central bank at the required centres. We believe the expenses of running a branch will not be as those of conducting a separate institution and our experience is distinctly in favour of starting branches. " For finance centralize. Decentralize for supervision only."

5. The scheme for land mortgage banks, which appear to be under the consideration of Government, seems to be a suitable one. It can at any rate be tried experimentally in some areas, before we think of what next or what else to do. Details of the scheme have not yet been published, but so far as what has already appeared in the newspapers is concerned, Mr. Vedachalayar's proposal for separate Land Mortgage Banks does not seem to us to be essentially different from the scheme which seems to be under the consideration of Government. Mr. Vedachalyar's proposal that existing Central Banks may themselves run the business of a mortgage bank does not commend itself to us, but Central Banks as well as (select) primary societies may well be constituted agents of lands mortgage banks, so that monies may be received or paid through such institutions to accord with greater convenience of the concerned parties. Central Banks and primary societies will also be ready to render such other assistance as may be required of them at any time.

6. If all Central and Urban Banks have become strong enough to maintain efficient " Bank Managers " on a decent scale of pay, the Provincial Union can well conduct training clasess of the kind conducted in the Bombay Presidency.

ORGANISATION.

Mr. T. R. Srinivasayengar (Banking Union, Tanjore). Organisation of societies by officers of the Department has merits as well as defects, as also if the work is to be entrused purely to non-offieial honorary organisers of agencies. The former command certain facilities, such as reference to Revenue records, administration reports and papers wherefrom fairly correct inferences could be drawn about the economic condition of the village. But they cannot have a thorough insight into the actual condition of the villagers, the prevalence of factions, litigous spirit and long-standing class or communal feuds which divide the people of the village and are subversive of the growth and development of the true co-operative spirit. In one particular case, within my knowledge a number of litigous people got a society organised for their benefit and owing to want of careful scrutiny in the initial stages the society has gone to ruin. Unless the non-official honorary organisers or agencies approach the matter with a certain amount of seriousness and see that the proposed society would satisfy every requirement of a healthy co-operative organisation and the officials exercise more than ordinary caution the doleful consequences of defective organisation to the financing Banks and the movement in general, cannot be avoided. I am not quite satisfied with the starting and organisation reports as prepared at present. Organisation reports must be based upon a thorough economic survey of the village and study of the character of the people as disclosed in their every day life, aud more attention should be devoted to the proper preparation and scrutiny of the property statement of the members of the society. A correct valuation of the assets of members and information about the ready realisation of the dues of members from such assets in case their initial enthusiasm for working up the society should wane, are points which are rarely dealt with in the organisation reports that are now prepared. Similarly the starting of the society should be made not the hole and corner affair that it is now in several cases. I am for the consent of the financing Bank being taken before the registration of the society, as that will give the representatives of its individual members on its Directorate an opportunity of knowing what kind of area is proposed to be served by the society and of applying their previous knowledge of the locality in determining whether the registration should be recommended or not. Further the representatives of societies on the Central Bank Directorate will also be in a position to apply their own criterion and arrive at a conclusion about the successful possibilities, or otherwise, of the proposed organisation. At present local unions which are being consulted about the organisation are not, in my opinion, sufficiently trained and educated in the responsibility of organising societies. No doubt there is an opportunity for the Assistant Registrar to do this once a year on the day of the general meeting of the Union and occasionally by correspondence. But the results cannot be satisfactory, unless the members of the Governing Body take more interest in the matter than merely offering pious opinions upon the suitablity of localities without trying to substantiate their opinion by a satisfactory report. Supervisors of Unions cannot ordinarily be expected to look upon the work of organisation as anything other than tapping a fresh source of augmenting the income of the Union by way of Supervision Fund. I would therefore suggest that the organisation of societies should be based upon a system which is well laid out and understood rather than on the haphazard methods now adopted. Such system may be devised for a whole area by a body of non-official co-operators fairly representing the various parts of the area sitting together and chalking out a programme in consultation with the

fficers of the Revenue, Agriculture and Co-operative Departments periodically nce a year. All petitions received for the organisation of societies may go before uch a body and they may, after reviewing the work turned out by the societies egistered during the past year, come to definite conclusions. Haphazard organisa-ion should by all means be put an end to.

THE VILLAGE AND THE SOCIETY.

The main causes that stand in the way of a society from really unctioning for the whole village area:—(1) the presence of factions 1 the village (2) the general apathy that prevails among the majority f the villagers and (3) the society being worked by an influential and interested lique who want to have a monopoly of the advantages flowing from working a o-operative society. Unless the right sort of propaganda reaches the villagers nd every one in the village is made to look upon co-operation as a panacea for he village as a whole, the benefits of membership cannot extend to all classes of he village. Once the people come to recognise that membership in a co-operative ociety is not an exclusive privilege meant for the interested few, but is quite atholic in its nature, the general awakening of the village will lead to a better ype of society serving all classes and interests growing out of the older types.

CROP LOANS.

One main cause for the indebtedness of most of the agriculturists is their ability to command facile credit to meet urgent requirements such as the ayment of kist, purchase of bulls, seeds, manure, implements *etc.*, just at the roper season, with the result that they are forced to seek the help of usurious oney lenders. Their inability to meet the latter's demands from year to year radually contributes to the accumulation of their burden until at last their debtedness becomes chronic. A little amount of foresight at the right time and e adoption of the co-operative method of joint marketing of their produce and urchase of their requirements will surely relieve agriculturists a great deal. The stem of advancing crop loans on the seccrity of harvested produce of members as been introduced in some primary societies of my District and has so far oved successful. The next step is to form a number ef crop loan unions at nvenient centres to serve societies which are within easy reach of them. This as now been taken and crop loan unions with a mixed constitution (membership ing thrown open to individuals as well as societies) have been formed. These nions are intended to serve as intermediaries between the financing Bank and e rural societies in the disbursement of loans to members of societies and have maintain godowns wherein the produce pledged by members of affiliated cieties is to be stored. On the security of such produce the rural society applies r and takes its loan from the District Bank such amount being disbursed to members by the crop loan unions on the production by the member of the oduce to be pledged. The details of the working of the Union have been vised very much on the lines on which produce loans are given by the Imperial ank of India to merchants and large producers. Besides, the crop loan Union also given the right of selling away the pledged produce, in case the owner does not take delivery of the same after repaying the loan within the stipulated period. Further provision is made for the crop loan union acting as an agent for the marketing of the produce when favourable prices prevail, no doubt with the consent in writing of the owners of such produce. I shall be able this time next year to give a better account of this line of activity and how far the experiment has proved a success in my District. It is hoped that by spreading this line of activity quite a number of bad societies could be reclaimed and revivified.

REDEMPTION OF PRIOR DEBTS.

The proposed opening of Land Mortgage Banks with Taluqs to serve as the units of area of operations is to be watched with interest, as it is the only means of salvation for agriculturists who are deeply involved in debt. Complete redemption from outside indebtedness is not within the range of practical politics of a co-operative credit society pure and simple. I am of opinion that fresh Legislation is necessary to prevent further alienation of properties or further incurrence of debts by members on property mortgaged to a land mortgage Bank, as otherwise the tendency on the part of a fairly large number of agriculturists to mortgage and remortgage the same property any number of times cannot be checked. This will affect the credit of the Mortgage Banks indirectly and the new method of raising money on debentures will not in consequence prove attractive to the money market. One other way of dealing with the same question may also be tried. In the case of the indebtedness of members of a society on reaching high proportions the local co-operative society may itself undertake the complete redemption of such indebtedness as an experimental measure and depute one or two members to watch over such redemption cases for ten years.

OWNED CAPITAL.

Members of rural primary societies do not realise sufficiently the necessity for increasing owned capital as, so far, their only motive in investing share capital in their societies has been to qualify for Loans. Cases are not wanting in which even the small amount of share capital which forms the members' initial investment has had to be adjusted out of the loans disbursed to them. In the case of primary societies serving urban areas, although the members are equally tardy in the recognition of the importance of increasing the owned capital of the society, still the system of recurring deposits is fairly utilised by them for repayment of loans and the working capital of the society increases from month to month with the accession of new members. Although this is not owned capital of the society still so much of the members' money circulates within the movement. I am afraid improvement in this respect is bound to be a slow process and more vigorous propaganda and the cultivation of the Banking habit are the only remedies.

SHORT TERM LOANS.

The present demarcation obtaining in the By-laws of societies of the purposes for which loans are sanctioned does not help their being classified into long and short term ones. A clearer demarcation will surely be an improvement.

But a mere classification of loans into long and short term ones and the enumeration of their purposes in the By-laws alone will not deter individual members either from giving false purposes in their applications or their misapplying the loans taken by them. These are matters of conscience and the mere enunciation of principles of classification and demarcations of purposes of loans cannot by themselves affect the standard of the members' honesty or veracity. The remedy lies in the scrutiny of the purposes and through surveillance of the Panchayat over the application of loan amounts by members of societies. This most important question is not at all receiving the attention that it deserves.

The short term needs of societies may be conveniently gauged even at the beginning of the year by the members of the Panchayat and an application to cover the entire needs of members under this head may be made by the society and sent along with a forecast of the requirements of the members during the year to the District Bank with the recommendation of the union and the Assistant Registrar. The society may execute a single pronote for the entire amount to the District Bank and the loan account kept as a running one, disbursement being made in accordance with the forecast and so far as funds become available. This will differ from a cash credit facility given to a society and may not entail the maintenance of any fluid resource by the District Bank. This system may be tried with advantage and will also obviate the necessity for sending short term loan applications every time there is a necessity for it and avoid the delay unnecessarily caused by their having to pass through the Union and the Assistant Registrar, so that by the time the loan amount reaches the society, it finds that the need for the loan has gone or is tempted to misapply the loan for purposes other than those mentioned in the application.

It is not possible at present to maintain clerks for societies whose transactions are not sufficiently heavy and profit-earning capacity sufficiently high. However, societies which are in close proximity to each other may be grouped together and clerks maintained at the rate of one for each group. These clerks should work under the control of the Union authorities and not directly under the panchayats of societies with a view to avoid confusion and overlapping incidental to one clerk having to serve more than two masters. These clerks may be given some training before they enter upon their duties and a regular subordinate clerical service for manning co-operative societies may be constituted in the near future.

LOANS ON THE PLEDGE OF CROPS AND GRAINS.

Mr. K. G. Sivaswamy (Madras).—Ordinarily members in rural societies exhaust all their labouring capacity both by the maximum limit laid down in the by-laws for the borrowing of an individual as well as the limit fixed for each share. Thus they get disqualified for any further loans even for urgent purposes and have to fall back to borrow from other sources on the promise of selling their produce even before they are ripe for harvest or have to sell their ready stock at whatever rates they can get at the moment. Members generally do not leave a margin for short term loans in their credit with societies. Somehow or other long term loans have become familiar and it is difficult to pull the members out of that groove even where it is possible to give them more credit. Advances on the pledge of grains will form additional credit over and above the maximun borrowing power of a member on the security of his property and the share capital basis. At the same time there is the necessity to prevent the chance of the abuse of enormous sums being drawn by a society and also the interests of the financing bank being safeguarded. This can be secured by restricting that the total amount which a society can borrow inclusive of sums taken for such grain and crop advances should not exceed its maximum borrowing power on the basis of one-eighth net assets. Here again the question has to be considered by the society whether a member's annual income which he has pledged in the form of grains is sufficient to permit of his repayment of the instalments with interest of the long term be has received, after paying the short term advance and reserving something till the next harvest for domestic and agricultural expenses. For the District Bank, it would be quite sufficient if the maximum borrowing limit is not exceeded by the society. But granted that the societies fixed the member's credit for short and long term loans on the reasonable basis of annual income, how are they to be educated that they should use part of their credit for short term loans as well. It would be better if the District Banks insist that good societies should in framing future amendments to their maximum borrowing power reserve a portion by ratio or fixed sum for grain and crop pledge loans to be issued to members.

But all depends of the reliability of the panchayats to properly assess the short term credit, secure the goods, watch their sale and ensure repayments. In the case of good societies, the District Banks may permit this arrangement which has got immense possibilities of developing joint sale in course of time. The Central Banks can tap more short term deposits, on the short term pro-notes of societies as they are secured by produce. The way will be paved for a clearer demarcation of short term and long term loans and the respective deposits for both and the strengthening of sound co-operative banking. Co-operative societies will become fitted up for issuing two kinds of credit, mortgage, and crop and grains. It would of course be necessary and it is just as well, that there should be two rates of interest for these 2 kinds of loans. Long term loan which locks up money and prevents quicker turnover may be issued at a little higher rate than that for short term loans. Rate of interest should be decided by financial and market considerations and not be stereotyped for all kinds of credit.

A circular on crop loans by Mr. M. K. Venkatachariar has been published in the November Bulletin and it would be good if the Conference recommends the same to the District Banks and the Department.

CENTRAL BANKS.

Mr. K. V. Raghavachari (Nellore):—It is not a desirable step to reduce the Central Banks purely to Banks having society members only. Deposit banking

depends a great deal upon the individual or individuals who manage and who own shares. Number of deposits will vary with the personnel of the directorate If societies are the only shareholders, outside people will not have so much confidence in the institution, as they would have if the management was in the hands of those, who have their interests at stake in the Bank.

Most of the Central Banks are now audited by Inspectors and checked by the Assistant Registrars, though on paper the audit goes in the name of the Assistant Registrars. This is very unsatisfactory. The Department is responsible for the proper working of primary societies, for payments of the dues to the Central Banks in due time by the societies, and in general for the general efficiency of the working of the societies and the Bank. The Inspectors mostly, are not specially trained men in the technical branch of auditing. Most of the Assistant Registras are Deputy Collectors who are little trained in audit. The audit must be done by professional auditors who have had good experience in the audit of business transactions. This will make the Central Bank management improve in their efficiency of work.

It is desirable to have branches of the central banks where the work is heavy for one bank at the Headquarters. If in a Revenue Division there are a large number of societies, it will be convenient for the societies to be served, to have a branch of the Central Bank quite in their midst. It will also be good for the central bank to be able to be near the borrowing societies and watch their growth and work, development and efficiency.

The managers of the banking institution must be trained in some premier banking institution. They should be made to qualify themselves in accounts and Book-keeping, and also must have a fair knowledge of the elementary principles of Co-operation. They should be thoroughly conversant with the working of Primary societies and be in a position to criticise the work of societies from a report of the auditing staff. It would be well if the managers are given some lectures in theory, and then are made to work in some efficient banking institution.

A TYPICAL CO-OPERATIVE VILLAGE.

Mr. T. V. Kuppusamiah (Tindivanam).—These are days when competition is rampant against co-operation. This competition has landed the world into a universal conflict—country against country, community against community, individual against individual. Like various institutes of commerce, agriculture, industry *etc.*, there must be an institute to teach the students the subjects on co-operation or if a separate institute is not possible this subject must be made a conspicuous study in the several institutes of agriculture, industry etc., so that men drafted for Co-operative Service from the Supervisor upwards may have an all-round knowledge. These men on the official side must carry on an extensive propaganda in favour of the co-operative view of life as against the competitive view. Co-operative primers in vernaculars to teach the youth a sense of corporateness, a sense of common loyalty *etc.*, and the advantages of co-operation in its several aspects must be printed and published and the Director of Education must be approached with a request to include them in the curriculum of every aided school. The edifice of co-operation if begun on this bed-rock would be safe and secure for all time.

Wherever we come across with real democratic men—men who accept certain ideals of life, men who are well informed by a sense of equality and inspired by a sense of finding equal opportunities for all men, there we find co-operation lifting its head. Unfortunately class prejudices and caste hatreds have slowly crept into the co-operative movement. These keep some men who are willing to render willing service away from the movement.

Till now the co-operative movement has been measured by quantity and not by quality. The result is only an embellished paper progress.

Such of the Honorary Assistant Registrars and Secretaries of Supervising Unions who have justified their positions by their voluntary and responsive co-operation are more competent to test the suitability of localities for credit and non-credit business. The trained supervisors of unions can help the rural banks to keep correct accounts, conduct meetings and send their reports. No supervisor can have more than 20 societies to supervise and his jurisdiction must be within a radius of about 5 miles from his quarters whether the number of societies within that area is more or less. Then only the control will be thorough and the work efficient.

We have not carried Co-operation to its fullest extent at least in one village by studying its needs and trying to remove usury and the elimination of middlemen to hold as an example at least, nor have we been able or willing to extricate the members, at least of a particular locality or a sect, from the clutches of usurers.

When we thus restrict and limit our help to the members, the best influential of the group of members monopolise the advantages amongst themselves and their relations keeping lesser men and the dumb in the background.

It is high time that we must begin to work a model primary society and make it a standard-bearer of the true ideals of the Co-operative movement.

To begin with, a convenient locality must be selected. The whole locality must be given the benefits of the movement in all its aspects—Banking, Commercial Agriculture and Industrial. Here we must give practical education to students making them earn whilst learning.

We must construct a storage depot or granary to supply seeds, tools, raw-produce *etc.* and to receive instalments of debts in kind *etc.*

In short it must be a self-contained colony.

DISTRICT BANKS.

The attempt of Departmental officers to reduce the shares of individuals is not a desirable step. But there must always be a majority of society representatives.

ere are about a hundred societies it is better to have a separate central bank instead of one district bank with an unwieldy number of societies to be managed. Some of the present District Banks are a happy group living in the Olympian heights thoroughly ignorant of the conditions of the locality and are to depend only on the Department for advice *etc.*

Proximity to societies would enable us to study the local conditions and to exercise control and check over them.

All these central banks must be federated to the apex bank and hereafter be made as its branches. Even the present District banks must go by the appellation of Central Banks and not as District Central Banks.

We have been proclaiming time and again all these years that middlemen must be eschewed and yet we countenance the district banks as acting the part of middlemen between the Provincial Bank and the societies.

Time there was when we could not be overstrict at the initial stage of forming central banks on account of the want of best human materials. Now that the co-operative road is roughly laid, we can think of weeding out men who join the movement with ulterior motives without the least interest in it and who would not subordinate their welfare to social welfare. If we do not eliminate the middlemen's selfishness of the District banks, our practice would become contradictory to our profession. Is it not stultifying to think of the rate of interest charged to a society compared to the rate charged by the provincial bank? Why should the District banks be permitted to act the part of middlemen. Is ours a profit earning movement? We can think of lending the societies at a rate of interest at which the provincial bank lends to the central banks if all these are affiliated as branches of the provincial bank. But we will have to fix for moffusil deposits in co-operative banks a rate of interest not exceeding the maximum rate at which the provincial bank lends the central banks. All central banks must be linked to the one chain and must have paid secretaries throughout.

When we resolve to have a central bank for about 100 societies, the existence of separate supervising unions is unneccesary and they can be done away with. These central banks can go by the name of central banking and supervising unions. When these become guaranteeing unions, deposits will be pouring from all sides. Under this scheme more supervisors will have to be appointed. Any surplus supervision fund may be utilised towards the travelling allowance of any member of the central banking union being appointed by the President to make surprise visits to societies which are reported not to be working properly.

ORGANISATION AND SHORT TERM CREDIT.

Mr. M. Krishnaswami Sastriar (Ranipet Town Bank)—In regard to organisation of societies, the Presidents of Local Boards should supplement the work now being done by non-officials and the Department. They should recognize that their intervention in the matter of organization will help a great deal. In regard to short term credits, the surety system will safeguard the interests of the Bank rather than the one of crop security. The delay that occurs in the recommendation of loans may be remedied by having only one intermediary Officer, whether the Assistant Registrar or the Local Union.

ORGANISATION.

Mr. J. Krishnamoorthy Rao.—I am not well acquainted with the condition of affairs in the other Districts and my remarks should be taken with reference to the conditions in this Cuddapah District.

The organization of credit societies by non-officials is not yet attempted in this District to any extent. Human agency among non-officials in this District for that purpose is extremely lacking and the few persons deeply interested in the movement are not able to devote much time for it. The unions are still in an infant state and I am afraid that the Governing Bodies of most of the Unions have not yet realized their duties and responsibilities to efficiently supervise and control the societies attached to their unions. They are also wanting in technical knowledge. Under the circumstances, organization must still be confined to the Department. I do not think that the present Departmental staff of Inspectors are quite satisfactory in this matter. In their anxiety to show progress, they overlook most important things in the work of organization. Education is very backward in the rural parts of the District. Literate and intelligent human material is solely confined to 2 or 3 people in each village and the management of the whole society depends on the honesty of these. If the organization is carried on strict lines and after careful and exhaustive enquiries and after making the members fully understand their responsibilities and duties, much further worry could be avoided. If more Honorary Assistant Registrars from among the tried workers in the field of co-operation could be appointed, they will be able to turn out more efficient organization with the help and co-operation of the unions and, if necessary, in cases, of the departmental officials.

I do not think the consent of the Central Bank is necessary before the registration of a society. The Central Bank will not be in a position to advise in the matter. But local unions will be in a better position to do so and it is one of the primary duties of the local unions to so advise, although it may not be sufficiently trained to organize societies.

REDEMPTION FROM ALL DEBTS.

This is possible only when the members cannot go to outsiders for loans and they are obliged only to look to the society for money. A system of land mortgage banks as security for the amount borrowed from the society will help greatly in this direction. It may also enable the members to borrow for short term purposes whenever necessary. The security must provide for a maximum borrowing power within which the whole transaction of the individual member should be confined. The society must possess sufficient borrowing capacity to pay off all outside debts of the members.

Responsible people such as Honorary Assistant Registrars or officials of the union should help in such redemption and in securing proper vouchers for payments to avoid fraudulent transactions and subsequent litigation.

CENTRAL BANKS.

Purely society representatives in Central Banks may not be able to carry on the work of the Central Bank. They may not have the requisite capacity and mutual co-operation in conducting the business of the Bank with facility. It may not induce confidence in the depositors. It may be desirable to reduce the shares of the individuals to a minimum of one share and allot the redeemed individual shares to societies. At any rate, the individuals may not be compelled to hold any shares at all.

I do not think that time has arrived for opening branches of a District Bank or for forming banking unions federated to a District Bank.

Bank managers may be trained for a month in bigger Central Banks or in the Madras Central Bank, so that Central Banks may have trained and efficient hands for smoothly working the Bank. As it is, there is paucity of such trained hands and much time is wasted in putting them in the proper way.

ORGANISATION.

N. Panchapakesayar (Tirukattupalli) :—In this district the work of organising societies is done, both by the departmental officers and non-officials. Of late the organisation reports pass through the Assistant Regtstrar to the District Banking Union and when the District Bank sets its seal of approval, the society is registered. We have not had cases of friction between the District Bank and the Government.

In the Central Bank directorate the Union representative is there to supply the information about the locality. It stands to reason that the Financing Bank should be consulted before the registration is done, lest it should turn up against the society and refuse the First Loan application. The proper authority to give the correct information about the locality where a society is to be started, is the local union without consulting which no registration or a new society should be done.

There is some force in the argument that the union has not the necessary qualification to take an impartial view of a locality without prejudices and bias. The question of educating the non-officials to be made into Raffeisans must be dealt in a comprehensive manner and should be taken up at once. But the expansion of the movement should not wait for finding Raffeisans because they are born few and far between; but they can be manufactured in large numbers.

LOANS.

During the General body meeting of the society in the month of June the requirements of the members for the year should be collected and pooled together. This loan application with a statement that such and such amounts will be required in such and such months must go through the union finally to the District Bank. If the loan is sanctioned the society must execute a bond for the whole amonnt and operate upon the loan account as occasion may demand. A member who does not give or send the information before the meeting of the General body will be at a disadvantage and let him learn a lesson.

The crop loan is surely very useful provided a commonplace or godown is is constructed to store the grain. There should be a place there to dry the crop;

and any transaction that pertains to the selling of crop must bear the mark of honesty. Some good societies may be chosen in a district and the system given an honest trial. It has enormous potentiality to increase the economic condition of the ryot, and it deserves a trial. The District Bank must supply the necessary funds for a very long period, say 17 years, for building the godown.

OWNED CAPITAL.

The primary societies do not enforce bye-law No. 4 sufficiently. Before this is done, the question need not be considered. Any member who does not pay annual share capital must have his name removed. The dividends on the share capital must go to swell his share capital. The members who go in for the maximum borrowing must pay all the share calls.

LOAN PURPOSE.

It is true that loans are disbursed without any reference to the purpose and repaying capacity of the borrower. It is so because the panchayats have yet to learn the rudimentary principles of co-operation. The District Bank is slow to trust its money with the society for more than 2 years. The member knows and the panchayats have realised, that unless a wrong purpose is given he could not have a loan. I have not heard of action under byelaw 41 for misapplication of loan amount. The remedy is education and effective supervision by the local union.

CLERICAL SERVICE.

The question of getting clerical service in primary societies is a vexed question. At present the union supervisor does most of the work and neither the department nor the non-officials have found a way out of it. Where the work is done satisfactorily, some honorarium is paid. at a varying rate. It is more easily said than done that men should take an active interest in the work of the society as a labour of love. The principle of paying honorarrum to the secretary must be recognised and a convention established on a uniform sliding scale consistant with the transaction and quantity of the work in a society. Where the work requires the appointment of a paid clerk, the qualification of the clerk and the minimum pay must be specified. I would suggest the institution of a common examination to enable the co-operators to choose from the passed candidates. If one society is not able to maintain a clerk, a number of societies in close proximity, where such facilities exist may be grouped together to engage a common clerk.

INDIVIDUALS IN CENTRAL BANKS.

In the initial stage of a District Bank the share capital of individuals is found necessary and when the District Bank has come to stay with a number of affiliated societies, a conflict arises between the individuals and the society representatives; because they are actuated by opposing interests. It may not appear moral to kick the ladder down, that gave one a lift. The model bye-law must be amended fixing the minimum of share which an individual can take in the District Bank or there must be a provision in the bye-law to pay off the individuals when the society members have joined in large numbers and have subscribed enough of share capital.

LAND MORTGAGE BANKS.

A member of the primary society must send in his application through the society to the Land Mortgage Bank situated in a central place in the District. The qualifications of the member seeking the loan and the nature of the security offered must be reported in detail. There must be a separate appraiser attached to the Land Mortgage Bank who should visit the locality and conduct the

examination. The money is to be disbursed direct and the primary society that committed itself by recommendation must be utilised for watching the borrower and collecting the instalment. In short the primary society is to connect the borrower with the Bank.

The Government must be approached to countersign the debentures to be issued by the Land Mortgage Bank. This is possible, if the Government likes it, to get the whole amou t of Teachers' provident fund in aided schools into the proposed Land Mortgage Bank. The money must reach the ryot at a low rate of interest, say 6 per cent, and it must remain with him for a long period of at least 15 years.

PRIMARY SOCIETIES

The President, Supervising Union, Milattur:—The organization of a society does not stop with mere writing of a starting report. Its life hangs on the continuous education and training of the society by incessant visits. Hence only those who have got the time and the opportunity to undertake the future processes of continuous education should organize societies. In this matter the men who can understand the difficulties of the members and infuse a steady enthusiasm are those who have themselves experienced the difficulties of the ryots and who can therefore discover the remedies for their redress. They can be only non-officials. The right type of men should be selected.

If we want to reform the way in which the society should be made to function for the whole villaae. it is necessary that we must understand how so many ancient civic and social institutions have been able to bind the village together and interest all the citizens in the common work. While there is need for only one rural department which will serve all the interests of the villagers, it is unfortunate that rural developments should be retarded by too many advisers of too many departments. There should be one common Mahasabha for the village to serve all the interests, economic, educational. policing, *etc.*

In regard to short term loans on the pledge of crops, the first requisite is able and honest Panchayet. Loans should be given on a careful scrutiny of the repaying capacity of the member. Where the repaying capacity is less, the society should find out which other employments can be introduced which will be remuuerative to the members. It is necessary that the irrigation channels in villages should be well repaired. Then only the agriculturists will be able to repay the loans without any difficulty. It is the duty of the Panchayatdars to work without any remuneration for the public good.

As far as I am aware, there are not more than one or two who are interested in the organization of co-operative credit societies. In some villages there is not even one. The Panchayatdars have not realized their responsibilities. As soon as a society is started, the ability of the Panchayat of that society should be understood, and they should be given training either more or less according to their capacity. This training should take the form of association with non-official co-operators, who are engaged actively in the work of spreading co-operation and visits to other well conducted Primary societies.

PRIMARY SOCIETIES.

P. K. Ananthanarayana Iyengar Pannimadai:—The experienced co-operators of a locality should always be consulted by the inspectors who start the societies.

A Credit Society is not able to function for the whole village, because of the existence of many castes. Hence the Panchayet should be representative of all communities, and the President and the Secretary should be people who are respected by all communities in the village.

The societies can function well if a forecast of short term loan requirements is sent to the Central Bank.

The owned capital of the societies can be increased by tapping deposits from their localities; but the Department should permit payment of a higher rate of interest for the same.

S. T. Venkatachala Iyengar (Sulur):—When a society is started the people in the whole village should be consulted. At the time of starting it is better the Department take with them one or two members of the Governing Body of the Union who live near that society.

It is possible to give loans on the pledge of the produce of a member. A member of the Panchayat should be appointed as a Commissioner for estimating the prices of the produce. On such estimates 50 per cent may be given as a loan. It may also be possible undertake sale of produce to if the Panchayat member can be deputed for the work of collecting of good grains during the times of harvest.

Members should be asked to deposit Re. 1 for each share taken by them. This should be a non-returnable deposit. This is a method of increasing the owned capital of societies.

EXTRACTS FROM THE BY-LAWS OF THE JHANG LAND MORTGAGE BANK, PUNJAB.

OBJECTS.

2. Its objects are to promote the economic interest of its members and more particularly to arrange for the creation of funds to be lent to its members on subsequent mortgage security for:

1. The redemption of mortgage,
2. The improvements of land and methods of cultivation,
3. The liquidation of old debts,
4. The purchase of land,
5. Any other measure designed to encourage in the members the spirit and practice of thrift, mutual help and self-help.

3. The area of operation will be the whole of

2. (2) Every member of the Bank must be:

1. A person owning agricultural or forest land in the District,
2. Of good moral character,
3. Of not less than 18 years of age except in the case of minor heir of a deceased member

or

4. An official nominated by Government or the Registrar as an Office-holder in the Bank.

7. The membership shall be terminated by:

(6) Explusion by a two-thirds majority of a meeting at which not less than half the members are present and vote.

(9) Every member shall nominate a person to whom on his death his shares or interest shall be transferred and attest the nomination by marking his signature or thumb mark in the register of members. The nominee if not admitted to membership shall within 6 months be paid the value of the share or interest less any sum due from the deceased member to the Bank.

10. A member shall not transfer any share held by him except to an existing shareholder or to any other person qualified under by-law 4 and approved by the Managing Committee for this purpose. Such transfer shall be subject to the confirmation of a general meeting.

11. A person whose membership is terminated under by-law 7 (3) shall be paid the value of his shares within 6 months.

12. A person whose membership is terminated under by-law 7 (2) (4) (5) (6) shall be entitled to receive the value of his share less any sum due from him on the expiry of 2 years from the termination of membership.

13. The value of the transferred shares shall in no case be more than the sum received by the Bank in payment thereof.

14. A member may be expelled for:

(1) failure to pay the share money or debts due from him to the Bank,

(2) Conviction of a criminal offence involving dishonesty or resulting in his imprisonment for three months,

(3) Bankruptcy or application for Bankruptcy,

(4) Any action which may be held by the Managing Committee of a General Meeting to be dishonest or contrary to the stated objects of the Bank or to the interest of co-operation, such as misapplying a loan, incurring serious outside liability without the Bank's knowledge or permission or refusing to give information as to his debts.

LIABILITY.

16. Members (except Official members) are liable without limit to contribute to any deficiency in the assets of the Bank on liquidation.

CAPITAL.

17. The capital shall be composed of:

(1) Shares of the value of Rs. 10 each.

(2) Debentures issued by the Bank.

(3) Deposits from members.

(4) Deposits and loans from non-members.

(5) Realised profits.

The acceptance for deposits and loans from non-members shall be subject to any restrictions which the Registrar may impose.

SHARES.

18. Every member must hold one share for every five hundred rupees o fraction of five hundred rupees which he borrows or applies to borrow for th society subject to by-law 20.

19. Persons applying to become members must tender the value of their shares with applications.

20. No member shall hold shares whose nominal value exceeds Rupees one thousand for one-fifth of the total share capital actually subscribed. If any member by inheritance or otherwise become possessed of more than the maximum holding permitted by this rule, the Managing Committee shall have power to sell the excess number or to buy them on behalf of the Bank and to hold the proceeds at his disposal.

GENERAL MEETINGS.

22. The supreme authority shall be vested in the General Meeting which shall be held at the time of annual audit or as soon after as may be found practicable and at the other times summoned by the Registrar or the President or by the Committee of their own motion and at the written request of not less than 10 members.

MANAGING COMMITTEE.

27. The Managing Committee shall consist of at least 12 members of the Bank over the age of 21, including and President one or more Vice-Presidents. The menber shall be electel for one year and shall be eligible for re-election.

30. The Committee shall exercise all the powers of the Bank except those reserved for the general meeting subject to any regulation or restrictions duly laid down by the Bank in a general meeting or in the by-laws.

EXECUTIVE COMMITTEE.

32. An executive committee shall be formed by the Managing Committee from itself.

1. It shall consist of at least 3 members and the majority shall prevail.
2. The election shall be made for one year.

33. Committee members and the members of the Executive Committee shall receive no remuneration but they may be allowed such travelling expenses as may be fixed by the General Meeting.

SECRETARY.

34. The committee shall appoint a Secretary, who, if he is not a member of the committee, may receive pay or an honorarium with the sanction o General Meeting.

LOANS AND REPAYMENTS.

39. Any member desiring to borrow from the Bank must give notice to th Secretary and at the same time pay in full the number of shares prescribed b by-law 18. The applications shall then be entered in the register of application in the order of receipts.

40. The maximum loan granted shall in no case exceed 15 times the est mated annual net profits (after deducting land revenue) of the land mortgaged as security.

41. Every loan shall be secured by a mortgaged deed in the form prescribed in clause 1 (b) section 6 of the Land Alienation Act, that is to say, a mortgage without possession subject to the condition that if the mortgager fails to pay a principal and interest according to this contract the Bank may apply to the Deputy Commissioner to place it in possession for such term not exceeding 20 years as the Deputy Commissioner may consider to be equitable. All bonds shall be duly registered under the Registration Act,

42. In exercising its discretion the committee may require an applicant for a loan to mortgage all his immovable property as additional security or to give two personal reliable sureties.

43. No loans shall be granted for a period exceeding 20 years.

44. Applications for loans shall ordinarily be dealt within the order in which they are entered in the register of applications prescribed in by-law 36 (11) provided that priority may in special cases be given to loans for redemption of land, where such redemption promises to be unusually profitable.

45. The loans to be made for the improvement of land will be made by instalments which will be fixed by the committee for every such loan.

46. The Bank has authority to call in loans at six months' notice.

(a) If the mortgaged estate becomes subject to forced administration or foced sale.

(b) If the estate is in danger or being swept away by river or flood.

(c) If the borrower acts as described in rule 14.

(d) the Bank may require a suitable partial repayment of the debt if the mortgaged estate becomes depreciated in value.

47. The borrower shall always be at liberty to repay to the bank whole or part of the Capital sum borrowed in advance of the instalments fixed provided he pays interest for 6 months on all bonds for which in consequence of his action notice of redemption has to be given.

48. Loans shall be given for a specific purpose and shall be applied solely to that purpose. If a loan is not so applied, it shall be immediately recalled in its entirety by the Committee.

49. The rate of interest on loans shall be 8 per cent per annum.

ISSUE OF BONDS AND THEIR REDEMPTION.

50. The bank may issue debentures for sums of Rs. 1000, 500, 250, 100, and 50 and if necessary for varying periods. The Bank shall receive the right to call in any debenture at any time by repaying the value of debenture for which was it issued together with all interest due thereon to the date of redemption. Such debentures shall bear interest not exceeding 6 per cent per annum.

51. The total amount of debenture actually in circulation must at no time exceed the total amount of assets secured by mortgage belonging to the Bank.

52. Debentures which by reason of damage sustained have become unfit for circulation provided however that the essential marks of genuineness and identity

are still recognisable, especially the number, the amount, the rate of interest, the date and the signature of the authorised executing officer of the Committee will be replaced at the request of the holder on giving up the damaged or defaced debenture. Other debentures shall also be issued to replace completely destroyed debentures when in the opinion of the committee the fact of destruction is proved with any doubt or uncertainty.

When such proof is not produced or when in case of damage the essential marks on the debenture are no longer recognisable as well in all cases in which the debenture has been stolen from the owner or has been in other ways mislaid a new debenture will only be issued at the cost of the owner when the missing debenture has been previously advertised for by the latter and its nullity legally declared.

The re-issue shall always be made for the same amount under the same number with the addition of the word (renewed) against the re-imbursement of the cost of the stamp and other cash expenses.

53. The debenture shall be signed and executed by the president and two committee members who will be nominated in the General meeting.

The Bank shall have a special seal to be used for those debentures and it shall remain in safe custody with the president of the Committee,

54. Notice of redemption of debentures may on no account be given on the part of the holder thereof but may be given by the bank when required as provided in the by-laws. The period of such notice shall not be less than three months.

55. The debentures of which notice of redemption has been given to the holders of the bank must be given up on the expiry of the term and if the debentures are not handed in within one month after they fall due the holder shall have no claims upon the bank for interest accruing after the expiry of the term.

BUSINESS.

The bank is authorised to make good its claims against its members at its option by attachment either of their real estate or their movable property.

57. In case the committee and General Meeting decide upon the conversion of one or more classes of debentures to another rate of interest, the committee has right to give 6 months' notice to the holders of the debentures affected by such conversion.

58. In case a borrower has buildings mortgaged to the bank be shall insure it for its full value against fire and keep it insured until the complete repayment of the loan.

59. The borrower shall pay:—

(1) the expenses incurred for the valuation of the land which the bank shall undertake on his behalf.

(2) The expenses incurred in getting the land redeemed from the mortgage in the case this is undertaken by the bank.

(3) All other expenses especially incurred by the bank in dealing with the borrower or with claimants contesting his right to deal with the bank.

60. The Committee may make it a condition of any loan for the purpose of redeeming mortgage or old debt that the borrower shall use such seeds, implements and methods of cultivation as the committee on the advice of agricultural department shall prescribe.

61. The acquirer of a mortgaged estate is bound in order to avoid penalties under section (46) to enter at once into an agreement duly registered that he takes over the present responsibility of the debt.

EMPLOYMENT OF FUNDS.

62. The funds of the bank may be devoted to the promotion of the stated objects of the Bank and to the purposes set forth in by-laws 64 and 66.

63. Loans shall not be made to any person other than a member of full age They may be granted generally for the following purposes.

(1) redemption of mortgages.

(2) Liquidation of old heavy debts.

(3) Purchase of agricultural implements of machinery.

(4) Improvement of land and sinking and repairing of wells.

(5) Purchase of land.

In no case shall a member have a right to a loan if the agricultural department refuses to recommend the object. No loan shall be obtained for litigation of any kind.

Such contributions shall be made to the audit fund as may be fixed by the Punjab Co-operative Union.

PROFITS.

65. No profits shall ever be distributed.

66. All profits shall be credited to an indivisible reserve fund which shall be invested outside the bank and maintained as security for the debenture holders.

DISPUTES.

67. Any disputes concerning these by-laws on the business of the bank between members or past members of the bank or persons claiming through them or between a member or past member shall be referred to the Registrar, as provided in the rules notified by the Local Government.

LIQUIDATION.

68. The bank shall be liquidated only by order of the Registrar under section 39 of the Act.

After discharging the liabilities of the bank and repaying share capital the reserve fund may be applied to such object of local and public utility as may be selected by the committee and approved by the Registrar. If within three months of the dissolution of the bank, the committee fails to select an object that is approved by the Registrar, the latter shall credit the balance of the reserve fund to the Co-operative society to which the bank was affiliated or shall deposit the amount in some co-operative or other bank until a new co-operative bank with a similar area of operations is registered in which case it shall be credited to the reserve fund of the new bank.

LONG TERM CAPITAL FOR LAND MORTGAGE BANKS.

Mr. K. G. Sivaswamy :—The success of these banks depends on their power in raising sufficient long term deposits to be issued as loans. Even in advanced countries no bank at the start is expected to raise capital of its own for issuing long term loans. In Canada many of the Provinces have established Government Loan Boards and these supply the necessary capital from the Treasury for the necessary help to the farmers. The loans issued on the mortgages are sold by these boards themselves. This is practically direct help from the State. The Federal Farm Loan Act of America, 1916 is intended to strengthen Farmers' Associations with State help. At the top is the Federal Farm Loan Board consisting of the Secretary of the Treasury as Chairman and other 4 members nominated by the President of the U. S. A. There are 12 land Banks operating throughout the State under the management of 5 Directors appointed by the Loan Board. The Secretary of the Treasury is authorised to make deposits in these Banks till they themselves own 50 million dollars. The Banks began with 7·5 lakhs share capital. The Farmers' loan Associations subscribe to the share capital in the Federal Banks. These consist of ten or more farmers and the association is empowered to send a loan application to an amount which should be not less than 20,000 dollars. "The Association is the co-operative agency through which loans are initiated, the application of their proceeds is supervised, collections are made and local interests of borowers are reserved." Each member should subscribe for 5 per cent of his loan as share capital. The value of a single share is 5 dollars. The Federal Banks issue lands' equal to the value of the mortgages held on the approval of the Federal Farm loan Board.

The main point to be noted about the Federal Farm Loan Act is that the loans are given to twenty times the share capital subscribed by a member and that the Government have invested about 113 million dollars in the Banks either as bonds or as deposits, the ideal being to retire the same when the owned capital of the Associations increase in the Banks.

State aid may take the following three forms, (a) Loans to the Banks (b) purchase of debenture stock (c) guaranteeing the debenture bonds issued by the Banks. The first method will not make the Banks self-reliant enough to command public confidence. The second method is useful in supplying a certain amount of finance for conducting the Banks in the initial stages, but loans sufficient in bulk must have been given which will permit of the issue of debenture bonds on the mortgaged property. This means that Government should buy 80 per cent of the bonds. There is no meaning in asking Land Banks to issue loan bonds immediately after their starting, if most of the purchase of their bonds is to come from the Government.

And this method will not familiarise the public in this new market of mortgage bonds as a safe investment, if Government were to make most of the purchase. The best possible plan for the Government will be to issue loans in the beginning for a year or two till the Bank has settled itself and is felt as one of the vital functioneering agencies for rural credit needs, and then to permit

them to issue bonds equal in amount to the mortgages held on the guarantee of the State. With the increasing purchase of bonds by the public, the Government loans may be paid off.

If it is expected that by the purchase of bonds by the Government the management of the land banks will be furthered, then the Government purchase must produce a miraculous effect on the public to make a run on these Banks for the investment of their deposits. And what chance is there for the retirement of the Government bond stock by the bank? The public may say that the Government can risk as the biggest land owner but it is not for them to do so. Neither permission to issue bonds on State guarantee from the beginning solves the question of finding the needed capital sufficient enough to issue first loans on mortgage security. The share capital paid will be too poor for the issue of loans. If the Government suppose that they can put into operation Land Banks by promising an equal amount of loans to the deposits attracted, it errs in its expectation that the rural side will raise deposits of long terms specially when the Bank has not even commenced its operation. The public should be familiarised with the new market and the initial loans must come from the Government till this is done. After the issue of sufficient loans which will popularise the Bank in the eyes of the borrowers, the Bank may be permitted to issue debenture bonds under State supervision and guidance and *under State guarantee*. With the increasing confidence of the public and the gradual training of the Managements in the conduct of these Banks, the initial loans of the Government may be withdrawn. When the Bank has built up sufficient share capital and reserve, even State guarantee for the debenture bonds may be withdrawn. The fact has to be remembered that no Bank will become full-fledged by registration, but it becomes so by growth.

In support of the view propounded let me quote paras 39&40 of the Report of the Committee on Agricultural Credit appointed by the Government of England last year. (cmd. 1810 of parliament, 1923.)

"We recommend that at the outset the capital should be issued to the society or societies by the Public Works Loan Board and that the issue of State guaranteed Debentures should be made when a sufficiently large number has been lent to any individual society from this source. We regard as essential to the successful issue of any stock that it shonld be of sufficient dimensions to be handled economically and to enable a market in the stock to be created. Not only is the expense of handling a small issue much heavier than a large issue, but the status of the stock on the market will depend to a large extent on its bulk.

"We are satisfied that the method by which the State first lends the money and subsequently replaces the money by a State guaranteed issue of Debentures is preferable to a State Loan for the whole period. It will accustom the market to this type of security aud encourage the society or societies to make further issues at a later date without the guarantee of the State, should they desire to extend their operations beyond the restricted group of purchasers to whom we have referred."

ISSUE OF DEBENTURES ON PRESENT MORTGAGE BONDS.

(Scheme formulated by the Department in June 1920.)

The primary societies on unlimited liability basis transfer in favour of the district or central banks the mortgage bonds of immovable property obtained from the members. The district or central banks have such bonds as collateral security for the loan given by them to the primary societies. The district or the central banks again transfer such bonds in favour of the Madras Central Urban Bank and execute a pro-note for the sum to be borrowed by the district bank in favour of the provincial bank. The provincial bank in turn transfers these bonds in favour of the trustee to be appointed with power to float debenture bonds on the strength of the transferred mortgage bonds. The provincial bank executes a bond in favour of the trustee for the money to be got from him by the issue of debentures.

(2) The trustee issues debentures to the public for one-half/75 per cent of the amount covered by the transferred mortgage bonds.

(3) The debenture bonds are tenable for a period of 16 years, 20 years or for an indefinite period as may be thought fit subject to the payment of interest at 6, 6½ or 7 per cent whichever rate is likely to attract the capital wanted.

(4) *Functions of the Trustee.*—He should get a transfer of all mortgages from the provincial bank and the central bank supported by pro-notes from the district bank and the provincial bank and issue debentures on their security for the amount required by the provincial bank. His duty is to recover interest and principal payable on the mortgages assigned through of course the primary societies. In the event of litigation for the purpose of recovering the dues on any of the mortgage bonds, the trustee's expenses in litigation shall have to be borne by the central bank and the provincial bank in equal shares. Should funds be necessary for carrying on the litigation, the advances will be made by the provincial bank. The trustee's other expenses in carrying out his duties such as establishment, contingencies, etc., shall similarly be borne in equal proportion by the district banks and the provincial bank. When the scheme gets developed properly and the public confidence is secured, the place of the trustee in which it is now proposed to put the Registrar of Co-operative Societies may be selected by a body composed of representatives of debenture holders and representations of borrowing banks.

(5) The principal and interest instalments payable on the mortgage bonds are collected by the primary societies and transmitted to the district banks who remit it to the provincial bank which in turn sends it to the trustee. In case of failure, the mortgage bonds involved will be retransferred by the trustee to the primary society or to the district bank concerned which will take action in law courts. The expenses involved in such litigation will be paid by the trustee.

(6) Any mortgage bond completely paid up is returned by the trustee to the primary societies on receipt of the sum involved through the provincial bank. In such cases, the trustee may, instead of the money collected, accept from the primary societies or district banks or provincial bank fresh mortgage bonds provided that such mortgage bonds do not extend beyond the period for which debentures have been floated.

(7) All the collections on account of the mortgage bonds under principal or interest are held by the trustee with his banker. The trustee pays the interest on the debentures and the balance is held as amortization fund or fund for the extinction of the debentures and invested in such manner as may be found most desirable or may be used for extinguishing debentures. The debenture-holders will be paid yearly interest by the trustee through the district banks selected by the debenture-holders. The redemption fund is to be lodged in the bank selected by the Registrar. For the present it is proposed to keep the provincial bank as the banker of the trustee.

(8) . . . . .

These rates may be varied if necessary by giving primary societies a slightly higher rate of profit. As to the rate at which debentures can be floated, it may safely be suggested that 6½ per cent will be a proper rate for the present Should this rate fail to attract capital, we can go up to 7 per cent for a smaller amount and then offer the lower rate of 6½ per cent after the public confidence in the scheme is secured.

(9) For the first series of debentures to be issued the time proposed to be fixed is 16 years but when the scheme attracts capital and fresh debentures are to be floated, no period need be fixed for the repayment of the amonnt involved in the debentures as the debenture-holder can sell them in the market.

(10) The extinction of debentures, when it has to be made earlier than the period fixed, can be done by casting lots and after the issue of three months' notice. Such a step need be taken in cases of full payment made by members of co-operative societies on account of mortgage bonds pledged to the trustee provided the amount cannot be invested otherwise.

This debenture system is likely to work successfully in this Presidency as the "greater amount of the land is held under ryotwari tenure with a saleable occupancy or ownership right residing in the cultivator. The cultivators have a right of mortgage and in fact all the long term loans to members of co-operative societies are secured by mortgages of unencumbered immovable property." This scheme would be a desirable addition to the co-operative system in the Presidency.

The trustee will look to the provincial bank for the due recovery of the instalments of principal and interest. The provincial bank will look up to the central banks for the discharge of the responsibility and the central banks will keep up to the obligation even if primary societies at any time fail to be punctual in the payment of the dues. To fix this responsibility and to ensure the methodical working of the system, the floatation of debentures by each central bank seems to be inadvisable. To avoid the possibility of keeping up a specified set of mortgage bonds as basis of security for such series of debentures, debentures are proposed to be floated on the strength of mortgages for the whole presidency with the only condition to be observed by the trustee that debentures issued are supported by mortgage bonds to the value of 50 per cent, 75 per cent of the loan raised under this system. The 'floating charge' on these mortgages is held in law to be valid. The debenture-holders are given a floating security and it is within the competence of primary societies to raise money under this system. The primary society can transfer the mortgages by registered documents to the central bank after giving notice to the mortgager who however has no right to object to the transfer. The old mortgages can be replaced with the trustee by new mortgages as the debentures would be a floating charge and would not be enforceable against redeemed mortgage.

Should the scheme be acceptable to co-operators and the public be in a position to appreciate the soundness of the scheme, co-operators might approach Government to legislate so as to enable the Madras Bank to advance against such debentures and hereby to attract the required capital for the scheme. The co-operators might also eventually address the High Court to permit trust funds to be used in the purchase of debentures.

This scheme will virtually enable the co-operative movement to raise enough money to meet the wants of co-operators by utilizing the many lakhs of perfectly good securities of co-operators of unlimited liability societies to a much larger extent than is possible through the central banks whose basis of credit is small and whose power of borrowing is limited to eight times their paid-up share capital.

Some of the objections that may be raised in connexion with the scheme are noted below and answered ;—

(1) A higher rate offered for 'debentures' might divert the existing deposits at 6 per cent to the higher rate at the time of renewal. This must be faced and it is advantageous to do so as the financing banks need not keep any large fluid resource for the sums covered by the debentures. Short term deposits will then be used for short term loans, a legitimate and safe user.

(2) Each district bank might get a series of debentures issued by the trustee for the amount required by it with reference to the security offered by it instead of the provincial bank being allowed to deal with the whole. Now that federation has been formed of the district banks, the federation would be a proper institution to handle the scheme as it will get all the surplus of district banks and will undertake to distribute the surplus to needy district banks. The entire co-operative finance will get concentrated in the federation or the provincial bank. If the provincial bank is excluded from the debenture scheme conflicting interest will operate between the district banks and the provincial bank, the former may get money floated by debentures while the latter has surplus money. Moreover the fact that the provincial bank raises debentures on its responsibility supported by collateral securities of mortgaged bonds of primary unlimited liability societies and by the bonds of district banks is likely to secure success for the proposed scheme.

(3) Why should not the provincial bank itself be allowed to raise debentures ? Why should we have a trustee ?

The provincial bank at present lends to district banks and raises money by deposits. A trustee is a useful functionary to settle disputes between the institutions which offer the basis of security for the issue of debentures and the debenture-holders. The safest course seems to be to get a trustee to run the business of issuing debentures stock after satisfying himself with the security offered. The trustee may for the present be the Registrar of Co-operative Societies.

URBAN BANKS.

CONFLICT OF INTEREST BETWEEN DISTRICT AND URBAN BANKS.

Mr. R. Srinivasaiyengar (Tirukoilur) It is true that in some places there is such a conflict. This is due generally to the following reasons which make it possible for urban banks to get more local deposits than District banks.

1. The urban banks having come into existence long before the District banks, have established a clientele who do not feel it necessary to change their business to the District bank.

2. The deposits of the urban banks are from people living around these banks. They do not feel it convenient to change their business to the District bank. For they could not go to the District bank without much waste of time or money, while the urban banks are situate in their own business headquarters.

3. The directorate and particularly the executive officers of the urban banks being personally known to the depositors they command more confidence than the directorate of the District bank who may not be so well known throughout the District.

4. The urban banks offer slightly higher rates of interest than the District bank.

To compensate these, however, the District bank possesses other advantages. They are, the exclusive privilege to receive the deposits of Local bodies and Abkari contractors, the support of the Provincial bank and a reputation for greater stability based upon non-withdrawable shares.

Further, no urban bank can go on taking deposits to an extent more than their actual requirements. For, any surplus they may have, will have to be deposited in the District bank at a lower rate of interest than what they have to pay to their depositors.

This subject has been before the public for several years, at least from the date of the Bankers' Conference held on February 1919. The reason why these urban banks are allowed to pay these higher rates is that the urban banks are not expected to depend on the District bank for their funds. They are expected to attract their own deposits to a sufficient extent. Another and a more important reason is that these urban banks have got to pay a far higher rate on their borrowings from the District bank than that paid by them to their depositors

Except in the case of urban banks situated in a place where there is also a District bank, there is not much of real competition, for it may be observed that these urban banks attract deposits from sources which are likely to be tapped by the District bank.

Practically, except in very rare cases, there is really no difficulty which calls for immediate action. Special precaution may be taken in exceptional cases where such are really needed. What these precautions are to be, cannot be fixed by any hard and fast rule but may be settled according to circumstances.

Any step taken to reduce the rate of interest on deposits in urban banks, to those obtaining in District banks will not only prevent deposits coming in altogether but will spoil the development of banking habits among the people.

MEMBERS AND THE DIRECTORATE.

A careful consideration of the local jurisdiction and membership at the time of registration coupled with a judicious selection of office bearers who will really take interest in the work and attend to details at some personal sacrifice and who possess sufficient local knowledge and influence must be sufficient to avoid any difficulty in the actual working of the bank.

For the methods proposed I have my own objections which I shall try to mention here.

Different wards may be assigned to different directors taking into consideration their means of knowledge and their connection with such wards. For, in my opinion the creation of several executive bodies is likely to promote conflict of interests and consequent troubles.

Generally the directorate in urban banks consists of about nine members. The average attendance will be, even in a most satisfactory directorate, about seven. If again another Council of Supervision over this is constituted, that will be a very small body not likely to do more work than the directorate, and not likely to possess more local knowledge either. I should consider a directorate of seven to nine members from persons possessing local knowledge and influence will be neither too large nor too small and will be quite capable to function for both the governing bodies and the proposed Council of Supervision. Too many controlling bodies are likely to create friction and disturb the smooth working of the society.

In these days of the great uncertainty of trade and fluctuation of wealth it does not seem quite possible or safe to assess the credit of any member for any definite period by the appointment of volunteer committees for the same.

In the existing nature of the law of insolvency and its administration, and in the uncertainty of title in the case of Hindus and Mahomedans, the question really is how we are going to get on. This may seem pessimistic. But I have my reasons and very powerful reasons which may better be left unsaid here. For any voluntary committee to take this responsibility will be very unpleasant. Their work will offend the really honest, and could be very easily made futile by these of the opposite type.

The only remedy I would suggest will be a careful scrutiny of the credit of members at the time when every loan is sanctioned with a personal investigation by the Secretary or one of the Directors and a careful selection of proper securities. It has also been necessary in my experience to keep a constant watch over some members all through the course of their membership. But yet it has not been possible to exclude them altogether from the Bank.

Every urban bank of decent standing which is working its own deposits without borrowing from the District bank for a course of five or six years must be invested with powers to receive not only fixed, recurring and current deposits but also to receive savings bank deposits under the lines now obtaining in some select urban societies. The rate of interest on deposits must not be made too low, but must be sufficiently attractive. In saying this I am conscious that it is dangerous to fix the rates very high for it is absolutely necessary to build up a strong reserve fund. The stamping of cheques for withdrawal of current accounts must be done away with, for in actual experience a number of current accounts had to be closed when this exemption from stamp duty was withdrawn. All these require that a sufficient quantity of fluid resource is to be maintained. Suitable precaution will have to be taken for its safe custody. These are some of the important methods in which the people may be trained in banking habits.

The system of allowing cash credit or overdraft to select members up to a limited amount and the advance of money on the security of agricultural and industrial products with the condition that in all cases the money should be transferred to the current account and withdrawn in small amount as they are required, may be very good ways of training people, but I think it rather too early for co-operative banks to take to these ways which are very often subject to serious risks and difficulties. But these methods are satisfactorily being used by joint stock banks.

LOANS.

It is generally the practice of members when they ask for a loan to try to fix the period of repayment at the maximum allowed irrespective of the purpose of the loan or the capacity to repay. Very often more money than is required is borrowed. Though this is more true with rural societies, yet it is not unfrequent in urban banks. No one is therefore tempted to go in for short term loans. The natural result is that money gets locked up, and therefore the turnover is not at all rapid. But all this can be very easily avoided if the directors or those responsible take care to find out before the loan is sanctioned, the purpose for which the loan is required, the capacity for its repayment and its source, the actual amount that is really needed, and then fix the period and instalments of repayment. In urban banks it is generally possible and even necessary to see that interest on loans are paid up every month. This is generally possible in urban areas and whenever made obligatory, it does not at all work as a hardship on the borrowers. The next point is that all persons who carry on trade or industries or those that have a monthly income should be made to pay a certain sum towards the principal every month, however small that may be. This must also be fixed beforehand. If these principles are accepted and acted upon, it is found that at least one-fifteenth of the whole outstanding amount on loans, is repaid every month. This must certainly be accepted to be a sufficiently rapid turnover. This further makes it possible to have sufficient money on hand every month to meet the urgent needs of the members, be they for long term or short term purposes.

STAFF

The remarks regarding under-payment of staff are also true to a certain extent. This is due to various causes. The common reason is that when once societies are started, there is not sufficient money in the shape of profits to pay an efficient staff. Generally honorary work is offered and in the initial stages the desire to show a good profit and pay a maximum dividend prevents any expenditure on the establishment. It is certainly necessary to show some profit and pay the maximum dividend in urban banks. Otherwise we cannot get the public confidence so essentail for attracting deposits. It is only after the volume of the work has increased the trouble about establishment begins. The directorate is not willing to give up their old establishment even though they are not efficient, and deserve not better pay or are not willing to pay them more even if they are efficient, for they think their work deserves no more.

It has also to be added that the honorary work of the Secretary and the directorate which generally goes far in the beginning is being gradually withdrawn as matters get into routine. It is therefore necessary to see that every urban bank which has reached a certain stage, say has not less than Rs. 50,000 of working capital, keeps an efficient and full timed staff and necessarily contented. The question has often been asked how much could be spent on establishment and contingencies. A careful consideration leads me to think that in an average urban bank one per cent of the total working capital may be spent on establishment and contingencies. But it must be understood that this not a fixed proportion. It will vary according to the size of the institutions and the local conditions. A slightly higher proportion may have to be spent in the beginning and a slightly smaller one if the bank has grown considerably. But I am confident this is a safe guide.

But I cannot close this without adding that it is the policy of the official and non-official co-operators that the movement must exist and improve more upon honorary work than on paid agencies. This must be confined to the higher officers, but the staff must always be well paid if the work should be efficient.

Rao Bahadur A. Vedachala Iyer:—The conflict in the obtainment of deposits may happen in a few cases owing to competition in regard to rate of interest, but the banking habit of the people has not yet been secured sufficiently and we must use all institutions to do this work, till the people get accustomed to deposit their savings in the banks. It is then that we can standardise the rate of interest to be offered for deposits by co-operative banks.

As regards decentralisation, I would suggest the starting of small societies in the town at the instance of the urban banks and to be financed by it leaving the smaller institution a margin. It can lend to such societies at $8\frac{3}{4}$ per cent when it borrows at 8 per cent from the Central Bank.

Propaganda work, and allowing depositors the privilege of borrowing up to 80 per cent of their deposits to be repaid in instalments many increase deposits. The absence of this provision retards depositors from giving their money freely. The loans in such cases can be given at $\frac{1}{2}$ or $\frac{3}{4}$ per cent more than the rate at which the particular deposit was obtained.

Urban Banks in this presidency have not begun to finance trades or traders. Hence short term loans are not increasing. The urban banks now cater for wage earners and professional men other than traders. The margin of profit is small and this retards the maintenance of a competent staff.

Mr. S. G. Rangachariar.—The Directors of the Little Conjeevaram Urban Bank who number 15, are at present elected once in two years by the general body which consists of upwards of 1200 members. Till recently the number of shareholders was much less and competition for Directorship was also not keen and so the election business was not very difficult to conduct. But times are changing and it is found desirable to adopt measures not only to make the election an easy and pleasant function but also to see that all the localities are sufficiently and properly represented on the Board of Management. For this purpose we propose to divide our area into half a dozen wards or so, and allow one or two or even three directors to each ward according to its importance to be elected by the shareholders residing in that ward.

To split up our bank into two or more societies will no doubt make the connection between the members and the Directorate nearer and more convenient. But this method has its own disadvantages such as the following :—

(*a*) To maintain a decently paid and efficient staff will entail a heavy cost on each of such small societies which it can ill afford. An efficient manager with a proper staff may be expected to manage a big society more honestly and satisfactorily than a large number of ill-paid and incapable hands distributed among several small societies.

(*b*) There is greater temptation for fraud and malpractices in a small sociaty practically managed by a single clerk.

(*c*) In a compact area such as ours, several persons reside in one street or locality but carry on business and command credit in another and it will therefore be inconvenient to split this society into several small ones.

(*d*) One well conducted big society with a respectable Directorate infuses greater confidence and attracts more deposit than several small societies put together can do.

We once thought of having an Advisory Board which was to be elected by the general body and which in its turn was to elect the Directors, but the proposal appeared to be beset with difficulties besides being unnecessary and unsuited to a place like this. The question of forming sub-committees for the different localities may, however, be considered if the proposal sketched out in para 1 above is actually tried and found wanting. No council of supervivion too appears to be necessary at any rate for the present.

SHORT TERM LOANS.

Weaving is the occupation of a majority of our shareholders and it is by no means a brisk one. The other classes of borrowers are petty tradesmen, bricklayers, coolies, bandydrivers, shepherds, washermen, barbers, agriculturists, Vaidike Brahmins etc. etc. and consequently short term loans repayable in less than a year do not find favour in this place.

TRADE LOANS.

Mr. C. S. Srinivasachari, (The George Town Co-operative Credit Society Ltd.)—The main difficulty in the path to the growth of small primary societies seems to be want of sufficient publicity and advertisement of their benefits especially among the lower middle and lower classes of our City. The chief business of small credit societies should be, as has been pointed out in *The Bombay Presidency Annual Report of the working of co-operative societies for 1921—22,* short term loans for 3 months, 6 months and occasionally 9 months or a year to finance industry or craftsmen in the performance of their business. Such loans for such definite industrial purposes are very little sought after in our urban credit societies. Our loans are generally for periods of 10 months and over, sometimes ranging to 2 years, and are relatively long term loans mainly for domestic expenses and discharge of previous liabilities. Our general fault, I believe, is the grant of quite a disproportionate amount of long term loans, and there must be a rise in the proportion of short term loans. Serious attempts should be made also to bring under the influence of urban credit societies the labouring and artisan classes, of which much the largest proportion in the city as well as in the chief *mofussil* towns have after nearly two decades of co-operative education still to fall back upon the usurious credit of money-lenders. As Mr. Rothfeld remarks, there is "too much dependence on long-term loans and too small a proportion of short-term accommodation for business purposes" in our urban "societies". One chief consequence of this disproportionate quantity of long-term loans is that the turnover is in many cases not sufficiently rapid. Small credit societies are not also attracting deposit in any appreciable degree at all. It is one of the duties of urban banks to introduce to the public the meaning and value of deposit banking. Another improvement which may be suggested is that such urban societies should not only be vertically connected with the district and provincial banks as they are now beginning to be, but also they should be laterally connected with other banks of a similar kind in neighbouring areas and even districts. The effort of the management of every society should be towards the reduction of overdues to as low a minimum as possible—as overdues are the most serious danger to co-operative banking. Quick turnover is regarded by Wolff and other great co-operators as an equally necessary factor for healthy growth. The keeping up of a right ratio between the share-capital and loan capital of urban credit societies is another question the solution of which may admit of a variety of opinion suited to the conditions of the localities of the societies.

MEMBERS AND THE DIRECTORATE.

Sub-committees of different localities to sanction loans and ensure repayments may be tried. A volunteer committee of a few, say, 5 members, may be appointed to check the register of members and assess and report confidentially about their credit. The danger to be avoided in the formation of a council of supervision is the clash between the two bodies.

DEPOSITS.

The increased attraction of deposits is a main desideratum. Advertisement by intelligent managers and house-to-house canvassing among those with spare sums to invest, which are now being invested with private individuals for larger rates of interest, but in reality with far heavier risks, may be usefully employed as instruments. But one caution of Wolff has got to be kept in mind—"There are times when it is share-capital that tells. And those are precisely the times in which it will be all-important to the bank that it should not lose its deposit money. When all goes smoothly, in the piping times of peace and plenty, the bank is likely to be judged rather by its management than by its share-capital. In times of crisis and disturbance on the other hand, people are likely to look mainly to its capital for safeguard. Therefore so far as it can be managed, a substantial share-capital will always be an advantage." And deposits should not be allowed to overshadow and dwarf the share-capital, though such contingency is rare in our land.

With regard to the insufficiency and under payment of the clerical staff, the chief needs to be satisfied seem to be a class of trained clerks, trained in co-operation and banking and accounts from whom clerks and officials may be freely recruited, and an assurance of rise of emoluments and permanence. With regard to small societies, some of them in their initial stages have to work with half-time employees.

URBAN BANKS.

By J. Krishnamurthi Rao, (Cuddapah):—1. At times there will be competition for deposits and Urban Banks will be in a better position to offer higher rates of interest to depositors. If some qualifications are introduced for the Directors, it will better safeguard the interests of the Bank.

(*a*) In the case of unwieldy Urban Banks, this is desirable.

(*b*) This may be unworkable.

(*c*) There are councils of supervision in some Urban Banks. They will be useful if they work satisfactorily and without creating hitch,

(d) A committee for assessing not only the register of members and their credits, but also to inspect the registered properties and note improvements or depreciation in value will be useful.

3. The Urban Societies may usefully open provident fund deposits in addition to the usual deposits, such as Fixed, Recurring, and Current Deposits.

URBAN BANKS.

Messrs Shiva Rao, Ananta Rao and Venugopal Rao.—Theoretically there does seem to be a conflict, but every institution may really be said to get the deposit it deserves. The sphere from which deposits would go to Urban Banks would always be more restricted than the sphere which the Central Banks would be able to command.

Urban Banks have a peculiar place to fill in the co-operative movement and we are of opinion that they should not be made to lose their peculiar individuality, so to say, by splitting them up into smaller independent societies. Councils of supervision over the directorate may be tried. Small local advisory bodies to keep directorate in touch with the members of the different localities may also be tried with advantage.

Recurring deposits, 'school fee' deposits and 'home safe-box' deposits may be tried. Mere introduction of rules is not enough. Propagandist efforts to secure more and more recurring, school fee and home safe-box deposits are necessary. Duly constituted agents may actually be sent from door to door to induce members to open current accounts and home safe-box deposits.

Mr. M. Krishnaswami Sastriar (Ranipet Town Bank):—The jurisdiction of the Urban Bank being very limited, it is not necessary to constitute other bodies to connect the Directorate and the members. It is not very difficult for either the members or the Directors to meet one another as often as possible in the Urban Bank area and interchange their thoughts.

LEGAL QUESTIONS RELATING TO URBAN BANKS.

Section 7 of the Act leaves the verdict of the Registrar as conclusive as regards the question whether a particular member is resident or not. In the urban areas a large number of persons living outside the area, work for personal gain within the area. For instance, a man residing at Arcot or Wallajah is employed as a public servant or trades as a merchant within Ranipet. The jurisdiction of the Bank is not extended to Arcot or Wallajah. It is not very difficult for the Directorate to understand the exact status of that man. In such a case why should he not be treated as a resident, by reason of his working for gain within the Bank area? The Civil Procedure Code Section 20 Explanation I allows such an interpretation. It is therefore necessary that the following question be referred to the Conference.

'Whether a person, who is a resident outside the Bank area but carries on business or personally works for gain within the area cannot be held to be a resident for purposes of Sec. 7 and the by-law relating thereto?'

Sections 12 and 14.—Rights and liabilities of members are not defined in the Act.

Very often conflict arises as regards the interpretation of the words 'rights and privileges' in regard to voting at the meeting and securing dividends. Some are of opinion that a member who has defaulted in paying his share capital cannot vote or take dividends. I think this will be against the policy of the Act itself. A member, so long as some money of his is in the Bank, is entitled to see that the same is properly appropriated by the Bank, and as such he is interested in seeing that proper directors are appointed. It, therefore, stands to reason that so long as the defaulting member is kept on the rolls, I am of opinion that he is entitled to vote, as he has a right of interest the moment he is admitted.

As regards privileges, the by-laws provide that a defaulting member cannot be given further loans, cannot apply for postponement of loans, and so forth. So these may be regarded as privileges! Under the circumstances I may request you to take the sense of the Conference in defining the terms "rights and privileges" appearing in the bye-laws.

Section 20. Appropriation of shares.—The Society has got a right of appropriation of shares or any money standing to the credit of a member against the dues payable by him. In certain cases a member's dues are much higher than his share capital. Is the Society precluded from adjusting the share capital towards the dues and realize the balance by arbitration or otherwise? Can such an adjustment be called "withdrawal" so as to affect the provisions of the byelaw pertaining thereto? It is not equitable to recover decrees for the dues ignoring the share capital. Much less it is to arrest a man for the decreed amount, when he has something to his credit in the Bank.

I am of opinion that when there are dues by a member, and if the directors think it necessary to take action, the amounts due to him by way of share capital or otherwise will have to be adjusted and for the balance alone steps will have to be taken. The Society will not be at a disadvantage in adopting this course. By removing the defaulter from the rolls, we create scope for fresh admissions and see that the share capital is kept up. There is no good in keeping rotten limbs. To have defaulting members on the rolls is no healthy sign for the prosperity of the Bank. Such an adjustment cannot be called "withdrawal". In the case of an adjustment, the right is vested in the society and the same is effected without the voluntary act of the member. In the case of withdrawal, the member can claim it subject to rules, as the same depends upon his volition. Hence these two words cannot become synonymous. This point will have to be made clear.

By-law No. 44 relating to Borrowing:—It is also worth noticing that in the case of borrowings of a member, the said byelaw says that 90 per cent may be advanced on the security of deposits irrespective of the capacity of a borrower with reference to shares taken by him. A question arises for consideration whether he cannot also borrow on a joint surety like an ordinary member, who has not deposited anything into the Bank. This must be answered in the affirmative with a view to attract deposits. He, who has deposited, must have twofold advantages, one that of borrowing on the joint surety, and the other that of borrowing on the security of the deposits. This course is consistent with equity. If this is desired, deposits will be very rare from members. I think this point may provoke some discussron in the Conference in view of a decision being arrived at.

DEPOSITS.

Mr. V. Krishnasamy Aiyar, (Chittoor Town Bank)—There is really no ompetition between Central and Urban Banks. The needs of the Central Bank are great and the resources equally strong and manifold whereas the needs of an Urban Bank are limited and their resources are also scanty and limited. Urban Banks must be allowed full freedom to take deposits at even somewhat higher rate than that allowed in the Central Banks. For, Urban Banks cannot take in big deposits such as find place in a Central Bank; and the extent to which Urban Banks draw deposits, the Central Banks will to that extent be able to finance rural societies more fully and to a greater number.

For connecting the large membership in an Urban Bank with its directorate, care must be taken to see that the Directors elected are from different parts of the locality and the members admitted are persons well known to one or more of the Directors.

There must be sufficient propaganda work in the different parts of an urban area setting forth the advantages of placing their savings in the Bank under fixed, savings, recurring and current deposits.

It goes without saying that big business must imply an efficient, honest and contented office establishment and it is equally true that there is not efficient or well paid staff in several urban banks. There must be an uniform standard or scale of establishment fixed having regard to the magnitude of each particular bank.

Inasmuch as Urban Banks are also required by the Government to maintain fluid resources, they must be given all facilities for doing so. They must be allowed overdrafts or cash credits with the Central Banks for this purpose.

It must be distinctly known on what principles and to what extent limited liability societies or Urban Banks can be financed by the Central Banks. It is found from experience that some Central Banks are neither willing nor able to finance Limited Liability Societies or Urban Banks even in times of urgent necessity. In this connection I might also suggest that the Madras Central Urban Bank may be requested or allowed to directly lend to Limited Liability Societies whose working capital is not less than a lakh of rupees in cases in which they cannot get help from Central Banks.

Section 30 of the Act and the By-laws of the Urban Bank allow discretion to adjust the share capital for moneys due by members but it is not clear in what cases it is desirable to make such adjustments and in what cases not desirable.

Whether in cases of suits being filed in Civil Courts it is not desirable to adjust the share capital to save the expenses of additional stamp and whether it is not inequitable to sue for the full amount due when a portion of the money of the defaulter is with us by way of share-capital. These are the questions to be discussed and solved once for all.

ORGANISATION OF SOCIETIES.

Mr. L. Dharmaraja Aiyar (Periyakulam).—Honorary men ought to prepare the field before departmental officers can handle the task. If the organisation of a society is attempted by the departmental officers, invariably the society is started and money is disbursed with a lull thereafter that it is often with great difficulty that the loans are realised. The organiser's words are first caught by persons who have already lost credit in the village and they gather together persons of their standard and start the society. A society if it ought to flourish must consist of not only borrowing members but also members who have no present need to borrow. And this can be possible only if the villagers are properly educated as regards co-operative principles beforehand and convinced as regards the safeguards provided against the risk of undertaking unlimited liability and also properly impressed as regards the duties of the panchayat of a society. This cannot be expected of a paid officer of the department, who will hurry on with an organisation for statistical purpose or neglect a deserving place for the trouble it entails. Only honorary men with an amount of selflessness and sufficient local knowledge must be pitched upon for attending to the wants of villagers and recommending for societies when the departmental officers may be requisitioned to help to organise a society. The experience of departmental officers cannot be ordinarily expected of an honorary man. Local honorary organisers may be especially appointed with power to organise provided they are found to possess sufficient knowledge of co-operative law and principles and working methods of rural societies, learnt from experience by handling societies. They may do much better than even departmental officers with their knowledge of people and their circumstances. The Central Bank need not consent for the registration of a society since the Central Banks as they are at present constituted are only trustees of the funds of the societies with a power to disburse loans to societies. They cannot be expected to have any intimate knowledge of the villages except perhaps in the case of villages where there are societies already working on funds borrowed from. The Local Unions can be trusted to give their opinion before registration. But most of them have been founded only very recently and they must be given sufficient time to stabilise themselves and exercise sufficient control over the affiliated societies before they can devote time and attention other villages. Some select Unions may for the present be entrusted with such work.

So then, honorary men must be induced to come forward to educate villages; Local Honorary Organisers must be appointed for instructing them and for propagating Co-operative Education. Village Officers and Departmental Officers must help them. The Local Unions wherever they are sufficiently advanced must be consulted. This will ensure formation of more societies and sound ones.

As for starting reports, the departmental inspectors are generally guided by Hemingway's Manual. This reduces the report to a mechanical one. Before the organisation report a village officer's report may be called for as regards the statistics of the village and the organisation report besides including such information must mainly deal with the human material available in the village and the possibilities of future development of various co-operative activities in the village.

THE VILLAGE AND THE SOCIETY.

It is impossible to expect a society to function for the whole village. The unlimited liability stands against it. Further we have a sufficient knowledge of municipalities and Unions which function for entire villages, reducing more or less to non-co-operation. It is I believe, against co-operation to expect a society to function for the whole village. But if a society is started in a village and works satisfactorily, the society will grow bigger and bigger in course of time embracing a major portion of the village. As for several classes in a village at present, there may be separate societies started for each class, and when they function properly within their limited spheres, they may all be federated with a common board of management and an advisory board for each class with proportionate representation in the common board.

In the villages it is not class against class that are incapable of co-operating but it is man against man that does not co-operate. So long as human nature is what it is, it is not possible to expect a society to function for the entire population of a village. "*Mutual help*" is the watchword of co-operation though the phrase is unhappily omitted in the preamble of the act and the model by-laws of societies.

LOANS.

The members should be able to make a forecast for their requirements and this is found to be difficult in practice. If the forecast is made in the nearest approximation cash credit loans may be obtained from Central Banks and the members will not feel disappointed at the time of need. Loans on security of crop cannot be granted in primary societies till their members give proof of successful joint purchase and joint sales.

OWNED CAPITAL.

The owned capital in village societies can be increased only by increasing the share value providing for paying up the said value in monthly or half-yearly or yearly instalments for a long period and by allowing members to borrow on the security of their share capital for their urgent needs.

LOAN PURPOSES.

The bylaws are sufficiently comprehensive though not exhaustive. The discretion allowed to the Board of Directors is quite necessary. Otherwise when are the members going to learn to discriminate and find out useful, necessary and productive purposes? If the bylaws should be exhaustive there may arise instances of cases in which deserving loans are not granted for the reason that the purpose is not enumerated in the bylaws. " To make trade deposit in a co-operative stores" may be specifically added to the list, for it will educate some people practically.

By the time the audit orders are passed by the General Body of a Society their property statement ought to be renewed and copies sent for information to the Union, Assistant Registrar and Central Bank. When a society wants thereafter a loan, they may in their loan application state how much they want to be distributed, to how many members and what period and the cash balance on hand and their outstanding liabilities. This will much simplify the elaborate preparation of a loan application and save a lot of time. The Union's recommendation may be obtained very quickly and the Assistant Registar's recommendation in such cases will be only formal. A cash credit once sanctioned with all the necessary tests may be the best solution for satisfying promptly and fully the short term needs.

CLERICAL SERVICE.

Providing for an honorarium to the secretary of a rural society from out of its profits is the only solution that can at present be thought of in respect of most of the societies. The village schoolmaster who is invariably a member of the society can be made to be the Secretary or Assistant Secretary in charge of the clerical work for which he may be paid a small remuneration. He will also grasp the principles and learn to keep proper accounts under instructions from supervisors or inspectors. To aim at any special qualification for a clerk in a rural society will not be practicable where they have very little profit. Societies at present are unable to pay even for the co-operative bulletin which means only Rs. two per year.

THE PRESENT OUTLOOK FROM CERTAIN BROAD STANDPOINTS.

Rao Sahib T. Srinivasa Rao (Chitoor)—The well-being of the movement may be said to be in the hands of four agencies. namely

i. The Managing Agency comprising the Panchayats or Managing Committees (Board of Directors) of individual societies;

ii. The Supervising Unions, and the District Council of Supervision or the District Committee of Union Repeesentatives;

iii. The Auditing Agency, represented by the Registrar and comprising the auditing inspectors and the Assistant Registrars in charge of districts;

iv. The Financing Agency, comprising the local Co-operative Central Bank and the Madras Central Urban Bank (the Provincial Co-operative Apex

Bank) and also the Imperial Bank of India which grants overdrafts of a considerable sum to the apex bank and Central Banks.

2. The reports of co-operative conferences held in various parts of the Presidency as also the views of co-operators, official as well as non-official, published either in the press or in the co-operative bulletin give expression to dissatisfaction with the state of things now obtaining in regard to the manner in which the several agencies mentioned or some of them discharge their work.

A clear conception of the duties and responsibilities devolving on these agencies is essential in connection with proposals for introducing improvements over the existing state of things. It is further necessary to have a clear understanding of the existing situation which it is sought to improve and the goal which it is sought to attain. It is also necessary to examine the methods now pursued with a view to see how far they are helpful in the attainment of the objects in view. Unless the methods pursued are appropriate, the goal may not be reached within any reasonable length of time.

3. As is too well known the initial responsibility for proper management rests with the respective panchayats or managing committees of societies. The next higher responsibility attaches to supervising unions whose duty it is to see that the panchayats of societies fulfilled their duties in an adequate and satisfactory manner, the work of the unions in a district, in their turn, being regulated and co-ordinated by a federation of all unions in the district. Next comes the function of auditing which devolves under the Co-operative Societies Act on the Registrar whose duty, in that behalf, is to see that societies are properly managed by panchayats and properly supervised by the Supervising Agency. How far these agencies come up to or fall short of their duties and responsibilities is a question which vitally concerns the financing agency, that is, the Local Central Bank which finances the societies in the district and the agencies which finance the said agency, namely, the Provincial Co-operative Bank and the Imperial Bank. It thus becomes the duty of the Local Central Bank to satisfy itself that the supervising agency continually maintains societies in an efficient condition and that every year the auditing agency makes a thorough overhauling of the affairs and condition of each society and brings all omissions and commissions to notice so that erring and backward secieties may be pulled up and restored to order.

4. Coming to a detailed treatment of the subject with reference to the duties of these agencies: As regards i. the Managing Agency which comprises the Panchayats or managing committees of individual societies, it is not possible in a note of this kind to deal with the subject in an exhaustive manner. The duties of panchayats and the managing committees are embodied to begin with in the byelaws of societies themselves. These again are amplified by instructions contained in the co-operative manual and circulars issued by departmental officers from time to time. The duties in question though responsible and onerous, cannot in a majority of instances be said to be beyond the capacity of the panchayats. It may therefore be assumed that the panchayats are generally competent to discharge their duties. The question then arises whether they

actually do their work. The answer to this enquiry, as regards a large number of societies, being in the negative, it behoves us to find out the reasons for such a state of things and to devise measures calculated to improve the situation.

The preliminary requisites for proper and efficient management of any business concern—and a co-operative society is nothing if not a business concern with the ordinary precautions for conduct of business on sound lines, not only a simple business concern of that kind but a business concern with a broader and sounder foundation furnished by its co-operative character—the requisites referred to are character, capacity and willingness. The establishment of a society in a village pre-supposes the existence of character and willingness, for it would be a mistake to organise a society at a place where these conditions do not exist or to let a society continue to exist when after registration it is found that men of character, willing to run the society are not available. Character, it will not be possible to create, where even a certain modicum of it is not found—and mind such villages are not non—existent. Villages of that kind ought to be rigorously excluded. As to willingness, a positive statement cannot be made. Beyond certain limits, no one, not even a co-operative society, is entitled to expect gratuitous service for years and years. The office bearer who keeps accounts and does the work of collection needs to be remunerated for his services. With provision made for this, it will not be difficult to find men willing to undertake the business. Confining therefore our attention to societies in which these conditions are not found wanting, the proper management will depend upon the capacity of the panchayat or secretary. It is within the experience of almost every co-operator who is familiar with rural conditions that intelligence and capacity of an ordinary kind are not found wanting, and therefore the conduct of the routine work of the society should not be difficult. The work of the society, however, includes besides routine work, matters as to which a villager needs guidance and help. Even as regards routine work, he needs guidance in the early stages not being accustomed to regular business habits.

5. This takes us to the agency which should furnish the necessary lead and guidance, viz., the Supervising Agency. This agency comprising as it does of representatives of rural societies, possessing or wanting, as the case may be, the qualifications described above, may not be considered as being able to dowh at is expected of it. As in the case of the panchayat of a society, so in the case of the governing body of a union, the same preliminary requirements are essential, viz, character, capacity and willingness. Again, as in the case of a rural society assuming that character and willingness are forthcoming on the part of the governing body of the union, one has to consider whether the governing body possesses the required capacity.

Unlike, as in the case of individual societies, a supervising union is started although it is thought that capacity to run the union is found wanting, the object being to train the representatives of societies in the work of supevision. In a union started on these conditions, work of any real character may not be done for some time, until the representatives have received a certain amount of training in doing their business. Confining, therefore, our attention for the present to unions which have passed this preliminary stage, it may well be said that as in the case of an individual society, the work may be distinguished betweeen routine work and work involving special skill and capacity. The work of the former kind will ordinarily be within the capacity of the governing body while, in regard to work of the latter kind, lead and guidance will be found necessary. Unlike individual societies the union employs a paid supervisor for visiting societies and reporting on their condition. A higher order of capacity is wanted on the part of the members composing the the governing body in that they have to control the supervisor and regulate his work. In this respect also, the governing body requires training. Assuming that with the experience acquired in the first year or two of its existence the governing body gets into running the routine work, it will take some longer time for it to acquire capacity for tackling the remaining and more important part of its duties. Here also the governing body requires lead and guidance. Who is to furnish these is the next question.

6. We now come to consider the Ageny on which this duty devolves. This is no other than the Auditing Agency.

Before proceeding to deal with the manner in which the auditing agency should discharge its duties, it is well to state what exactly these duties are. This cannot be done better than by quoting from the report of the Maclagan Committee on Co-operation. That report says (Vide paragraph 91, page 56): "The terms of the Act expressly require that the audit shall include an examination of overdue debts and a valuation of assets and liabilities. By this latter we understand not merely the preparation of the balance sheets of societies but also a sufficient check, in accordance with such rules as the Registrar may lay down, of the list of the material assets cf the members The audit should in our opinion extend somewhat beyond the bare requirements of the Act, and should embrace an enquiry into all the circumstances which determine the general position of a society. It would for instance be the duty of the auditor to notice any instances in which the Act, Rules or byelaws have been infringed; to verify the cash balance and certify the correctness of the account; to ascertain that loans are made fairly for proper periods and objects, and adequate security; to examine repayments in order to check book adjustments or improper extensions; and generally to see that the society is working on sound lines and that the Committee, the officers, and the ordinary members, understand their duties and responsibilities."

The same thing is expressed in other words by a late Registrar, Mr. Hemingway of revered memory. His description is so apt to our purpose that I cannot refrain from quoting him. He says (Vide page 21, of his Manual) as follows:—"The ordinary purpose of an audit or any company or society is to see that the accounts are properly kept and to present to those interested a correct statement of the concern's financial position. This is as necessary in the case of a co-operative society as in the case of any other business body. But there are special features about the audit of a co-operative society. The Registrar (who is responsible for accepting the audit and who must prescribe its condition)

is bound by his duty to the public to see not only that the audit is mathematically correct but also that the affairs of the society are being couducted in a truly co-operative spirit, or in the words of the Act (Section 4), in accordance with the principles of co-operation. This needs a more detailed scrutiny into the policy of the acts of the society than would be required of an auditor. Furthermore, the Registrar is concerned not only to discover and expose what is wrong about the working of the society, but also and even more so to assist societies to correct their mistakes and do their work rightly in future. This makes it necessary that the audit of a co-operative society should go much beyond the scrutiny of what has been done in the past. Indeed, the inspecting (auditing?) officer is as much the guide, counsellor and friend of the society as an inquisitor into its mistakes".

Analysing the substance of these quotations the duties of the auditor may be enumerated as follows:—

1. To see that aocounts of the society are properly kept;

2. To ascertain that loans are made fairly, for proper periods and objects, and on adequate security;

3. To examine repayments in order to check book adjustments or improper extensions;

4. To verify cash balance;

5. To prepare balance sheets with a view to present to those interested a correct statement of the society's financial position;

6. To check the material assets of members;

7. To find out instances in which the Act, Rules. or bye-laws have been infringed;

8. To see that the affairs of the society are conducted in a really co-operative spirit;

9. To enquire into all the circumstances which determine the general position of the society;

10. Generally, to see that the society is working on sound lines;

11. To discover and expose what is wrong about the working of the society;

12. To assist the society to correct its mistakes and do its work rightly in future; and

13. To see that the office—bearers and members understand their duties and responsibilities.

7. We have noticed above how societies stand in need of lead and guidance and how unions charged with the responsibility of supervising societies and maintaining them in an efficient condition themselves require guidance. In the very nature of his duties, it rests upon the auditor to come to the rescue of both these institutions. The auditor's duties—it will at once be seen—are so comprehensive

that if the auditor only discharges them in an adequate and efficient manner, and if (what is more important) communicates the results of the audit to the society and the union in a suitable form, all that will remain to do to pull up erring and backward societies to a state of perfection will be to correct mistakes, supply defects and omissions, take the necessary action on matters calling for action and in this manner restore the affairs of the society to a satisfactory footing. The question is to what extent the audit as now conducted and the manner of communication of the results of audit as now obtains comes up to the requirements. I am afraid that there is much to be desired in both these respects. If and when the audit is conducted as thoroughly and efficiently as it ought to be and if and when the results of the audit are communicated in a form which will readily enable societies and unions to take the necessary action, it may be said that a stage has been reached at which the necessary guidance to societies and unions will be actually forthcoming. Parenthetically, I may be permitted to observe that a form of review was introduced in the Chittoor district two years back for communicating the results of audit to societies and about the middle of this year suggestions were made for further improving the form of the review so that the review (as thus completed) might form a complete record of the results of audit presented in a form, which would enable societies and unions to take immediate action thereon, and also enable inspecting officers to see that the matters noticed in audit are being attended to—please vide paragraphs 5 to 9 of a printed note issued by me in April last *re:* certain matters connected with supervision and audit of Co-operative Societies. I would strongly advocate the introduction of a form of review of the kind described. The review to be all comprehensive, it is necessary that the audit should be adequate and efficient. The adequacy and efficiency of audit will naturally depend on the qualifications and capacity of the auditor. The inspectors employed on audit should possess the necessary qualification and capacity. From my personal knowledge of a number of inspectors I think I am not wrong in saying that a number of them stand in need of very much coaching. In the first place inspectors are not subjected to any examination which would eliminate the incompetent men. This renders it all the more necessary that the inspectors should have a thorough grounding.

8. Coming to the Financing Agency, *viz.*, the Co-operative Central Bank as has already been observed, vital responsibility attaches to it in that it has to see, with a view to maintain its own financial stability, that the societies financed by it are in a sound financial condition And this can only be done through adequate, efficient and effective audit.

9. In dealing with the auditing agency, I have referred to the Assistant Registrar as representing the head of that agency within each District. The activities of this officer, outside "Audit", extend to inspections or enquiries mentioned to Sections 35 and 36 of the Act which also devolve upon him. As observed by the Maclagan Committee, it is through audit alone that effective control can be exercised over the movement. And, apart from applications from creditors or others in that behalf, the results of the audit will lead to inspections

or enquiries of the kind mentioned in Sections 35 and 36 of the Act. It therefore becomes incumbent upon the Assistant Registrar, on the conclusion of the audit of societies in his charge, to find out in which societies there is need for him, of his own motion, to institute an enquiry into the constitution, working and financial condition. In view of this further resposibility devolving upon him, the Assistant Registrar should (in addition to issuing reviews of the working of individual societies in the manner suggested in para 7 *supra*) review the condition of societies in the district as a whole classifying them into two or more groups, such as (1) societies in which by reason of the shortcomings being neither serious nor numerous the necessary action can be taken by societies themselves, (2) societies which by reason of the nature of shortcomings would require the attention of the Union authorities and lastly (3) societies which by reason of their very unsatisfactory condition demand his personal attention, inclusive of societies calling for enquiries under Section 35 or 36 of the Act. In the absence of a review of this kind it will not be possible for those interested in the matter (especially the Central Bank) to have a clear idea of the condition of societies in the district as a whole, at the end of each year. Nor would it be possible without such a review to see how far the condition of societies improve in the course of the succeeding year. It is, if I may say so, the want of such a review and the absence of watch over the progress, that account for the continuous bad condition of societies and also for the bad condition of certain societies not being noticed until a very late date. This review should be embodied in the district administration report. Needless to add how very useful a review of this kind will be to the financing bank.

10. Finally, the Provincial Registrar, who is at the head of the movement in the province, and on whom devolves the responsibility for the proper conduct of business all round, may, I take the liberty of suggesting, issue reviews of the district administration reports for the information and guidance of the district officials, the societies, the unions, the district federation and the district central bank.

11. At present we hear so much said about consolidation of existing societies. But little is known as to what definite progress is made and what amount of work yet awaits to be got through. With reviews of individual societies, and the district review issued in the manner suggested above, we will know the condition of societies as existing at the end for every year; and by the time that the next annual reviews come to be issued, if not earlier, we will know what progress is made in the course of the year and where exactly we stand, what progress has been made and what yet awaits to be done.

12. The annual Presidency administration report gives information as to the amount spent on supervision carried on by unions, in other words, the amount expended on non-official supervision. Beyond this, however, we do not find information as to the degree of efficiency attained by unions in the work of supervision. It is necessary that we should have definite information as to what exactly unions are doing; what stage of efficiency they reach in very year; how many unions there are which are quite fit to discharge their responsibilities;

how many unions are still in the preliminary stage of learning their work; and how many unions are making satisfactory progress. Real progress in this direction will only be possible when to begin with every union is made to realise the extent of its full responsibility, although for the time being it may not be able to cope with it in entirety. Then, it should be made to think and decide for itself what it can do unaided by the Government Staff and in what directions it requires help from that staff. Except on application, and application of a definite character, the Assistant Registrar should not accord help. When once the Union understands what all it has to do, and when once it is made to think and decide for itself what for the time being it can do of itself and in what definite respects it requires the help of the Assistant Registrar, and when once again it is made to undersiand that such help as it needs will be given, but only on its application, it is only in these cirtumstances and under these conditions that one can say what exactly a union is doing and to what extent it is progressing towards undertaking its entire responsibility.

13. Towards attaining this end, I think it necessary that the District Officer, the Assistant Registrar, should cease undertaking Supervision unasked by unions. It is also necessary that unions should be trained to consider and decide questions of policy or procedure connected with supervision. In fact all matters relating to supervision should be left to be considered and decided by Unions. Individual unions may not be able to undertake this superior task. At present the Assistant Registrar may do these things but that will never train unions. "Unless therefore (to quote from para., 18, page 14 of my printed Note *re*: certain matters connected with supervision and audit of Co-operative Societies) these matters are considered by themselves, unions may not take to decisions arrived at by an extraneous agency as readily and willingly as if the decisions were their own. Contentious questions may and do arise and they can be suitably dealt with, not by individual unions, but by a body composed of their represetantives. Just as the District Bank undertakes the finance of societies in the district, the federation of unions must undertake the regulation of supervision work devolving on unions. In the absence of arrangements to this effect the work of regulation of supervision will continue in the hands of the official agency, the Assistant Registrar; and so long as this condition lasts, there will not be much prospect of the responsibility for supervision passing into unofficial hands." For these reasons, it is very necessary that in every district a federation of unions should at once be formed. To this suggestion the objection may be raised as has already been done, that time is not yet ripe for doing so. I do not agree in this view. Unless a move is made in this direction and the responsibility for supervision is thrown on unions and their federation, real progress will not begin. Just as I have said in the case of Unions that there will be a preliminary stage of learning work, so in the case of the district federation of unions also, a preliminary stage will be necessary. At no time can it be said that unions will become perfect, when a cut and dried federation of theirs may at once be launched. It is only by starting it and training it that the district federation can be made an accomplished fact.

14. According to my suggestions, therefore, if, as regards unions, no part of the supervision duties devolving upon them as undertaken by the government staff except on the application of the union concerned, and if again the Assistant Registrar leaves the questions relating to supervision to be considered and decided by the district federation, all that will be necessary to make the scheme a success will be, as regards unions, to depute an efficient inspector, preferably the chief inspectors, to attend the governing body meetings of unions and to help them in getting through their work on right lines. In the same way, as regards the district federation, the Assistant Registrar will have to undertake to attend its meeting and guide it. It may be that in some areas the unions and even the district federation may not require the help and guidance of the official staff. In those cases it remains for the Assistant Registrar in the case of unions and for the Provincial Registrar in the case of the district federation to see that things are left in the hands of the agencies concerned. Work on these lines should in my opinion be started as soon as possible and unless this is done, I do not think that we shall be enabled to know what definite progress we are making from time to time or forecast within what length of time the supervision will pass into non-official hands.

PRIMARY SOCIETIES.

Rao Sahib T. Srinivasa Rao (Chitoor)—I furnish the following views of mine on certain inquiries made in the questionaire circulated by the Provincial Co-operative Union.

Suggestions are asked for in the matter of organisation of credit Societies by the department and non-officials. By whomsoever Societies may be organised, whether by officials of the department or by non-officials, it is essential that the organiser understands the business well. It must be within the experience of co-operators, charged with the responsibility of supervision that the present moribund condition and bad condition of a number of Societies is due to hasty and faulty organisation. A few hours' visit to a village cannot, and certainly does not, enable the organiser to know fully about the conditions obtaining in the village, which favour or do not favour the establishment of a society. Two or three visits to the village and a stay of one or more days on each occasion will not be too much to enable the organiser to gather the necessary information. Hasty inquiry does not help: it does not elicit the required information. Reliable persons who could be trusted have to be found out and talked to in private. In gatherings assembled, true information often does not come out. Along with possessing a thorough and intelligent knowledge of the business and a disposition to conduct a patient and careful inquiry, the organiser should possess capacity to convince the ryots not only of the advantages resulting from the establishment of a society but of the responsibilities and obligations devolving on members by reason of membership in the society.

2. The present unsatisfactory condition of a large number of societies being in no small measure attributable to organisation of societies by persons not

possessing these qualifications, it is of considerable importance that organisation should not be allowed to be undertaken by persons, whether official or non-official, who are not quite fit for the purpose.

As things obtain at present, the responsibility for choice of persons, official or non-official, entrusted with organisation, rests with the Registrar and his assistants; for it is on them that the Co-operative Societies Act throws the responsibility for registration of Societies.

Though this is so, real and practical responsibility attaches itself, unconsciously though it be, to the local Central Bank which is expected to finance the society and the local Supervising Union which is expected to undertake supervision. It is the duty of the Assistant Registrar before registering a Society whether organised by one of his subordinates or by a non-official, to find out from the local supervising union whether it is prepared to affiliate the society (if and when registered). In the present development of unions, some of them may not be quite in a position to satisfy all the requirements expected of an organiser as regards the responsibilities involved in organising a society. However, by reason of local knowledge possessed by members of the union as to character and other requirements, they are often found to be in possession of information very material and relevant to the question of registration. And this should not be ignored. Again, it is for the local union to say whether it is or is not in a position to undertake the supervision of the society. If the local union does not consider the registration of the society desirable or for other reasons is not prepared to undertake supervision, the proposed society cannot be registered, unless the District Bank (on which in the circumstances will devolve the responsibility for supervision of the Society in question) is prepared to undertake supervision. And the District Bank does not possess facilities for doing so.

3. The questionaire enquires whether the Central Bank possesses materials wherewith to decide whether a Society may be registered or not. No doubt, beyond the information contained in the organisation report, the Central Bank is not likely, except in rare instances and for special reasons, to possess materials; but it ought certainly to be able on perusal of the organisation report to satisfy itself whether the society is likely to prove successful or otherwise. If the Central Bank thinks it necessary to have further information before it can give its consent to registration, it may call for the same. It will also satisfy itself whether the union, to which it is proposed to affiliate the Society, is competent to undertake supervision. In this matter, the way in which the union in question has been supervising the Societies already affiliated to it being known to the District Bank, the District Bank is in a position to form its judgment as to whether the proposed Society can well be supervised or not by the Union; and whether in consequence it (the Central Bank) will be prepared to finance the society or not.

4. The questionaire asks for suggestions as to any standard in the selection of organisers, with reference to their ability to write a satisfactory report, to test the suitability of the locality, and so on. As things obtain at present, very much,

if not practically everything, isleft in the hands of the Assistant Registrar. The fixing of a standard especially in the case of non-officials may not be easy or practicable. Even in the case of officials, I mean, the Inspectors who are deputed to organisation work, I doubt, whether any standard is insisted upon. However, when the authorities of the union and especially of the Central Bank begin to check organisation reports in the manner suggested, things will adjust themselves; for unsatisfactory reports will not be accepted and the organiser will in due course of time either come up to the required standard or give up his job.

5. Next, the questionaire asks for views on organization and starting reports as prepared at present. Over two years back, for the information and guidance of Inspectors and others employed on the business, I prepared two Circulars one on organisation, and another on starting of Societies on unlimited liability basis. These were printed and with the approval of the Registrar circulated to Assistant Registrars all over the presidency. The circulars set forth matters requiring attention and also the manner in which reports on the subject should be drawn up.

6. Coming to another point raised in the questionaire: If a society does not function for the whole village, I do not think we need look to any other reason than the indifference of the panchayat. Nor do I think that any special arrangements are called for if membership is to include all classes in the village.

7. A number of questions are put as regards short term loans and loans for redemption of mortgages. In dealing with these questions, it is necessary to remember that it will not be possible to achieve any improvement worth the name in the matter of finance of agriculturists under conditions now obtaining. A satisfactory solution of the questions raised will be possible, provided only the society is enabled to redeem members from outside indebtedness and at the same time help them with short term loans for crop and other recurring requirements. Some years previously when Central Banks were allowing ten or rather eleven years for discharge of loans, primary societies were in a position to allow the same period for discharge of loans taken for redemption of land mortgages. The grant of loans to members proceeded then on the assumption that, with some credit of the borrower reserved for short term loan requirements, his surplus annual income did not fall short of one-tenth or one-eleventh of his mortgage indebtedness. I say so because the issue of a co-operative loan implies that the society lending and the member borrowing undertake, the one to recover and the other to repay within the stipulated time. And this will not be possible except on the assumption mentioned. However, by reason of the simple accident of the ten year term allowed by Central Banks being reduced to a shorter period of seven years and less, societies have virtually assumed that the mortgage indebtedness of members could be discharged in the shorter period: in other words, the borrower's capacity to repay is taken to have increased from one-tenth or one-eleventh to one-seventh and more. And for this, there is hardly any warrant. Thus the assumption on which grant of loans proceeds, fails, and it is no wonder we find interminable overdues. A debtor when pressed by creditors is not over-scrupulous

in agreeing to any terms. The members undertake to abide by terms, which from the very start they feel they cannot keep. And the panchayats sympathising with them, connive at the thing. If any satisfactory achievement in this direction is really to be obtained, it can only be possible in the following conditions. The entire indebtedness of the member should be ascertained. A margin of the member's credit should be reserved to enable him to raise short term loans for crop and other recurring needs. This done, the remainder of his credit should be carefully assessed. With the surplus annual income which the member is thus found to possess, it should be found out how long he would require to discharge a loan required for redemption of land mortgage. In the case of most members, the annual surplus income available for this purpose will be so small that they will require a much longer term than the present seven years or the former ten years to discharge his mortgage debt. Unless these arrangements are possible and members can be allowed a longer time to repay, I do not think there is much use in our attempting to improve the present state of things.

Very often, it is said that, whether the society helps or does not help a member to redeem his mortgage or to discharge his other prior debt, the member should welcome the accommodation of short term loans wherewith he can benefit himself by avoiding the Sowcar in connection with the money required for cultivation and other urgent domestic recurring needs. In actual practice, during my long experience, I have found that ryots who are pressed with existing debt often find themselves unable to use the short term loans for the purpose for which they take it, for the simple reason that they cannot resist the pressure of the Sowcar, and not knowing what to do, use the short term loan, to pay off the debt due to the Sowcar. The result is that he is not benefited in the matter of his cultivation. Nor does he find himself relieved of the existing debt, the short term loan obtained from the society not going all the way to discharge the whole of the existing debt. Unable in this manner to regulate his affairs the member becomes unpunctual and resigns himself to his fate.

THE RATE OF INTEREST CHARGEABLE TO MEMBERS OF PRIMARY SOCIETIES.

Rao Sahib T. Srinivasa Rao (Chittoor):—The question of reduction of the rate of interest at persent charged to members of primary societies from $10\frac{15}{16}$ per cent has been engaging the attention of co-operators for nearly a year past. It came up for consideration before a conference of the representatives of Central Banks convened by the Registrar towards the end of December last year. That body could not arrive at an unanimous decision, their opinion being divided as to whether the rate should be reduced to the old rate of $9\frac{3}{8}$ per cent or whether for the present a reduction to 10 per cent was sufficient. The same subject came before the last Provincial Co-operative Conference which however was of opinion that primary societies should lend to members at a rate not exceeding $9\frac{3}{8}$ per cent.

2. I am afraid that all matters relevant to the question were not given due consideration by the Provincial Conference in arriving at its opinion. Nor does it appear that the Conference of Central Banks gave a proper lead to the Provincial Conference by discussing the subject in all aspects.

3. The one argument advanced by advocates of reduction to $9\frac{3}{8}$ is that the Provincial Bank (the Madras Central Urban Bank) and the District Central Banks having reduced or being prepared to reduce their rates of interest by the extent to which they were raised about two years back ($\frac{1}{2}$ or $\frac{3}{4}$ per cent), primary Societies should likewise go back to their former rate of ineerest, viz., $9\frac{3}{8}$. Various reasons actuated the enhancement of the rate from 9—6—0 to 10—15—0. for otherwise, the rate would not have been raised by more than the extent by which the rate of interest payable by Central Banks was raised. It may be that various considerations in question were not expressed in writing or publicly. As one in office at the time, as one responsible for persuading societies to adopt 10—15—0 per cent rate, I can with authority speak that it was felt at the time that the margin between the borrowing and lending rates in rural societies was hardly sufficient to meet the necessary charges.

4. Proceeding now to examine the question in detail. Let us enquire into what the necessary charges are, which should be met out of the difference between the borrowing and lending rates. These are—

(i) Expenses of Management ;
(ii) Contribution to Reserve Fund ;
(iii) Payment of dividend on paid up Share—Capital ; and
(iv) If deemed desirable, contribution to Common Good Fund.

It will at once be conceded by persons who feel the responsibility for proper management of any business concern that the management can by no means be considered sound or satisfactory unless its profits are adequate to meet the necessary charges. By the term 'necessary. I mean such charges as cannot possibly be avoided either as being indispensable in the nature of things or as being obligatory under legal provisions. Due expenses of management are indispensable in the nature of things. Payment of dividend on paid-up Share capital is a thing, which, though not obligatory under law, will be considered a business concern as satisfactory, if it cannot pay dividend on paid up share-capital. This observation applies even to a rural co-operative society ; and I would add it applies to it even with greater force, for in a society on unlimited liability basis the dividend is by law fixed at so low a figure as $6\frac{1}{4}$ per cent, which rate is comparatively much lower than the rate of interest charged to members at the old or the present rate ($9\frac{3}{8}$ or 10—15—0).—Then, there is the contribution to Reserve Fund which is obligatory under a rule under the Act, which has the same force as a provision in the Act itself. Lastly, there is the contribution to Common Good Fund and this however is optional. Assuming therefore, that it will be conceded that the three first mentioned items of charges should be duly provided for from the difference between the borrowing and lending rates, let us see how matters stand at present. Though I am unable to quote figures which by the way are not available from the published annual administration reports of the movement, those connected with the movement will bear testimony to the fact that year after year there are a number of societies which do not contribute anything to Reserve Fund and which do not also pay any dividend to its members on their paid-up share capital. Again, there are a number of societies in which the office-bearers are expected to do their business gratuitously. Nobody would deny that co-operators should as far as possible be prepared to render gratuitous service; but I suppose there is a limit to an expectation of this kind even from co-operators. Beyond a certain limit no co-operator would be prepared, or I may say from personal knowledge is prepared, to work gratuitously for any length of time. He may do so for a year or two but to expect him to continue to do the work for all time without any remuneration is simply thinking of the impossible. The fact that the office-bearer doing the actual work of a society by maintaining accounts and doing the collection and other work is not in a majority of cases remunerated, accounts in a measure, and I would add in a large measure, to the present unsatisfactory state of collections in a large number of societies. The work of collection especially is not a pleasant one and one does not wish to incur unpopularity, and that for nothing, by enforcing payments by resort to coercive processes or otherwise. Even co-operators are not entitled to expect gratuitous work beyond a certain limit; and I think it is high time that co-operators connected with rural societies at once realise that the present unsatisfactory state of collections is a very sad commentary on their management and that they should remove the blot by removing one of the obstacles in the way of prompt and regular collection Then let me enumerate the charges, some of which did not exist when the rate of interest chargeable to members was originally fixed at 9⅜ per cent but which have come into vogue in due course of time along with the development of the co-operative machinery. As soon as a society is registered, it is affiliated to the local supervising union. The society representative has to attend the general meeting of the Union. He has to attend the general meeting of the District Bank. He also attends the District Co-operative Conference and also the Provincial Co-operative Conference. The society has also to contribute towards the cost of Supervision. These expenses are of later origin. Further, an office-bearer has to accompany illiterate members proceeding to the Sub-Registrar's Office to get their bonds registered. An office-bearer has to go to the Sub-Treasury or the District Bank or the Post Office to receive payment of loan. He has to do the same thing in order to remit the society's dues to the District Bank. These charges vary in amount with reference to the distance at which the society is situated from the District Bank, the Sub-Treasury or the Post Office.

The volume of these expenses stands at a certain irreducible minimum, irrespective of the volume of business conducted by the society. Time there was, when these expenses or some of them were not debited to the society, the panchayatdars so arranging their business that they attended to it when going to the place of business on their private account. Times have changed and now the office-bearers have in most instances ceased to do so. On the other hand, they debit all these expenses to the society. And these expenses cannot be objected to as unreasonable. It should therefore be realised that the society, as a business concern, should not grudge to bear all reasonable charges (including remuneration to the office-bearer doing the business), which are incidental to the conduct of business.

These charges will consume a certain proportion of the gross profit of the society represented by the difference between the lending and the borrowing rate, and this proportion in the case of a co-operative society needs to be limited to a certain specified proportion. For, under the law, a certain defined proportion of the profits has to be carried to the Reserve Fund. Rule IX of the rules under the Co-operative Societies, Act lays down that in societies with shares and unlimited liability less than one-half of the net profits shall be set apart as a Reserve Fund until that fund is equal to one-half of the total liabilities of the society other than Reserve and Share Capital. The framers of the rule certainly contemplate that the Reserve Fund will reach this proportion to the total liabilities (other than reserve and share capital) within a measurable length of time. As to what this length of time may be taken to be, opinions may differ. I do not suppose that a generation will be considered as too short. Assuming that the Reserve Fund should be built up so as to reach the proportion specified, within thirty years, the society will have to contribute to Reserve Fund every year an amount calculated at 1/30th of the figure which should be reached at the end of the generation. The rate of contribution being fixed with reference to net profits and net profits being a varying figure, varying with reference to the expenses of management, I think that a rule of practice should be observed fixing with reference to gross profits a maximum proportion beyond which the expenses of management should not be allowed to go and a minimum proportion below which the contribution to Reserve Fund should not fall. Without some such guiding factors, the object underlying Rule IX cannot in my humble opinion be achieved. Worked in conformity with restrictions of the kind proposed, the society will not automatically be enabled to provide out of its net profits the necessary money required for payment of dividend on the members' paid up share capital.

To summarise :—Steps should be taken to see that a society does not spend on management more than a certain defined proportion of its gross-profits; that it does not fail to contribute to Reserve Fund at least a minimum proportion of the gross profits; and that it pays dividend on the paid up share-capital of its members. Unless these things are done, I do not think that the management of any society can at all be deemed to be satisfactory.

5. This position conceded, it follows that the margin between the lending and borrowing rates, should be sufficiently wide to cover the requirements. As has been mentioned above, while on the one hand the expenses of management of a society will stand at an irreducible minimum, the profits however would vary with reference to the magnitude of business. This circumstance furnishes ground for negativing the idea generally prevalent that one uniform rate of interest

chargeable to members is applicable to all societies. There is another circumstance which negatives this idea. Take the case of two societies with more or less the same amount of working capital, which have been working for more or less the same length of time. In one society the management might have been prudent and careful, with the result that the society is now found to have built up a reasonable amount of Reserve Fund and also to have collected share-capital to the full extent, or almost the full extent, to which it is due from members under its byelaws. In the other society the management might have been far from prudent and even reckless. There, no Reserve Fund might have been accumulated or what is accumulated might be found to be a very small figure. Again, there, the share-capital collected might be less, far less, than the amount due from members under the bye-laws. In the first mentioned society the accumulated Reserve Fund and the paid up share-capital to its maximum extent are two distinct sources of additional income to the society, additional to the profits derived from the loans issued out of borrowed capital. These sources of additional income would be less, considerably less, in the other society. The first mentioned society has, by reason of these additional sources of income, placed itself in a position in which it could reduce its profits from loans issued out of borrowed capital, to the extent of such additional income or a certain proportion thereof. Such self-acquired capacity will not be found to exist in the other society. This is a very strong circumstance against a uniform treatment of societies of all kinds, as regards the rate of interest chargeable to their members.

6. A consideration of the various matters set forth above will, I suppose, be sufficient to convince co-operators.

(1) that a uniform rate will not do in the case of all societies; and

(2) that a rate suitable to each society should be determined on a careful investigation of the affairs thereof.

I am afraid that unless the rate of interest chargeable to members of unlimited societies is regulated in this business-like manner, societies will continue to work as at present (and even in a worse degree), contributing nothing year after year to reserve fund, paying no dividend to its members, and remain without removing a chief obstacle in the matter of improving collections.

7. It might be said that the present position of a number of societies going on without contributing anything to Reserve Fund and without paying any dividend on paid-up share capital is due not to the fact that the margin between the borrowing and the lending rate of interest is not sufficiently wide but to the fact that societies do not collect the entire interest due from members, and are therefore treated as working with minus profits, in consequence of which they cannot contribute to Reserve Fund or pay dividend. An argument of this kind is hardly tenable; for, it would question the appropriateness of the orders under which the net profits are determinded, which direct the exclusion of uncollected interest. It will be long before rural societies improve their methods of business and until then one ought to be prepared, I suppose, for a certain proportion of the interest due remaining uncollected. It may be that the margin, even should the interest be reduced to 9⅜ per cent, will be sufficient in the case of some societies, provided the full demand is collected. How far the present state of societies working at loss is due to failure to collect interest within the year and how far it is due to the inadequacy of the margin between the lending and borrowing rates are circumstances which will vary from society to society and this is a further argument against imposition of a uniform rate of interest chargeable to members in all societies without subjecting the affairs of the individual societies to proper investigation.

8. This subject is far too important and far too complex for a large body like the Provincial Co-operative Conference to consider and decide. The proper management of societies being in the first instance the concern of each primary society, and in the next place the same being the concern of the local supervising union which is responsible for the proper administration of affiliated societies, and in the last place the same thing being the concern (not merely moral or sentimental but financial) of the Central Bank, I trust that every rural society will consider the question in all aspects and then come to a decision; that every union will give a proper guidance to rural societies in order that it might see that the societies are properly administered; that every central bank concerns itself with a due consideration of this question, and brings its pressure to bear upon the rural society as well as the union towards the attainment of a proper solution. Otherwise the Central Bank will be failing in its important duty of securing the stability of the societies financed by it; for no society can be said to be working on sound lines unless it complies with the several conditions mentioned in this note.

CENTRAL BANKS.

Rao Sahib T. Srinivasa Rao (Chittoor).—I propose in this note to deal with some of the questions raised in section II of the questionaire issued by the Provincial Co-operative Union concerning Central Banks viz.,

1. Is the attempt of departmental officers to reduce the shares of individuals in Central Banks and to have purely society shareholders therein a desirable step in the direction of the development of deposit banking?

2. Is the present system of audit in Central Banks satisfactory?

I shall deal with another question also in this note which in the questionaire is put under the head of local unions, viz.,

3. Whethar the departmental control for loan recommendations may not be dispensed with.

2. Question I. My personal knowledge and experience is confined to the Ceded Districts and Chittoor. Whatever I state may therefore as regards this

question be taken to apply to these districts, though I suppose that my observations may be applicable to some other districts as well. Management of Central Banks is not a simple business. It is a responsible and onerous one. Its success and well-being depends upon the business capacity of the directors and the confidence they command from the public from whom deposits are expected, and from the Provincial Co-operative Apex Bank and the Imperial Bank from which it expects loans and overdraft accommodation. The answer to the question raised depends upon how far the society representatives, unaided by individual representatives, will be able to command the necessary confidence. For evidence of their business capacity, one has only to look to the way in which unions, which are composed solely of society representatives, are managed at present. The unsatisfactory character of the management of unions does not attract very much attention of the public, for no financial responsibility attaches to them. The matter, however, will be quite different in the case of Central Banks which mean financial responsibility. There is a move in certain districts to throw off individual members from Central Banks and in the spread and encouragement of this move it is represented to societies that individual shareholders are a stumbling block in the advancement of the interests of societies. An allegation of this kind is far from true and without any justification. Interests of individual shareholders, putting them at their worst, cannot take them beyond seeking a dividend at the maximum rate prescribed by rule under the Act, viz., 9 per cent. There can possibly be no objection to this, for this rate is by no means extravagant compared with the dividend obtained in other business concerns. Co-operators are aware that in the service of Central Banks individual shareholders have offered their very best. From my personal knowledge and experience I make bold to say without fear of contradiction that without such service from individual shareholders, Central Banks in districts with which I am acquainted will not have been at all possible. I may even state that the Central Banks in these districts cannot for a good length of time to come be run without their help. It may be that an ideal Co-operative Central Bank should be one composed solely of society representatives.. But there is no good of thinking of attaining this ideal for a good length of time. Business capacity and habits are not acquired except by a long course of training and in this the society representatives are sadly wanting. It will be too soon to think of an attempt of the kind under consideration. I think it should be deferred until more favourable times arrive.

I am afraid whether, in suggesting this move to representatives of societies, appeals are not made to their sentiment that, left to themselves, they could regulate the rates of interest and other terms of loans more favourably to societies. If this is so I think the move proceeds on untenable ground. Even at this late date notions are entertained by persons who ought to know better that Co-operative institutions are not purely business concerns but that they are philanthropic or charitable institutions in which sentiment may be allowed to supersede business,. Any Co-operative society, and the more so a Central Bank, cannot be too strict in the observance of rules of business. Its co-operative character, instead of being, as supposed by some people, a ground for relaxation of business conditions, ought, on the other hand, to demand stricter business by enforcement of co-operative principles in addition to ordinary business conditions. I think the idea of dispensing with individual shareholders from Central Banks should not be encouraged. On the other hand it should be given up for the time being.

3. Question II.—Is the present system of audit of Central Banks satisfactory.

Under the present system the mechanical audit of Central Banks is conducted by the Chief Inspector who generally happens to be an Inspector of some experience. The existing departmental orders require that the closing of accounts in Central Banks should be attended to by the Assistant Registrar. If this is done and if, as he ought to, the Assistant Registrar satisfies himself by a percentage test that the mechanical check has been properly made by the Chief Inspector, I should be quite satisfied with the present system. The audit should certainly not be left in the sole hands of the Chief Inspector.

4. Question III.—Whether the departmental control over loan recommendations may not be dispensed with. This question was raised towards the end of the last year by the Registrar who placed it before a conference of the representatives of Central Banks. There was a good amount of discussion in the course of which the Central Bank representatives gave vent to an expression of their disinclination to sanction loans on the mere recommendation of Unions. I was present during the discussion and was not able to make out what exactly their apprehensions were due to. In effect their opinions amounted to this much. The unions do not revise the property statements of members annually or with sufficient care. The union Governing Body members in their desire to help each other overlook each other's shortcomings and recommend loans. The Governing Body members do not feel the responsibility in this respect in an adequate manner. The Central Bank Directors should feel that the money invested is safe not only in their opinion but also in the opinion of the creditors of the Bank. Having expressed their apprehensions in these and similar terms, a majority of the Central Bank representatives stated that they felt themselves secure when they granted loans when the Union recommendations had the support of the Assistant Registrar.

As the Registrar put it, the question is whether in view of the rapid development of the movement, Central Banks should not hereafter rely more on local unions and on themselves than on Assistant Registrars. For a proper decision of this question one has to see what all the conditions are under which the grant of loans by Central Banks can be deemed proper and secure. Let us first proceed to consider what it is that the Assistant Registrar does, on the strength of which Central Banks find relief. The Assistant Registrar scrutinizes the loan applications and the union's recommendation and then proceeds to decide whether he should recommend the loan or not. In arriving at his decision, the Assistant Registrar is guided by

i. the information available in the society's application and the union's recommendation :

ii. in the last audit report of the society and any subsequent report of nspection that may be available:

iii his personal knowledge of the affairs of the society and of the business habits and character of the Panchayatdars of the society.

Beyond this, he does not do anything; nor is it possible for him to do anything. So far as item i above is concerned, the Central Bank authorities possess the same facilities as the Assistant Registrar does. As regards item ii, the Central Bank ought to possess the same facilities also. I say 'ought to possess' because Central Banks are entitled to be furnished with copies of the audit reports of societies. And if they provide themselves with copies of these reports, they can refer to them and have equal facilities with the Assistant Registrar. In another note of mine, in which I have dealt with the present outlook of the Co-operative movement, I have enumerated what all matters the auditor should attend to during his audit. If, as it ought to, the audit report satisfies the requirments of audit, even the most scrupulous and the most voracious of Central Banks would not desire more information to enable it to deal with loan applications. Coming to point iii mentioned above, Assistant Registrars have or should have instructions to furnish Central Banks in due course of business with anything specially coming to the personal knowledge of themselves or their Inspectors regarding the work of the society since the last audit and regarding the business capacity and integrity of Panchayatdars. Under these conditions Central Banks will find themselves in a position to dispense with the Assistant Registrar's recommendation.

5. Under Central Banks another question is raised as to what arrangements should be made for the training of managers of Central Banks. I have answered this question in my note on Urban Banks. What I have said there applies as regards managers or paid secretaries of Central Banks also. It is very necessary that the Manager or the paid Secretary of a Central Bank ought to be competent for the work. To secure this, as I have suggested in my note on URBAN BANKS, it is necessary that the Registrar should be enabled to lay down qualifications for the holders of the post of manager or paid secretary.

URBAN BANKS.

Rao Sahib Mr. T. Srinivasa Rao—Towards the end of last year the Registrar placed before a Conference of the representatives of Central Banks convened by him the question as to the conditions on which urban banks should be given cash credits by Central Banks for purposes of fiuid resource. Without proceeding to consider this question, the conference after some discussion considered that the conditions of the growth and development of urban Banks should be examined with a view to determine the general principles on which such societies shonld be conducted and the conditions of giving them cash credit.

The Provincial Co-operative Union has also raised a number of questions in connection with the working of urban Bahks.

2. *Growth and development.* As was graphically described by the representative of one of the Central Banks in the East Coast (Dr. Pattabhi Sitaramayya), certain Town Banks have grown far toc unwieldy. Both by reason of largeness of strength and largeness of the number of loans, the affairs of such banks become unwieldy of efficient management. The byelaws happen to be departed from. Unsound methods of raising finance are resorted to. Loans remain uncollected for long periods, for which there can hardly be any excuse, the members generally being in receipt of monthly income. Members hardly take any interst in the well-being of the bank, their interest practically ending when after joining the society they have drawn the required loan.

The Provincial Co-operative Union enquires whether measures cannot be devised for connecting the large membership with the directorate. Perhaps, it may be possible to do this, by increasing the number of directors and appointing one or two to be in special charge of a particular ward or wards or streets of the locality. The Provincial Co-operative Union also suggests whether a council of supervision may not be established to control the directorate. It is also suggested whether a big Urban Bank may not be split into a number of small societies, all of them being affiliated to it and each of them being placed in charge of a Sub-Committee, which will have authority to sanction, and recover loans. I am doubtful of the practical utility of these proposals.

3. I think the best way of dealing with big Urban Banks is by starting a number of independent societies for different classes of persons. An urban bank at the district headquarters includes among its members public servants, other persons in receipt of monthly income, traders, and residents of other descriptions. Taking Public Servants at the district head-quarters, by themselves, they would require a number of societies. For instance, all the Revenue Offices, such as the Collector's Office, the Revenue Divisional Office, the Taluk Office, these may form one society or even more for the members of the establishments. The several Judicial Offices, such as the District Court, the Sub-Judge's Court, the District Munsiff's Court, these may form one or more societies. Then, again, the Police Department with its *esprit de corps* offers a splendid clientele for a society. The Post Office can either have an independent society or may tackle itself to any of the other previously mentioned societies which may happen to be located nearest to it. Then, there are the Local Fund Offices, and the Municipal Council. The members of these establishments may have one or more separate societies for their benefit. If in the present urban banks of unwieldy size, future admission to public servants and future grant of loans to them be stopped, they will be gradually eliminated and will be obliged to form separate societies for themselves. The elimination is likely to reduce the size to manageable proportions and further decentralisation may cease. Or, more societies still may be organised, one for Traders, another for other persons

on receipt of monthly income, and so on. I think this is the best way of reducing the size of very big urban banks to manageable limits.

4. By reason of unmanageable character, punctuality is rarely inisted upon in payment of instalments of share capital or instalments of loans. My experience is that in banks in which punctuality is insisted from the very beginning members are more or less regular. When, however, this insistence is not made in the early career of the bank and members get accustomed to repay as they please, lethargy, and un-business like habits overtake the members and the directors find their task an up-hill one. The splitting of big urban banks in the manner suggested above, would conduce to generate a feeling of co-operation among members, which is prominently absent in a very big society. Societies of the proposed kind for several classes have greater chances of successful management.

5. The Provincial Co-operative Union quotes the opinion of the Bombay Registrar to the effect that the turnover in some Urban Banks is not sufficiently rapid. In the case of some banks the turn-over may appear on paper to be rapid enough; but the real turnover may not correspond to what it looks to be on paper. This will be found to be due to book adjustments of overdue loans. In special cases and for special reasons the renewal of a loan by book adjustment may not be opento objection, but to carry on book adjustment in a large number of cases indiscriminately and without proper reasons is bad. Such a procedure is objectionable in more ways than one. In the first place, the co-operative character of the loan disappears. A borrowing member is not made to realise that in repayment of a loan the terms agreed upon at the time of borrowing should be acted up to. Improvidence and unpunctuality are practically encouraged. Injudicious loans come to be granted. A renewed loan presents the appearance of a fresh loan and wards off coercive processes for recovery, which certainly would be taken but for the fact of book adjustment, the loan being really older and overdue for a longer period than it purports to be on its face. Naturally when with its very considerable membership and very considerable number of loans the management gets unwieldy, renewal bv book adjustment offers itself as an easy solution. Such adjustments also lead to another evil, viz., the inflation of the profits. Interest not really earned is treated as collected and earned, and appropriated for payment of dividend and honoraria, a course of action which nullifies the existing orders of Government, as regards the calculation of net-profits. Further, the annual examination of overdue debts and verification of assets become very difficult, if not impossible.

6. I quite endorse the Bombay Registrar's opinion quoted by the Provincial Co-operative Union that it seems difficult for Indian gentlemen in up-country districts to grasp that big business must imply an efficient, honest, and contented office establishment. In the case of a big urban bank with a considerable amount of working capital, for years together, while I held the office of Assistant Registrar, I did my very best to persuade the directors to employ a competent Manager but without success. As to suggestions called for in the matter of

effecting improvements in this direction, I can only say that in the case of urban banks which carry on transactions beyond a specified limit, as well as in the case of Central Banks, the qualifications for the post of Manager or paid Secretary, should, under the authority of a rule issued under the Act, be prescribed by the Registrar and no one not possessing the prescribed qualifications should be appointed.

7. Coming now, to the finance of urban banks, I do not know, whether any uniform procedure is observed in several parts of the presidency. Instances are not wanting in which applications for loan, long term as well as short term, are made by urban banks to the District Central Bank, in the same way as societies on unlimited liability basis do. And such applications are complied with. I do not know how far this is right. I have come to think that as regards issue of loans to their members urban banks should be expected to get on with funds raised by themselves in the shape of deposits. This would amount to saying that the extent of their transactions should correspond to the extent to which they could raise money either in the shape of share capital from members or deposits from members and non-members. If this principle is right and accepted, it would have a very wholesome effect on the working of urban banks in that expansion of their business will not be rendered automatic, as it would be if the District Central Bank granted loans as in the case of rural societies. An exception may perhaps have to be made in the case of Public Servants' Societies, provided members thereof authorise their paymaster to recover their instalments from their salary and the paymaster agrees to recover and remit the same to the society. Subject to this kind of exception in the case of societies composed of salary-earning Public Servants, I should think that urban banks should be left to raise funds required for financing their members in the shape of share capital and deposits.

The system, wherever it obtains, of superseding deposits bearing rates of interest fixed in the byelaws by a system of contracting borrowings on terms fixed from time to time, the terms implying a certain amount of indefiniteness as regards the time when the bank will have to repay, should be stopped. For, under this system the bank happens to repose in a false sense of security. Large amounts become liable to recall at short notice, which the bank may not be able to meet.

8. Even if the grant of loans from the District Central Bank for the purpose of the Urban Bank advancing loans to its members be deemed unobjectionable in principle, the capacity of the District Central Bank to do so will be restricted, when its working capital is composed mainly or largely of money borrowed from the Provincial Bank. All money borrowed from the Provincial Bank, to the actual extent of the borrowings, and the overdraft accommodation granted by the Imperial Bank, to the extent of $1\frac{1}{3}$ times of the amount accommodated, have to be secured with collateral security in the shape of bonds of unlimited liability societies. It follows therefore that an aggregate amount equivalent to the amount borrowed from the Provincial Bank and $1\frac{1}{3}$ times

the amount of the overdraft accommodation should be sunk in loans to unlimited societies. The money required for the latter purpose should come out of the share capital and deposits. To what is then left out of these two items, with a further margin set apart therefrom for grant of loans to depositors on the security of their deposits will be limited, the capacity of the District Central Bank in the matter of sparing funds for advance to Urban Banks. Such limit happens to be very limited in Central Banks in which deposits are very limited. And from within such limits, should come all money required for the use of urban banks whether for issue of loans to members or as cash credit.

9. Coming to cash credit: Urban banks of a certain magnitude of business are required by a rule under the Act recently issued to maintain fluid resource to a prescribed extent. To enable them to comply with this rule, Urban banks would naturally look to the District Bank for accommodation. The question is, what is the limit to which accommodation may be given by the District Bank. I think the District Bank may grant cash credit to Urban banks to the extent of the share capital and Reserve Fund actually invested in the District Bank or to the extent of $1\frac{1}{2}$ times or twice the said amounts.

The grant of such accommodation will have to be dependent on certain specified conditions as to (1) proper management of the Bank; (2) prompt realisation of overdues; (3) strict compliance with byelaws and (4) prohibition of book adjustments except in special cases and for special reasons; (5) use of the cash credit only for the purpose of repayment of deposits. In order to enable the Central Bank to see that the urban bank complies with these conditions, the urban bank should furnish the Central Bank with periodical reports giving information, more or less on the lines on which the District Central Bank furnishes monthly reports to the Provincial Bank.

10. Detailed terms as to the rate of interest chargeable on cash credit, the minimum proportion which will have to bear interest, whether drawn or undrawn, *etc., etc.,* will have to be fixed after careful consideration.

11. The Provincial Co-operative Union enquires whether there is any conflict of interest between urban banks and the District Bank, on account of competition for deposits. Competition does exist in places where the Urban Bank at the district headquarters allows higher rates of interest on borrowings than those allowed by the District Bank. I do not see how such competition can be avoided. Either the Urban Bank should be allowed to offer its own rates or be granted loans by the District Bank for advance of loans to its members. The former course seems preferable. It will be interesting to know how matters fare in other parts of the Presidency.

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2. LOCAL UNIONS, DISTRICT COUNCILS AND PROVINCIAL UNION.

LOCAL SUPERVISING UNIONS AND DISTRICT COUNCILS.

Mr. T. Srinivasa Rao (Chittoor).—The accounts and affairs of every society for the preceding year undergoes thorough overhauling during the audit, the results of which are communicated to the society by the Assistant Registrar in the shape of two documents, namely (1) "the audit order" and (2) the "review". Generally there would not be much to do with "audit order" beyond seeing that it is considered by the general body of the society and that the panchayat takes the necessary action in regard to the remittance of reserve fund, supervision fund, etc. As to the "review" however the matter is different. If, as it ought to do, the "Review" embodies *all* matters concerning the administration of the society in respect to which action remains to be taken as the result of the audit, in order that the affairs of the society might be brought to a state of perfection, that document would at once be an excellent guide in the hands of every one who has anything to do with the society, to proceed with his business. The review will of course be addressed to the society and it is the society that has to take the necessary action. Concerned as we now are with supervision, it will be found to be an extremely useful guide in the hands of the union and its supervisor, in that it will enable them to readily know what matters there are which await attention. Further, issued as it is by one who is not directly responsible for supervision and based as it is on the result of a thorough overhauling of the society's affairs there is a fair amount of guarantee that it contains a complete list of matters outstanding or demanding attention. With a review of this kind drawn up and placed in its hands by the Assistant Registrar, the union has a splendid opportunity of correcting mistakes, supplying defects and omissions, taking the necessary action on matters calling for action, and thereby placing the affairs of the society on a satisfactory footing.

As all co-operative officials and supervising unions and the District Bank of this district are aware, a review of this kind was introduced in this district two years back. It was issued for the first time in respect of the year 1920—21; it was also issued in the succeeding year 1921—22. The form of the review underwent improvement during 1921—22 and it has since been further improved, which improvement would be introduced in the review to issue in respect of the current co-operative year.

The review is issued in a printed form. Each one of several matters which are common to most societies is reduced to a single particular form (or where necessary to two or more alternative forms). This way a number of important matters relating to each society is brought under a detailed review and the issue of the review is rendered possible in respect of all societies in a short time after the close of the year.

The "review", it will be noticed, deals with several important matters mentioned below and gives instructions as to the action to be taken in respect of *each* of them.

(1) Contribution of share capital to the District Bank A.

(2) Collection of overdue instalments of share capital in the society (B).

(3) Overdue instalments of principal and interest due to the District Bank on the 30th June (C),

(4) Members' overdues to the society under principal and interest at the end of the year (E).

(5) Position of pending suits and decrees awaiting execution (H).

(6) Economy or extravagance in the matter of expenses of management (I)

(7) Net profit or loss, reserve fund and dividend for the year (J).

(8) Dividend outstanding disbursement (K).

(9) Miscellaneous remittances due to the District Bank (L).

(10) Election of delegate to the union (M).

(11) Election of delegate to the District Bank (N).

(12) Election of the panchayat of the society (O).

(13) Adoption of latest model by-laws (P).

(14) Revision of property statement (Q).

(15) Amounts held under objection for want of explanation (R).

(16) Variations between the society's accounts and the financing bank's accounts (S).

The Review also further sets forth in one view:—

(17) The society's working for a series of years (A1),

(18) The net profit or loss, reserve fund and dividend for a series of years (J).

These particulars will at once give an idea as how the society has been getting on for a number of years past and will considerably facilitate future action.

Further the review sets forth:—

(19) The instalments of principal and interest falling due to the District Bank in the coming year together with the dates on which they are payable (D),

(20) The members' dues in the coming year (F and G).

In *all* these matters the review gives instructions as to what exactly should be done.

9. A review in the above form cannot however be said to be completed. To that will have to be added an appendix, prepared in manuscript, setting forth all matters of defects, errors, omissions, infringements, etc., peculiar to each society—in fact all matters disclosed in the audit in respect of which action of some kind or another has to be taken, besides those appearing in the printed portion of the review.

When these numerous matters dealt with in the printed review form and the manuscript annexure thereto have been attended to, it may at once be said

that the affairs of the society have well nigh been placed on a satisfactory footing. It may, however, be asked what a union has to do with a review dealing with the multifarious matters described above. The review in question is no doubt addressed to each society, which it is that has to take action in respect of the matters mentioned therein. As, however, pointed out to them at the time, unions are aware that there are a good number of societies in which the panchayatdars will hardly move of their own accord and do the needful; and that in actual practice it becomes necessary to bring external pressure to bear upon the panchayat and that such pressure has necessarily to be supplied by unions which are charged with the duty of supervision.

It will thus be seen that the review in the form in which it is at present issued together with the proposed addition will give unions and supervisors a very good idea of the work awaiting to be done in each society as the result of the previous year's audit. And it is the duty of unions to see that these matters are attended to by societies as promptly and as well as possible.

10. These duties, however, appertain to the corrections of mistakes, supply of omissions, the doing of things left undone and so on, with reference to the previous year's working. Then there are matters appertaining to the working of the society during the current year. And these may be enumerated as including among others the following:—

(1) Whether all sums received have been brought into accounts and receipts given therefor:

(2) Whether all payments have been properly vouched for:

(3) Whether all loans issued subsequent to the commencement of the year have been properly secured:

(4) Whether the society maintains a diary of instalments of principal and interest payable by members in the current year:

(5) Whether these instalments are being collected as they fall due:

(6) Whether in respect of the instalments which have become overdue any action has been taken towards recovery.

(7) Whether the District Bank's dues have been paid in proper time: if not, what is the explanation of the panchayat for the failure:

(8) Whether the property statement has been revised for the current year.

(9) Whether the loan, if any, received during the current year from the District Bank has been disbursed to members without delay.

(10) Whether each loan disbursed by the society is covered by proper sanction:

(11) Whether each sanction is in proper form and order:

(12) Whether the by-laws have been duly observed:

(13) Whether documents appertaining to all outstanding loans are forthcoming: (If in the case of any loans, documents are not forthcoming, whether decrees of the Civil Court or the decision of the Assistant Registrar are available in respect of them. If not, whether the society is in a position to show some

proof of a civil suit or a reference to the Assistant Registrar having been preferred):

(14) Whether at least in a few cases payees' receipts have been collected and the entries in accounts compared therewith:

(15) Whether the instalments of share capital are being collected as they fall due:

(16) Whether the outstanding loans have been read at a general meeting and whether in this manner or otherwise they have been ascertained to be genuine:

(17) Whether the property statement was read at a general assembly and approved by that body:

(18) Whether any frauds exist:

(19) Whether the cash balance is not produced.

(20) Whether the society keeps heavy cash balance, thereby causing loss to the society.

(21) Whether remittance to the District Bank is withheld notwithstanding that money for doing so, in whole or part, is available in shape of cash balance:

(22) Whether any of the prescribed accounts has not been maintained:

(23) Whether all accounts are duly written up to date.

(24) Whether a forecast of the members' requirements during the year has been drawn up and sent to the union for transmission to the District Bank.

Having attended to these and other matters requring attention, the Supervisor or other union authority may find out:—

(25) Whether members are thrifty:

(26) Whether they have understood the principles of co-operation: and

(27) Whether the society is really conferring any benefit on members.

11. To the abovementioned duties of a union the following additions will have to be made as the result of two resolutions passed at a conference of the Registrar with selected Assistant Registrars held in the month of October 1922. One of these resolutions runs as follows: The Conference considers (*a*) that there is no objection to unaudited figures furnished by societies being used for the compilation of statistics for the annual administration report: and (*b*) that the statistics referred to in (*a*) should be furnished by societies and it is the duty of supervising unions to see that the statistics are furnished.

These statistics to be furnished by unions will be in addition to the three statements showing Receipts and Disbursements, Profit and Loss, and Assets and Liabilities which under No. V of the Rules under the Co-operative Societies Act societies are required to furnish within the 15th of July in each year.

The auditor should when he visits the society for the annual audit obtain a certificate from the panchayatdars (or directors) that all outstanding loans and other assets, according to a list prepared by the auditor and accepted by the panchayat (or the board of directors), have been scrutinized and found to be genuine, properly secured, and realizable, except assets, which they consider bad or doubtful, and which they should specify. This requirement makes it obligatory on the part of panchayatdars (or directors) to scrutinize all outstanding loans and other assets, as standing on the 30th June of each year, with a view to find out whether they are genuine, properly secured, and realizable, and also to find out whether any assets are bad or doubtful and if any such exist to specify the same. Unions have to instruct societies in this respect.

An important matter requiring serious consideration by the representatives of unions and other governing body members thereof is, how best to ensure the transaction of business in unions in a proper and efficient manner, and in proper time, so that proper conduct of supervision in the district as a whole may be assured. At present there is not much effective check over transaction of business in unions. No doubt the Assistant Registrar writes to unions, but often some unions do not respond to his requisitions or act up to his instructions. The result is that there is no guarantee that supervision in the district as a whole is or will be carried on properly. It is not meant hereby that supervision is not carried on properly in *all* Unions. There are some good unions but their good work is marred by indifferent work in other unions. Unless the working of *all* unions reaches a certain standard of efficiency, the work of the District Bank among other matters will suffer and in turn the working of the societies financed by the District Bank will suffer. In justification of these observations one need only draw attention to the present state of collection work in the district as a whole and to the progress achieved even at this late date in the year in regard to attention to review-points, not to speak of other matters. The question then arises, what should be done to improve matters.

Unions, as union representatives must be aware, are institutions charged with very serious responsibilities. The present unsatisfactory state of affairs is due, *firstly*, to some unions not realizing what all their responsibilities are; *secondly*, to some unions not doing the work, even to the extent that it is realized, in a methodical and satisfactory manner. So far as the first mentioned reason is concerned, an endeavour has been made in this note to give unions a clear idea of their duties. As regards the second reason also, ample suggestions have been made as to methodical and satisfactory transaction of business devolving upon unions. A clear exposition of duties, and suggestions as to proper discharge thereof, will not by themselves, however, be sufficient to train unions and bring their working to the required standard of efficiency. An agency, it will not be doubted, is wanted which will see to the attainment of ends. Which is this agency to be—an official or a non-official one? **There can only be one, unambiguous, answer to this question and that is : Non-Official Agency.**

Just as the District Bank undertakes the financing of societies in the district, the District Committee must undertake the regulation of supervision work devolving on unions. In the absence of arrangements to this effect the work of regulation of supervision will continue in the hands of the official agency, the Assistant Registrar. And so long as this condition lasts there will not be much prospect of the responsibility for supervision passing into unofficial hands. The district organization however should not interfere with the inner working of unions but will concern itself with seeing that their working reaches a fair level of efficiency.

They may meet once or twice in the course of the year at the district headquarters. The duties devolving on the District Committees may be said to be—

(1) The passing of the budgets received from several unions in the district.

(2) The reviewing of the working of several unions.

(3) The consideration of the steps to be taken in the matter of pulling up backward unions;

(4) To see whether the supervisors employed in unions come up to the required standard of efficiency; and

(5) The consideration of the programme of work for transaction in unions during the coming year.

The present District Committee composed of union representatives at one from each union may form the Board of Directors which may meet three or four times a year for consideration of questions of policy or procedure and other important matters.

It will also be necessary to have a smaller Executive Committee of, say, three members who may meet every month, to obtain and deal with monthly progress reports regarding the transaction of business in unions and affiliated societies, in matters relating to collections, loan applications, attention to review points, etc., and to transmit requisite information to the District Bank or the Assistant Registrar, as the case may be. *(Reprint of Cir. 100, 28-4-23 of the Assistant Registrar, Chittoor.)*

LOCAL UNIONS.

Rao Sahib T. Srinivasa Rao. The first question dealt with in the questionaire under the head is about the manner in which recommendation of loans made by unions should be regulated and improved. I have dealt with this question in my note on Central Banks. If and when, as suggested in another note of mine, the results of audit of every society are communicated in a suitable form to the society and the union, and when these authorities begin to take the necessary action in the matter and in consequence the working of the society as well as the union get into proper order, and when again the Central Bank begins to deal with the loan application in the manner suggested in the note already referred to, the unions will in due course of time become competent to deal with loan applications.

2. It is asked whether the union budgets and appointment of union supervisors should continue to be subject to the approval of the Assistant Registrar. In another note of mine dealing with the present outlook of the Co-operative movement I have stated that it is high time that every district formed a federation of unions therein. That federation, I would submit, will be the authority to be entrusted with these powers, viz., approving budget estimates of unions and the

appointment of union supervisors. Instructions of a general kind as regards the preparation of budget estimate of charges of a union may be laid down by the provincial Registrar for the guidance of unions and the District federation.

The Provincial Registrar may also lay down the minimum general qualifications to be insisted upon in the case of union supervisors. Until the District federation comes into existence it may not be possible to dispense with the approval of the Assistant Registrar in these respects.

3. The questionaire enquires whether a system of inspection of societies by Governing Body members, with or without payment, may not be possible. This enquiry may at once be answered in the negative, if the Governing Body members are to bear their travelling expenses and batta out of their pockets. If their services are to be utilised, they should certainly be paid for. The question is, whether even with such payment we can find men willing to do the business. The solution in this respect cannot be achieved easily or at once. It is only in due course of time, with the education of rural people as regards their responsibilies, that improvement can be attained.

4. Another question raised is whether the funds of unions, composed of the rate contributed by societies and the rebate granted by the Central Bank, are sufficient to maintain an efficient staff and to do propaganda work. This question is very easy to answer, for it may at once be said that in most unions the funds are inadequate to meet all these requirements. While this is so, it is most unfortunate that the existing rate of interest chargeable to members of primary societies viz., 10-15-0 per cent has been, or is being reduced to 9⅜ per cent, I have dealt in another note with the question of the reduction of the rate of interest from 10-15-0 per cent. In that note I have not taken note of the claim on union funds for propaganda work. I have failed to mention in that note that the present rate at which societies contribute to the supervision fund is inadequate even to maintain a supervisor on adequate salary and to pay travelling expenses to the president or the secretary and other governing body members making inspections. It goes without saying that the union finances should be strengthened at least to meet all these charges, though not the cost of propaganda work. If this question is seriously considered, no co-operator would think of reducing the rate of interest chargeable to members of primary societies from 10-15-0 per cent, remembering that that rate is by no means oppressive as compared to the rate of interest obtaining in the open market.

5. Still another enquiry is made in the questionaire, namely, whether unions could undertake the disbursement of loans and remittance of collections of societies and if so, what would be the financial security for doing so. I think that it is highly inadvisible that unions should be entrusted with these duties. I am aware that in some unions this is being done. I do not know what security there is for proper conduct of this business. No doubt things may not have gone wrong so far, but that would be due to the present office bearer or bearers in the union being persons of unquestionable character and integrity. The undertaking of financial responsibility of this kind by an institution

which by its constitution is not competent to do so cannot be said to be business. That a particular person holding office in the union at a particular time is a person of absolute good character will not be an adequate explanation. Such person may disappear ftom the union by death or change of residence and then it will not be possible to put a stop to the system and the union will find itself in difficulties. Even with a good office bearer in charge of the business, some accident such as robberry or theft may happen and money may be lost. The union as such may not be liable to bear the loss, nor perhaps the society to which the money belongs. The particular office bearer of the society and the particular office bearer of the union may become personally liable. Difficulties may arise in the fixing of responsibility and recovering the lost money. I for one do not think that the system can be defended from any standpoint.

LOCAL UNIONS.

Mr. A. Nagaraja (Villupuram):—I believe it is the proper function of the local union to recommend loans to the societies. Local unions, where they are already well developed and trained should be wholly entrusted with the work. Where Local Unions are not able to undertake the work now should certainly be trained to do this work. The Central Banks cannot by any means take up the work of assessing the credit of secieties. Till the unions are trained to do the work, the Government agency should recommend the loans to the societies.

Already great latitude is being allowed by the Assistant Registrars with reference to these in various unions. We are already aware of certain unions which have been allowed to do these functions themselves. Assistant Registrars' approval has almost become a formality in such cases. Where unions are able to do these properly and efficiently they ought to be allowed tn do these themselves. But to eliminate the official merely out of sentiment is not conducive to the movement. There is no harm in allowing for the approval of these items by the Assistant Registrar. Much depends upon the personnel on both sides. In our own union such items are a mere formality and we have not cared to rescind the provision in the by-laws requesting such approval.

The societies in our own union have been grouped into twos and threes and each group is entrusted to a governing body member. There is not much difficulty in inducing a governing body member to take charge of two or three societies which they are expected to visit say once a quarter. Meanwhile all papers and references such as loan applications *etc.*, concerning these societies are made to pass through them or referred to them. Inspection reports of such societies of the Supervisors are also sent to them for information and remarks if necessary.

If the finances of a union are poor, I will recommend the levy of increased rates of supervision fund, say from ½ to ¾ per cent.

In our own district we are trying to see if we cannot balance our union with another union through the District Council of Supervision.

DISBURSEMENT OF LOANS.

The unions ought not to undertake the disbursement of loans to the societies, as this is sure to weaken the societies' individuality. Societies ought to be made to feel their responsibility and power. In our own district, remittances are made through Urban Banks at Taluk Headquarters which are the transmitting agents to the Central Bank. These transmitting agents are allowed cash credit accommodation from the Central Banks. This system is fairly successful. Local Unions need not function for this purpose.

LOAN DISBURSEMENT.

Mr. Vasudeva Rao (Coimbatore District Bank).—Loan recommendation by the Unions must be insisted on as in its absence the Bank Directors have no means of judging the propriety of granting loans by societies out of the loan applied for on behalf of the members who are not known to the Directorate of the Bank.

I think it is a mistake to make the Unions disburse loans or remit collection to the Bank in the absence of financial security. The present system may continue of societies getting payment direct from the Bank and making remittances direct. It is sufficient if intimation be sent to the Union as is being done now.

INSPECTORS.

Rao Bahadur A. Vedachala Iyer:—The Inspectors have to be trained for their work and have to be more competent to undertake supervision, audit and administration. The Government have not introduced systematised training classes for them and the selection of men for such posts is made more on communal basis than on the basis of qualifications. Until these are improved, there is no use of blaming the Inspectors for not doing any work other than audit. No stereotyped form need be prescribed for sending reports.

FREEDOM FOR LOCAL UNIONS.

The local unions should be trained to do supervision work as well as administration. Government staff should do audit work. The local unions should lay down the policy in the working of primary societies with no interference by the Government staff but the reverse is the present position.

I should secure the non-intervention of the Assistant Registrar in the working of the Unions or societies except in regard to credit. At any rate this is the ideal to be worked up to.

The local unions should be made to stand on their own legs. They suffer from lack of knowledge. District Banks can undertake the work of educating them directly or through District Councils.

Local Unions and District Federations ought to have the final power in passing their budgets and appointing Supervisors.

Governing body members can be trained and made to undertake the work of inspection even on payment of T. A or otherwise.

Unions can have sufficient funds if they get expanded transactions and this can be secured if they are made efficient. District Banks can help them to a very large extent.

Local Unions need not serve as agents in remitting collections. Any co-operative society in the union can undertake the work with financial responsibility.

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1. ORGANISTION.

K. Seshacharlu (Punganur). The organization and starting of Primary Credit Societies may be left entirely in the hands of local Unions. The Presidents of the Unions being men on the spot can have better knowledge regarding the locality and are fit persons for conducting the work of the Societies in their local Union area, than the paid inspector who is not expected to know anything about the locality, and much less about the persons living therein. Competent persons, willing to do the honorary work in good earnest, may be available in all Unions and as far as my knowledge goes, I find that all the Union Presidents in the Chittoor District are willing workers, having enough knowledge to be trusted to organize and start a Credit Society.

1. LOAN RECOMMENDATIONS.

Departmental Control over loans to be recommended to the District Banks by the local unions is no more necessary in Districts where we have the District Councils or District Committees of Union representatives. These bodies regulate supervision in such a manner that the work in the union becomes efficient. Even in places where there are no District Committees, the work of the Assistant Registrar in recommending loans seems to be simply to see whether there are any clerical errors or the like in the loan applications recommended by the Governing body members of unions. These, being persons living in the area of the same Revenue Taluk have several opportunities to know the members in their union area personally, and at least one of them will be living in the neighbourhood of the Society applying for loans. There are generally not more than 30 Societies in a union and we have generally 5 Governing Body members scattered throughout the whole union area, and generally we elect a Governing Body member for every 5 or 6 Societies working near each other, and as such he is better acquainted with the locality and persons applying for loans.

In the place of the Assistant Registrar, I would suggest that the Governing Body member living in the neighbourhood of the Society applying loans may be asked by the union to verify the loan application, and then sanction the loan. This does not take much time, as in our experience we find a lot of delay in getting the recommendation of the Assistant Registrar.

3. UNION BUDGET.

In places where we have District Committees of Union Representatives or District Councils, the budget for the whole District is prepared by that body taking into consideration the needs of each locality. The District Committee will also make provision for inspecting the Societies run by the Governing Body members of the Unions and other big Societies where the union supervisor finds himself not up to the mark by appointing a District Supervisor. In such Districts the appointments are also to be made by the District Committees. Hence the budgets and the appointments of the Supervisors may be entirely left in the hands of District Committes, and the powers may be withdrawn from the Assistant Registrar. The Government has handed over the supervision of Co-operative Societies to non-official hand, and as such, they are the best persons to pass the budgets and pick up the Supervisor, than the Assistant Registrar.

4. UNION FINANCE.

The Supervision fund collected from Societies and the rebate from the financing Banks are not sufficient for maintaining an efficient staff and do other propaganda work. I propose to make the following suggestion to my brother Co-operators in the Presidency and if it needs their approval the Government may be moved in the matter by means of a resolution of the Provincial Conference. The Government is now spending some amount on Honorary Assistant Ragistrars. According to the Administration report of 1921-22 we have 211 Unions and 61 Honorary Assistant Registrars. There is nothing which these officers do, which the union Presidents cannot do. The duties of the union embrace all the work that is now done by the Honorary Assistant Registrar, and even more. Arbitration references under Rule XIV of the rules framed under the Co-operative Societies' Act are also referred to Union Presidents who are not Honorary Assistant Registrars, and I am one of them. The Union President has the Supervisor under him to help him, and is always in better touch with the Co-operative work than an Honorary Assistant Registrar who is not himself a Union President or Secretary.

There is no likelihood of appointing as many Honorary Assistant Registrars as there are unions and as such, I would recommend the Government placing at the disposal of the District Committees of Union Representatives, the amount they are spending on the Honorary Assistant Registrars in each District, and refer arbitrations to the Union Presidents for disposal and make them do the work now done by the Honorary Assistant Registrars. By so doing the contributions from the Government will greatly help these unions to turn out better work.

5. INSPECTION.

Most of the Governing Body members are in a par with the Co-operative Inspector or Supervisor in general knowledge. With a little training, I think, they can inspect Societies and now, the inspection in my District is done by the Union President, or if he does not find time, by the Secretary, and the Governing Body members attend to the collection work in Societies in their neighbourhood. All the Societies in a union may be grouped and the representative of that group in the Governing Body may be made to inspect them. By so doing the cost of inspection may not be much.

LOCAL UNIONS.

R. G. Nallakuttalam Pillai :—The work of organisation of societies is even now done by Local Unions. It may not be advisable to have it restricted to them alone. There are large areas not covered by any Union. All Local Unions may not be enthusiastic about the organisation of new societies and many of them may not interest themselves at all in the matter.

No hard and fast rule can be laid down in the matter of freedom for unions recommending loans. Approval of the Assistant Registrar may be dispensed with in the case of such of the Local Unions as are compact and have on its Governing Body people who realise their responsibility in the matter. No union can, I think, manage properly more than twenty-five societies and a lakh of rupees transactions. It may not be also advisable to have societies spread over a radius of more than 10 miles from the Union Headquarters.

The appointment of supervisors must be with the Assistant Registrar. Otherwise even unqualified and useless men may be appointed as supervisors. This may give also some cause for friction in the Governing Body. Each Governing Body member however idealistic he may be in other respects may like to have his nominee appointed when there is a vacancy.

Inspection by Governing Body members is done even now in some unions. Such inspections cannot for obvious reasons be regular and produce uniform results. They may be in the beginning of educative value more to the Governing Body member than to the society. Supervision by a regular staff cannot therefore be dispensed with at any stage of the movement.

Mr. C. Ranganatha Iyengar, (Gooty).—The Inspectors at present do double work: propaganda and auditing. These should be replaced by two sets of people, with suitable qualification for the two kinds of work.

Local Unions are too little a body to be entrusted with this work. An enthusiastic non-official should be given facilities to tour with the co-operative inspector to lecture. The cost should be borne by the Government. A school for training supervisors should be held periodically in the District Headquarters. The clerks in primary societies and the supervisors should be frequently interchanged.

In the matter of recommendation of loans for primary societies, the opinions of the Local Union should not be final. It is better that the lending society deputes an impartial Director to inspect the accounts of the borrowing society and the opinion of the Assistant Registar should invariably count 75 per cent.

For some years at least, the Union should not be entrusted with any kind of power unless recommendatory over the societies. The Department is increasing in a horizontal direction more rapidly than in the vertical direction. It has not yet become efficient. Things are done in haste and I fear that if they go on at this rate, a crash will result. There must be a strong foundation.

M. Venkoba Sastri (Adoni) :—The Local Unions might be educated and strengthened in human resources so that they might be vigilant in maintaining a high standard of efficiency of the societies under their charge and be trained and regulated in their work through the District Councils or the District Banks. It is necessary that the powers of the Assistant Registrar should be continued with regard to the approval of Union Budget statements and recommendation of supervisors. It is not possible now at present, to have a system of inspection entirely by Governing Body members with or without payments for the same. The Unions are now financed by societies by way of supervision fund and rebate by District Banks and this is hardly sufficient to maintain an efficient staff and do other propaganda work. It is desired that the Government aid by way of grant or subsidy may be sought for and addressed accordingly in the matter. Organisation of societies may be taken up by the Local Unions with the help of supervisors attached to them. Central Banks may not be consulted in this respect.

The total number of societies that are likely to be organised may be done in consultation with the District Bank.

LOCAL UNIONS.

Messrs. Ananta Rao, Shiva Rao and Venugopal Rao :—A rough outline has been given of the system in force in this District for the grant of loans to the societies from the Central Bank *vide* note under Primary Societies page 37. That system gives a voice to the Unions as well as to the Assistant Registrar in the sanction of loans, and also prevents undue delay. It thus affords some sort of check against the inefficiency of unions. Direct inspection by the Central Bank through a separate paid staff seems rather unnecessary in view of the existence of a supervising staff already maintained by non-official co-operative bodies. Duplication of staff may also increase expenditure which several Central Banks may not be able to afford. Education of Unions' as well as of societies' office bearers can under present circumstances be imparted only through free and frank discussion such as will take place during union general meetings attended also by the Hony. Assistant Registrars and representatives of the Central Bank or the District Council of Supervision.

The final power of the Assistant Registrars over union budgets and appointment of supervisors is not necessary especially when there is a District Council of Supervision.

It is possible for union governing body members to inspect societies which are near their headquarters. They have been inspecting societies in South Kanara. No payment is usually made therefor, but actual expenses have to be paid sometimes when desired.

It does not seem to us that the funds collected by the Unions through supervision contributions and the Central Bank rebate do not suffice for their purposes. But it cannot be said that the pay allowed to supervisors is sufficient. As years roll, the volume of business transacted by each society will go on swelling steadily and the transactions of the Central Bank also will go on increasing. This can only result in enhancing the income of the unions also. The question of giving grants to aid weak unions from the Provincial Funds by the Government out of the savings effected by the impending retrenchment in the Department may also be considered so as to maintain an efficient staff of supervisors.

Unions can undertake the disbursement of loans and the remittance of collections. but union clerks are nowhere paid on an adequate scale. and as the business develops, it is likely to weigh somewhat heavily upon them. The question of financial security does not seem to us to be of much practical importance, inasmuch as the turnover of the business will be comparatively very quick. The union can also easily open a current account with the Kasba society and pass all amounts through such account. It has however been found by actual experience in South Kanara that the transactions assume rather large proportions after a time, and on this account it would seem that the staff of the Kasba society will be better able to deal with it than the staff of the Union. Where there is a good Kasba society it would be better therefore to assign to it the work.

S. T. Venkatachala Iyengar Sulur :—The inspectors whenever they come to a society barely stay even for a day. They hardly instruct the societies on co-operative matters. If they work with enthusiasm, calling for General Body meetings and educating them and reconciling parties in a village, great good will result. Some inspectors themselves take sides. Without doing so, they should stay at the society for at least 2 days and call a general body meeting.

One of the ways of educating the Governing Body members is they should be put on inspection work, and asked to write reports. These reports should be submitted to the Assistant Registrars. They should make informing and instructive comments on them and such comments will greatly benefit these members and train them in inspectorial work.

At present the powers of the Assistant Registrars over the Unions should not be transferred to the latter.

NON-OFFICIAL CONTROL OF THE MOVEMENT.

Messrs. M. Ananta Rao, Shiva Rao and Venugopal Rao,—It cannot be said in this Presidency that Inspectors do not find it necessary to do a bit of accounting work off and on in societies. Account keeping in societies is yet far off from perfect. The reasons of course are general indifference and want of educational equipment. Training classes for office-bearers of societies may be somewhat of a remedy, but it may not go so far as to cure the indifference also.

The mere writing of inspection reports in any particular way may not have any direct bearing upon training societies for any purposes, but remarks made in the reports may serve to draw the attention of societies to particular points to which they may be expected to devote greater attention thereafter. Set forms may also be useful in rivetting the attention of Inspectors and Supervisors on to

important matters, so that they may not omit to attend to them by oversight in the course of the inspection. It is desirable therefore to have set forms for inspection reports of supervisors also as there are for those of Inspectors.

The District Council of Supervision, where it exists, or, where no institution exists, the District Central Bank, may send a representative or two of its own to unions on the occasion of their general meetings, and such representatives as well as the Assistant Registrar can informally discuss with those present matters relating to the principles and the working of the societies. Formal lectures may not prove very useful, or at least so useful as informal conversations at which societies' men enter freely into the discussions without any shyness or reserve. This does not usually happen in the case of formal 'lectures'.

The District Couucil of Supervision selects candidates for supervisorships and puts them through a three months' course of training which consists of (i) Office work in the Assistant Registrar's Office for two weeks, (ii) learning work in the Central Bank Office for two months, learning work in the office of a Supervising Union for two weeks, (iv) learning work for two weeks in the office of a rural primary society with a comparatively large volume of transactions, (v) touring with the Assistant Registrar for two weeks and (vi) touring with the Inspector for two weeks (12 weeks in all). This is the system obtaining in South Canara. Candidates are selected from applications received from time to time with or without advertisements. No difficulty has so far been experienced in getting holders of S. S. L. C.'s. An examination has also been instituted for supervisors and all are required to pass it as a condition precedent to confirmation. Certificates are issued to the candidates who pass the examination. It cannot of course be said that this system leaves nothing to be desired, but it is only an institution like the Provincial Union that can devise a comprehensive scheme of training so as to be applicable to the whole Presidency.

Powers of Assistant Registrars come conveniently to be classified under the following broad heads:—(i) organisation, (ii) Registration, (iii) Inspection and inquiry under sections 35 and 36, (iv) Audit, (v) Arbitration, (vi) Concellation of registration and (vii) Liquidation. Nos. i, iii, and v can very well be assigned to unions. In respect of ii and vi the practice of consulting unions on every occasion may be very well be introduced and followed.

ORGANIZATION.

Mr. K. V. Raghavachari (Nellore) I think the organization of credit societies may be handed over to Local Unions. It has to be done gradually. To start with, experimentally some select unions which have experienced co-operators in their Management, may be given the work of organizing new societies. The Panchayatdars of the Union who live nearest to the village where a society is to be formed may interest themselves in acquainting themselves with the conditions of the village when one is to be started, Through them the Local Unions may be acquainted with the actual affairs of the village and if the Union is satisfied, a society may be organised.

TRAINING OF CO-OPERATORS.

There should be a course of lectures to which all the office-bearers of the societies and unions may be required to attend. Experienced co-operators who either officially or non-officially had knowledge of the working of societies or unions may be requested to deliver such lectures. They may be paid such remuneration and travelling allowances as funds may permit and the status of the lecturer may demand. The funds should be contributed by Financing Banks and Local Unions. As these institutions may not be able to find all the money required, the Government should also grant some subsidies which may gradually be withdrawn when the Financing Banks have grown strong enough, to undertake the burden entirely.

The recruitment of Supervisors should be direct from among candidates who may have passed at least the School Final and passed examination in accounts and Manuals of Co-operation such as Hemingway's Manual. They should be required to attend lectures suggested above and undergo practical training for at least 3 months under experienced Inspectors. Selection should be made only from among such candidates.

MORE POWERS TO UNIONS.

The power of recommending loans to societies, organisation of societies and supervision may be transferred to Local Unions. Supervision must be exercised by Assistant Registrars also to a large extent. Until the Societies and Banks are able to engage certified auditors, the audit must be necessarily done by the Assistant Registrars.

I do not think that the appointment of supervisors should be done by the Asst. Registrars. It should be left to the Management of the Unions who have to pay control and get work done by the supervisors.

The inspection of societies should be done by the governing body members without any remuneration. They must be paid their Travelling expenses. The governing body should endeavour to elect such members as may have inclination and interest in the Co-operative movement.

FUNDS.

It seems to me that a small percentage of the net profits of each society affiliated to the Union may be set apart for contribution to the supervision fund. The Central Banks which can afford to save something after paying the maximum dividend may from time to time be requested to contribute an additional sum towards the supervision fund.

FINANCIAL RESPONSIBILITY.

I do not like to burden the Union with this responsible work. The Financing Banks and the repaying societies may not be willing to pass money to their hand as they may feel that there will be no security for their money passing through the Unions. The financial responsibility is too much for the Unions to undertake.

HONORARY ASSISTANT REGISTRARS.

Mr. T. V. Kappusamiah (Tindivanam).—If the Registrar happens to be a radiating force to direct the three (Co-operative, Agriculture and Industry) into one channel without separate heads for them and with only personal assistants for him and if the co-operative department also is divided into 4 or 5 circles and paid Assistant Registrars posted for each circle, the Honorary Assistant Registrar's position will then become very conspicuous. It will not then become a patronage distributed to a hanger-on by the donor. It will then be given to the man having time, taste, talent and tact and who must be held at least morally responsible for the right working of the movement. Under the system of a chain of trained supervisors the continuance of inspectors are unnecessary except for audit work. The central banking and supervising union, as it will then be called, in addition to its own supervision, will derive its information through the Honorary Assistant Registrars also. These must be provided with a peon and a clerk each and a travelling allowance in the scale provided for paid Assistant Registrars. It is enough if each district is given 2 Honorary Assistant Registrars. By this arrangement so much of public money will be saved as several Assistant Registrars and inspectors will be reversed to their old appointments. There will be retrenchment on one side and improvement on the other.

INSPECTORS.

Mr. J. Krishnamurthi Rao.—The staff of Inspectors are generally incompetent to properly organize societies. It should be solely confined to the staff of Chief Inspectors, trained Honorary Assistant Registrars and Assistant Registrars. The inspectors should be able to devote more time in periodical inspection of societies and thoroughly be given directions for drawing up their inspection reports. They should see that the loans are properly disbursed to members and proper documents are taken from each member. They should fully investigate into any misbehaviour of the Panchayatdars in the matter of granting loans and fish out any false, fraudulent or nominal loans. If the loans are given for redeeming prior debts, they should see that the redeemed bonds are secured from the creditors. They should classify short term and long term loans noting the purposes for which the loans are sanctioned, and note overdues and the causes therefor. They should be specially careful in dealing with loans taken by the Panchayatdars of primary societies. They should at the time of final audit procure revised property statements and note any accretion or depreciation in the value of the property of the members. Entrusting different functions to one inspector with respect to a large number of societies will much handicap their work.

DISTRICT COUNCILS AND THE PROVINCIAL UNION.

Rao Bahadur A. Vedachalayar.—The present finance of the Provincial Union depends upon the contribution given by primary societies as an equivalent to the value of the Bulletin and other publications, and upon the subscription realised by the sale of Bulletin to others. This is barely sufficient to run the machinery of the publication of the Bulletin and there is very little available for propaganda and educational work. All the primary societies do not make the contribution and the Provincial Union has no means of bringing about this except through the Department which at present is doing something towards the achievement of the object. Co-operators in each District should have a standing committee in each District to look atter the Co-operative movement whether it is by a federation of local unions or other primary societies and District Bank. This committee should secure adequate financial support from the co-operative institutions and should make arrangement for co-operative propaganda and education. The District Federation should maintain the Provincial Union and arrange for the co-ordination of the activities of the District Federations. Until this is done, the Government should give a subsidy to maintain the Provincial Union. I should advocate going to the co-operators for help and not to the Government as there is better chance of success with the former than with the latter and as the latter's help will give very little freedom to the Provincial Union to be a free unfettered exponent of non-official opinion and wishes in the regulation of the movement.

District Federations do not come into existence as rapidly as one would wish owing to the absence of education to the co-operators about the utility of such Federations.

I can frankly say that Government took up the work of promulgating the utility of co-operative credit societies and converting money lending operations into a co-operative concern. This money lending question is easily understood by the people and they have come into the fold. Government has not recruited administrators or experts in co-operation, commerce and finance and they have no vision as to how to educate the people to undertake co-operative activities on their own shoulders. Knowledge creates desire and desire stirs up mental activities for gratification, self-help, and self-improvement. Such a desire will open out various ways for accomplishing it. Either Government must educate co-operators or the people must federate themselves and do it even though they will have to tax themselves to some extent. Honorary service has its own limitations such as inefficiency and absence of continuity. Paid non-official agencies will solve the problem.

ENQUIRY AND PROPOGANDA.

An economic enquiry committee should be instituted in each District by co-operators for the purpose of investigating the possibilities of advancement of agricultural industry, studying the extent of indebtedness, the arrangements obtaining at present for the supply of funds, implements, manure, seeds, *etc.*, and the arrangements in force for the sale of agricultural produce. It should also enquire into the nature and extent of subsidiary industries for the benefit of agriculturists and of other rural industries, such as Weaving. It should also find out how far the existing societies have benefited the members and whether any and what causes have retarded their progress and sketch out the lines of

co-operative organisation on which efforts should be directed in the immediate future. It should arrange for an active propaganda in all Taluq centres with a view to enlist a few public spirited workers who would spread the knowledge of the principles of co-operation among the villagers.

The movement is mainly, if not purely, a popular and democratic movement and unless the people are trained and educated to a sense of their rights and responsibilities, they cannot go very far in the attainment of the ideal aimed at by the movement.

RAISE THE MEN.

The Provincial Union and the District Federations should aim at producing a large body of persons equipped with knowledge in the theory and practice of co-operation. The teaching in co-operation should be practical and kept up constantly. The pivot of the co-operative credit movement on which the working of rural societies really depends, is the personnel of the management. The rural population is not advanced in education and the members of the managing committee are guided by the secretaries who are the life and soul of the movement. Success always centres round the efficiency of those entrusted with the task of actual administration; well trained secretaries should be entertained by the societies. Such secretaries should be trained to look upon themselves as social workers and volunteers of the co-operative movement.

The non-official organisation is weak in this respect and this defect should be remedied soon by bringing into existence District Federations to carry out the above objects, and by strengthening the position of such Federations, and by the Provincial Union co-ordinating the activities of District Federations and Local Unions. This step proposed is urgent as the co-operative movement has not succeeded in supplanting the money lender to any appreciable extent or in stimulating agricultural development or land improvement or in relieving appreciably the burden of rural indebtedness.

EDUCATION IN CO-OPERATION.

Rev. H. A. Popley.—1. I should like to propose that the Provincial Union should definitely take up the question of educating the co-operators in co-operative theories and practice. A great many of our co-operators know very little about the matter. Many of them have not got the means of finding out, others need stimulating in order to take up the subject. I suggest therefore that this educational work should be carried on along two lines, (*a*) *Propaganda*, or perhaps it may be better called tutorial methods. I suggest that the Provincial Union office should function as a kind of tutorial agency arranging to reply to questions, send out information regarding good books, getting men like Dr. Matthai and others to write short papers on co-operative subjects, and circulating them and in this way to diffuse a knowledge of co-operative principles. Much of this work should be in the vernacular.

(*b*) I propose also that the Provincial Union should arrange to hold a yearly examination and award certificates. The candidates should be divided into two classes, elementary and advanced. The elementary group should deal with simple co-operative principles and history, prescribing books like that of Strickland and Wolfe. The advanced group should deal with subjects like co-operative banking, land mortgages, housing and more advanced forms of co-operation.

The District Union and Central banks could be utilised for carrying out these examinations.

If this programme were brought into operation slowly and carefully and certificates were only granted to people who really showed knowledge of the subject matter, they would in time come to have a distinct value. Apart from that I believe that the whole co-operative movement depends for its future progress upon a thorough system of education in co-operative work and the Provincial Union is the body to take this up.

2. I should also like to recommend that the Provincial Conference should urge upon all co-operative societies to develop adult education through the co-operative movement. One of the greatest needs of the country to-day is the development of adult education along the following lines.

(a) Increase of literacy among the adult population.

(b) Lectures and lantern lectures on such subjects as hygeine, sanitation, history, agricultural methods, geography and so on. Each district should organise in connection with its co-operative union an adult education association and endeavour to establish bit by bit in connection with all co-operative societies adult education classes. I believe that in the Punjab a great deal has been done along these lines. The Punjab government has just issued an order on the whole question of adult education which might be published in the Co-operative Bulletin.

I believe these are two important matters which the Provincial Union ought to take up.

LOCAL UNIONS AND THIER CONSTITUENTS.

Mr. K. G. Sivaswamy:—The organization of Local Unions has been done in this Presidency on the basis of high ideals. The democratic principle in co-operation that borrowers should pool their credit and borrow, but yet preserving their self-respect, that they should discipline themselves in business habits not through any extraneous agency, but out of self-volition, that inspection from outside takes away the free will to evolve oneself and societies should supervise themselves, expose their own defects, which always demands more moral courage than a proclamation of one's virtues it is on this basis that Local Unions have been started.

The Local Union gathers power not by supplying any material needs to its members but by its standing for virgin co-operative principles. It has no penal powers to enforce business and honest dealings, but the fear of disaffiliation, of removal from the sanctum of high ideals, should bind the societies to the Union.

The best society representatives form a body whose voice commands respect owing to their high moral character as related to public life. A Local Union being the meeting place of the finest rural human resources, guides by example and not precept alone. Fear of disaffiliation, consequent public disapproval in the locality, and a sense of shame should make even the recalcitrant societies to rise above their lower nature.

A Local Union is the embodiment of co-operative principles. Common interest binds the society to the Union. The bylaws are based on such ennobling principles, but what is the practice? The Local Union has no moral power because the societies have not become a vital part of rural life. Its mission is the spread of co-operative principles under its vigilant guidance preventing all infringements from the principles. A Local Union should see that societies function for all the members, the whole village join them, that the Panchayat and the members use the society for honest life-purposes, that the society is trained to serve all aspects of economic interests. It is said that Local Unions do not realize their financial responsibility to the Co-operative Banks. But have they been started to be the collecting agents of Central Banks? The latter function is secondary arising out of the duty of watching co-operative societies in compact areas from falling into lower temptations, and raising them to act in the true co-operative spirit. It is the societies that should be educated and made straight to walk on the narrow path of clean and pure living. But they have been told that they have signed the application to get loans of Rs. 50 on every Re. 1 paid. An immense boon for a small commission! Their duties have to be insisted on. But where is the time when societies have to be made to order? Or rather men are so poorly initiated in the high principle of a co-operative life? When societies have been registered, they must live. Property statements should be written, loan applications prepared, ledger postings finished, and, to boot, figures supplied for the annual reports. A society cannot do these. Then appoint a supervisor not for educating societies but bringing up to date the accounts and doing the other clerical work But the societies cannot command sufficient supervision fund. Then start a few more societies, not because anybody required them, but because the supervision fund should be increased. Societies have increased; then split them into a few unions, and if the latter are wanting in number to maintain a supervisor, increase the societies. Then again, the loans of central Banks should be collected, the supervisor should work incessantly during certain months doing the collection work of the society. When he gets breathing space, he should prepare the accounts beforehand ready for audit.

What then is a Local Union? It is at best the accountant of artificially stimulated societies, whose administrative business has been transferred to them from the Department, their author; at best, it is a central Bank agency for recommending loans and collecting overdues; at best it facilitates arbitration work of the Department: The inspection reports of a supervisor mention only these points and nothing else. It speaks not a word of how many Panchayats have understood the principles and the byelaws, how many have understood the preparation of property statements and loan applications, how many understand to prepare the audit and administration figures, how they have been put in the way, whether loans are sanctioned for purposes truly co-operative, how they are utilized, how the society functions for the village, the difficulties of the ryots, their needs, their education and training in co-operative undertakings, not a word about all these which form the real work of a Local Union. The teachers have to be educated. That is the real problem.

TRAINING OF LOCAL UNIONS AND SUPERVISORS.

The fact is that the rural average has not been raised. Mechanical registration of unions is by no means a difficult task. Somebody should discover the Man in the society. Enthusiastic propaganda may. Then federate the unions in the District and try to get the right co-operators useful for all unions. The working of a district union purely as an advisory and educative body, for training Panchayats, making surveys, trying special types, and instructing unions, may put straight the unions in their work. Here too human material may be hard to get, men with the capacity, knowledge and the enthusiasm to make a District vibrate with the co-operative spirit. The District Council must have enough funds. Funds have to come from the poor margin of profit of the societies, mostly borrowers, which is possible only by increasing short term loans. That again means efficient, brisk and able Panchayats in societies. The argument runs in a vicious circle. Education and training need funds, funds can increase only after education and training of panchayats. Then who is to finance? Government? The whole basis of non-official supervisonal and educational work is lost. Central Banks? Yes, there alone can we find men of capacity who have put in long years for the spread of the movement, who can be expected to have a broad vision and the uncommon common sense to understand that a little expenditure in educating and training societies and making them sound is not spending but saving, is the prevention of overdues, increase of transations, and more owned capital for their Banks. That is why in Bombay and Bengal, the District Banks appoint the Inspectors. It may not be an ideal system to mix finance and supervision, but the fact has to be faced. Are you going to make an ideal paper constitution for supervising societies, whether they work well or not, or compromise your ideal for a time till members understand their society and their union? The present system of supervision by unions may hold on, but District Banks should finance, and have a seat in the District Council. The District Bank President acts as the Union President in the German Co-operative institution. If not such in a manner, let 2 representatives of the District Bank serve in the District Council. Let them make special grants for maintaining one efficient District Supervisor and training other supervisors or unions appointed by the Council.

Who is to train? In the Punjab, the Inspector gives the training to supervisors. But what is he? He is a graduate in economics, with a special course in rural economics, and who has devoted more time for understanding, with a broad

vision, the problems of the ryots. Accounting he has learnt in the course of his work. The situation is here the reverse. The University has not yet instituted any applied course in rural economics. It is not possible at present to get recruits prepared by the University who may need only a little training in details of accounting and administration. The supervisors need training in broad understanding of rural problems, principles of co-operation, and the progress of the movement. They need training in accounting aspects as well. The latter may be given by a District Federation. But will that do? Accountancy alone cannot save a nation. The joy of service the resourcefulness to organize rural conditions, fertility of ideas, knowledge of the existing achievements in co-operation, all should be implanted in the prospective missionary of the supervisor.

Who is to do it? The Provincial Union alone is best fitted for the task. It combines in its personnel honorary members with knowledge and distinction in the field of co-operation and practical workers with the experience of administration and accounting. Where necessary, it can supplement its men by indenting on University Professors.

Madras is no congenial centre for a practical teaching in co-operation. The recruited students may find it difficult to attend them. Hold a three-monthly course for 3 districts at a time.

The Central Banks should make special grants to the Provincial Union to recruit honorary lecturers, but paid for the work.

A scheme like this alone will discover the right missionaries for rural propaganda in co-operation. It will facilitate the training of Local Unions whose members may also attend the classes. It will raise the tone of the movement. The present note may be summarised in the following form:—

(*a*) Central Bank representatives should find a place in the District Councils.

(*b*) Central Banks should undertake to finance the lecturers appointed by the Provincial Union for training supervisors and Governing body members of unions.

(*c*) The classes should be organised by the District Councils.

(*d*) The qualifications of supervisors should in this manner be standardised.

INSPECTION REPORTS.

Mr. N. Panchapagesa Iyer (Tirukattupalli).—The principle of self-determination is to be followed by every primary society. All agencies employed must only tend to the education of the primary society to stand upon its own legs. The present day inspectors and supervisors have not had the necessary training, and it is no wonder that their reports are meagre. They can do the account keeping; and there, they think, their work stops. As for educating them and others, I have outlined a scheme below. The reports of inspection must deal in a narrative form, how far a society has reached the ideal of co-operation, and what attempts have been made by it to make an approach towards the ideal. The report must say how many members have outside borrowings and how much, and what the society intends to do to supply all the needs of the members. It must also detail what the society is doing to educate the members to live within their means. The report must describe why there is no activity in joint purchase and the indent system. The General body of the society must be spoken to by the inspector. This kind of work must receive his attention more than the financial condition or constitution. Now he stays in a village for a day; this won't do. He must have a General Body Meeting convened and speak to the members on Co-operation.

Here I confine myself to the training of the staff and non-officials and members. If the Primary Society is the brick in the edifice of co-operation, the union is the centre of illumination from which the co-operative literature must radiate. I suggest the utilisation of the following funds for the purpose. (1) The common good fund in the primary society. (2) The rebate which the union gets from the District Bank—this must be earmarked for the purpose. (3) Subsidy from the Government for which the Government must be approached (4) Donations. In many primary societies, the common good fund is allowed to accumulate and in others it is wasted. No better purpose can be imagined for spending the amount than using it for the development of co-operative knowledge, which goes back to the member for increasing his comforts. Persuasive eloquence will make the society part with the money. The union must be compelled to spare the rebate because propaganda is the legitimate work of the union. Items 2 and 4 are voluntary contributions. Therefore we can only ask that it may be given.

THE PREACHER.

If there should be an inspector for the administrative side and another for audit, so far as a society is concerned it stands to reason that there must be a preacher. The Chief Inspector is to be made the propagandist. He is to travel in the district doing the preaching of the gospel of co-operation. This continuous work apart, there must also be occasional effort. Every Primary Society must set apart a day in the year on which there must be a grand meeting whereat a grand old event man must give a lecture to the assembled members. The annual function of the union should have this item of lecture in the agenda. The officials of primary societies must be encouraged to read papers for the best of which prizes must be given. Further an arrangement should be made to hold a class for about two weeks in a year, for a number of years together, for imparting co-operative knowledge for non-officials. The officials and non-officials who know the subject must be made the lecturers. Prizes must be awarded to the best candidate who picks up most knowledge. All these apart there must be a continuous agitation until the object is achieved to introduce in the syllabus of primary and secondary schools the subject of co-operation, for which the necessary text books are to be written. If the department has formed Co-operative Banks in places where there were bankers without Banks, nothing has been done to create a set of appreciating constituents and capable managers to conduct the business.

SUPERVISORS.

A word about the supervisors. They are not capable men. An examination must be introduced and only passed candidates must be employed. Nepotism now rules and if efficiency must be substituted, devise some means to supply good supervisors.

TRANSFERENCE OF CONTROL FROM OFFICIAL TO NON-OFFICIAL HANDS.

Row Sahib T. Srinivasa Rao.—For the attaining of this object certain conditions are necessary:—

1. A competent panchayat in the rural society:
2. A competent governing body in the Local Union;
3. A competent Supervisor for the Local Union; and
4. A competent federation of unions in the district.

No time will arrive when every one of these agencies will reach a stage of perfection at which it may be said that the transference may be effected without feeling any concern as to conduct of business in a proper and efficient manner.

The very fact that so many unions exist all over the presidency and that district federations also exist in a few districts bears testimony to the desire in this respect. How far the desire has been translated into action is the question. The unions and the district federations may be doing their best. What progress they have made so far, how far distant they now stand from the goal, what is the rate of progress they are making, and how long they will take to reach the goal, or, in other words, about what time they will be competent to assume complete responsibility for supervision—these then are matters which call for investigation.

2. A definite move in this matter was made by the Registrar about a year back, who has been issuing instructions since August 1922. The instructions include a direction to Assistant Registrars and their subordinates that they should refrain from doing the work of societies, such as the writing up of accounts, collection of dues, preparation of the property statement and preparation of loan application, etc. Assistant Registrars were also instructed to develop a sense of responsibility among the governing body members of unions. They were further instructed not to interfere, excepting in extreme cases, with the working of such unions as were able and willing to undertake their responsibilities. It remains for the Assistant Registrars to give effect to these instructions.

3. As I have explained at length in my note on the present outlook every union should be made to realise what all its responsibilities are; to what specific extent it could, in its present condition and with its present facilities, undertake to discharge its responsibility; and in what specific directions it requires help from Government Staff. This done, arrangements should be made for the according of such help as an union may stand in need of by deputing the services of a Government Inspector or otherwise. The Union should be told that the

help so accorded will not be continued for an indefinite length of time; that the union could arrange to dispense with the help. step by step, and altogether, within a specified time. A district federation of the unions in the district should be trained in the matter of considering common questions and deciding their methods of business. Where a Union or a district federation is prepared to undertake its full responsibility, the Assistant Registrar should not meddle with its working. The Assistant Registrar should cease to deal, in his office, with matters relating to supervision. All such matters, whether arising in his own office or communicated to him by the Registrar, should be transmitted to the District Federation and that body should be asked to consider, decide and issue the necessary instructions to unions.

4. A high ideal should be laid before the District Committee, no matter whether with its present capacity and facilities it is able to reach that goal or not. An office for the District Federation will in this process be formed, which will in due course build up its business and methods of work. So long as the Assistant Registrar continues, in his own office, to deal with matters relating to supervison, so long will real progress in the transfer of supervision to non-official hands not begin. When these suggestions are give effect to, those concerned in the matter will know, from time to time, where exactly they stand in the matter of assuming complete responsibility for super.ision. As to how exactly the suggestions should be given effect to I have dealt at length in paragraphs 12 to 14 of my note on the Present Outlook.

5. It is very necessary that periodical classes should be held for training the Panchayatdars of rural societies or at least the secretaries thereof. There should be similar classes for the training of the members of the Governing Body of unions. These classes may with great advantage be held on the same occasion as the instructions to both will to a large extent overlap one another. Union supervisors who also require training may with advantage attend these classes and also receive a supplementary course to complete their training.

It goes without saying that the person or persons holding these classes should be thoroughly competent for the purpose and great care is necessary in their selection. This will be particularly so until these classes have become an accomplished fact, at least in some areas, and syllabuses have been duly drawn up for the guidance of lecturers.

6. In the management of unions one sore question is the recruitment of supervisors. Those intimately acquainted with the condition of things now existing will bear testimony to the fact that some unions consider it their privilege to appoint for the post of supervisor some person of their choice, be he competent or not for the post. Any amount of care will not be too much in the selection of the supervisor, for on his competency depends in a large measure the usefulness of his inspection of societies. The selection should be subject to approval by the District Federation. Even a competent supervisor, it may for various reasons be undesirable to be allowed to continue in the same union after a certain length of time. Other reasons may be conceived which would

require that a supervisor should be transferred. The District Federation should be competent to effect these transfers. This authority should also be competent to suspend or even dismiss supervisors. The vesting of authority in these respects in the District Federation will have a wholesome influence on the conduct and work of supervisors.

7. The Provincial Co-operative Union raises the question as to who should organise training classes, supply lecturers and provide finance for the purpose. With their limited resources, the unions are evidently unable to do so. The present position of unions in this respect will get weaker still as the result of the present move towards reducing the existing margin between the borrowing and lending rates in rural societies. There does not appear to be any other means of meeting the cost than applying for Government help.

8. Under the arrangements proposed in the matter of transference of control, the necessity for thoroughness of audit becomes all the greater. Under these arrangements a considerable amount of time of the Assistant Registrar and his staff will be saved and this should enable them to do the audit far more thoroughly than at present and also, as the result of audit, pursue further by conducting inquiries under Sections 35 and 36 of the Act, where such enquiries are called for. Assistant Registrars should realise that although the ultimate responsibility for proper supervision attaches to them, that responsibility, primarily, devolves on unions and the District Federation and that uncalled for and unnecessary interference on their part with the working of those institutions will rather retard than advance the working thereof. Assistant Registrars should also realise that their primary responsibility is efficient audit. They will then find their time fully occupied by audit and by enquiries under sections 35 and 36 which may be called for as the result of audit.

LOCAL UNIONS.

Mr. C. R. Ramaswamy Iyengar (Coimbatore). The present position of supervising unions ought to be strengthened if they are to function properly. The Disttict Urban Banks always look with suspicion, the property statements and loan applications submitted by the primary societies. If the Assistant Regisirar recommends a loan after scrutinising everything, the Directors in some cases think that they are not bound to sanction the loans on the recommenndation of the Assistant Registrar. I can speak so far as Coimbatore Bank is concerned.

The primary societies feel that the Board is unnecessarily delaying loan applications. It is due to the lack of supervision by the Board themselves and to the non-utilisation of the supervising unions. I would propose the loan applications be sent to the supervising unions and A. R's. Note would recommend the loan. In most of the cases, they will agree and in such cases the Board may not have any difficulty, and may sanction it straightaway. In cases they disagree, the matter may be left to the Board to decide. In most cases, the Union report will be a better guide as they will be in a better position to kuow the constituents, and their recommendation may be safely acted upon. In course of time, the entire responsibility may be handed over to these supervising unions.

SUPERVISORS.

In order to make the supervisors efficient, and Secretaries and Presidents of Societies to understand the true principles of Co-operation and how societies ought to be worked, an annual weekly class should be held in various places of each District, and lessons may be given to them by proper persons. As for finances for carrying out the above idea, it will not be a very difficult matter. The unlimited societies do not work for giving a large Dividend. They can contribute liberally as they will be benefited enormously. The Central Banks also can contribute liberally as their working will be furthered. The Government must also be asked to contribute sums for each District Urban Bank to orgainse such classes. The District Urban Bank must be the agency to carry out the object.

In order to carry out all these objects a full time propagandist is necessary.

In the matter of appointment of supervisors the Assistant Registrar should not have any voice. In extreme cases where he finds them not doing their work properly he may recommend their removal to the Unions.

LOCAL UNIONS.

Mr. T. K. Venkataramiah (Tindivanam)—The present constitution of Unions consists of Honorary workers, mostly indifferent and unqualified for the duties theortically entrusted to them. The dual system of Supervision by Unions for all purposes and by the Department is a misnomer. Nothing is practically done by the Unions and that which is done by the Unions under the present system is not accepted but the official side of the work is only relied on.

Any amount of arrangement made to secure or improve efficiency on the part of the Unions as constituted above must only be a failure unless responsibility is fixed on a business staff as proposed. By doing away with Unions the income now accruing to them may with advantage be added to the sources of income of District Banks, to maintain such staff.

In this connection I may also add, that many Unions are constituted in haphazard fashion with no hope of maintaining at present or in near future an efficient establishment for the work entrusted to them. Hence some societies though nominally affiliated to Unions are supervised by Inspectors and the transactions of such of them as are supposed to be under the direct control of the Unions are again scrutinized either by Inspectors or others with the result that the work now done by the Union is practically a waste.

GOVERNMENT OF MADRAS

DEVELOPMENT DEPARTMENT.

G. O. No. 1671, 14th November 1923.

LETTER FROM THE REGISTRAR DATED 24TH OCTOBER. NO. 3257.

Assistant Registrars' Conference—October 1923.

Subject 1.—What progress has been made in regard to the transfer of control of co-operative societies to non-official agency? Is the progress so far made satisfactory? Can further transfer be made and if so, in what way? Can organization of new societies be left entirely to unions in developed areas? Will this be conducive to the healthy growth of the movement?

Resolution—1. The conditions described in Mr. Gray's letter printed in G.O. No. 923, Development, dated the 27th June 1923 have not materially changed.

2. Organization of societies falls into three stages, firstly, the preliminary work including arranging for the societies, passing by-laws, etc, up to the submission of application for registration, secondly, registration and thirdly, starting the society on its active career, up to submission of its first loan application. The first stage is being done as far as possible by unions. In most cases such organization by unions is done with the help of inspectors. In developed areas this is being done more completely by the unions while in backward areas, Ceded Districts and Vizagapatam and Ganjam practically, no such work is done by the unions. The organization cannot be completely handed over as the Registrar is responsible for correct registration and has therefore the power of veto over the work of the organizers and has consequently to keep in touch personally or through his inspectors with the organization and to this extent must maintain control over it. The registration remains in the hands of the Assistant Registrar and the work of starting societies has practically to be done except to a small extent in one or two areas by the inspectors. All organization of special societies, labour depressed classes, building, trading, etc., is now done by official agency.

3. Loan applications.—In about one-fourth of the total number of unions recommendations go through the unions direct to the central bank and the Assistant Registrar is not ordinarily consulted. The proportion is greater in forward districts and practically nil in the backward ones. This work is done generally by Assistant Registrars as it is found to be a practical necessity not because rules require it.

4. Audit work is generally done by inspectors.

5. Inquiries and arbitration work are being done by Honorary Assistant Registrars generally when such have been appointed and many inquiries are made under specific appointment of arbitrators from members of governing bodies of unions and urban societies by Assistant Registrars.

6. Financial control over budgets and the payment of honoraria in the case of most unions have not been handed over to non-official control as it has been found that the great majority of unions prefer to retain the by-law providing for this rather than lay themselves open to charge or suspicion of partiality.

7. Collection of current and arrear demand is largely done by the aid of unions but practically none are advanced so far as to be relied on to do it without impetus fom outside—from the central bank and generally also from the official element.

8. The Conference is of opinion that this statement represents generally the present stage of progress in the non-officialisation.

9. It is the opinion of the Conference that in view of all the conditions, of the demand for non-officialisation and of the stage of development of the co-operative movement and of the supply of persons able, willing and capable of taking a part in the organization, control and supervision of societies, this progress is satisfactory and as great as is compatible with the principles enunciated in the Act and stated by the Government, with the healthy expansion of the movement and with the credit of the societies.

10. It is their opinion that the present stage does not mak : an epoch and no immediate departure can be made from the present policy of gradual delegation of powers and duties to non-official bodies while further transfer of control must be gradual, the demand for delegation to non-officials being complied with in accordance with the supply of persons and institutions of known capacity and subject to the limitations already observed.

11. It is their opinion that the organization of new societies can be left entirely only to selected unions and then subject to the Assistant Registrars' control in so far as it is incumbent on him to satisfy himself of the desirability or correctness of the registration of each society and in so far as it is incumbent on him to see that registration is not confined to one class of society or person.

12. The opinion of the Conference is that if organization is at the present stage left entirely to non-official agency it would not conduce to healty growth as it would result in the organization, so far as there would be any organization of societies of only one type to the neglect of special societies and societies of the ordinary type among depressed classes and labourers.

THE CENTRAL CO-OPERATIVE PRINTING WORKS LTD., MADRAS.

3. Urban Co-operative Stores.

N. Subramania Aiyer B. A. Coimbatore Stores and Bank Ltd., —1. The main reasons for the unsuccessful working of the Stores in the Presidency are:—

(*a*) Absence of easy terms of credit for the working capital employed in the business. Ordinarily the gross profit on sales does not exceed 5 per cent on the cost price, while the ordinary wealthy tradesmen in the bazaar are able to get money for their business from the Imperial Bank at rates varying between 6 and 7 per cent on the security of their goods, while the co-operative societies have to pay at least 8 per cent interest on their working capital.

(*b*) Want of correct understanding of the Principles of Co-operation on the part of the members, so that loyalty to the Society is not a moral principle with them.

(*c*) The very constitution of the society based on democratic lines is an impediment to the successful working.

(*d*) Want of backing up by Central Purchasing Federation.

(*e*) In some cases want of managerial ability.

2. A training class may be started to give efficient education to them, both in theory and practice, the theory portion to be by means of lectures, and the practical portion by actual work as apprentices in well-conducted stores societies and other business firms in centres to be selected by men in charge of training the managers.

3. Want of loyalty is really in my opinion, due to want of propaganda: the same can be done by issuing pamphlets now and then and holding magic lantern lectures; more frequent bringing together of members by having the celebrations of the Co-operators' Day of the society; Rochdale Pioneers' Day, Ayuda Pujah Day. By having a Reading Room attached to the societies, wherein the members, while having opportunities to read ordinary daily papers, may be made to look into co-operative journals.

4. Appointment of trade advisers would not improve the position as circumstances and conditions vary in different localities, but a central bureau of information re: the articles dealt with by the stores societies would be more valuable.

5. There should be special auditors for stores and trading Union societies. The ordinary inspector has not the time to go into all the details of all the accounts of the stores societies; his examination, if any, is meagre; a more scientific examination of accounts with a view to suggest improvements in the working of the societies is necessary, and as such I would advocate the appointment of more efficient auditors than are now available.

CO-OPERATIVE STORES.

K. V. Ramachandran (Tirutturaipundi) :—The reasons for the failure of the stores are mainly two so far as my experience goes. They are inexperience in the purchase of articles and the refusal of credit to members.

In most stores the directors who are deputed to make purchases are quite new to trade. They do not know where to buy, what to stock and what not to stock. But purchase means heavy cost price of articles. Naturally the selling price grows higher than the market rate. Hence many desert the stores stating that price is higher. If the selling price be reduced to attract customers, the stores has to incur loss.

The stores cannot allow credit. Many of the members are persons receiving monthly salary. They do not find it possible to clear the dues then and there. They purchase articles for credit and pay the amount due after receiving their pay. The stores cannot do so but the merchants freely allow credit. So a majority of members resort to such traders, deserting our stores. It may be argued that deserving members may be given loans in the bank and the amount invested as trade deposit in the stores. But the members complain that they find it difficult to find persons who can stand as security, and that is too much to ask them to pay share capital for both stores and bank.

I suggest the following remedies :—

1. Some years back the department was issuing information giving details of address of merchants in the various parts of the Presidency, the commodities they deal in, with their prices. This was of great help to infant co-operators. I think the same may be revived. But that need not be sent separately but may be printed in the Bulletin of Co-operation as appendix. The inspectors having jurisdiction over places where those commodities are available may be asked to furnish the information required direct to the Editor of the Bulletin at least a week before it is published. It may be argued that the information will not be up to date. Still it will be of help to store societies and the additional cost involved will not be too great.

Now we are getting articles by V.P.P. Sometimes the articles are not only bad but also weigh less. Further a huge amount is spent by way of money order commission. I suggest that some inspectors having knowledge of trade may be deputed to purchase articles indented for by the societies. The inspectors may purchase the articles in person. This procedure will not only guarantee purity of articles but also accuracy of weight and measurement. Further the cost of articles may be remitted by R.T.R. This will save money order commission. Further if all the stores be asked to purchase from the same merchant, he may be asked to supply us at concession rates. This system may be tried in two or three big trading centres as Virudupatti, Tiruppur Coimbatore etc.

The Coffee seeds from T. Stanes & Co, Coimbatore, are considered the best in the market. Further the ghee supplied by V. Venkataraman Chetty, Coimbatore, is the best in the market. But he never replies to our enquiries. So

we wrote to the Assistant Registrar, Tanjore. He has arranged with the Secretary, Co-operative Supervising Union, Coimbatore, to purchase for us coffee seeds and ghee. But the Union charges commission and it is not business-like.

All the stores in the presidency are dealing in Aska Sugar manufactured by Parry & Co. The company allows concession rates for purchasers of 50 bags at a time. The requirements of all the stores will certainly exceed 50 bags. One Inspector may be deputed to purchase sugar bags wholesale at the factory and he may despatch the bags to the various centres. The cost may be remitted by R.T.R.

As regards credit sale, I suggest the following. The Co-operative credit societies in places where there are stores may be asked to advance loans to such of the store members as wish to purchase for credit under the following conditions:

1. That the loan advanced should not exceed 50 per cent of the monthly salary of the members.

2. That the members concerned should be asked to sign an agreement empowering the head of the department in which they serve, to deduct the instalment of the loan due from the pay before disbursement and that the loan advanced should be cleared in not more than 10 instalments.

4. That the share capital for these loans may be Re. 1. instead of Rs 5, the share capital for ordinary loans.

5. That the system of insisting on personal security be dropped in cases where it is not possible. If the banks be induced to advance loans on the above conditions, some members may be asked to purchase in the stores itself.

STORES.

V. Jayaraman (Villupuram):—Want of loyalty on the part of members is the main cause of failure of many of the Stores. It is due to the following reasons:

1. The general difficulty of even middle class men to purchase except on credit.

Suggestion: Arrangement with credit societies of which the store shareholders are members, to issue them loans ear-marked for investment in the stores as Trade Deposits and allow their repayments in as small instalments as possible. Every credit society in the locality of the stores may be circularised by the Department to induce its members to patronise the Stores and make the suggested arrangement.

2. The blindness of even middle class men to the inherent advantages in the purchases in the stores viz., correct weight and measurement of articles and the return of a part of their purchase money by way of bonus.

Suggestion :—A. Propaganda.

a. Issue of pamphlets in vernaculars on the utility of the stores and the success of such institutions in this country and elsewhere.

b. Organisation of visits to the various store centres for delivery of lectures on the movement by expert students of co-operation.

Note: This is very essential if we want to create any abiding interest in the institution on the part of the general body members in general and the Directorate in particular.

c. Appointment of Lady Propagandists chiefly to bring home to the women—folk by personal talks the advantages inherent in the purchases in the stores.

Note: Once women—folk are converted to the co-operative faith, I am of opinion the success of the stores movement is ensured.

Suggestion B. Half-yearly distribution of dividends and bonus.

3. Lack of sufficient attraction by way of providing an unfailing supply of good articles throughout the year at always at least not above the market prices.

Suggestion:—The organisation of a co-operative wholesale warehouse from which the mofussil stores can draw their quarterly or half-yearly supplies of articles at prices which should not vary as those of the articles of private merchants, but which should be fixed at a rate including a certain percentage of commission, and the stocking and maintenance charges incurred by the wholesale society.

Note:—Every mofussil store must be affiliated to it. The affiliation fee must form the basis of its working capital.

Its management is to vest in a committee of business experts with an expert business-man as paid secretary.

Its duty must be to get into touch with the various productive centres of this country and elsewhere, and arrange for stocking of articles from those places during the respective seasons, the quantity to be stocked being regulated according to the probable requirements of the stores previously ascertained therefrom.

It may also adopt the procedure of establishing its agencies in the various productive centres and refer the stores orders to them for direct compliance.

II. The non-realisation of the sense of responsibility for the success of this institution on the part of its directors.

Suggestion:—Propaganda. Annual Conference of stores Directors for several groups of Districts.

III. Want of managerial ability is no doubt one of the chief causes of failure.

An efficient manager to ensure success must have the following qualifications:—

1. A genial temper, first and foremost, to attract customers.

2. An intelligent knowledge of the conditions of supply and demand of the articles of the purchase in the stores.

3. A temperament to enter into the spirit of the movement and a character to look at his work from the angle of vision of an enthusiastic student of co-operation rather than that of a mere clerk.

4. A disposition to study the attitude of his customers every now and then, an ability to persuade the members where necessary to be permanently loyal to the society.

5. Ability to conduct the work of his staff on lines of most scrupulous carefulness.

6. Honesty within himself and a power to infuse it in his staff.

Suggestion: Organisation of training classes:—a theoretical course of a month followed, by practical work for another month or two in a store society. Right sort of men must be chosen for training.

IV. The indiscriminate starting of societies. One essential condition of success is the existence of a genuine need thereof.

Suggestion: Starting societies not for statistical purposes but to satisfy the genuine need of the people.

The present method of auditing ensures only correct checking of accounts. And invariably, no help is forthcoming from their audit reports by way of guidance for good purchases and sales. Auditors of stores must therefore be men trained in all aspects of the store work so as to be able to point out the bad purchases effected, chances of advantageous purchases or sales missed and to suggest successful methods of work having regard to the conditions in the locality and with a knowledge of the workings of sister societies elsewhere.

Therefore I would suggest that special auditors styled as Stores Inspectors possessing a knowledge of the business principles, the economics of the country, the principles of co-operative movement with special reference to non-credit activities and a knowledge of accounting must be appointed. There must be a special cadre of Stores Inspectors to function both as Trade advisors and Auditors. This is very necessary for the development of the movement for the following reasons. The present Directorates with possible exceptions do not and cannot be expected to possess sufficient trading knowledge and leisure to evince active and efficient interest in the society. Secondly, the Stores managers do not possess the qualities necessary for the successful running of the society. This suggestion, it is obvious, has this advantage viz., a special set of officers will be brought into being who have the necessary trading knowledge and sufficient time to attend exclusively to every detail of the management.

Note:—Their duty must be to conduct exhaustive quarterly stock-takings and audits and study local conditions and make practical and full suggestions.

I for my part do not hold any objection to selling things to non-members. The suggestion to carry forward their rebate to the reserve fund of the society is a good one. It is bound in the long run to prove a strong inducement to non-member purchasers to join the society when they find that otherwise they lose a good amount of profit.

R. G. Nallakuttalam Pillai:-All the elements that go to make up the success of an ordinary trader are against the stores. The directors of Stores and salesmen are mostly strangers to the business and the former for the most part are not very much interested in learning the trick of the trade. The trader can make a show of selling his goods cheap while he really does not and the ignorant customers will rather believe him than the honest salesman of the stores. The Directors do not know when and where to buy cheap and how much to stock at a time and their ignorance often places the stores at a disadvantage and the loyalty of the members also consequently fizzles out. Stores have further to entertain a costlier staff. However much we may try. this will continue to be so, as long as people of business experience are not attracted to the movement. It is no wonder that stores prove a failure in all places where there are not sufficient number of customers.

Rao Bahadur A. Vedachala Iyer.—The reasons for the failure of store institutions are :—

(1) The small difference between the wholesale and retail rates of grocery articles.

(2) The richer and the poorer classes have not joined the movement; the former want highly prized articles which being in small volume give very little profit and the latter want credit accommodation which is not available in stores.

(3) The purchase of articles is from wholesale traders who do not virtually market the produce in any scientific way. Very violent fluctuations occur, and this prevents stocking of articles for the year.

(4) Managerial ability is not available unless heavy payment is made. This is not feasible unless the transactions are conducted in a high scale.

(5) Stores will be successful when the producers combine and market the produce in a scientific way.

(6) The methods of living in tropics are so different that to suit the tastes of all the members reduces the volume of transactions in each article.

Efficient store managers must be trained in commercial marketting and same agency should undertage it.

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3. URBAN CO-OPERATIVE STORES.

Messers. M. Ananta Rao, Shiva Rao, and G. Venugopal Rao—1. Want of adequate attention to the details of management and absence of loyalty seem to us to be the two main reasons for the failure of stores.

2. "Details of Management" means something more than mere efficiency. Such details include honesty (not of the "commercial" variety, however) for one thing. If honesty is secured in management we would even go so far as to say efficiency will come at least in the long run. We are afraid honesty is not a thing that can be acquired by any amount of training. We are disposed to think

that it will be possible to trace far more failures to the want of this quality than to want of efficiency or want of adequate training.

3. The share that want of propaganda might have had in causing the failure of stores. is, in our opinion, too insignificant to require any consideration at present. When honesty has been secured and efficiency may fairly be presumed, there will be time enough to think of propaganda.

5. In the light of our remarks above, the appointment of trade advisers would not prove of much practical usefulness. Efficient auditors may help to discover bad or worse business, but are not likely to be able to prevent altogether.

Mr. D. K. Varadachari (Chingleput Co-operative Stores):— Some of the most important objects of the Co-operative movement are to encourage thrift, self-help and co-operation. The co-operative Stores, as is generally understood, is no more than a consumers' organisation to get the requirements of the members in bulk, as far as possible from the producers, and in proper seasons, so that it may be able to supply to its members the best quality of articles, at as cheap rates as possible ensuring at the same time accuracy of measurements and uniformity of prices. It may at once be conceded that the existing stores are not able to approach the ideal owing to various causes. Some of the practical difficulties which are felt every day in the working of the stores and suggestions to overcome them are detailed below only with a view to elicit suggestions for a better working of the institution and not to decry the movement itself or the Government Department.

SUPPLY.

The articles of consumption are various in number and it cannot be said that all of them can be got in one place at the minimum price. Chillies we have to get from Guntur, Coffee seeds from Nilgiris, Rice from Nellore, Nuts from Shimoga, Sugar from Netikuppam, Salt from Cheyyur and Chunampet, pulses from Tirupathur, North Arcot District, and pepper from Palghat. It is impossible to think of a man going to these places and making purchases faithfully not to speak of the enormous cost involved in a such course. To conceive of Local agents is also impracticable as it is the sad experience of the writer of these notes that they prove false not only in respect of the quality of the article but also its price. The only other alternative is for the Co-operative Department to organise wholesale Co-operative Stores in various centres where important articles of consumption can be had at minimum prices so that they may be able to guarantee good quality, accurate measurement and cheapness and uniformity of prices.

It may be urged that a Society like the Triplicane Society can be relied upon to supply the various articles. It may be frankly said, without meaning any disrespect to that institution, that it would not be achieving the most important object of the Co-operative Society, that of doing away with the middle man to purchase from the Triplicane Society which in its turn purchases from merchants. Our aim should always be 'to get the supply from the source and we cannot have the same source for a variety of articles. The Department alone can solve this difficulty by establishing central wholesale stores in various places and until that is done, the primary stores which deal in retail trade cannot pretend to be any more than a private shop plus an elaborate system of account keeping and expensive staff which gives more worry to the directors than profit to the members.

CAPITAL.

Having regard to the sort of business that is going on at present in some of the stores, it is a sorry spectacle to find that a major portion of even the share capital is lying idle in the cash chest of the Secretary or in the Bank current account. A month's supply is indented for which might cost about Rs. 1000 and before the time comes for the next indent we get a return of Rs. 300 and therefore we are able to run a store with a small sum of Rs. 1000. No necessity is felt for larger capital and we are getting profit on Rs. 1000 and giving dividend on Rs. 2000 or 3000 as the entire share capital may be, and it can never be said that this is good business. Things cannot be bought wholesale for a year in proper seasons owing to lack of facilities for purchase and stocking and want of confidence in the private wholesale merchants of various centres however respectable their status might be reputed to be. If Co-operative wholesale stores are established in producing centres, the primary societies can indent for their annual requirements in proper seasons at minimum prices. If need be, the primary societies can order and pay for their entire annual requirements of a particular article at minimum prices and indent in convenient quantities in various instalments agreeing to pay a small commission to the central stores for stocking. It is only under such circumstances that the primary stores will be enabled to utilise a larger portion of their share capital and probably will feel the need for inviting periodical fixed deposits from its members.

CREDIT.

No doubt the safest and the best method is always to sell for cash and never think of credit. Credit is not only opposed to the important principle of encouraging thrift but would also involve an amount of complication of account keeping and management and not improbably end in loss. But there is the other side of the picture. It is not always that a member is able to command cash and often members are tempted for this reason to prefer a private shop to the stores, even though the price in the former is higher than in the latter. The principle of sale advances has been tried and found not to work satisfactorily for the simple reason that the members are not inclined to make deposits before-hand for their future purchases. To meet the difficulty the following suggestion is offered for consideration. A member may purchase on credit to the extent of his share capital only and the amount shall be repaid in a week or a fortnight or a month in default of which interest shall be charged and in no case should the amount be left outstanding for more than a month. If this suggestion is accepted the members might resort to credit purchases in cases of emergency and the chances of loss would be considerably minimised.

make much profit by a store with insignificant capital in an out of the way locality. Where things are few, and the attractions to the shop not many, people cannot be drawn. The psychology of the consumer in purchase of goods is a subject to be studied. By a single standardised plan, it is not possible to change the age-long customs of the consumers. It is possible in town to maintain a store for every street. The stores should give credit to the members in a town not exceeding the value of their shares and the deposits they have made, on condition that their loan should be repaid as soon as their salary is drawn. No goods will sell if not sold on credit. It would be excellent if stores are formed in villages. The things should be bought from the share capital paid by every member. The members should be trained in purchasing from the town for the rural stores. Things should also be sold in such stores to the villagers. Even in the village the locality should be so selected as people usually gather. As the villagers have no monthly income things should be sold on credit at the interest of 2 pies. on the rupee per month on the security of their share capital and any deposits made, and in seasons when they make their income, the loans should be repaid.

Mr K. Krishnamachari (Graemspet).—It is evident that persons who have knowledge of co-operative organisations have in a very large majority of cases taken interest only in the credit section—the self-same interest that panchayatdars in a village society take though in a miniature scale. Instead of showing the way to work and to risk, if necessary, they expect the latter to do so in order to promote co-operative ideals in the land. It is the want of initiative in the upper ranks of the ladder that is the cause of the unsuccessful working of many of the stores. If on the other hand Trading Unions are established on purely co-operative lines not with a small capital, say in a dozen centres, each centre in its turn dealing primarily with articles produced in and around such locality stocking such at the most favourable season and secondly with all other articles obtainable in other trading unions and which are required for consumption in such locality. The rates that can prevail at any time between the one harvest and another of the same commodity will not prejudicially affect the value of stock in the interim period. Indents should be obtained from each Trading Union in respect of articles about to be harvested and complied with.

The sales should be only among the Trade Unions but a Trading union may supply to stores societies within its jurisdiction.

The bazaarmen are in some cases satisfied even if they are paid 1/5 or 1/6 of the total amount due but the members know well that all this is for their own disadvantage but yet hurl this at the co-operative stores as the chief drawback.

It is for this object desirable that the interest charged for default should be a nominal one, viz., 2 per cent and the usual processes taken in respect of members who have been in default for a period of three months of more than 50 per cent of the amount due. To enable the society to work, the borrowing capacity should be therefore 16 times of the paid up share capital with the society on any date.

Mr. K. V. Raghavachari (Nellore) :—Stores have never succeeded anywhere except probably in the case of the Triplicane Stores. It will succeed only in a place where everybody buys the staple article of food—rice. Sale of other articles will not pay a stores society very much. It best succeeds in a place where every member buys all his household articles of consumption.

The tendency of people who do not get monthly salary is to buy on credit and pay at their convenience. Such people will have an eye upon credit rather than on the correct weighing and quality of the articles sold. In such places where the members are of this type, stores have always proved a failure. The members can never be true to the stores and if they buy for cash at stores and go to the local merchant for credit, they will not be given by him that credit which they want. To avoid any such difficulty he naturally proves unfaithful to the stores and goes to the local merchant. If he does not accuse the stores of bad articles and malpractice, he should be considered very honest.

The managing board of the stores does not always consist of men who have trading business habits. They can succeed best only if they have the merchant's forethought and business capacity. Further it is impossible to expect the personal care and attention from the managers, which they would have if they were dealing with their own money and business from which they expect some gain.

I do not think it is the want of propaganda work that stands in the way of success nor will the appointment of trade advisors and efficient auditors improve the situation. So long as human nature is what it is, so long us man cares first for his own benefit and convenience inpreference to the benefit and convenience of others and so long as it is felt that many men's interest is no man's interest, the stores are bound to be failures sooner or later.

I always felt that stores and joint stock companies will never succeed in this part of the country.

T. L. Raghupathi Sharma :— (*a*) These stores are not made to start from a few members who are enthusiasts and then take in more and more as the benefits are realized. (*b*) People who can understand, but have no living faith in the essential features of co-operation, and who are merely loud and vociferous are too often left in official or business charge of stores to the detriment of their progress. Business ability is strangely believed by ignorant public to co-exist with expository power. This is one of the main causes of the failure of many newly started institutions. Those who organize the initial stages by getting up meetings and doing the talking there are the people who are entrusted with the business aspect of it, and the result is mismanagement. (*c*) The fact that cheapness is a secondary aim is not fully understood by the organizers. (*d*) The opposition of local traders is unnecessarily provoked by a too sudden and too hasty drawing off of their custom.

It is certainly due to want of propaganda of a practical type. Propaganda should be undertaken by people whose living faith has already made ardent and active co-operators of them and who can find time to get together a number of neighbours and carry on friendly and familiar chats with them over the advantages of co-operative distribution giving interesting historical details of the growth of the movement in other parts of the world.

STORES.

L. Dharmaraja Iyer (Periyakulam Urban Bank).—(*a*) A stores society in order to function properly has to maintain a costly establishment—It must have a guaranteed volume of business and sufficient profit—It must have therefore a large number of loyal members—It must have also among its members persons of position who can devote sufficient time to work the institution—the Directors must have sufficient working experience—generally middle class men who can drift for themselves prove to be disloyal. The poor people alone are, for the reason that they cannot command credit anywhere, loyal to stores-share value must be very low to enable the poorest to come in—the bonus must not be distributed periodically but allowed to accumulate the share capital.

(*b*) Market price—cash sales with provision for trade deposits—quarterly audit—These three conditions by themselves are a sufficient guarantee against loss—and any loss that accrues owing to the blind action of the directorate can be set right as quickly as it is detected. Monthly salary earners, especially clerks and officers, are a good class of members for the stores—with their necessity for purchasing articles month after month and paying for them in a lump.

(*c*) Business experience of the directorate can be secured by their having experience of joint purchase as part of their credit society activities—by a system of joint purchase the members will be enabled to practically realise what deprecation, wastage, dryage, conveyance charges etc. mean, besides learning rudimentary lessons of stocking—school-masters will make good directors.

(*d*) Local conditions must be favourable—the number of other shops—the sources from which they gather stock—the number of village societies in the vicinity—the local products—these must be studied and an interlinking of the societies with the stores must be made to strengthen the stores while each society can also have the advantage of a stores without the attendant expense and worry.

Thus we see that a store can successfully work in Urban areas or largely populated villages where there is already a credit society functioning properly and having experience in joint purchase.

So applicants desiring the registration of a stores society must be compelled to furnish a statement showing :—

(1) a classified list of their members.

(*a*) loyal customers.

(*b*) qualified men for the directorate.

(*c*) number of monthly salary earners.

(2) Their monthly household requirements—estimated value thereof to enable to judge the volume of work.

(3) How they manage to pay for the same.

(4) Their business experience such as joint purchase etc.

This statement is as important as the property statement now called for from credit societies.

The organiser must make a study of the local conditions and he must devote main attention in his report to the human material available and the trade facilities that the locality has.

So an application form must be devised for the stores societies.

For popularising the stores, every credit society must be induced to engage in joint purchase.

The Store must be permitted to sell *on credit* agricultural implements, seeds and manures to *bonafide* agriculturists on the security of their crop or on condition that they will repay in kind in the next harvest, or in instalments in successive harvests. This will ensure facilities for agriculturists while ensuring a profitable joint sale of their produces eliminating the middle man.

HOUSING.

Messrs. M. Shiva Rao, Ananta Rao and G. Venugopal Rao. (South Canara)—The rules are on the whole tolerably satisfactory. But the loans have been restricted only to the building of new dwelling houses. Building of and repairs to appurtenances of dwelling and repairs to dwelling-houses have also to be included in the purpose for which loans are to be granted. Provision has been made for levying charges for getting the building operations valued by "experts" every time instalments of loans are granted by Government to societies. This is likely to weigh rather unduly heavily upon the societies.

2. The co-partnership system can be applied, if at all, only in comparatively very large towns like Madras, Madura or Coimbatore. People with whom we can claim familiarity are more accustomed to the full ownership system than to the co-partnership variety. But co-partnership also will be able to command a fairly large number of adherents at Mangalore, which is the only urban area in this District.

3. Rural housing is not a question to which we have devoted much attention. But it does not seem to us to be such as to require any activities of a co-operative character on any large scale to tackle it.

4. Under existing orders of the Board of Revenue, we do not think it will be possible for co-operative societies to do anything for acquisition of house-sites for the poor. A poor man gets land on darkhast, but a co-operative society does not get any land on darkhast without paying the "value" of such land also into the bargain under the alienation system. These are the present orders. Unless these orders are revived, there is no hope.

Rao Bahadur A. Vedachala Iyer:—The rules promulgated by the Madras Government require that each house-builder should put in ¼ of the loan to be obtained as share capital. This condition will be justified because the

Statistics may be obtained from each society as to the amount of total indebtedness and assets of each member composing it, and then loans sanctioned to the extent of 50% of the market value of the entire property at favourable rates of interest, the term of repayment extending to 20 or 25 years even in consideration of the repaying capacity of each member.

Mr. V. L. Vasudeva Rao (Coimbatore District Bank).—The question of organisation will be solved by the appointment of say 5 or 6 additional Assistant Registrars who may be selected from among the present Union Governing Body members and invested with full power as to arbitration and also organisation. My reason for confining the selection to the members of the Unions is because they possess large influence in the locality and the fact that they are acquainted with a very large number of members taking loans will go a long way to reduce the number of cases for arbitration which is not likely when arbitration work is a stipendary office like that of the present Assistant Registrars. It is also in my opinion necessary that before a society is registered, the financing bank should be consulted as otherwise there is a chance of friction between the Directors of the Bank and the Department in cases where they hold different opinions.

The Bank is prepared to meet short term needs of societies provided it is informed sufficiently in advance as to the amounts likely to be required under this head, the loans being made repayable in a year. So long as drunkenness and mischievous habits of indulging in litigation criminal and civil continue it is not possible to undertake complete redemption of prior debts.

All loans for purposes other than purchase of seed grain, manure, payment of kist, domestic expenses for the dull season, for the sale of produce, purchase for cloths and such-like family routine expenses may be treated as long term loans. I would insist on such a demarcation as very necessary not only in the interest of the financing bank which has to find funds but also those of the borrowing public which will be enforced to observe thrift and punctuality in repayment.

Loan application with the recommendation of the Union concerned may go direct to the Bank as the basis for the decision as to whether the loan should be granted or refused. If the property statement is alright, I can dispense with the rule that applications should go through the Department. Of course applications from societies not affiliated to a Union will continue to go through the Department.

At present we have deposits from individual share-holders to the extent of Rs. 3 lakhs. This will disappear if share-holders are purely societies.

Both the Manager and the paid Secretary where there are Secretaries should have the requisite training. The Board of Management should take steps for the selection and training of suitable candidates for the Secretary's place with the sufficient qualifications as to character, property and business capacity. The Secretary ought to furnish security to the extent of Rs. 500. Details as to period of training etc., may be left to the Board of Management to settle.

Mr. C Ranganatha Iyengar (Gooty).—The organisation and starting of societies should be conducted on the recommendation of the Local Inspector or Union by a capable and senior Inspector of the District under the immediate presence of the Assistant Registrar. At present the Local Inspectors seem to care more for volume of work than efficiency and permanency. The Assistant Registrar should be present on the spot and satisfy himself by enquiries of the need for a society, the nature of the society required for the locality, and availability of enthusiastic and influential persons to take charge of the work and run it on. The Central Bank is not in a position to advise being remote from the area. The local Union, as it present constituted, is a much inferior body to the Committee of the society and its voice will be little heard in matters of registration. It can only offer suggestions which are not binding. The Directorate of societies should, as far as possible be drawn from various interests, so that the persons may influence all classes to join the society. The system of *co-operative marketing* should be tried by these rural societies. It is possible to clearly demarcate the periods of loaning with reference to the purposes, *e. g.*, for trade and household expenses the period should not exceed at the most a year. For marriage purposes loans can be granted for two years, provided no additional expenses are incurred during the period in connection with the same purpose. Certain clerks should be trained as volunteers in the District Bank to be released for service in primary societies which need them.

Mr. R. G. Nallakuttalam Pillai, Hon. Asst. Registrar, Srivilliputhur.—The movement has not yet reached the masses sufficiently. Illiteracy is still rampant in the country. Societies are started without any reference to economic strength or poverty of the locality. There are very few organisers of societies who are qualified to study the economic conditions of a village and suggest the proper form of societies. The capacity of individual members to stand the strain of distress or calamity must be the criterion for judging the economic conditions of a village, and on that judgment should depend the form of society and the special by-laws the village may require. There may be not only heavy indebtedness but also drink, non-employment etc. causing havoc in the village. The third may be relieved to a certain extent by suitable by-laws, the second may have to be left to time and gentle persuasion and even in the case of the first ordinary by-laws may not be sufficient to relieve the members of all their indebtedness. Societies started with stereotyped by-laws in such economically poor localities cannot flourish even for a year. The department is not only very rigid but also delays unnecessarily long, by raising series of questions even when slight changes are proposed. The Inspectors and all organisers of societies recruited must have a special study of rural economics. A detailed report of the economic condition of villages cannot now be expected from them. Such of the details as are required by the Manual are sufficient for the present day purposes.

A central bank cannot have proper materials to decide upon the registration of society. Whoever may organise a society, it is the Registrar or the Assisloyalty *etc.*, and the advantages of co-operation in its several aspects must be printed and published and the Director of Education must be approached with a request to include them in the curriculum of every aided school. The edifice of co-operation if begun on this bed-rock would be safe and secure for all time.

Wherever we come across with real democratic men—men who accept certain ideals of life, men who are well informed by a sense of equality and inspired by a sense of finding equal opportunities for all men, there we find co-operation lifting its head. Unfortunately class prejudices and caste hatreds have slowly crept into the co-operative movement. These keep some men who are willing to render willing service away from the movement.

Till now the co-operative movement has been measured by quantity and not by quality. The result is only an embellished paper progress.

Such of the Honorary Assistant Registrars and Secretaries of Supervising Unions who have justified their positions by their voluntary and responsive co-operation are more competent to test the suitability of localities for credit and non-credit business. The trained supervisors of unions can help the rural banks to keep correct accounts, conduct meetings and send their reports. No supervisor can have more than 20 societies to supervise and his jurisdiction must be within a radius of about 5 miles from his quarters whether the number of societies within that area is more or less. Then only the control will be thorough and the work efficient.

We have not carried Co-operation to its fullest extent at least in one village by studying its needs and trying to remove usury and the elimination of middlemen to hold as an example at least, nor have we been able or willing to extricate the members, at least of a particular locality or a sect, from the clutches of usurers.

When we thus restrict and limit our help to the members, the best influential of the group of members monopolise the advantages amongst themselves and their relations keeping lesser men and the dumb in the background.

It is high time that we must begin to work a model primary society and make it a standard-bearer of the true ideals of the Co-operative movement.

To begin with, a convenient locality must be selected. The whole locality must be given the benefits of the movement in all its aspects—Banking, Commercial Agriculture and Industrial. Here we must give practical education to students making them earn whilst learning.

We must construct a storage depot or granary to supply seeds, tools, raw-produce *etc.* and to receive instalments of debts in kind *etc.*

In short it must be a self-contained colony.

DISTRICT BANKS.

The attempt of Departmental officers to reduce the shares of individuals is not a desirable step. But there must always be a majority of society representatives.

ere are about a hundred societies it is better to have a separate central bank instead of one district bank with an unwieldy number of societies to be managed. Some of the present District Banks are a happy group living in the Olympian heights thoroughly ignorant of the conditions of the locality and are to depend only on the Department for advice *etc.*

Proximity to societies would enable us to study the local conditions and to exercise control and check over them.

All these central banks must be federated to the apex bank and hereafter be made as its branches. Even the present District banks must go by the appellation of Central Banks and not as District Central Banks.

We have been proclaiming time and again all these years that middlemen must be eschewed and yet we countenance the district banks as acting the part of middlemen between the Provincial Bank and the societies.

Time there was when we could not be overstrict at the initial stage of forming central banks on account of the want of best human materials. Now that the co-operative road is roughly laid, we can think of weeding out men who join the movement with ulterior motives without the least interest in it and who would not subordinate their welfare to social welfare. If we do not eliminate the middlemen's selfishness of the District banks, our practice would become contradictory to our profession. Is it not stultifying to think of the rate of interest charged to a society compared to the rate charged by the provincial bank? Why should the District banks be permitted to act the part of middlemen. Is ours a profit earning movement? We can think of lending the societies at a rate of interest at which the provincial bank lends to the central banks if all these are affiliated as branches of the provincial bank. But we will have to fix for moffusil deposits in co-operative banks a rate of interest not exceeding the maximum rate at which the provincial bank lends the central banks. All central banks must be linked to the one chain and must have paid secretaries throughout.

When we resolve to have a central bank for about 100 societies, the existence of separate supervising unions is unneccesary and they can be done away with. These central banks can go by the name of central banking and supervising unions. When these become guaranteeing unions, deposits will be pouring from all sides. Under this scheme more supervisors will have to be appointed. Any surplus supervision fund may be utilised towards the travelling allowance of any member of the central banking union being appointed by the President to make surprise visits to societies which are reported not to be working properly.

ORGANISATION AND SHORT TERM CREDIT.

Mr. M. Krishnaswami Sastriar (Ranipet Town Bank)—In regard to organisation of societies, the Presidents of Local Boards should supplement the work now being done by non-officials and the Department. They should recognize that their intervention in the matter of organization will help a great deal. In regard to short term credits, the surety system will safeguard the amount of the overdraft accommodation should be sunk in loans to unlimited societies. The money required for the latter purpose should come out of the share capital and deposits. To what is then left out of these two items, with a further margin set apart therefrom for grant of loans to depositors on the security of their deposits will be limited, the capacity of the District Central Bank in the matter of sparing funds for advance to Urban Banks. Such limit happens to be very limited in Central Banks in which deposits are very limited. And from within such limits, should come all money required for the use of urban banks whether for issue of loans to members or as cash credit.

9. Coming to cash credit : Urban banks of a certain magnitude of business are required by a rule under the Act recently issued to maintain fluid resource to a prescribed extent. To enable them to comply with this rule, Urban banks would naturally look to the District Bank for accommodation. The question is, what is the limit to which accommodation may be given by the District Bank. I think the District Bank may grant cash credit to Urban banks to the extent of the share capital and Reserve Fund actually invested in the District Bank or to the extent of 1½ times or twice the said amounts.

The grant of such accommodation will have to be dependent on certain specified conditions as to (1) proper management of the Bank ; (2) prompt realisation of overdues ; (3) strict compliance with byelaws and (4) prohibition of book adjustments except in special cases and for special reasons ; (5) use of the cash credit only for the purpose of repayment of deposits. In order to enable the Central Bank to see that the urban bank complies with these conditions, the urban bank should furnish the Central Bank with periodical reports giving information, more or less on the lines on which the District Central Bank furnishes monthly reports to the Provincial Bank.

10. Detailed terms as to the rate of interest chargeable on cash credit, the minimum proportion which will have to bear interest, whether drawn or undrawn, *etc., etc.,* will have to be fixed after careful consideration.

11. The Provincial Co-operative Union enquires whether there is any conflict of interest between urban banks and the District Bank, on account of competition for deposits. Competition does exist in places where the Urban Bank at the district headquarters allows higher rates of interest on borrowings than those allowed by the District Bank. I do not see how such competition can be avoided. Either the Urban Bank should be allowed to offer its own rates or be granted loans by the District Bank for advance of loans to its members. The former course seems preferable. It will be interesting to know how matters fare in other parts of the Presidency.

The Central Co-operative Printing Works, Ltd., Chintadripet, Madras.

2. LOCAL UNIONS, DISTRICT COUNCILS AND PROVINCIAL UNION.

LOCAL SUPERVISING UNIONS AND DISTRICT COUNCILS.

Mr. T. Srinivasa Rao (Chittoor).—The accounts and affairs of every society for the preceding year undergoes thorough overhauling during the audit, the results of which are communicated to the society by the Assistant Registrar in the shape of two documents, namely (1) "the audit order" and (2) the "review". Generally there would not be much to do with "audit order" beyond seeing that it is considered by the general body of the society and that the panchayat takes the necessary action in regard to the remittance of reserve fund, supervision fund, etc. As to the "review" however the matter is different. If, as it ought to do, the "Review" embodies *all* matters concerning the administration of the society in respect to which action remains to be taken as the result of the audit, in order that the affairs of the society might be brought to a state of perfection, that document would at once be an excellent guide in the hands of every one who has anything to do with the society, to proceed with his business. The review will of course be addressed to the society and it is the society that has to take the necessary action. Concerned as we now are with supervision, it will be found to be an extremely useful guide in the hands of the union and its supervisor, in that it will enable them to readily know what matters there are which await attention. Further, issued as it is by one who is not directly responsible for supervision and based as it is on the result of a thorough overhauling of the society's affairs there is a fair amount of guarantee that it contains a complete list of matters outstanding or demanding attention. With a review of this kind drawn up and placed in its hands by the Assistant Registrar, the union has a splendid opportunity of correcting mistakes, supplying defects and omissions, taking the necessary action on matters calling for action, and thereby placing the affairs of the society on a satisfactory footing.

As all co-operative officials and supervising unions and the District Bank of this district are aware, a review of this kind was introduced in this district two years back. It was issued for the first time in respect of the year 1920—21; it was also issued in the succeeding year 1921—22. The form of the review underwent improvement during 1921—22 and it has since been further improved, which improvement would be introduced in the review to issue in respect of the current co-operative year.

The review is issued in a printed form. Each one of several matters which are common to most societies is reduced to a single particular form (or where necessary to two or more alternative forms). This way a number of important matters relating to each society is brought under a detailed review and the issue but will concern itself with seeing that their working reaches a fair level of efficiency.

They may meet once or twice in the course of the year at the district headquarters. The duties devolving on the District Committees may be said to be—

(1) The passing of the budgets received from several unions in the district.

(2) The reviewing of the working of several unions.

(3) The consideration of the steps to be taken in the matter of pulling up backward unions;

(4) To see whether the supervisors employed in unions come up to the required standard of efficiency; and

(5) The consideration of the programme of work for transaction in unions during the coming year.

The present District Committee composed of union representatives at one from each union may form the Board of Directors which may meet three or four times a year for consideration of questions of policy or procedure and other important matters.

It will also be necessary to have a smaller Executive Committee of, say, three members who may meet every month, to obtain and deal with monthly progress reports regarding the transaction of business in unions and affiliated societies, in matters relating to collections, loan applications, attention to review points, etc., and to transmit requisite information to the District Bank or the Assistant Registrar, as the case may be. *(Reprint of Cir. 100. 28-4-23 of the Assistant Registrar, Chittoor.)*

LOCAL UNIONS.

Rao Sahib T. Srinivasa Rao. The first question dealt with in the questionaire under the head is about the manner in which recommendation of loans made by unions should be regulated and improved. I have dealt with this question in my note on Central Banks. If and when, as suggested in another note of mine, the results of audit of every society are communicated in a suitable form to the society and the union, and when these authorities begin to take the necessary action in the matter and in consequence the working of the society as well as the union get into proper order, and when again the Central Bank begins to deal with the loan application in the manner suggested in the note already referred to, the unions will in due course of time become competent to deal with loan applications.

2. It is asked whether the union budgets and appointment of union supervisors should continue to be subject to the approval of the Assistant Registrar. In another note of mine dealing with the present outlook of the Co-operative movement I have stated that it is high time that every district formed a federation of unions therein. That federation, I would submit, will be the authority to be entrusted with these powers, viz., approving budget estimates of unions and the

appointment of union supervisors. Instructions of a general kind as regards the preparation of budget estimate of charges of a union may be laid down by the provincial Registrar for the guidance of unions and the District federation.

The Provincial Registrar may also lay down the minimum general qualifications to be insisted upon in the case of union supervisors. Until the District federation comes into existence it may not be possible to dispense with the approval of the Assistant Registrar in these respects.

3. The questionaire enquires whether a system of inspection of societies by Governing Body members, with or without payment, may not be possible. This enquiry may at once be answered in the negative, if the Governing Body members are to bear their travelling expenses and batta out of their pockets. If their services are to be utilised, they should certainly be paid for. The question is, whether even with such payment we can find men willing to do the business. The solution in this respect cannot be achieved easily or at once. It is only in due course of time, with the education of rural people as regards their responsibilies, that improvement can be attained.

4. Another question raised is whether the funds of unions, composed of the rate contributed by societies and the rebate granted by the Central Bank, are sufficient to maintain an efficient staff and to do propaganda work. This question is very easy to answer, for it may at once be said that in most unions the funds are inadequate to meet all these requirements. While this is so, it is most unfortunate that the existing rate of interest chargeable to members of primary societies viz., 10-15-0 per cent has been, or is being reduced to 9⅜ per cent, I have dealt in another note with the question of the reduction of the rate of interest from 10-15-0 per cent. In that note I have not taken note of the claim on union funds for propaganda work. I have failed to mention in that note that the present rate at which societies contribute to the supervision fund is inadequate even to maintain a supervisor on adequate salary and to pay travelling expenses to the president or the secretary and other governing body members making inspections. It goes without saying that the union finances should be strengthened at least to meet all these charges, though not the cost of propaganda work. If this question is seriously considered, no co-operator would think of reducing the rate of interest chargeable to members of primary societies from 10-15-0 per cent, remembering that that rate is by no means oppressive as compared to the rate of interest obtaining in the open market.

5. Still another enquiry is made in the questionaire, namely, whether unions could undertake the disbursement of loans and remittance of collections of societies and if so, what would be the financial security for doing so. I think that it is highly inadvisible that unions should be entrusted with these duties. I am aware that in some unions this is being done. I do not know what security there is for proper conduct of this business. No doubt things may not have gone wrong so far, but that would be due to the present office bearer or bearers in the union being persons of unquestionable character and integrity. The undertaking of financial responsibility of this kind by an institution

TRAINING OF CO-OPERATORS.

There should be a course of lectures to which all the office-bearers of the societies and unions may be required to attend. Experienced co-operators who either officially or non-officially had knowledge of the working of societies or unions may be requested to deliver such lectures. They may be paid such remuneration and travelling allowances as funds may permit and the status of the lecturer may demand. The funds should be contributed by Financing Banks and Local Unions. As these institutions may not be able to find all the money required, the Government should also grant some subsidies which may gradually be withdrawn when the Financing Banks have grown strong enough, to undertake the burden entirely.

The recruitment of Supervisors should be direct from among candidates who may have passed at least the School Final and passed examination in accounts and Manuals of Co-operation such as Hemingway's Manual. They should be required to attend lectures suggested above and undergo practical training for at least 3 months under experienced Inspectors. Selection should be made only from among such candidates.

MORE POWERS TO UNIONS.

The power of recommending loans to societies, organisation of societies and supervision may be transferred to Local Unions, Supervision must be exercised by Assistant Registrars also to a large extent. Until the Societies and Banks are able to engage certified auditors, the audit must be necessarily done by the Assistant Registrars.

I do not think that the appointment of supervisors should be done by the Asst. Registrars. It should be left to the Management of the Unions who have to pay control and get work done by the supervisors.

The inspection of societies should be done by the governing body members without any remuneration. They must be paid their Travelling expenses. The governing body should endeavour to elect such members as may have inclination and interest in the Co-operative movement.

FUNDS.

It seems to me that a small percentage of the net profits of each society affiliated to the Union may be set apart for contribution to the supervision fund. The Central Banks which can afford to save something after paying the maximum dividend may from time to time be requested to contribute an additional sum towards the supervision fund.

FINANCIAL RESPONSIBILITY.

I do not like to burden the Union with this responsible work. The Financing Banks and the repaying societies may not be willing to pass money to their hand as they may feel that there will be no security for their money passing through the Unions. The financial responsibility is too much for the Unions to undertake.

HONORARY ASSISTANT REGISTRARS.

Mr. T. V. Kuppusamiah (Tindivanam).—If the Registrar happens to be a radiating force to direct the three (Co-operative, Agriculture and Industry) into one channel without separate heads for them and with only personal assistants for him and if the co-operative department also is divided into 4 or 5 circles and paid Assistant Registrars posted for each circle, the Honorary Assistant Registrar's position will then become very conspicuous. It will not then become a patronage distributed to a hanger-on by the donor. It will then be given to the man having time, taste, talent and tact and who must be held at least morally responsible for the right working of the movement. Under the system of a chain of trained supervisors the continuance of inspectors are unnecessary except for audit work. The central banking and supervising union, as it will then be called, in addition to its own supervision, will derive its information through the Honorary Assistant Registrars also. These must be provided with a peon and a clerk each and a travelling allowance in the scale provided for paid Assistant Registrars. It is enough if each district is given 2 Honorary Assistant Registrars. By this arrangement so much of public money will be saved as several Assistant Registrars and inspectors will be reversed to their old appointments. There will be retrenchment on one side and improvement on the other.

INSPECTORS.

Mr. J. Krishnamurthi Rao.—The staff of Inspectors are generally incompetent to properly organize societies. It should be solely confined to the staff of Chief Inspectors, trained Honorary Assistant Registrars and Assistant Registrars. The inspectors should be able to devote more time in periodical inspection of societies and thoroughly be given directions for drawing up their inspection reports. They should see that the loans are properly disbursed to members and proper documents are taken from each member. They should fully investigate into any misbehaviour of the Panchayatdars in the matter of granting loans and fish out any false, fraudulent or nominal loans. If the loans are given for redeeming prior debts, they should see that the redeemed bonds are secured from the creditors. They should classify short term and long term loans noting the purposes for which the loans are sanctioned, and note overdues and the causes therefor. They should be specially careful in dealing with loans taken by the Panchayatdars of primary societies. They should at the time of final audit procure revised property statements and note any accretion or depreciation in the value of the property of the members. Entrusting different functions to one inspector with respect to a large number of societies will much handicap their work.

DISTRICT COUNCILS AND THE PROVINCIAL UNION.

Rao Bahadur A. Vedachalayar.—The present finance of the Provincial Union depends upon the contribution given by primary societies as an equivalent to the value of the Bulletin and other publications, and upon the subscription