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The
MADRAS Bulletin of Co-operation

Acc. No: 161724

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OURSELVES.

The present is the first number of the Bulletin to be published by the Madras Provincial Co-operative Union. The reader is no doubt aware that the Union was registered and started on the 4th of January 1914, on the occasion of the Second Madras Provincial Co-operative Conference with the object of propagating the principles of co-operation, watching over the interests of the societies and generally placing the movement on an efficient basis. Believing that the editing of the "Bulletin" would naturally come under its objects, the Union requested the Triplicane Urban Co-operative Society which was hitherto editing the journal and the Registrar of Co-operative Societies, to transfer its editing and management to the Union. Both of them kindly agreeing to the proposal and the Government seeing no objection to it, the transfer was finally effected on the 15th of August last.

A Sub-Committee has been appointed to look after the Bulletin, consisting of the Hon. Mr. V. S. Srinivasa Sastri, Mr. K. B. Ramanatha Iyer, M.A., B.L., L.T., and Mr. V. S. Rameswami Sastri B.A., B.L., who was editing it on behalf of the Triplicane Co-operative Society. In recommending the transfer the present Registrar pointed out that as most of the members of the Union are Co-operative Societies, the Bulletin may be hoped to become more useful and popular. The Union will earnestly do its best to secure this end by every means. It is also intended to make the vernacular editions more independent and attractive than they are at present. Articles and correspondence on co-operative subjects, news and reports of important societies; photographs and other illustrations will be gladly and thankfully received and every attempt will be made to publish them, of course at the discretion of the editor. The Central Agricultural Committee which had its office at Chepauk has wound up, making over all its assets to the Union. The Union is therefore specially anxious to further the cause of agriculture as far as it can consistently with its objects. The Union earnestly requests the hearty co-operation of the subscribers and the public at large, and also takes this opportunity to thank the Triplicane Urban Co-operative Society, the Registrar and the Government for the transfer of the Bulletin.

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No. 1.

The following extracts from a letter, dated the 24-3-15, from Sir H. W. Wolff, acknowledging receipt of the Report on Co-operation in the Madras Presidency for 1914-15, will be read with interest by co-operators :—

I thank you very much for your last Annual Report which, like all its predecessors, I have read with great interest. In the matter of Co-operation, Madras has shown itself anything but the "Sleepy Presidency" that it was once held to be. It was one of the first to bestir itself actively in the matter. But I am not sorry to see the great variety of different forms of organisations, which signalised it in its earliest days, brought down to greater uniformity.

•The leading question with you at the present time appears to be that of inspection and all that pertains to it. But people appear to have grown indifferent in the matter of insisting upon punctual repayment. You very rightly urge that there is serious danger in this; which ought now to be strenuously guarded against. I remember that when I travelled about with Mr. Luzzatti in Italy, one of the first questions that he asked in every Bank that we visited was: what are your arrears? And if they were at all heavy he made a wry face. There is no occasion to be afraid of renewals when good cause can be shown. In years of dearth and famine, they are likely to be freely asked for. But they must never be allowed without leave being asked, and leave should be given only when good cause is shown. Also they should not be made without record. This matter wants looking after.

Your having to turn away so many disappointed applicants for loans for want of available funds is a nuisance. However, you cannot make one rupee do the office of two. All the more reason for insisting upon prompt repayment so as to keep the money coming in and going out, and all the more reason for stimulating good balancing action on the part of Central Banks. They are there to equalize distribution as well as to tap the outside market.

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There is also room to the panchayat practising some colecticism, but not in a capitalist, but in a co-operative sense.

The favour shown to building societies by the public is a promising sign. Of course, your Nidhis were originally formed in imitation of our building societies, but possibly not for building purposes. That is, where properly managed, a very safe business—safer than productive—and likely to catch on.

The satisfactory progress made with non-agricultural societies is a distinctive feature in your Presidency.

The rivalry mentioned under "Resources" which you have to face with capitalist institutions in a position to allow a higher rate of interest on deposits is of course a troublesome fact to deal with. But that makes it all the more desirable that you should not limit membership to borrowers only, but accept depositors and future depositors as well. And I trust that, in the future, the safety which ought to characterise your trade, and public spirit, encouraged by the results obtained from the employment of deposits, will help you to overcome this difficulty.

On the whole the Co-operative movement in India has thus far done remarkably well and the country owes great thanks to the judgment and zeal exhibited by the Registrars.

UNPUNCTUALITY IN REPAYMENT OF LOANS.

BY MR. B. ANANDA RAO, PUTTUR, SOUTH CANARA.

Overdue loans seem to be inevitable in the early stages of a Co-operative Society. Whatever other good qualities may exist amongst our rural population, strict business principles must be admitted to be absent in a large measure in their ordinary transactions. Obedience to a set of hard and fast rules is a virtue which they have yet to cultivate. Punctuality in repayment is only one of the qualities comprised in the term—"business habits". The seeds of punctuality have to be sown and carefully nurtured in a soil, of which slackness has hitherto been a marked characteristic. Unless the general tone, so to say of the borrowing classes as a whole is therefore improved consciously and deliberately by co-operative education, both positive and negative, the mere establishment and mechanical working of a society will count for very little. The growing evil of unpunctuality is watched with considerable alarm by Co-operators in this Presidency and the object of the present writer

is to state briefly how the Puttur Rural Credit Society in the District of South Canara has tackled the problem of putting down the evil. The experiences of Puttur Society will, it is hoped, be found particularly useful and interesting.

In the Puttur Rural Credit Society where the mass of the human material was not much above the average, unpunctuality had appeared at a comparatively early period of its history. The Society was started towards the end of October 1909; and it was not very long before the panchayat had to face this problem. Fortunately enough, all the early defaulters were amenable to friendly castigation and the arts of peace exercised by the first set of Panchayatdars were found to be enough to prevent an abnormal spread of the disease. But as time rolled on, a few examples were found of members who cast the panch's advice to the winds and offered a sullen—we may add, barefaced also—front even to the notices issued under the Rules. Necessity is the mother of invention and Panchayatdars were not wholly devoid of resources to meet the new situation. It was well known that the needs of the average borrower were often elastic; and the facilities afforded by the Society ordinarily would only induce him to apply for more and more loans. The Panchayatdars therefore hit upon a system which took advantage of this natural craving of the borrower in order to inculcate a lesson of punctuality on him. It was a system of automatic suspension by which a defaulter became *ipso facto* ineligible for any loan for ten times the period which would elapse between the date of default and the date of re-payment. In the case of his sureties the suspension would be for half that period. This has turned out to be an excellent restorative for bringing the recalcitrant member to his senses.

A separate Defaulters' Register, specially maintained for the purpose, exposes all the details of the tale of each defaulter *in extenso*. Members have learnt to look upon the Register as something in the nature of the famous K. D. Register of the Police. Needless to say the tone of the borrowers has improved perceptibly in consequence.

If the Panchayat is given the authority of imposing fines for defaults in addition to filling the pages of this Black Book, I have no doubt the effects will be still more salutary. Latterly

this has also been introduced in the Puttur Society. To make matters still worse for the culprits the rate of penal interest has also been raised to 18½ p. c. The former rate of 12½ p. c. was, after all, only the ordinary rate that prevailed in the villages before Co-operation raised its head, so that the defaulter who paid 12½ p.c. interest could not be made really to feel the burden occasioned by the payment of such interest. Eighteen and three-quarters *per cent.* is however really penal enough to enter very forceably into his consciousness.

There is no intention however to add to the profits of the Society by grinding down the defaulters; for provision has been made in the bye-laws for distributing the additional interest thus collected amongst the borrowers who have been uniformly punctual in re-payment throughout the year. It is hoped that this will act as a stimulus to punctuality and that it will have a corresponding deterrent effect on defaulters.

The system of fines and enhanced penal interest as well as that of rewarding punctuality is of recent date; and it may be too early yet to judge exactly of its effects. But our experience even in the short period that has elapsed since is distinctly encouraging, and if, as I presume we do, we rightly understand human nature and the human instincts that lie behind this system we have every reason to feel confident that there can be only one result, viz., the disappearance of the dragon of unpunctuality.

WHERE THE UNITED PROVINCES DIFFER.

BY MR. V. VENKATA SUBBIAH, B. A., OF THE SERVANTS OF INDIA SOCIETY.

It is generally admitted that the United Provinces are occupying a leading position among the Indian Provinces in the spread of the Co-operative movement. A perusal of the Report of the Registrar for those Provinces cannot therefore fail to be profitable. But even a very superficial reader will observe that in many important respects the conditions obtaining there are different from those prevailing here.

In the first place the Government establishment is much smaller and the work done by the non-official agency is much greater there than here, though the number of societies is nearly double that of ours and the people are more backward in education than in this Presidency. The staff of the Registrar consists

of only 2 Assistant Registrars and 12 Inspectors, while here we have no fewer than 6 Assistant Registrars and about 60 Inspectors. But the Inspectors of the United Provinces belong to a much better class than ours, their pay and qualifications are higher and their training more thorough. They are "carefully picked men who enjoy the emoluments and position of Tahsildars or Sub-Deputy Collectors in other Provinces." The entire work of organisation and the general inspection and supervision of primary societies are left to the Central Banks and other non-official agencies. Even the yearly audit is not mainly done by the Government staff; in fact, not all the Central Banks are audited by them. "About a quarter of the primary societies (or roughly seven hundred) have been audited in detail by the Government staff. The audit of the remaining societies was under the direct orders of the Registrar entrusted to men specially chosen for ability and integrity from among the voluntary and paid staff of the central societies. Their work was checked on the spot and also by means of test audits by the Registrar's own staff. Care is taken to avoid an audit of a society by an official directly responsible for its supervision." There are separate printed audit forms for central and primary societies. These are filled by the auditors and sent to the office of the Registrar where they are carefully reviewed either by the Registrar himself or one of the Assistant Registrars before being sent to the individual societies. The Registrar and his staff no doubt frequently inspect all kinds of societies and write their remarks for the guidance of the members, but it is more of the nature of a test inspection than of a regular one. Thus it will be seen that the official control of the management of societies is much less there than here and that non-official agencies are encouraged and trained to do as much work of all kind (including audit) as possible.

The central societies play a very important part in the United Provinces. There were no fewer than 55 of them at the end of June 1914. Almost every district has one or more of them while three districts had half a dozen of them each. The manner in which the central societies are formed is thus described: "When Co-operative work is started in a new area in the province local societies are first organised under the supervision of an informal body, usually known as an organisation *fund*. As soon as

the societies are sufficiently well established and fairly large in number, a legal constitution is given to the supervising body which then assumes the additional duty of financing the constituent societies." All the Central societies are both financing and supervising bodies. They employ a qualified and well-paid staff to look after the primary societies in their charge, in many cases better than our own Government Inspectors. "The number of men so engaged at the end of the year 1913-14, was 117, of whom 9 were in receipt of a salary of Rs. 100 or more per month, 37 others received a salary of Rs. 50 or more, and the remaining 71 received Rs. 25 or more per month. Candidates for employment are personally inspected by the Registrar and then trained for three months by experienced Government Inspectors. Only trained candidates recommended by the Registrar are appointed by the central societies. The work of the paid staff is carefully controlled by the non-official directors of the banks and also comes under constant observation and criticism of the Registrar and his staff. Suggestions made by the Registrar for removal, transfer, or minor punishment are readily accepted. As the emoluments and prospects of the staff of Central banks are steadily improving we are getting a very good class of recruits, honest, efficient and with a real liking for and belief in co-operation." How one wishes all this could be said of our Government staff, let alone that of Central Banks and Unions!

A prominent and pleasing feature of co-operative movement in the United Provinces is the improvement it is effecting in agriculture. That improvement is not confined to one direction, it is many-sided. The central societies are taking a commendable part in it and are indeed a real centre of agricultural light to the member societies and the surrounding villages. It is not possible to go into any details at all here. They have been helpful in extending well irrigation, in supplying good and pure seed, in introducing machinery, new and paying crops, joint purchase and sale of agricultural commodities, and in other directions. Our central societies will indeed do well borrow a leaf from their book.

Societies in the United Provinces appear to be registered only after they have informally worked for sometime. It is then recommended by the central society and the organisation is again in many cases locally tested by a member of the Registrar's staff. The share capital is fixed at a pretty high figure and, curiously

enough, the members seem to have no voice in the allotment of shares to them. "Each member has to take as many shares as may be determined for him by the Committee in view of his status and the extent of his borrowings. The value of a share is generally Rs. 20, and in the poorer societies Rs. 10. It is payable in twenty half-yearly instalments. By Rule of Government no dividend can be distributed on a share until ten years have elapsed since the payment of the first instalment. In this way, the profits of a society during the first ten years of its existence will after payment of expenses build up a reserve fund which at present is either utilised as working capital or invested in the shares of a central society." Things are made much easier for our members than is the case in the United Provinces and we may be sure that under similar conditions of membership the movement could not have flourished here. The rate of interest too is much higher than in this or Bombay Presidency. The most usual rate charged by the central societies on loans to primary societies is 12% and that charged by the latter on loans to members is 15%. On deposits the most usual rate of interest allowed by the central societies varies from 6 to 7½%, while in the primary societies it is generally 9%. The dividend allowed by the central societies ranges from 5 to 10%, but the most usual rate is 8%. It will be observed that they are able to maintain a well-paid inspecting staff, only because the margin between the dividend allowed and the interest charged to primary societies is large being 4% whereas our in Presidency it rarely exceeds 2% being most usually only 1½%. The rural societies in the United Provinces unlike our societies, invariably have paid Secretaries or a paid Accountant for every small group of societies, who work under the directions of the staff of the central societies. The Registrar regrets this feature very much and thinks it to be the weakest point in the co-operation of the United Provinces, but it is inevitable in the present backward state of the Provinces as it is impossible to find in most of the villages literate and competent men to do the work of the Secretary without payment.

The liquidation of Societies is an extremely rare occurrence in our Province but it is by no means so in the United Provinces. At the beginning of the official year 1913-14, no fewer than 37 societies were in the process of liquidation and as many as 19 were added in the course of the year. The Registrar explains

that all these are from among the earliest societies which were organised without sufficient care and experience.

Ghee and milk societies may be said to be a special feature of the United Provinces. At the end of June 1914, there were ten of them, out of which six were registered during the year 1913-14. There are several Clerks' Societies. Among the other special societies are a Teachers' Society, a Domestic Servants' Society at Allahabad, a co-operative store for the Central Hindu College and a Carpenters' Workshop.

THE COMMITTEE ON CO-OPERATION.

A Unanimous Report.

The report of the committee on co-operation in India has just been published. It is unanimous and covers 127 pages. The following is a summary of the recommendations as given in the report :—

We have in the first chapter of this report given a brief sketch of the origin and progress of co-operation in India, the passing of the Acts of 1904 and 1912 and the reasons for the constitution of our committee. With the establishment of central financing agencies, after the passing of the Act of 1912, there arose a special class of difficulties in connection with the co-ordination and financial position of the co-operative organisation and our committee, while authorised to examine any important aspect of the movement, was intended mainly for the suggestion of measures to meet this class of difficulties. Of the 14,566 co-operative societies in existence in British India in 1914, less than 13,715 were societies which had been started to provide agricultural credit, and in dealing with the questions before it the committee has, in the main, confined its remarks to those societies which came under this category. Much excellent work has been done by societies established for urban credit or for objects such as the purchase of instruments and seed, the production and sale of produce, the insurance of cattle and the like; and it is not improbable that the greatest developments of the future will be connected with this class co-operation. In view, however, of the present preponderance in the number of agricultural credit societies and the similarity of the general principles which guide all classes of co-operation, who have contented ourselves with a comparatively short examination of the

non-credit and non-agricultural credit aspects of the work, and have dealt mainly with the institutions established for providing agricultural credit.

Classes of Agricultural Societies.

These institutions were at first left, and we think rightly left, to develop on independent lines in the different parts of the country, but the stage has now been reached at which further haphazard development can only be attended by complication and danger. In the forefront of these institutions are the primary credit societies, themselves 13,715 in number, and in some provinces attempts have been made to group those societies, for financial purposes, into guaranteeing or other unions. Above these societies and unions balancing their funds and supplying them with capital are some 189 central banks of various kinds, and above these, again, performing in some degree for the central banks the same function that the latter do for the societies we find in 5 provinces a series of institutions which we have classed together as 'provincial banks.' We have dealt with these 3 groups of institutions in the second, third and fourth chapters of our report, and in each case we have examined separately (a) Their constitution and management, (b) the composition and employment of their capital, and (c) the manner in which they are audited and supervised.

Constitution and Management.

We have enumerated the requirements which have, in our opinion, to be met in order that primary societies may be truly co-operative in their constitution. We have pointed out the extreme care which is necessary in the formation of new societies and have indicated the principles upon which a decision should be reached as regards the area and size of normal societies. We have further urged the extreme importance of systematically inculcating the main principles of co-operation both before and after the registration of a society, and have pointed out the increase in efficiency and financial stability that must result from such teaching. We have described the guaranteeing unions or societies which are found in Burma and elsewhere and have suggested their extension to other provinces as an intermediary between the society and the central bank. The central banks themselves are at present of 3 classes according as their shareholders are entirely individuals, entirely societies or partly indivi-

duals, and partly societies, and while advocating the disappearance of the first class and the ultimate adoption of the second, we have held that for the present the third or mixed form of constitution offers the best advantages, if due provision is made for enabling the co-operative element to secure at once a preponderating and ultimately an exclusive control. We consider that for each central bank a definite area, corresponding as far as possible with administrative units, should be assigned, and we have calculated that the most economical size for a central bank is one that deals with not less than 200 to 250 societies. We hold that all credit societies (or at any rate, all agricultural credit societies) within the area of a central bank should be shareholders in the bank should have no dealings with other financial bodies. To balance the excesses and deficiencies in central banks and to supply them with funds we would advocate the foundation at an early date of a co-operative institution at the head of each province which does not now possess one. These institutions should, in our opinion, be composed not of individual shareholders only, but should have a mixed constitution in which individuals and co-operative banks should both be represented and in which provision should be made for enabling cooperative banks to obtain within a short time the control of the general meeting, though not necessarily of the directorate. The constitution, in fact, of co-operative institutions at all stages should, in our opinion, be such as will ensure true co-operation, and such as will secure assistance from middle class men of education and, where possible, from business experts without endangering the ultimate object in view, which is the concentration of the control in the hands of the co-operative institutions themselves.

Share Capital.

The capital of co-operative institutions is composed mainly of shares, deposits and loans, and the liability is usually unlimited in the case of primary societies, while it is always limited in the case of central or provincial banks. We have described the different systems upon which shares are now taken in societies in the several provinces, and while indicating the circumstances under which we would advocate the introduction of a share system where it does not now exist, we have recommended no general change in this respect. In the case of individual shareholders in central and provincial

banks we recommend that as a general rule there should be one vote per man and no preference shares or reserve liability, while in the case of societies which hold shares we shall make the holdings of the societies proportionate to the borrowings and permit of a portion only of their shares being paid up. For institutions of all grades, the amount of dividend must, in our opinion, be limited and we have indicated the principles upon which the limit should be imposed.

Deposits.

Deposits have hitherto constituted, except in the Punjab, a comparatively small portion of the capital of primary societies, and we think that so long as deposits in such societies are of a local character, every effort should be made to increase their amount, all sums received in excess of the needs of the societies being duly forwarded to the central banks. The period of deposits accepted by co-operative institutions of all kinds should ordinarily be for as long as possible, but there are certain circumstances in which it would be legitimate to receive short term or current or savings deposits. The class of depositors in primary societies differs somewhat from that depositing in central or provincial banks, and we have indicated the difference which this may entail in the arrangements for repayment. We have also stated our views regarding the circumstances in which central banks would be justified in attempting to raise money by debentures.

Loans to Societies, Banks and members.

Loans received by provincial banks from the presidency or joint stock banks and those received by central banks from the presidency, joint stock or provincial banks or generally, though not always, in the form of cash credits, and we have pointed out the conveniences and at the same time, the uncertainty, attaching to this form of advance from banks outside the movement. The advances made by central banks to societies, on the other hand, are ordinarily in the form of a loan for a term, and we have described in some detail the manner in which the credit of societies should, for this purpose, be assessed, the periods for which, the interest at which and the security on which such loans should be given, and the manner in which their recovery should be enforced. The principles on which societies should in their turn grant loans to members have also been examined by us at some length. We would allow sufficient cash to be kept locally

to allow of urgent loans being given, and we recommend the use of promissory notes and of members' pass books. The total borrowing power of the committee and the normal maximum borrowing powers of each member should be assessed beforehand by the society, and we have suggested the adoption of a system under which the period of a loan should as a rule automatically correspond with the object for which it is given. We advocate the taking of sureties in all cases and the rigorous exaction of the sureties' liability when necessary. While deprecating an extensive use of mortgages we have stated the circumstances in which we consider them legitimate and we have suggested the possibility of special concessions being made to societies in the matter of mortgages and liens on crops. We have represented the disadvantages of a premature reduction in the rates of interest charged to members and have pointed the way to an ultimate introduction of cash credits to members in place of loans. We have laid special stress on the absolute necessity for introducing a systematic method of ascertaining the amount of loans which are overdue and have not been repaid by members and the avoidance of fictitious repayments of loans. While advocating the full use of the existing law in respect of recoveries from members, we have not supported the claim put forward for a summary procedure in execution of decrees, and we have strongly deprecated the use of Government agency for the recovery of debts due to societies.

Reserve Fund and Fluid Resource.

We have further considered the much-debated question of the functions and employment of the reserve fund. We have held that all co-operative institutions should build up a reserve fund in the sense of surplus assets and that every effort should be made by each institution to accumulate an owned capital to supply its working needs and to meet the claims of creditors on liquidation, but we have also laid great stress on the necessity, in the case of all institutions which take deposits, to provide for themselves either by their own investments or by arrangements with other banks on adequate fluid resource, and in the absence of facilities for discounting co-operative paper we have suggested that this fluid resource should in central banks be sufficient to meet half the deposits due for payment within the next twelve months, a standard of one-third being held sufficient in the case of

provincial banks. We consider it advisable that after satisfying the above requirements co-operative institutions should be left to utilize their surplus assets in their own business. We recognize that these proposals will in places entail a disarrangement of existing financial conditions and will in many cases involve a considerable raising of the existing margin, but we are convinced that they should be carried out as soon as circumstances permit and before the natural fall in margins renders it difficult, if not impossible. We have added some miscellaneous suggestions regarding the use of profits for charitable purposes or for the establishment of separate funds, the employment of superfluous money and the introduction of the special procedure for recovery in liquidation.

Audit and Supervision.

We have then drawn attention to the vital importance of proper audit and supervision. In the case of central and provincial banks we suggest that the formal audit of accounts should be done on payment either by professional or by Government agency, the further examination of the condition of the banks and their general supervision being entrusted to Government agency. For primary societies the audit should include not only the accounts and it, but a further examination and these duties should be carried out by a staff of auditors approved by the registrar and maintained by the societies themselves, the work of supervision being similarly entrusted to a staff paid for by the societies. The auditing staff would be on a provincial basis and under the ultimate control of the registrar who would also entertain an adequate Government establishment on a scale suggested by us for maintaining a super-audit or a second audit of societies. We have added suggestions regarding the use to be made of audit reports, the publication of balance sheets in central and provincial banks, and the preparation of Annual and Quarterly Returns.

Extent of Government Help.

In our fifth chapter we have examined a special class of questions relating to the degree in which the co-operative movement should receive administrative and financial help from the Government. We have suggested no additions to the special concessions permitted by the Act or to the concessions in respect of remittance, savings banks accounts, etc., which have

been departmentally allowed to societies, but we have examined the relation of the Government and its servants to the movement, in other respects.

Government servants.

The rules prescribing the attitude of Government servants as members, directors and depositors respectively to the various classes of cooperative institutions appear to us to be generally suitable, but we have recommended some minor changes which appear to us advisable. The relation of the district officers (and in some cases sub-divisional officers) to the movement has also been re-examined, and while deprecating any devolution to the district officers of duties assigned under the Act to the registrar or any general arrangement for making him ex-officio a director or chairman of the central bank at the district headquarters, we would wish him to be entitled to attend all meetings of the central bank in his jurisdiction. We have stated our views as to the scale on which the controlling Government staff should be fixed, and we have explained the duties and qualifications required of the registrars and joint registrars, the status they should hold, the pay and allowances which, in our opinion, they should draw and the arrangements which should be made to provide qualified successors for vacancies in the post as well as for making junior civilians acquainted with the principles of co-operation. We have further examined a proposal which has sometimes been put forward for the co-ordination of certain economic departments including those of co-operation, agriculture and industries, under a single officer of high standing in each province, and have recommended that a move be made in this direction as opportunity offers. We have then pointed out the need for a closer control by the Government over the objects for which the co-operative organisation is utilised and over the financial arrangements of the movement. To meet the former need we propose certain rules and bye-laws to define accurately the objects and activities of co-operative institutions and to meet the latter we suggest the appointment of an officer with co-operative experience to act as an adviser to the local and supreme Governments.

Investment of Funds.

Indirect financial assistance has sometimes been given to the movements by the deposits of court of wards and other funds over

which the Government or local bodies have control, and we have indicated our opinion regarding the extent to which use might be made of co-operative Societies for the deposit of other public or quasi-public funds. We have also suggested that where agricultural loans are being given by the Government on a large scale to meet seasonal distress or to provide for the initial expenses of a scheme of colonization, it should be open to societies to receive such loans for distribution to their members, the arrangements for distribution, fixing of interest and recovery being left to the societies, and we have suggested a somewhat similar procedure in the case of large loans to bodies of men for agricultural improvements. We have then examined the effect on the co-operative movement of recent famines, of the banking crisis and of the present war, and we have explained that the Government has hitherto given direct financial aid to co-operation in three ways only, viz. (1) by the grant of initial advances to new societies, (2) by guaranteeing the interest on the debentures of the Bombay Central Bank and (3) by special advances in 2 provinces to meet the difficulties anticipated in connection with the war. We have expressed our concurrence with the present policy of the Government so far as it represents a rejection of the system of money doles and of undue concessions, but we have pointed out that in order to make the movement self-sufficing it will be necessary to provide some means of rediscounting the pro-notes of societies either through the Presidency banks or by means of a state co-operative bank and we have recommended that a careful examination should be made of this question.

Opinions and Recommendations of the Committee.

The following catalogue of opinions and recommendations is published in the Report:—

NON-CREDIT SOCIETIES.

1. Non-credit Societies are important and deserve encouragement, provided they spring up spontaneously and there is a sufficient competent supervising and guiding staff available.
2. It is desirable to re-organise village industries co-operatively, but a systematic enquiry into their present circumstances should precede any action.
3. Urban Non-credit Societies designed to carry on ordinary trading should be registered with caution and only when they

clearly fall within the terms of the explanation contained in the preamble of the Act.

4. Advantages to be expected from creation of Non-credit Societies for sale and production.

5. Adoption of Cattle Insurance recommended; the Burma system most likely to be preferred.

6. Undesirability of waiting for actuarial data or for general application of prophylactic measures in cattle diseases.

7. No primary or Central Credit Societies should be permitted to undertake any liability on behalf of Cattle Insurance Societies.

8. A Central Cattle Insurance Society is necessary, and Government backing to such an institution is unobjectionable.

9. Hail Insurance Societies advocated.

10. Agricultural Non-credit Societies should ordinarily be annexes to credit societies and when a society undertakes the supply of seed or implements, it should ordinarily act purely as an agent and should not itself be owner of the goods.

11. There is no objection to sound Non-credit Societies being financed by Central Banks.

12. The Agricultural Department should assist societies, for distributing improved seed and implements provided experimenting is avoided. Control of such societies to rest for sometime with Registrar and not with Director of Agriculture.

13. Dealings with non-members should, as far as practicable, be avoided.

CREDIT SOCIETIES.

A. Non-Agricultural.

14. The policy of spreading co-operation primarily among agriculturists may be relaxed and it may now be recognised that the need of the industrial and non-agricultural population call in their own degree for equal attention.

15. Liability in non-agricultural societies should only be limited when the clientele are well to do and close mutual knowledge is not easily obtainable.

16. Urban Societies useful as a training ground for spreading banking principles but should be practically self-supporting.

17. Employes' Societies are difficult to manage and require the support of the head of the office and facilities for recovery by deductions from pay sheets. The insurance of members in the Post Office Insurance Fund is desirable.

18. Societies among the poorer urban classes need special encouragement. Government help in the maintenance of an efficient clerical staff is justifiable.

B. Agricultural.

19. Well-considered schemes for establishment of mortgage associations for landed gentry likely to be of great value.

20. Uniformity of nomenclature is desirable. Institutions dealing with individuals should be known as "primary societies." All federal institutions constituted of these "primary societies," if they do banking business, should be known as "Central Banks," and if they provide supervision or guarantee only, should be termed "Unions." A bank dealing with Central Banks or Societies throughout a whole province should be called a "Provincial Bank."

I. Primary Societies: Constitution and Management.

21. The Registrar is responsible for seeing that societies are organised on sound lines.

22. The area of a society should be restricted so that members may be mutually acquainted and exercise mutual control. The general rule should be one society to one village.

23. Membership should start small, increase gradually and not exceed a maximum varying between 50 and 100.

24. Exclusiveness deprecated but no attempt should be made to force poor members on a society.

25. A deliberate mixture of occupations within a primary society not recommended, but societies affiliated to a Central Bank may well represent various occupations.

26. The Registrar before registration requires information about the character of the applicants and their knowledge of Co-operation, their debts and property, the amount of working capital available locally and the means of supervising the society.

27. Careful teaching of Co-operation principles before and after registration is essential. It is advisable to lay down the main points on which emphasis is to be placed by teachers.

28. The Honorary Organiser who forms a society should where possible supervise and train it.

29. The teaching of Co-operation in Primary Schools is not advocated.

30. The Secretary should be a local man and confined to purely clerical work. Village accountants usually unsuitable for the post but schoolmasters are unobjectionable. Group secretaries are deprecated.

31. It is incumbent on Registrar and his staff to see that the Committee is not beyond the control of the General Meeting, and does not leave its functions to one or two of its members.

32. The appointment of Supervisory Committee is not at present recommended.

33. Where individual creditors refuse to disclose claims, societies should be empowered to ascertain the debts of a member by serving a notice on such a creditor requiring him to state his claim subject to discharge of debt on failure to comply and prosecution for wilful falsehood. The system should be tried first in Burma and might be made applicable to all agriculturists whether members of society or not.

34. The payment of the old debts of members is advisable; but should usually be undertaken by degrees, and not necessarily on admission.

35. Societies should require members to inform the Committee whenever they take loans from outside.

36. The multiplication of societies should radiate by imitation from existing centres of Co-operation, except when a start is being made in new districts. A policy of caution and concentration should be followed. Comparisons between rate of progress in the various provinces deprecated.

37. The movement should not be encouraged in provinces or parts of provinces where supervision is not likely to be adequate.

Composition of Capital.

38. The object of every society being to accumulate a permanent capital of its own, the best method of attaining it is to arrange for a wide margin between the borrowing and lending rates. As an alternative though *a pis aller* every member may be compelled to subscribe to shares, payable by instalments or in a lump sum.

39. In cases where shares are repayable to their holders after a stated period, there are certain difficulties which should be seen to as opportunity offers.

40. A maximum limit should be fixed on dividends.

41. It is permissible to obtain share capital by deductions from loans granted to members.

42. Agricultural credit societies whether with or without shares should ordinarily be based on unlimited liability.

43. Primary societies should aim at getting as much local deposits as they can, but should not try to attract them from areas served by other societies. Deposits should be strictly local and surplus amounts sent to a Central Bank.

44. To encourage deposits by members, it is justifiable to offer slightly higher rates on them than on those of non-members.

45. As a means of inculcating thrift, small instalment shares preferable to compulsory deposits.

46. Current accounts and deposits at call should be prohibited. The term of deposits should not ordinarily be less than one year. To secure longer terms, higher terms of interest should be offered.

47. Short term deposits for not less than one month may be permitted to meet a demand for short loans repayable at harvest.

48. Short term deposits if made in the form of savings deposits stimulate thrift and ought to be encouraged.

49. Competition between Co-operative and post office savings banks discussed and reasons given why this should be welcomed.

50. A limit should be fixed to the borrowing power of a society by the General Meeting once a year in the manner described and this should be subject to Registrar's control.

51. Deposits which the society is unable to use in loans to members should be transferred to Central Banks which should offer specially favourable rates for such money. Societies should not be prohibited from accepting deposits within their maximum borrowing power although in excess of the limit fixed for the local borrowings of individual members. They must be responsible to the depositors and cannot transfer their liability to Central Banks which however in the event of their inability to accept such deposits should notify primaries. All deposits above their maximum borrowing power should be refused by societies.

52. Care should be taken to repay deposits punctually and to instil confidence in depositors by allowing them to see

accounts and attend meetings. A general condition allowing compulsory renewal in time of stress not advocated.

53. Repayments of long-term deposits before maturity should be made only rarely and when a substantial reduction of interest is accepted.

54. Loans from one society to another should always be made through the medium of a Central Bank or union.

55. Rapidly increasing reserve funds not a danger.

Employment of Capital.

56. Loans to meet seasonal agricultural demands should be distributed at one time. Special urgent demands may be dealt with by a quorum of the Committee or the chairman himself subject to close restrictions.

57. For the custody of cash balance special arrangements may be made at Government Treasuries or Police Stations, or the rules of the Post Office Savings Bank may be relaxed in certain points.

58. The maximum borrowing power of a society, *i. e.*, the limit up to which the society will pledge its credit should be fixed by the General Meeting.

59. The maximum normal credit for each member should also be fixed at the General Meeting. Loans in excess of this limit should not be granted by the Committee without reference to the General Meeting.

60. As a security for loans the pro-note is recommended in preference to the Bond, provided the exact terms of loans to members is clearly recorded in the bye-laws or minutes.

61. Every member should be furnished with a pass book (a summary of the main points of co-operation being perhaps printed within the cover) or there should be a public statement showing each member's loan.

62. In societies with shares every member should be forced to take a share.

63. If loans are given for non-productive purposes, precautions should be taken to see that the expenditure is inevitable and not excessive.

64. Loans to enable agriculturists to hold over grain for a fair market should be for a period not exceeding three months.

65. For financing expensive improvements in land, loans under the Land Improvement loans Act will have to be relied on rather than ordinary co-operative funds.

66. Strict enquiry should be made at inspection whether loans have been properly used and cases of misuse should affect adversely the credit allowed to a society by its financing agency.

67. The period of loans should be fixed at the time when they are sanctioned. Loans for non-productive purposes should be for periods not exceeding 2 years. For productive loans, the main factor should be the object of the loan and the standards based on this should be prescribed; but the amount of the loan and the circumstances and repaying power of the debtor may also be taken into account.

68. At the beginning a society should strive primarily to meet the current needs of its members and should not lock up a large proportion of its capital in long-term loans.

69. Repayments should always be made out of the proceeds of the use of loans and by annual equal instalments where the period of the loan exceeds one year.

70. All loans should be backed by sureties, who should as a rule be members. Fewer sureties may be required for small loans than for larger ones. Responsibility of sureties should be rigorously and promptly enforced.

71. Tangible property may be hypothecated to a society, as collateral security, but should be taken in addition to and not instead of personal sureties.

72. Societies should not accept their own shares as security for loans.

73. Mortgages of land should be taken sparingly, either as a collateral security or to prevent alienation of the land elsewhere. Mortgages should as a rule be without possession.

74. There would be no objection if societies with the concurrence of landlords were permitted to hold mortgages on land in areas where they would ordinarily be unable to obtain them owing to the state of the tenancy law.

75. Fixity of tenure necessary to existence of Co-operative investments.

76. The lien of a society under section 19 of the Act should be converted into a charge; otherwise there is no bar to outside

attachment unless a decree has been passed in favour of a society.

77. Any action which would facilitate cheap and easy mortgage in areas where mortgage is permissible is advocated.

78. Interest rates charged on loans should be included in the bye-laws and made unalterable without the Registrar's sanction. As long as they are below those of the outside markets, they should not be pitched so low as to retard the growth of a reserve fund.

79. When societies are firmly established cash credits should be sanctioned to individual members.

80. Punctuality in repayment is vital. The system of accounts should show clearly what loans have been extended and which have become overdue. Extensions for good reasons justifiable. System for showing overdues outlined.

81. Grain payments to be confined within narrowest limits.

82. The levy of penal interest on overdue amounts unobjectionable, but not effective and tends to supplant personal pressure on sureties which should be first step taken.

83. Fictitious adjustments of loans (*i.e.*, recovered and re-advanced at once) should be brought to notice during inspection, and should be checked by insistence on a proper relation between money recovered from members and money remitted to a Central Bank.

84. Rules should be framed by Local Governments to enable disputes between societies and their members to be referred to arbitration.

85. The decision of the Registrar or awards of arbitrators, should be executed in the same manner as a decree of a Civil Court, and not by any special process. A resume of the provisions of the law dealing with the recovery of agricultural debts might be supplied to all courts and societies; and courts instructed in the absence of special reasons not to use their discretionary power to reduce a society's ordinary lending rate.

86. Recoveries should be made by a society and its staff and not by the help of any outside supervising agency or the staff of the Registrar or Collector.

87. The meanings to be applied to term "reserve fund" and "fluid resource" explained.

88. Primary societies should be allowed to use their reserve funds in their own business, provided their ability to repay deposits on due date is secured.

89. To ensure the reserve fund growing as quickly as possible the margin of interest should be kept as high as possible until a society become independent of outside assistance.

90. No restrictions need be placed on the charitable objects to which a portion of the profits is devoted other than those contained in section 34 of the Act.

91. Societies should not be used to promote sanitation, education, and village improvement except when the society represents the whole village and undertakes such work spontaneously.

92. A Registrar should dissolve a Society as soon as he is satisfied that there is no hope of eventual solvency or progress.

93. When the Co-operative Societies' Act is next revised, provision should be made for the summary recovery of members' debts by a liquidator on the cancellation of a society's registration.

Audit and Supervision.

94. Constant audit and supervision is essential to success and should be provided for.

95. The term 'auditor' and its derivatives should be confined to the staff chiefly engaged in audit, and the term 'supervisor' and its derivatives to the staff chiefly engaged in supervision. The terms 'inspection' and 'enquiry' should be confined to the processes mentioned in sections 35 and 36 of the Act.

96. Two controlling officers should be employed in each province, and there should be a Registrar or Joint Registrar for every 1,000 or fraction of 1,000 societies registered. They should be well versed in Co-operative literature relating to all countries and should, if possible, have gained some personal experience of the subject in Europe. Necessary assistance should be given, but Assistant Collectors seconded for training not to be looked on as assistants.

97. The clerical staff of the Registrar and his Assistants should be adequate.

98. The audit should go beyond the bare requirements of the Act and include an enquiry into all the circumstances which determine the general position of a society.

99. The audit staff should be responsible to the Registrar and mainly controlled by him. Its primary object should be to assure Government that the societies started through its agency are developing sound lines.

100. A staff should be maintained by the Government for undertaking super-audit made at periods of 2 years or more. A Government Auditor should audit about 100 societies per year, and should not be given educational or propagandist work to do. Recess and variety of work, however, are essential to prevent staleness.

101. A staff should be maintained by the societies themselves for making the original audit. It should be such as the Registrar can rely on and be controlled by him in consultation with the contributing societies. A single cadre should be formed for a whole province and maintained by a levy on the societies, or by an enhancement of the interest charged to societies.

102. Educational qualifications are not at present considered necessary for auditing and supervising staff.

103. A regular form of audit report should be prescribed; but details should not be too minute. A copy in vernacular should be supplied to every society, and the original should be seen both by the financing agency of the society and the Registrar.

104. Government would be justified in contributing to the cost of the audit of societies with unlimited liability among low castes. In ordinary urban societies and in intricate cases Registrar should make special arrangements.

105. The societies themselves should provide the staff required for their own supervision. It should be controlled by them and not by the Registrar.

106. A revision of the forms and system of Annual Returns is recommended.

II. CENTRAL BANKS.

107. The Decentralization of supervisory work secured by unions employing their own paid Secretary very valuable. The system of guaranteeing unions employed in Burma as a link between Primary Societies and Central Banks is full of promise

and should be tried elsewhere, such unions should supply mutual supervision, assessment of credit, an agency for recovery of loans and some form of joint guarantee for loans taken through them.

108. It is advisable that primary societies should seek loans and cash credits not from joint-stock banks but from Central Banks which should be under co-operative control.

Constitution and Management.

109. Central Banks of which the share-holders are individuals should not be registered if they propose to grant loans to any other persons or institutions except to co-operative societies, or to undertake any outside banking business. The bye-laws should include provisions limiting dividends, and the directors should maintain an independent staff for possessing the credit of borrowing societies. It is the Registrar's duty to see that the contract between the Central Bank and the societies is not unfavourable to the latter. In any case this type of Central Bank should gradually disappear.

110. Central Banks of which membership is confined to societies, though desirable in themselves, are seldom competently managed, and do not leave room for the help of the middle classes, and should therefore be postponed to a later stage.

111. Central Banks of which the membership includes both individuals and societies, will usually be best fitted to Indian conditions, but provision should be made for gradually reducing the number of non-working individual share-holders.

112. The area served by a Central Bank should be defined and as far as possible, should coincide with some administrative division, as a district or tehsil, but should ordinarily be prepared within a reasonable time to deal with 200 or 250 societies.

113. Provincial Banks may possibly open local branches in place of independent Central Banks in areas where guaranteeing unions are well developed, but as a rule a system of Central Banks will be found more efficient.

114. The management of co-operative finance being simpler than that of joint-stock banks, a Central Bank may be competently managed by lawyers and professional men, though trained bankers should be secured on the Board when available.

115. The Manager and staff of a Central Bank, if paid, should be adequately paid. The Registrar should be satisfied that the supervision of staff maintained by it is adequate and efficient. Such a staff may properly assist voluntary applicants in forming new societies.

116. Central Banks which admit societies as shareholders should grant no loan to any credit society which has not subscribed to a share.

117. Non-credit societies should only receive loans if they subscribe to a adequate number of shares and offer sufficient security. Central Banks should not finance insurance societies.

118. There is no objection to Central Banks working as book banks, provided that they are exempt from undue responsibility for losses incurred in transit of funds.

Composition of Capital.

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

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

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

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

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

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

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

126. The rate of dividend should be limited as a rule. When most of the shares are held by societies, the maximum should be the same as the average lending rate. When the shareholders

are chiefly individuals, it should not exceed the average rate paid on deposits by more than 2 or 3 per cent. Bonuses should be prohibited.

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

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

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

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

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

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

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

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

135. Cash credits with Joint-Stock Banks of recognised stability also constitute legitimate fluid resource. The Registrar

should introduce Central Banks to Joint-Stock Banks and furnish the latter with any information they require. Joint Stock Banks should be expected to examine the position for themselves and not to rely on Government support for repayment.

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

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

138. Share capital *plus* reserves should be at least 12½ per cent. of total liabilities.

Employment of Capital.

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

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

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

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

143. Loans should be sanctioned as far as possible all together at one or two main Seasons of the year.

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

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

146. Cash credits should be freely opened in favour of thoroughly wellmanaged societies.

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

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

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

150. Central Banks should not ordinarily institute proceedings against defaulting societies in civil courts, but should exercise pressure through their staff and finally apply to the Registrar to take action under S. 36 of the Act.

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

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

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

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

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

156. Standard of fluid resources to be readjusted quarterly.

157. Superfluous funds to be passed on to Provincial Banks.

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

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

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

Audit and Supervision.

161. The audit of the accounts of Central Banks may be entrusted to expert outside agencies or made by the Registrar's staff. Such Banks should bear the expense of their own audit.

162. Central Banks should publish and distribute balance sheets and annual reports. They should contain more details than at present.

163. In addition to their annual returns, Central Banks should submit quarterly statements showing especially their liabilities to outside creditors and their progress in the formation of fluid resource.

III Provincial Banks.

164. It is necessary that a Provincial Bank should be started in each of the major provinces.

165. The Provincial Banks should not be started on an extravagant or unnecessary large scale.

166. Share capital *plus* surplus assets fund should not be less than one-tenth of total funds borrowed from outside.

167. Societies and Central Banks should be represented in the management of a Provincial Bank, and should be placed in such a position that they are able within a reasonable time to secure a majority of votes in the general meeting. At commencement individual share-holders may have a preponderating influence.

168. It is not, however, necessary that societies and Central Banks should have a dominating voice on the directorate of the Provincial Bank.

169. Shares should ordinarily be of one class. Reserve liability not advisable on individual shares but unobjectionable on societies' shares.

170. All Central Banks should be affiliated to Provincial Banks, but where there is no Central Bank a Provincial Bank may lend direct to primaries.

171. Deposits fixed for longest possible terms should be secured.

172. Deposits at call should be covered to 75 per cent. of their amount by fluid resources.

173. No prohibition should be placed on savings deposit accounts.

174. Provincial Banks should not place too much reliance on cash credits, and should strive to accumulate good reserves and strong holdings of liquid securities in order to be more independent.

175. The Provincial Bank should maintain a fluid resource sufficient to cover all possible demands against itself for a period of one-third of the ensuing year together with all the possible liabilities to be met by any affiliated Central Banks for which it has undertaken to provide cover within the same period. For this service to Central Banks it should charge a commission or higher rate of interest. It will be found convenient to concentrate whole fluid resource at apex of system.

176. Provincial Banks should be prohibited from undertaking outside banking business, except in so far as it is necessary to deposit spare funds for short periods in outside institutions.

177. A Provincial Bank may legitimately be reluctant to lend its superfluous funds to another Provincial Bank, unless the borrowing bank has sufficiently proved its credit worthiness, and the lending bank is able itself to examine and verify the financial position of the borrower.

178. A separate audit of the accounts by a Chartered or Incorporated Accountant authorised by the Registrar is desirable. The whole expense of it should be borne by the Bank. Further duties of supervision and enquiry appertain to Registrar and cost is debitable to Government.

179. Provincial Banks should submit the same returns as Central Banks; and should be supplied by the Registrar with copies of all returns received from affiliated Central Banks. They should publish and distribute to shareholders and depositors annual balance sheets and reports.

PUBLIC AID.

Concessions.

180. When Sub-Registrars of deeds are paid by fees, Government should make good to them loss caused by the exemption of co-operative societies from Registration fees.

181. Exemption from stamp duty on cheques of individual members having current accounts unnecessary.

182. Provided undue official influence is guarded against, co-operation ought not to be deprived of moral and financial support which Government servants give it.

183. Deposits by Government officers in Provincial Banks should be absolutely unrestricted and in Central Banks also with the exception that in the district in which officers of the Indian Civil Service are serving they should be reported and withdrawn when opportunity offers.

184. Membership of non-agricultural societies intended for Government servants only should be free to all Government servants.

185. As regards other officers it is a matter for local decision but with the exception suggested in paragraphs 186 and 190, officers of the Indian Civil Service, Provincial Civil Service and subordinate Civil Service should be prohibited from accepting without special sanction any post in the Managing Committee or Executive Staff of any co-operative society or bank.

186. Devolution of powers of Registrar on District officers not recommended.

187. District or Sub-divisional officers may be Chairmen with or without a place in executive committee of Central Banks but should not be given such a post *ex-officio*. They should, however, have a formal right to attend meetings of share-holders or Directors and Local Governments may decide how best to arrange for this.

Registrar, Development Commissioner, Advisory Officer.

188. The post of Registrar should be made permanent.

189. The Registrar should be a whole-time officer and his post should be included as a Collector's post in the cadre of the province and should carry a remunerative local allowance of Rs. 250. He should be eligible for executive promotion and be allowed to visit or fix his head-quarters at a hill station so as to keep in touch with Local Government in the non-touring season.

190. He should draw travelling allowance at rates not less than the highest rate accorded to Collector working as head of a Department and should be allowed to visit other provinces to study other systems.

191. Joint Registrar's posts should carry emoluments equal to those enjoyed by a Settlement Officer. An Assistant Collector of three to six years' service or a Deputy Collector possessed of qualifications necessary for a Joint Registrar should always be in training and the period of this training should be one year.

192. Assistant Collectors while under training for survey, etc., should be taken to visit a few typical societies with competent instructors and the Collector should take his assistants with him when inspecting co-operative societies on tour. Registrar should invite officers of the district to accompany him on inspection.

193. District and divisional conferences under Collectors and Commissioners valuable. Larger conferences should not be so frequent that they became routine. Officers of Agricultural and connected departments should attend all classes of conferences.

194. Registrar of Co-operation, Director of Agriculture, Director of Industries and Director of Fisheries (when that post is concerned with development of the industry) should all be co-ordinated under a single superior authority.

195. That superior authority should, as soon as circumstances allow, be a whole-time officer and be called the Development Commissioner.

196. Local Governments should issue a rule empowering Registrars to rescind any resolution or act of any officer, Committee or Society which deals with controversial opinions of a political or religious character. Positive objects of societies might be defined by rule on lines obtaining in Raiffeisen societies.

197. An expert co-operative adviser with the Government of India recommended.

Public deposits, agricultural advances, etc.

198. Though securities are not trust funds, this legal limitation would not, it is presumed, prevent use of Court of Wards funds for assisting societies constituted for the benefit of the Wards' estate or its tenantry.

199. From a co-operative point of view all deposits whether from Courts of Wards or Local Bodies are welcome if permitted. Where risk falls partly on Government as in case of security pledged by one of its officers, it is justifiable to allow the officer to give it in shape of an investment in co-operative institutions.

200. Grants by private individuals or local bodies appropriate in case of new developments like dairies and cattle breeding—so long as pauperization is avoided.

201. Act XII of 1884 should be amended so as to allow of agricultural loans to be made to societies direct. Central Banks may also be utilized in distributing such loans to societies.

202. Similar arguments apply to Land Improvement loans which can suitably be given to societies when an Improvement has to be made by joint exertions of several peasants. Societies should in that case reduce their rate of interest.

Financial aid by Government.

203. Considerations governing financing of members of societies during famines. Necessity of working to the ordinary cycle of good and bad years.

204. Power to utilize initial Government advances may be safely left to Local Governments and Registrars. Such advances need not be confined to credit societies: but if given to insurance societies should be given as suggested in paragraph 12.

205. Government's attitude that it disclaims all financial responsibility and makes no definite promise of monetary report is sound in so far as it aims at establishing a self-contained and self-supporting co-operative movement by the rejection of a system of money doles and undue special concessions.

206. Doubtful if the present Indian Co-operative Banking system can provide fluid resources to the extent necessary for stability and safety.

207. Co-operative banking governed by same basic laws of finance as ordinary banking. Co-operative banking suffers from disability that pro-notes of its societies cannot be freely discounted and commercial banks cannot be expected to take up this business to any appreciable degree. Nor without guarantee from Government will Provincial Banks be able to raise capital sufficiently cheaply in all cases to solve the difficulty of maintaining adequate fluid resources.

208. It is on facilities for rediscount that the problem of providing adequate fluid resources depends and in India there is no agency to do this.

209. Failing commercial and Presidency Banks, the only alternative agency seems to be a State co-operative apex bank.

THE PROGRESS OF CO-OPERATION.

An Italian Co-Operative Cattle Insurance Society.

The following interesting review of the working of a typical Italian Cattle Insurance Society by Sir James Wilson appeared in the May number of the *Journal of the Board of Agriculture*:—

There are in Italy 812 societies for the mutual insurance of cattle, and it is instructive to study the working and history of one of them, which was founded in 1907 at Ferentino in the Province of Rome. Ferentino is a country town of considerable size, perched on the top of a hill some 50 miles south of Rome, amid picturesque mountainous scenery. The surrounding land is fairly fertile and well cultivated, the principal crops being vines, olives and wheat.

The agricultural holdings are generally small in area, and many are owned by the holders themselves. There are few outlying farm-buildings, and, as most of the cultivators live in the town itself, they have often to go several miles to and from their fields, which must involve a considerable waste of time and make manuring operations difficult. Practically, all the farm-work is done with bullocks, and seeing how much the loss of a cow or bullock may seriously embarrass a small farmer, a number of the more intelligent land-owners, at the instance of one of the itinerant lecturers on agriculture, with whom Italy is well provided, resolved to found a society for mutual insurance against losses from the death of cattle. The society has been very successful, the number of members having arisen steadily in the four years 1910-13 from 122 to 336, almost all of whom are engaged in agriculture.

Constitution of the Society.—The ordinary membership of the society is confined to owners of cattle residing within the *commune* (parish) of Ferentino, but cattle-owners residing in its immediate neighbourhood may also be admitted if the committee consider it possible to maintain without difficulty the necessary supervision over their cattle. In practice the society's operations cover a circle of about three miles radius round the town. The entrance-fee, originally fixed at 1s. 8d., has since been raised to 4s. per member. The society holds a general meeting half-yearly in February and August, but the ordinary management of

its affairs is in the hands of a committee, consisting of a president, at present the Mayor, a vice-president and five committee-men, elected from among the members, one of whom acts as treasurer. It has also a council of control, consisting of three members, which sees that the rules are carried out and the books properly kept, and has the power of calling a general meeting to deal with any irregularity it may notice, a secretary, and at least three inspectors, whose duty it is to visit and supervise the insured animals, especially those that fall sick. All these officials give their services gratuitously, although the rules allow of a salary being paid to the secretary.

Animals Insured, Compensation and Premiums.—The society insures only horned cattle of not less than four months old, an insured animal being marked by fastening in its ear a stud bearing the society's name and the animal's number as entered in the register, so as to make its identification easy. When a claim for compensation is established, the society pays the owner four-fifths of the value at which the animal was insured, and receives any sum that may be obtained from the sale of the animal or its carcass. At first the rate of insurance contribution was fixed as follows on the value for insurance—

1. For fattening, breeding and milch animals, $1\frac{1}{2}$ per cent.
2. For working bullocks, $2\frac{1}{2}$ per cent.

After some experience however, the rates were revised and they now stand as follows:—

1. Working bullocks, and breeding and milch cows—

Up to £20	...	$2\frac{1}{10}$ per cent.
Over £20 and up to £30	...	3 „
2. Calves and fattening animals—

Up to £12	...	$1\frac{1}{2}$ „
Over £12 and up to £18	...	2 „

The maximum amount for which an animal can be insured is £30 for the first class and £18 for the second.

A bullock is generally set to work at two years old, but it is better not to break him in, till he is two-and-a-half or three years old. In his prime at four years old, his average value is about £20. He can work till he is ten years old, but at about eight he

is generally fattened for a few months and sold to the butcher, a good fat bullock fetching a price of about £24. A heifer is generally sent to the bull when she is eighteen or nineteen months old, and can go on bearing, perhaps eight calves, till she is ten years old, but before that she is generally fattened, and fetches a price of about £20 when sold fat.

The premium is paid in a lump sum in advance and the insurance takes effect from the 16th day after the date of the policy, and lasts till the end of the second half-year thereafter, the half-years ending for this purpose on the 30th June and 31st December. The policy can be renewed year by year, on notice given 20 days before its expiry.

The society pays compensation in case of the death of an insured animal from disease or accident, but is not liable where the death of the animal is caused, first, by fire, fall of buildings, flood, war, invasion, riot, or by other forms of violence or crime; or second by bad treatment or other fault of the member or of those to whom he entrusts the charge of the animal. It also refuses to pay any compensation when the member has given false information, declines to sell the sick animal when required by the committee, omits to inform the committee without delay when the animal falls ill or meets with an accident, or neglects to use every endeavour to cure the animal in accordance with the suggestions of the committee.

A member who sells or exchanges an insured animal can substitute for it another insurable animal without additional payment. The committee are required, before accepting an animal for insurance, to have it inspected, and to make sure that it is sound and fairly valued. Insurance is refused when the animal shows symptoms of illness or is in distinctly poor condition, with due regard to its age, or when the owner neglects ordinary sanitary precautions in his treatment of the animal, more especially as regards the condition of the premises in which it is kept, or when the member has already insured the animal with another society.

When a case of anthrax or other contagious disease has occurred in the neighbourhood, the committee may suspend the acceptance of new animals for insurance up to 30 days after the

last death from such a disease. The Society has the right to have inspection made of the premises on which the insured animals are kept, and the committee may suspend a member's right to compensation when it finds that he has committed a breach of the conditions of insurance or of elementary rules of sanitation. Whenever any accident happens to the insured animal or the member notices any symptom of illness, he must inform the committee and the inspectors within the succeeding 24 hours. The committee, on receiving such a notice, is required to satisfy itself that the policy has not expired and that there has been no fraudulent substitution of animals; and to decide whether the owner should be required to undertake the cure of the sick animal by adopting any suggestions made by the committee as to the measures to be taken, or to sell it at once; and whether the death, if it has already occurred, can be attributed to fraud or negligence on the part of the member, or to the other causes which exempt the Society from liability. The expenses of the feeding and the cure of the sick animal are at the charge of the member; but the Society may, when its finances allow, make a grant towards these expenses.

Extra Levies.—When during the year the available funds are exhausted, whether owing to extraordinary mortality or other causes, so that they are not sufficient for the payment of the claims, the committee may call upon the members to pay an extra levy not exceeding $7\frac{1}{2}$ per cent. of the ordinary insurance contributions of the year. If this levy does not provide sufficient funds to meet all the liabilities of the Society, a general meeting must be summoned to decide, for the current year, on the adoption of one or both of the following measures: (1) the imposition of a further levy, (2) the reduction of the proportion of the insured value to be paid as compensation. The whole of the profits of each year must be carried to the reserve fund.

Recent Statistics with regard to the working of the Society.—In 1913 the Society consisted of 336 members and issued 286 policies, covering 587 animals, valued for insurance at £10,552; so that on the average each insurer insures only two animals and the average value of an animal for insurance is £18. On the average of the four years 1910-13, the number of animals insured was 426, and the number of claims paid 18, so that the casualty

rate averaged 4.2 per cent. per annum: it varied from 5.7 per cent. in one year to 3.1 per cent. in another. The average age of the animals on which claims were paid was for working bullocks $5\frac{1}{4}$ years, for cows 5 years, and for calves $12\frac{1}{2}$ months. The amount paid in compensation averaged £209, or £11. 12s. per animal on which a claim was allowed, but nearly one-third of this sum was recovered by the sale of the animal or its carcass. When an insured animal dies or falls ill, or meets with an accident, and the committee, on the report of its inspectors, thinks it should be condemned as unfit for work or unlikely to recover, it is examined by a veterinary surgeon, who certifies the disease (if any) from which it is suffering and whether its flesh is fit for human food. If the disease is anthrax, the flesh and hide are destroyed; if pneumonia, tuberculosis or other dangerous disease, the flesh is destroyed and the hide sold; and if the disease is not considered to make the flesh unfit for consumption, for instance, if it is a disease of the limbs, or if the animal has been injured by an accident, it is either butchered or sold alive, the proceeds of the sale in every case being credited to the Society. Of the 72 animals on which claims were paid during the four years 1910-13, in 29 cases the flesh was destroyed, in 16 it was sold, and in 27 cases the animal was sold alive. The Society thus receives a considerable income from the sale of condemned animals, which goes to counterbalance to some extent the amount paid on claims. In the three years 1911-13, during which 55 claims were paid, the Society paid in compensation £683, but received from the sale of animals and carcasses £201, so that its net loss was only £482, an average of £8 15s. per animal on which compensation was paid. This is equivalent to an average annual net loss of 6s. 10d. per animal insured during those years. During the same three years the income from premiums amounted to £533, an average of 7s. 7d. per annum per animal insured; so that, taken by themselves, the income from premiums was more than sufficient to cover the net losses on claims.

The other income and expenditure of the Society are comparatively small, as no contribution is levied for management expenses, and as most of the work of administration is done without remuneration. In 1913 the Society had a windfall in the shape of a prize of £80 awarded it, as being one of the best

managed societies of the kind in Italy. The averages for the three years 1911-13 have been as follows:—

<i>Average income.</i>		£
Insurance premiums	...	178
Sale of condemned animals and carcasses	...	67
Prize from Board	...	27
Other income	...	5
Total income.		277

<i>Average expenditure.</i>		£
Paid on claims	...	228
Salaries to clerk and marker	...	15
Other expenses	...	20
Total expenditure.		263

Thus during these three years the average income exceeded the average expenditure by £14 per annum, and the reserve fund at the end of 1913 showed a credit balance of £34. Had the Society not received its £80 prize in 1913, its working would have resulted in a small net loss, and its balance sheet would have shown a deficit of £46. The working expenses averaged per annum £35, or 1s. 6d. per animal insured, and if the Society were to levy a separate management contribution of something like this amount it might expect to see its reserve fund increase satisfactorily, even if it did not again obtain outside help in the form of a prize. In England, when the costs of management are accounted for separately, a levy equivalent to 6d. per animal is generally found sufficient.

It will be seen that the Society has adopted the principle of charging the insurance contribution at a higher percentage on the more valuable than on the less valuable animals. This would be fair only if the casualty rate were higher among the better animals than among those of less value; but, to judge from experience in this country and in India, among cattle owned by peasants, none of them so highly-bred as to be delicate in constitution the casualty rate among the more valuable cattle is likely to be less than among the less valuable, which are, on the whole, not so well cared for. Besides, this principle acts as a deterrent on the keeping of better class animals, a practice

which ought to be encouraged as much as possible. It would seem to be fairer and wiser therefore if the Society were to charge as premium the same percentage on all animals, whatever be their value.

Another principle adopted by the Society is to charge the same percentage on working bullocks as on breeding and milch cows, and a lower percentage on calves. To judge from the Society's own experience during the four years 1910-13, this also is unfair. Adding together the figures for those years, we have the following result:—

Class of animal.	No. Insured.	No. of claims paid.	Casualty rate per cent. per annum.
Working bullocks	522	15	2.9
Cows	552	30	5.4
Calves	628	27	4.3
All animals	1,702	72	4.2

Thus, as a matter of experience, the actual casualty rate among the working bullocks has been little more than half that among the cows. There is a further reason for charging a lower rate on the bullocks. What the Society has to meet in premiums is the net loss after deducting the receipts from sales of condemned animals from the amount paid in compensation, and on this point the following figures are instructive:—

Class of animal.	Total No. on which claims were paid.	How disposed of:		
		Sold alive.	Flesh sold.	Flesh destroyed.
Bullocks	15	5	3	7
Cows	30	6	9	15
Calves	27	16	1	7
All animals	72	27	16	29

Thus the proportion of condemned animals which were sold alive, and therefore presumably brought a better price than they would have fetched if they had died or been slaughtered, was for

bullocks, one-third; for cows, only one-fifth; and for calves more than one-half. It seems that, although bullocks are more liable than cows to accidents, diseases of the limbs, and injury to their health from exposure or over-work, the casualty rate among them is really considerably less than among cows, which are liable to many diseases and especially to those connected with parturition; for instance, during the four years, the number of deaths from anthrax alone was as follows: 2-bullocks, 8 cows and 1 calf. On the whole, it would seem that, to judge from the Society's own recent experience, a fairer system of charging premiums would be as follows:—

Working bullocks	...	...	2 per cent.
Cows	...	...	4 "
Calves	...	...	3 "

on the value at which the animal is insured, whatever that value may be. As the Society pays the owner as compensation only four-fifths of the insured value, these rates should leave sufficient margin to pay the expenses of management; but a better principle would be to charge say one franc (9½d.) per animal per annum as a management contribution and to keep the costs of management within that figure, leaving the surplus of the premium income to go to build up a reserve fund, which would protect the Society from the risk of having to make a levy in years of exceptional mortality, and would in time enable it to reduce the rate of premium charged to members of long standing.

Comparison with the Experience and Methods of English cattle Insurance Societies.—It is interesting to compare the experience of this Italian Society with that of similar co-operative insurance societies in England and Wales. Most of the co-operative cattle insurance societies in this country insure only cows and female calves, and pay compensation in much the same class of cases as is done by the Ferentino Society. They do not however as a rule pay for any animal which can be sold alive; they make the owner do his best to cure the animal, and only pay compensation when it dies or has to be slaughtered as incurable. This may partly account for the higher casualty rate at Ferentino, which, for cows and calves taken together, is 4·8 per cent. per annum, while on the average of nearly 10,000 cows and calves co-operatively insured in this country, the casualty rate is only

2·6 per cent. Probably the main reason for this great difference in casualty experience, however, is that cattle in Italy are much more exposed to epidemic diseases than they are in this country, which has been enabled by its insular position and the general spread of veterinary and sanitary knowledge among the cattle-owning classes to reduce the risk of loss from such diseases to a minimum. Probably no English cow insurance society has, at all events for many years, had any loss comparable to the 11 cases of anthrax which have occurred among the 426 cattle insured at Ferentino within the last four years.

Another marked difference is that at Ferentino the Society finds it possible to recover a considerable proportion of the amount paid as compensation by the sale of the condemned animals or of their carcasses, whereas in this country, owing no doubt to more stringent sanitary regulations and to a greater dislike to the consumption of meat suspected of disease, a condemned animal, unless its death was purely accidental, seldom fetches much more than the value of its hide. While the Ferentino Society during the three years 1911-13 paid £683 in claims, it recovered by the sale of the condemned animals and carcasses no less than £201, or nearly one-third of its losses; while in England, so far as our information goes, the proportion so recovered is less than one-tenth. Notwithstanding this advantage, the average annual net loss to the Ferentino Society has been 6s. 10d. per animal insured, while in England the corresponding figure is about 4s. This difference is, however, partly accounted for by the fact that at Ferentino a member may insure his cow up to £30, in which case he would get from the Society £24 as compensation, while in England most societies fix a low maximum, such as £10 or £12, to the amount payable on the death of any animal: but as at Ferentino the average value for insurance of all the animals is only £18, it seems that most of the members are content with the lower maximum of £20 for a cow and £12 for a calf (four-fifths payable in case of death). At Ferentino, on a cow valued at not more than £20, the rate of premium charged is 2·1/10 per cent on the value for insurance, and as only four-fifths of this value is payable as compensation, this is equivalent to 2·6 per cent. on the compensation payable; but, according to recent Ferentino experience, this rate is not nearly sufficient to cover the net

losses in the case of cows, and should be raised to something like 4 per cent. On the other hand, in England, according to the experience of English cow insurance societies, a rate of a little over 2 per cent. on the maximum compensation payable is quite sufficient to cover the net losses among cows and provide for the building up of a reserve fund.

In England, it is not usual to insure fattening bullocks co-operatively, and there are few statistics available to show what is the death-rate from disease or accident among that class of animal, so that the Ferentino experience regarding casualties among working bullocks is interesting, and if the statistics could be extended so as to embrace the experience of a number of Italian societies they would be especially valuable in India and similar countries, where endeavours are being made to introduce a system of insuring working bullocks. At Ferentino the casualty rate among bullocks of this class has been only 2.9 per cent. as compared with 5.4 per cent. among the cows, and as the working bullock is kept to a greater age and exposed to much greater risks than the fattening bullock, it seems probable that an even greater difference in casualty rates exists between fattening bullocks and cows in this country; and that here, if, as experience proves, a little over 2 per cent. on the amount of compensation payable is enough to cover the net losses in the case of cows, then about 1-1/3 per cent. should be enough to charge in the case of fattening stock.

Although, to judge from its own recent experience, the rates of premium charged by the Ferentino Society require to be raised somewhat and re-adjusted in fairness to the working bullocks there can be no doubt that it has been most successful in insuring the cattle belonging to its members at small cost to them, and thus has saved many of them from what would, without it, have been ruinous losses.

RE. THE LIQUIDATION OF THARAMANGALAM CO-OPERATIVE CREDIT SOCIETY.

OPINION OF MR. S. SRINIVASA AYYANGAR,
HIGH COURT VAKIL.

Several questions arise for solution in connection with the winding up of the Tharamangalam Co-operative Credit Society which was dissolved under Section 39 of Act II of 1912. The

Society is, one with unlimited liability. I have not had the advantage of looking at the bye-laws of the Society, but I understand they do not affect the unlimited liability of every member of the Society to contribute to its assets.

All the questions turn upon the construction of the various provisions of Section 42 of Act II of 1912. It is necessary to bear in mind that Section 48 of the Act says that the provisions of the Indian Companies' Act shall not apply to registered Societies and that Act II of 1912 is an exhaustive enactment laying down the law relating to Co-operative Societies. Under Section 42, Sub-section (1) the Registrar is empowered when the registration of a Society is cancelled to appoint a competent person to be liquidator. By Section 41, a Society the registration of which is cancelled ceases to exist as a corporate body. The dissolution of a registered society under Act II of 1912 precedes winding up unlike a company, the dissolution of which follows a winding up under Section 159 of the old Companies Act of 1882. Sub-section (2) of Section 42 confers certain specific powers upon the liquidator by clauses (a) to (d) and winds up in clause (e) by giving him all the necessary residuary power for winding up the society. Sub-sections 3, 4 and 5 provide for powers (1) in connection with the liquidator's investigations (2) for the ascertainment of the Court to which an appeal is to lie if an appeal is allowed by rules, and (3) for enforcement of Civil Courts of the original orders of liquidators and appellate orders of District Courts. Sub-section (6) of Section 42 which is most important runs as follows:—"Save in so far as is herein before expressly provided no Civil Court shall have any jurisdiction in respect of any matter connected with the dissolution of a registered society under this Act." The matters in respect of which express provision is made conferring jurisdiction upon Civil Courts are contained in Sub-sections (4) and (5); and all the matters which can be disposed of by the liquidator by virtue of the powers conferred upon him by Sub-section (2), clauses (b) to (e) are taken out of the cognisance of Civil Courts. Clause (a) of Sub-section (2) however stands upon a different footing. The suits and legal proceedings contemplated by clause (a) are primarily those between the society and third persons, as for instance, all litigation in connection with investments and deposits contemplated by Section 32, loans to other registered

Societies under the proviso to Section 29, any debts due to the Society by its members the recovery of which is sued for as debts, deposits and loans received by the Society from persons who are not members, etc.; in other words the liquidator represents the Society in connection with all suits and proceedings which would have to be instituted and defended if the Society had not been dissolved. Clause (a) which enables the liquidator to represent the society in litigations does not affect the construction of clauses (b) to (e) or the scope of the liquidator's powers in respect of any matter connected with the dissolution of a Society.

The first question that arises is with respect to the 19 loans alleged to be advanced to certain members of the Society which do not appear to have been really advanced. If the liquidator comes to the conclusion that the entries in the Society's books are mere paper entries and that in fact there were no loans to the members in question his course is clear. He has to exercise the powers vested in him by clauses (d) and (e) of Section 42. He can call upon all the members of the society to make up the deficiency in the assets caused by the disappearance of the money or only such of the members as he considers to have been directly and specially responsible for the disappearance of the funds of the society and he can collect the outstanding assets or make good the deficiency by proceeding against such of the members of the society as are solvent for discharging the liabilities of society to third persons and for readjusting the liabilities inter se between the members with respect to the contribution to the assets which he has determined as against each member. He has by the combined operation of clauses (b) to (e) the fullest powers to finally determine the respective rights and liabilities of all the members inter se and that is necessary part of liquidation. Compare the analogous provision contained in section 157 of the Old Companies' Act of 1882 which runs as follows:—"The Court shall adjust the rights of the contributories amongst themselves and distribute any surplus that may remain amongst the parties entitled thereto".

I presume the suits already instituted by the liquidator are to enforce the repayment of real loans advanced by the Society to members as loans. Such suits are perfectly competent within clause (a) of Sub-section (2) of Section 42 and are not obnoxious

to Sub-section 6. Even in those cases the liquidator might have exercised his powers under clause (b) and proceeded to determine the contribution to the assets to be made by the defaulting members so as to meet the liabilities of the Company. If he had elected not to treat the debts as debts the suits would not lie but, as it is, the suits already instituted to enforce the repayment of loans as such are perfectly competent. In the case of the 19 fictitious loans however any suits would be idle on the facts stated and it is perfectly open to the liquidator to exercise his powers under clauses (f) and (e). No question of limitation will arise in respect of contributions to the assets determined by the liquidator subject to the 2 years and the one year's limit in the case of a past member and the estate of a deceased member, respectively under sections 23 and 24. Suits for the recovery of debts as such against members or non-members are however subject to the law of limitation. Orders made by the liquidator in connection with the matters mentioned in clauses (b) to (e) can undoubtedly be enforced as decrees of Courts by virtue of Sub-section 5. No rules as contemplated by Section 43, Sub-section (2), clause (t) having been made giving a right of appeal, no appeal will lie from any order of the liquidator and the jurisdiction of the Civil Court is completely ousted by Sub-section (6) in respect of all matters comprised in clauses (b) to (e). The Liquidator appointed under Section 42 virtually occupies the position of the Court in respect of the liquidation of an ordinary company under sections 147 to 159 of the old Companies Act. The policy of the Legislature in the case of these Co-operative Societies is, plainly and on the face of the Act, to substitute a simple, summary and efficient procedure in connection with the dissolution of registered societies for the purpose of winding up the affairs of such societies.

Clause (c) of Sub-section (2) of section 42 empowers the liquidator to investigate judicially all claims against the society and even to decide questions of priority between the claimants. The liability of members to contribute to the assets of the society is sufficiently comprehensive one so as to enable the liquidator to do complete justice in every case. And he is further clothed with a wide discretion by clause (e) in respect of the collection and distribution of assets. The expression "as may appear to him to be necessary for winding up the affairs of the

society" is significant and confers discretionary powers upon him.

I believe I have made all the points clear, but if I have not I shall be glad to answer any doubts.

What the War is Bringing to us.

The following are extracts from an article on the above subject appeared in a recent member of the *Irish Homestead*:—

The Burden of war taxation, and the demands of the State on the future can be met by farmers in two ways, by organisation for distribution and organisation for production, that is, by effecting economies in purchase and sale and by bringing new factors and forces to bear on production. One half of the solution is to economise, the other is to increase wealth. We pointed out a week or so ago that co-operative distribution of goods made a general saving in Great Britain of between two shillings and two and sixpence in the pound. The members of stores buying day by day what they required at them and paying the prices normal in all shops, at the end of every quarter had a distribution of the surplus after expenses were paid, and this dividend on purchases averaged in Great Britain about two shillings and six-pence in the pound. We assert that if farmers would use their societies for all round Co-operation, buying not only seeds, fertilisers, feeding stuffs and machinery, but oil, hardware, groceries and domestic requirements, in fact all they require either for farm or house they would, once the organisation was complete, save annually on all these purchases a percentage at least as great as the number of the Co-operative Store in Great Britain does on the purchases of domestic requirements. By organising for production and marketing, by increasing production on the farm, and by retaining in the marketing the profits hitherto pertaining to the middlemen; by both their methods, the method of economy in purchase and efficiency in production and sale the Irish farmer could meet the backwash of the war with confidence. Affected by it they must be. It depends on themselves, on their energy, foresight and intelligence, whether it will leave Ireland poorer and more discontented than it has been since the revolutionary era, or whether re-organised with all the unnecessary girth in the social machine got rid of,

with the profiteering middleman eliminated, we start on a fresh career of national prosperity. It is likely that after the war Irish taxation may be anything from fifteen to twenty millions. How is it to be met except by such means as we have indicated, or by our joining the social revolutionaries in repudiating the burdens of interest and in crying out for the nationalisation of all industries. Irish farmers won't willingly offer to fling their farms into a national melting pot, and so their ideals and policy in the future must be the co-operative one. No other will be possible. Lethargy will bankrupt them and bring on them what they hate. The obvious course to take is to throw every ounce in them into co-operative organisation, to have no restriction or limitations with regard to it, to do it well and thoroughly and to support loyally their societies, unions and federations.

Circular No. D. Dis. 876 of 1915 dated 18th July 1915.

Of the Assistant Registrar of Co-operative Societies, Trichinopoly, to all the Inspectors in the Section.

The Assistant Registrar is of opinion that limited liability societies which are located in Urban areas should be able to attract local capital at cheap rates of interest. It is no good to sanction loans from Central societies to limited liability societies which are not able to stand on their own legs and work with local loans and local deposits during the first two years of their starting. The limited liability societies should understand that even two years after starting, loans exceeding the amount of their paid-up share capital will not be disbursed to them by the Central Banks.

2. The Madras Central Urban Bank, Limited, Madras, grants loans to limited liability societies only to the extent of the amount of share capital paid in each.

Circular R. C. No. 472 of 1915.

Registrar of Co-operative Societies, Madras.

The Secretaries of all Co-operative Societies, in the Presidency are informed that when they undertake to present to the public on any occasion, a paper or an article professing to be a report of their Societies' work they should obtain the previous approval of their Directorate who should be in a position to accept responsibility for the same. Any paper or article not

conforming to this condition will not be treated as a report by the organizers of Conferences and editors of journals.

In an article contributed by Mr. R. Ananda Rao of Vadamalaipuram to the September Tamil number of the *Bulletin*, he traces the existence of co-operative movement in old days and its gradual decay, and enumerates the several advantages derived by the people after the advent of the present co-operative movement in India. He describes in detail the important characteristics of a model co-operative society, the various duties of the Panchayat and of the members themselves. With the view of inculcating the true spirit of co-operation in members, he has published a leaflet in Tamil containing all the main principles of co-operation.

Mr. O. M. Venkatanadha Ayyangar of Uttaramerur sends to the same a contribution on "the Wholesale Co-operative Trade" in which he suggests the opening of co-operative wholesale depots in Madras and other urban areas to which the members of primary societies may send their agricultural produce for disposal. By this, he hopes to save for the agriculturists the profit which is now being appropriated by middlemen. He has also proposed a plausible scheme for the earnest consideration of all co-operators.

Mr. B. Hanumantha Rao of Chinagadalavarru R. C. S. in Guntur District has contributed to the Telugu edition an article on the advantages of Co-operative loans.

It is hoped that other original articles in Tamil and Telugu will be contributed to the respective editions.



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No. 2.

CO-OPERATIVE BUILDING SOCIETIES : THEIR AIMS, METHODS AND USES.

BY MR. C. N. KRISHNASWAMI AYYAR M. A., L. T.

Union towns, municipal towns and cities are places where people feel the need for building societies. These places may generally be called *urban* areas. In urban areas, men of small means do not find it easy to satisfy their chief wants. These are food, clothing and shelter. Of these, shelter costs them often so much that the other two wants are ill-satisfied. In growing towns and cities, good houses are not available, and, if available, cost too much. To live in other people's houses, is not always pleasant, especially as co-tenants. In growing towns, capitalists build houses for other people's use, but, as a rule, the landlords take the prices without remorse and refuse to return values. For instance, small repairs are often left uncared for and tenants suffer any amount of annoyance and yet feel the position helpless. The landlords are masters of the situation and do not care for congestion or insanitary surroundings or the like. Rents keep rising with increased demand, and men have to deny themselves many necessities connected with food and clothing that they may have where to lay their heads for the night. Very often the abodes of men are worse than the holes of foxes.

It is in such cases that building societies are most useful. We have seen that capitalist landlords build very often simply 'to let,' and that the small men who occupy them are absolutely helpless and pay heavily and get small comfort. It is true that even in the matter of food and clothing, they are swindled in a hundred different ways, but these can be rectified much more easily than 'housing.' Food and clothing moreover are bought and consumed in small quantities and most men of small means can only live from day to day.

The provision of dwelling houses, however, stand on a different footing. In towns and cities, the first want is land

fit for building purposes. Sometimes the Government, or local Boards or Municipalities, acquire land for town extensions, though as yet there is no method discoverable in such activities. Even, however, where land is available at little or no cost, the small man in urban areas cannot easily take up building, for, that is often beyond his means. The provision of capital for building is therefore the object for which building societies are established. Other objects follow, but this is what we have to begin with.

Capital for building may be found also by Joint Stock Companies, but they cannot benefit the poor man who needs housing. For, like capitalist individuals, the companies work only in the interest of their shareholders. As against dividends to be distributed among shareholders, the comforts of the poor people who occupy the houses, count for little.

Accordingly, *the one remedy for all these evils is the Co-operative Building Society.* This means that the Society consists of actual or possible builders, that they borrow from outside what capital they need, distribute it among themselves according to each one's need, and, whatever profit is realised by this transaction, is also distributed among the members themselves as capitalists. There is thus no opposing interest inside the Society—such, for instance, as that which divides the borrower and the lender. All the members are responsible for the borrowings and they have it in their power to see that the sums borrowed are lent on fair terms to members. Building Societies have not multiplied as yet and the money market also does not know them well. It is, therefore, hard for them to obtain capital on easy terms. Builders, especially when they are small men, cannot pay more than 6 per cent. or $6\frac{1}{2}$ per cent. on the capital borrowed by them, and this is precisely where Building Societies fail to help members. The Government having found this out, have very generously come forward to help them with cheap capital. Societies therefore can hope to get money at 4 per cent. or $4\frac{1}{2}$ per cent. and lend to members at $6\frac{1}{4}$ per cent. or $6\frac{1}{2}$ per cent. Whatever profit is realised hereby is also practically the property of members, which they distribute among themselves periodically. When Societies are able to do this, they may be said to have justified their existence and have taken one solid step forward.

Loans may be given not only to actual builders, but those who buy houses, or rebuild or overhaul their houses. Loans may likewise be given to members to free their houses from prior encumbrances, because the Society thereby enables members to make houses their own, which without such help cannot, properly speaking, be called their own.

Members who take loans from Building Societies must feel it extremely easy to return these and in due course find themselves owners of houses. The amount with interest is paid back in 20 or 30 instalments—that is, almost in the shape of rents, with this additional satisfaction that each instalment paid brings the member nearer to ownership than before, so that the hope of owning it acts as an incentive for quick re-payments. And all the while the magic of property act as nothing else can, and the house is made worth having.

Providing loans of the sort described is therefore the first active step to be taken by a Building Society, but it is only the first step. When a society has made sufficient progress that way, and can command a fair monthly revenue—say, 500 or so—it can think of helping members in other ways. It can, for example, engage specialists, lawyers, surveyors, draftsmen and the like and help members to plan and build and prevent waste or extravagance, and, above all, look to sanitary needs, which as things stand few care to look into, until our sinning brings about its due reward in the shape of epidemics or other evils.

When a society has reached this stage, it can also think of supplying members with building materials at favoured rates. As it is, people are heard howling on all sides that cost of building, materials and wages have risen, are rising and ought to be lessened. Now it is quite clear that mere howling about rise in wages and of the prices of building materials, will not bring them down. The proper way is to combine and send for building materials in the gross. Timber can be got from Malabar or other places either by each individual to meet his own needs or by the society for several members at a time, and, if the society can give, as it must, bigger custom to timber merchants, it can naturally get better terms. So with regard to brick and several other materials, coolly not excepted, whatever the current rates of wages, or the current prices, it is always certain that members of societies can gain, say, from 15% to 25% on the average, if they have the

wisdom to combine for common purposes and act through the society.

When by such means the society is able to command both credit and paid expert agency it can take up building on its own account. It may do this either for its members or for its helping Municipalities to reclaim condemned tracts or effect extensions. Building may go on indefinitely, and as, on the average, a locality may need overhauling once at least in sixty years, growing towns will always need the services of building societies, which may thus prove one of the best sources of investment also. For, though we need help from Government just at present, because money doesn't go to us cheap, as societies progress, and people find its security and business methods agreeable, money is sure to find investment in them and to that extent external help may be found needless.

Whoever wants to organise a building society will have to satisfy himself that these points are clear to begin with, *viz.*, (a) that the town for which he intends the society is *progressive*, in other words, that, either for industrial or other reasons, more families will settle down there as time goes on; and (b) that there are a fair lot of people living in other people's houses, and find their position miserable, and are therefore eager to build and own houses for themselves. In the district of Coimbatore, for instance, Coimbatore, Tiruppur and Erode may be called fine examples of progressive towns. Madura, Trichinopoly and similar towns have every prospect of doing well in future, and so may well organise good building societies.

Some fifty members, ten or twenty of whom at least are prospective builders, may begin a society. They may join and draft by-laws and get the society registered in the usual course. The share capital must be substantial and attractive enough for investors and depositors, though the share amount may be fixed low and even that collected in instalments, so as to enable the middling and the poor to benefit by the society.

To give builders loans looks simple, but you need many things which an ordinary co-operative credit society does not want. For instance, a loan application when received, has first to go to the society's lawyer, for the title of the applicant to the property offered as mortgage has first to be ascertained and approved. Now a sound lawyer cannot be engaged on easy terms,

and so that forms the first heavy charge on the society's revenue. Next some one or more of the managing committee have to go and satisfy themselves that the prospects of the locality, where the applicant wants to build, are sound, and whether the applicant's plan is fair, and whether the building when completed will form good security. Lastly the amount of loan advanced must be made to bear some proportion to the total cost, as, in the beginning of things, it is rather risky to advance up to the market value of the property mortgaged.

It is not therefore easy to disburse loans to builders, but it is the easiest process relatively, for the other stages mentioned above are more and more complex to deal with, and need costly establishments and large capitals. Also, as cheap funds are likely to tempt people to speculate, and as in co-operative work, speculation is about the very last thing to be thought about, or encouraged, those who would organise building societies on co-operative lines will do well to begin with loans to builders, as their first and necessary step, and then feel their way forward little by little.

Every tree is known by its fruit, and building society will justify their existence, when they help to make the towns good from a sanitary point of view, when they make their members self-respecting and manly, when the society becomes a fine source of investment for small as well as great men, and when they also care to make towns lovely as well as healthy. Half the sorrows of Municipalities will vanish when building societies take up the housing question. Another large fraction of their sorrows will disappear when the question of provision is taken by distributive societies, organised and worked on sound lines.

There is therefore every reason to hope that the prospect lying before co-operative activity, is bright and manifold, not the least important side of which is building in urban areas.

HOW TO START A CO-OPERATIVE CREDIT SOCIETY.*

BY. MR. V. VENKATASUBBAIYA B. A.

Let us suppose there is a social servant who has read some books on co-operation and has acquainted himself with its principles, and wishes to start a co-operative society. How should he proceed? What should he do? Can he be given some practical

* A paper read at Bangalore.

hints? I shall attempt to answer these questions to some extent in this brief article.

In the first place he should possess sympathy, patience and tact. We may take it for granted that he possesses sympathy, as otherwise he would not have been a social servant at all. But he should also possess, in a high degree, patience and tact. He will have to visit the locality where he wishes to start the society several times and each time he may have to spend several hours before even finding out whether a co-operative society can be started there or not. Without tact he would not succeed in getting the necessary information to judge whether a co-operative society can succeed there. People generally get suspicious of a person who visits them to make sundry enquiries about them and whose philanthropic motives they cannot at once understand. They take him for a Municipal representative come to impose new taxes, or for an agent of a money-lender, or for a missionary come to tamper with their religion, any way, one whom it would be safe to shun. The social servant should make allowance for all this ignorance and must have sufficient patience and tact to overcome the annoyance likely to be caused.

Then he should take care to choose a convenient locality where to attempt the starting of the society. It should be as near his residence as possible, so that he can visit it conveniently and frequently. Or it should be easily accessible by train or tram. This is an important matter as the locality will have to be visited quite often even after the society is started, and if it be distant and inconvenient to visit, he is likely after some time to neglect it. He usually has his own avocation to attend to and can give only his spare time for social service. Therefore he should make a point of choosing an easily accessible place. If, possible, it should be a limited and compact area with, say, some 50 to 400 or 500 houses. If it be a large and populous area, it would be difficult to understand the condition of the people and there would be very little fellow-feeling among them. A small and compact area can be thoroughly studied and all the people can be personally known. And the people should not be a drifting body, changing their homes now and then. They must have some attachment to the place. They should also have some steady employment. It is not advisable to admit into a society people who remain unemployed for any great length of

time. Such people would have no credit and they are a source of danger to any co-operative society. It is a distinct advantage if they belong mainly or entirely to one profession, such as weavers, fishermen, or cobblers. The people would then be better known to one another and they would be familiar with the discipline exercised by their *Panchayat*. Other conditions being favourable, this factor makes the starting of a society a comparatively easy matter. There should, again, be no violent feuds or parties in the locality. Cliques would not matter. Even if a certain section be indifferent it does not count for much. But if there be strong animosities running high, one party would always try to ruin the society started by the other. No societies are therefore started in such villages by the Departmental officials. They also avoid villages where there is much litigation. But in urban areas wherein usually the social servant works, there will not be much litigation. The shop of the *Marwari* or other professional money-lender may be considered a favourable sign; for he is sure to be exacting an usurious rate of interest and an effective appeal can be made to exchange a beneficial co-operative society for a bloodsucking Jew.

These facts can generally be ascertained in three or four visits, and if signs are favourable further investigation must be made chiefly as to the economic condition of the people. This is a rather delicate matter and it requires a shrewd man to get at the truth. The people, especially ignorant and poor people, will always over-estimate the expenditure and underestimate the income. In some cases it may be done with a purpose, but generally it is done out of mere ignorance. Even educated people are not always in the habit of correctly estimating their income and expenditure and preparing a family budget. Much less can this be expected of the classes that would need the assistance of the social servant. A certain amount of indebtedness among the people should be considered an advantageous factor. It supplies an incentive to the people to come together and form themselves into a society. But if most of the people are hopelessly indebted, no society can be started there. Suppose a man is indebted to a private money-lender and suppose he borrows from a co-operative society to pay him off, then, with his income he should be able to meet all reasonable household expenses and also to discharge the loan of the society with interest.

in five years at the most, but in monthly or quarterly instalments. If either on account of the smallness of the income or largeness of expenditure, a man is unable to fulfil that condition he should be advised not to join the co-operative society. In the case of agriculturists the period may be extended to ten years as the return on land is comparatively low and as monthly and quarterly instalments are out of the question, the harvest being generally reaped only once in the year. No society can be started with paupers. There should be people in a society to give it credit in the eyes of the would-be depositors or lenders, for, the society generally has to borrow from a Central Bank or from some individuals and cannot depend entirely upon the share capital and deposits of the members. If the people be mostly employees of one or two bodies such as a Municipality or mill, an attempt should be made to obtain the sympathy of the employer. And when that is obtained a distinct advantage is gained. There should also be some fellow-feeling and mutual faith in the people. If no one trusts his neighbour or brother-in-trade, the required minimum number would not be available to get a society registered.

The question of choosing the limited or unlimited form of liability for the society is likely to puzzle the social servant. It is not possible to lay down a hard-and-fast rule with regard to it. But expert opinion is at present generally inclined more to the side of unlimited liability. Where the people belong to one class or profession, long known to each other or connected by ties of blood, unlimited liability should prevail. And it would also be comparatively easy to induce them to accept it. It should however be remembered that unlimited liability does not make so great a difference in attracting loans and deposits in the case of rural societies. In the latter, almost everyone possesses some immovable property, while in the former hardly any one does.

If after a study of these points the social servant comes to the conclusion that, on the whole, a particular locality is favourable, he should explain to some influential inhabitants the principles and benefits of a co-operative society, how other countries and towns have profited by it and what good it can do to the people of the locality. He may have to talk to groups, large or small, and may have to repeat the whole thing

several times before all of them have heard him. He should ask them discuss the matter among themselves and decide whether they would like to have a society or not. If they be willing, they should be asked to attend a meeting fixed and notified beforehand at which bye-laws would have to be adopted and any statements prescribed by the Registrar of Co-operative Societies filled up. A copy of the model bye-laws should be obtained from the Registrar or some other official of his Department, and any necessary modifications may be made to suit the conditions of the people and the locality. It is advisable to invite some official of the Department who has been authorized by the Registrar to organise new societies to attend this meeting. His report will make the registration of the society easy. If the Registrar be satisfied with the bye-laws and can think of no objection to the locality, he generally registers the society and sends an official to start it formally. The names of the members are written in the register, entrance fees, if any, and the first instalment of share capital are received; if any loans can be advanced to any member out of the collections it is done. The society is started now and its work has begun.

But the work of the social servant does not stop here. He must continue to make frequent visits and take a lively interest in the society. He must become personally acquainted with all the members if possible. He should pay particular attention to inducing the people to become thrifty. They must be advised to make compulsory provident deposits on which an interest of not less than 6 per cent., or, one pie per rupee per month, must be allowed. Four to eight annas per month would suit even the poorest members. This should only be the minimum. Some at least of the members should be persuaded to make larger deposits. The greatest difficulty experienced with regard to societies started for the benefit of the very poor will always be in the matter of finance. Even the combined credit of all the members will not help them much in getting loans from purely business banks, as the immovable or attachable property of such people will be very little. For the same reason deposits from outsiders will be very small. Therefore the members should themselves be made to supply as large a portion of the funds of the society as is possible under the circumstances. They should be induced to invest all their savings in the society.

The share-capital should be fixed at a fairly high figure, but the members should be allowed to pay it in easy monthly or weekly instalments. Attempts should be made to obtain deposits for the society from philanthropically-disposed gentlemen, but on strictly business terms. The concession which is required of such depositors is not demanding little or no interest on their moneys, but placing some trust in these people and in the earnestness and watchfulness of the social servant who goes to them for help—considerations which do not prevail with the strictly business man. Where the banks refuse to lend, not being satisfied with the security available, these philanthropic gentlemen should be prepared to give the financial aid required. They take more risk than a bank, but show no other favour. Deposits of a few hundred rupees from a few such gentlemen could be easily secured by any good public worker or association of social servants. With all this, the funds may be inadequate for sometime, but afterwards the accumulation of the payments made by the members and the profits earned by the society together with the deposits will generally suffice. The matter, however, is one which the worker should be prepared to face.

Then he may have to put the Secretary and the Panchayat in the way. He may have to teach the former how to keep accounts or help him to get over a difficulty. He will have to inquire into the purposes of loans applied for and satisfy himself that they are genuinely wanted. In fact, he should do all the work of the Panchayat, without actually being one of it. And when the Panchayat goes wrong, he should set it on the right path. If there be arrears he should speak to the members and collect them. He should do everything to keep it efficient. He should, in other words, do the work of the inspector without actually being one. He should also train up some one else to take his place in supervising the society. His visits should continue to be quite frequent till the members of the Panchayat have learnt to discharge their duties efficiently. Roughly speaking it takes about a year for them to do so and the social servant should give his close attention to the affairs of the society for at least that period.

A NOTE ON CO-OPERATION.

BY V. M. HERLEKAR, ESQ., B. A., L. L. B., DHARWAR.

The law having thus followed the policy of let alone in dealing with the mutual relations of debtor and creditor the consequences that resulted from it were seen in the enriching of the class of the creditors and impoverishing that of the debtors. In almost every village a Sowkar was usually found who had become a big landlord and the master of a long purse at the expense of the poor agriculturist. Numerous instances can be quoted where the Sowkar by fomenting litigation between poor ryots found his opportunity of growing rich. If the debtor happened to be under the influence of any expensive and ruinous vice the Sowkar took full advantage of it. In some cases the Sowkar was cruel enough to encourage such vices in a poor ryot or a rich inexperienced youth. The Sowkar was in such cases able to drive all sorts of unconscionable bargains. The bonds obtained were in many cases for a larger amount than was actually advanced. The ignorance of the poor ryots was a thing which the Sowkar never neglected. If the poor ryot somehow or other came with money to pay off the debt he was often put off with paltry excuses. The money that the poor ryot had got together for this purpose gradually melted away and the obligation remained as it was. No receipt was ever given. Sowkars dealing in lakhs often declared in open court on solemn affirmation that they did not keep accounts and they were believed. All this was owing to the plain dictates of human nature which worked in the mind of the Sowkar. He had an eye on the valuable land in the possession of the poor ignorant ryot or the rich improvident heir and the law gave him full help in successfully playing his game. At least it may be safely said that the law never concerned itself with these considerations and the natural result was that the poor ryot was in short time reduced to the condition of a poor agricultural labourer obliged to earn his starving maintenance by the sweat of his brow. His interest in carefully cultivating the land entrusted to his care entirely vanished. The class of absentee landlords gradually increased and agriculture gradually deteriorated by an excessive extent of land passing into the possession of the rich Sowkar class.

This state of things culminated in the Deccan riots where in many cases the poor ryot growing desperate by his helpless

condition took the law into his own hands by openly attacking the person and the property of the cruel Marwaries. Noses were cut, limbs were broken, stocks were burnt and houses were plundered. It was then that the Bombay Government opened its eyes and wished to interfere. This was the origin of the Deccan Agriculturists' Relief Act which has been recently extended to the whole Presidency. As far as the letter of that piece of legislation goes it seems to be based on considerations of pure equity. The person of the debtor agriculturist was exempted from civil arrest. His farm house was exempted from attachment and sale. The dealings between a Sowkar and an agriculturist were carefully examined from the beginning. If, at any time, interest was converted into principle that was summarily disallowed. In cases where the satisfaction of the debt was postponed for a period of years by the contract and where according to the old law the debtor could not compel the Sowkar to take his dues and release his property from the encumbrances, this law interfered and compelled the Sowkar to accept his dues and free the debtor from the obligation. Where by the contract it was provided that the produce of the land should, irrespective of its quality, be taken in lieu of interest this law interfered and said "No. You Sowkar, you are entitled to a reasonable rate of interest according to the usage of the locality, and you must account for your receipts." According to the old law the debtor had to prove the failure of consideration if he was courageous enough to plead it in court. This law imposed the burden of proving the passing of the consideration on the lender. By appointing conciliators and making a reference to them of all such disputes for effecting a compromise between the parties obligatory, the law gave the agriculturist an opportunity of saving court expenses.

These provisions were enacted with the object of relieving the condition of the ignorant agriculturist. And if the Sowkar had not been ingenious enough the poor agriculturist would have been helped materially. But the circumstance that the poor agriculturist had no other friend besides the Sowkar of his village in the time of his need was entirely lost sight of by Government. I have heard that Sowkars often evaded the provisions of this law by not passing a farthing into the hands of the poor agriculturist before he executed a bond agreeing to a bogus compromise

in court. When the matter was placed before it, a decree was passed in terms of the compromise and the court was bound by law to execute its own decree. Mortgages in the garb of sales were obtained in numerous cases. Until Section 10 A was enacted the provisions of the Evidence Act practically estopped the agriculturist from putting forward any such contemporaneous oral agreement. The attempt made to relieve the poor agriculturist made the Sowkar shy and cautious. The only source of obtaining pecuniary help was in many cases entirely stopped. The Sowkar drew the strings of his purse the tighter and only opened them when he was satisfied that his position was perfectly safe. The needy ryot was thus often obliged to help the Sowkar to evade this law. The law in many cases deprived the poor agriculturist of his one source of financial help and did not create any other source to take its place.

This was in short the condition of things before the Co-operative Societies' Act was passed in 1904.

It was wisely seen by Government that the passing of an Act was not in itself sufficient to remedy the evil. It framed model bye-laws, appointed special officers for introducing such movement in favourable localities. The policy of the act was to limit state interference to the strictest and narrowest limits. It was not proposed to establish societies under Government management. The initiative had to be taken by the people themselves. The formation of such bodies was encouraged by extending various privileges to such bodies. They were exempted from the large fees formerly payable under the Joint Stock Companies Act for the formation of a Joint Stock concern. The bodies were after their formation exempted from general stamp duty on their transactions with their members and from registration fees when their documents had to be registered. The collection of capital for carrying on these concerns was encouraged by making the share capital unattachable in the execution of a court's decree where the society possessing the share money was not the plaintiff. The profits earned in such concerns were exempted from the payment of income tax. And the Arbitration rules of 1914 have placed in the hands of the societies a summary and an inexpensive remedy for the recovery of their dues.

Though such were the privileges placed within the reach of such societies when formed, the formation itself was wisely left to the choice of the people themselves.

The Government went further and instructed the Registrars to persuade people to organize such societies and appointed honorary organizers to induce people to do the same.

After the lapse of nine years we are in a position to estimate the good results that have flowed from this right move in the right direction and my connection with some societies enables me to testify to the immense good that has resulted from this movement.

When the movement was new it was not readily taken up by the people. The unwillingness to do honorary and responsible work, the conflict of interests, the dense ignorance and factious spirit prevailing in the borrowing class delayed and is still delaying the formation of such societies. In some places societies are growing weaker because the local Sowkars are exerting their utmost to kill the growth of this movement. They naturally look upon it as a very formidable rival.

In spite of these obstacles the movement is gaining ground by gradual steps and it is my firm conviction that it has come to this country for a permanent stay. The want of public spirit and the illiteracy of the masses may retard its growth for some time to come. But the rapid strides that this movement is making in this country is remarkable. I do not take only statistics as my guide for this view. I can say from the little experience that I have had of the working of such societies that this Act has effected a revolution in the old order of things.

Before dealing with concrete instances I must state shortly the main result of my experience. Fair dealing on the part of the lender invariably creates in the borrower a readiness to deal with the lender. Character is an important asset of an Indian. A woman is often more thrifty and more prudent than a man and thus safer to deal with. The public has complete confidence in the stability and soundness of such societies if conducted in the proper spirit. A good and careful management removes every difficulty in the collection of capital necessary for carrying on such concerns. Capital from Bombay has smoothly run along this channel to the furthest corner of a district where a rural society is formed and carefully managed by the inhabitants of a village. An infinitesimal portion of the soil favourable to the formation of such societies has been traversed until now and if the educated portion of the Indians becomes awake to its

responsibility the ample ground left unoccupied will soon be covered with a cluster of such societies.

Let me now deal with a concrete instance. I was one of those who promoted the formation of the Southern Mahratta Urban Co-operative Credit Society, Dharwar. The working of the said society is confined to Dharwar town and its suburbs. The population of the place is nearly 30,000. It is a place not noted for any particular branch of commerce or any notable industry. Its being the head quarter of the collectorate and the seat of the Sessions Court for a very long time accounts for its being so populous.

The value of a share was fixed at Rs. 3 and the nominal capital mentioned in the original application was one lakh. At the time of starting of the society we were inclined to laugh at ourselves at our absurd project. When joint stock concerns were started in this district, like presses and spinning and weaving mills, the promoters had to undergo a lot of trouble in collecting a capital of a few lakhs; liberal commission had to be allowed for the collection of the same, though the field open for canvassing was the whole of Bombay presidency. We thought we were making fools of ourselves in expecting that the society would ever be able to collect a decent amount of capital. The field of work being thus confined within very narrow limits and the idea of canvassing for capital being scrupulously rejected as a matter of policy, we thought that the society may if favoured by circumstances be in course of time able to collect a few thousands by way of share capital and deposits. The society began its work in February 1907 and because in its infancy the want of capital was keenly felt the society had to approach Government for pecuniary aid. Government lent two thousand rupees. We had to borrow two thousand from Sir David Sassoon of Bombay at 7 per cent. per annum. But shortly after this loan was obtained from Bombay deposits and shares began to flow in and the figure went up to ten thousand per month. The reader will believe me when I say that absolutely no special effort was made for the collection of this capital. Sole reliance was placed on careful and sound management. In the course of two years or so we were able to ask the Registrar for a sanction to increase the capital from one lakh to three lakhs. And the present paid-up capital amounts to over two lakhs and a half. The reserve fund that we have been able to set apart

amounts to nearly Rs. 30,000, and it has been invested in Government Promissory Notes. The society maintains an establishment costing about Rs. 125 per month. The dividend that the society has been able to declare annually has never gone below 10 per cent. and has gone up to 12 per cent. in some years. During these eight years about 4,800 documents were got executed from borrowers and in about 250 cases the matter had to be taken to Court. A number of these suits could have been avoided if we had allowed renewals with a liberal hand. Out of these 250 decrees nearly 160 are completely paid off. In Court the only defence set up by the defendants was a request for the grant of time or instalments. In not a single case was a larger repayment alleged than was given credit for in the accounts of the society. No complaint was ever heard of the borrower having had to pay to any body connected with the society any inducement in the shape of money. The sum total of the dealings of the society amounts up to date to nearly twenty lakhs.

I have seen a similar progress in other societies started in Hubli, Gadag and Belgaum. Nearly seven lakhs have been distributed by way of loans by the Central Bank of Bombay among several rural societies in this District, one village in the Taluk of Ron having been helped by the Central Bank to the extent of Rs. 35,000. The Southern Mahratta Society has advanced nearly Rs. 50,000, to several Rural Societies in that District and the payment of the dues by the Rural Societies concerned has been remarkably punctual.

As Chairman of the District Union I have often had opportunities of having a useful conversation with the leading members of a Rural Society on the subject of co-operation, its scope and advantages. That conversation has often impressed me with the growth of a very commendable public spirit in the village, and above all with the extraordinary self confidence created by the starting of such a society in the village.

When we compare this new state of things with the old, the reader will pardon me if I again assert with some emphasis that the Co-operative Societies' Act and the movement which it has inaugurated have effected a complete revolution in the relations between the lender and the borrower. I conclude with an earnest prayer to my readers that this humble experience of mine will inspire them to take a prominent part in the promotion of this beneficial movement.

PROGRESS OF CO-OPERATION.

His Excellency the Governor of Madras and
Tanjore Co-operators :

A deputation of Tanjore co-operators, consisting of Messrs. Rau Bahadur A. Annaswami Tevar, V. A. Vandayar, Rai Sahib A. Seturama Aiyar and S. G. Krishna Pillai of the Nidamangalam Agricultural Bank, Ltd., and Messrs. V. R. Srinivasan, B. A., and T. R. Srinivasa Ayyangar, B. A., L. T., of the Tanjore District Co-operative Central Bank, Ltd., waited upon His Excellency, at the Collector's Bungalow at Vallam on the occasion His Excellency's visit to Tanjore. Mr. R. B. Wood, I.C.S., the Collector, duly introduced the members of the Deputation to His Excellency. On their taking their seats, Mr. T. R. Srinivasa Ayyangar, B. A., L. T., on behalf of the members of the Deputation, read out their representations to His Excellency, appealing for the help and support of His Excellency's Government in the matter of opening co-operative societies for bone-crushing and setting out the arguments in favor of such a proposal. His Excellency gave them a patient hearing and discussed with them about the feasibility of their proposal. He expressed his entire sympathy with the objects of the Deputation and his appreciation of the services rendered by the gentlemen in the cause of the movement at considerable sacrifice, but felt sorry that there were practical difficulties ahead and said that the problem required nature consideration and the ceaseless efforts of co-operators themselves, who must more depend upon their own resources, businesslike methods and constant care and attention than upon any help by way of subventions or otherwise from Government, that the matter of prohibiting the export of bones was rather a very large order and that it would be neither expedient nor fair to force sellers of bones to sell for a lower price to co-operative societies than what was offered them in the open market. All the same co-operators should on no account be discouraged but should strive hard to work out their own salvation. After thanking His Excellency for the patient hearing accorded to them and the valuable advice offered, the Deputation withdrew.

**Representations of the Tanjore Co-operators' Deputation to
His Excellency the Governor of Madras.**

(3rd December 1915.)

May it please Your Excellency,

In opening the first Madras Provincial Co-operative Conference, Madras, on the 21st December 1912, Your Excellency, after referring to the scope for Co-operative enterprise in the distribution of pure seeds and the cheap supply of manures, was pleased to observe: "The outlook is most hopeful and I have little doubt that a beginning will soon be made, now that for the first time facilities are offered for the formation of societies working on co-operative principles to improve and develop economic interest and especially agriculture, the greatest of all economic interests. For this purpose it is not necessary to lay fresh burdens on the co-operative credit banks, for, if desirable, separate organisations may well be formed, to apply co-operative principles to 'Agriculture.' The two organisations can work independently and side by side." It is with a view to make a beginning towards the achievement of this end, so graciously portrayed by Your Excellency, that we, humble workers in the field of co-operation representing the 'Nidamangalam Agricultural Bank, Ltd.,' a primary society, and the 'Tanjore District Co-operative Central Bank, Ltd.,' a secondary co-operative financing body, beg to approach Your Excellency, on behalf of the Co-operator—Mirasdars of this Presidency in general and of this District, situated in the Cauvery Delta, in particular, with the following representations:—

It is a fact well-known to your Excellency's Government, that Tanjore is an Agricultural District depending on paddy cultivation. The soil survey of the Tanjore Delta by the 'Research Institute,' Coimbatore, reveals the fact that it is in very great need of phosphatic manures. For this purpose, the Agricultural Department of Government advises us to use fish-manure or super-phosphate. There is a great demand for fish-manure, but, the Department is not able to meet it now. As for super-phosphate, the royts are very poor to buy such artificial fertilisers and they are not trained in the scientific method of skilfully applying them to the crops. Further, this District is very defective in drainage. So, the application of soluble phosphatic manure is not desirable in the interest of the ignorant

cultivators. The only course open to us is to use bone-manure in some shape or other, as bones form one kind of phosphatic manure, though it may take some months for the bones to decompose. The bones of the district are now wholly exported to Ceylon by firms. In order to collect bones and crush them by means of a disintegrator attached to an oil engine, we are trying to form a co-operative society. The collection of bones seems to us to be a very difficult affair. For the last three months our efforts in this direction have been unavailing still we have some hope. In purchasing bones we have to compete with rich firms. We are aware that the Co-operative Department will not register a non-credit agricultural society unless it is a profit-earning concern.

A society with such an object is very indispensable to this District. Paddy crop in the District was thriving owing to the silt of the Cauvery. The requirements of the paddy crop were met by the plant-food contained in the silt. It is only where no silt-deposit takes place that the recoupment of phosphoric acid in delta soils needs to be considered. Now, owing to the various dams and regulators on the way we get only clear water to our fields. There are about a million acres under paddy cultivation in this District. Taking that at least 30 per cent. of the extent under paddy cultivation is wanting in phosphates and that such lands require about 2 cwts. of soluble phosphatic manure worth about Rs. 8/- per acre, the loss in phosphates comes to about 24 lakhs of rupees. To make good the loss of phosphoric acid in Tanjore soils 24 lakhs of Rupees worth of phosphatic manures should be applied, *i. e.*, all the bones in the District for twenty years should be fully utilised for the District itself, as will be seen from below. About 50 heads of cattle either die or are slaughtered in each village in the District every year. For about 3,000 villages 15,000 heads of cattle die every year. The bones of each head of cattle weigh about 40 lbs. Thus $15,000 \times 40 = 6$ million lbs. of bones or about 2,400 tons or $2,400 \times 60 =$ Rs. 150,000 worth of bones are annually exported to Ceylon. This should be collected and utilised in the District itself, if the fertility of the Delta-soils is to be maintained. For this purpose co-operative societies should be organised for the collection of bones, their crushing and distribution among members. A society on a limited liability basis with a share capital of Rs. 2,000, may be

started. In this amount, the initial cost of purchasing a 5 H. P. Oil-engine and a disintegrator for about Rs. 1,400/- and the construction of a shed etc., may be met. Five times this amount may be borrowed from the District Co-operative Central Bank for working expenses. In a day of $8\frac{1}{2}$ working hours the Engine will crush 1 ton of bones. Supposing that there is 3 months' work we have to purchase about 100 tons of bones costing about Rs. 6,000/-. If this is crushed into bone-dust by the disintegrator, the dust may be sold for Rs. 8,000/-. Deducting the cost of crushing, wear and tear, establishment, interest, etc., the net profit will come to Rs. 5,000/- at least. With such figures, the co-operative department will gladly register a non-credit agricultural society, as it will be a profit-yielding concern. If rich firms compete with the society and raise the price of bones, there is a chance of our society not getting any profit at all. Under such circumstances, considering the economic importance of such societies both to the Government as well as to the ryots, we pray that your Excellency's Government may be pleased to grant a subsidy to cover any possible loss for the encouragement of such societies. At the meeting of the Agricultural Board held in Coimbatore in January 1914, the Board resolved that subsidies may be granted to co-operative dairies in view of the importance of the supply of good milk to the people. For similar considerations, we pray that Government be pleased to grant subsidies to bone-crushing societies in this District, at least in their initial stages. We also pray that Government be pleased to direct the Revenue Officers of this District to help us in the purchase of bones and in other things connected with our humble efforts. We further pray that the privilege of collecting phosphatic nodules in the region of Perambalur Taluk in the Trichinopoly District, be given to a co-operative concern in preference to private enterprise.

Another way of solving this economic problem, we humbly beg leave to suggest, is by passing a legislative enactment prohibiting the export of bones from this District. In conclusion we pray that our request be given the earnest and sympathetic consideration of Your Excellency's Government which it so richly deserves.

Debt Redemption Committee's Work in Bombay.

The following extracts are taken from the recent report on the Debt Redemption Committee's Work in Bombay:—

An annual general meeting of over 300 members of the co-operative societies within the cognizance of the Debt Redemption Committee was held on the 8th of April 1915, in the Servants of India Society's Home, under the presidency of the Hon'ble Mr. P. D. Pattani, C. I. E.

All the members of the Debt Redemption Committee, and those ladies and gentlemen who had shown active sympathy with the movement by giving deposits and contributions to the Inspection fund, and a few others who were interested in the work with all its subsidiary activities like the Insurance and Medical Relief and Education schemes, were invited to take part in the gathering.

Mr. G. K. Devadhar, then explain the object of the meeting. It was called, he said first, to request the Hon'ble Mr. Hill, the President of the Committee, to inaugurate the two schemes of (1) Life Insurance on easy terms and (2) the Free Medical Relief flowing partly out of the life insurance work and partly with the help of an offer of Rs. 100 per month from Mr. Rajaram Tukaram in the name of his late lamented father Mr. Tukaram Tatya. And the second object was to accord to the Hon'ble Mr. Hill their best thanks for the very keen interest he took in the work of co-operation started by the Servants of India Society, and to wish him a long life and an increasingly prosperous and useful public career to serve the best interests of the country and to bid him farewell on his elevation to the Imperial Executive Council. Mr. Devadhar gave a rapid review of the progress of co-operative work in Bombay initiated by the Society. There were 12 co-operative societies then started at different dates with a total membership of 353 and two more societies were registered in March last and would begin their work soon. He then showed how the societies closely followed the objects with which they were started and adhered to the lines of work laid down in the rules of the Debt Redemption Committee that supervised, guided and helped the work of these co-operative societies by employing paid and voluntary workers. The main plank in the Committee's programme of work for the present was the redemption of old debts of members, which were very heavy and on which they had to pay killing interest varying from 75 per cent. to 150 per cent. So far

235 members have been fully freed from their debts and others will be redeemed in due course. A sum of Rs. 46, 811 has been paid as loans to members at 18½ per cent. to pay their creditors in full settlement of their claims amounting to nearly Rs. 60, 000. The members will return the whole amount of loan back to the societies by monthly instalments within a period of three years. For this purpose deposits amounting to Rs. 28,566 which sum includes Rs. 500 from Government and Rs. 454 from six members themselves, have been secured from sympathisers of the movement at interest varying from 6 per cent. to 9 per cent. fixed mostly for three years. As a measure of thrift the members themselves have paid by way of shares and compulsory deposits fixed for 10 years by monthly instalments of either rupee one or annas eight a sum of Rs. 2,175-8-0. Members have paid Rs. 523 on account of entrance fees and charges for miscellaneous expenses. As regards regularity of payments Mr. Devadhar remarked that it was exceptionally good and he had not even half a dozen cases of wilful defaults to report. Out of the total loans of Rs. 46,811 the members have already paid back month by month a sum of Rs. 16, 957-8-0 i. e., over one-third of the amount due from them altogether with a sum of Rs. 4, 235 as interest on the amount. These amounts become fresh capital for further redemption. A sum of Rs. 5,008 has been returned to depositors with Rs. 1,146 as interest on deposits fixed. The total turnover of these small societies has come up to Rs. 63,808. The up-to-date expenses to the societies of working this scheme amount to Rs. 809 which is slightly over 1 per cent. of the turnover. The cash balance with the societies stands at Rs. 1,380. And the net profit, according to the latest balance sheets audited by the Government auditors which these societies have made during this short period stands at Rs. 2,276 which forms their Reserve Fund. Mr. Devadhar then spoke of other benefits that flowed from this work. (1) Three night schools with 100 co-operators and their friends and children have been started and the daily average attendance stood at 50. This was Mr. A. V. Thakkar's special charge. (2) Distributive co-operation has been also started (3) and it was settled by all the societies to get the lives of almost all the members assured for a minimum sum of Rs. 250 (4) and to provide free medical relief to the members of their families. Mr. Devadhar then dwelt on the participation of the

Hon'ble Mr. Hill in this humble work and the very keen interest he showed in all the details of the work of the Committee. He said that it was difficult to find an official of Mr. Hill's practical sympathy for the poor working like a true volunteer for their material and moral advancement. At Mr. Devadhar's request the Hon'ble Mr. Hill once lectured at the Servants of India Society in Poona on the subject of co-operation between officials and non-officials to further the best interest of the country and Mr. Hill by his work has set a noble example of that spirit of co-operation and has very sincerely put into practice the principles he then enunciated for joint work. It has been the peculiar good fortune of Bombay that the highest officials of Government take a special delight in co-operating with non-officials in work which is the duty of both to carry on and the Hon'ble Mr. Hill has shown by his deeds that co-operation on these lines can accomplish great things. Mr. Devadhar thanked the Hon'ble Mr. Hill on behalf of his brother-co-operators and wished him a long life and greater participation in such work in places where calls of higher duties of the State would carry him. Messrs. Vaze and Thakkar then concisely explained to the members both the schemes in Marathi and Gujarati and referred to the educational and co-operative Housing work which it was the intention of the Debt Redemption Committee to undertake in the future. Mr. Marwadi master spoke in Gujarati and Mr. Kadam in Marathi on behalf of the members of the co-operative societies thanking the Hon'ble Mr. Hill for the very keen interest he had evinced in their welfare throughout his connection with the Debt Redemption Committee and sincerely wished him a long life and a bright future career.

The Progress of the Work.

(I) The scheme of getting the lives insured of the members of the Societies within the cognisance of the Debt Redemption Committee has been put into operation and 217 members that were willing to take advantage of the Insurance have been medically examined by the Doctors of the Industrial and Prudential Assurance Company, Bombay. Of these, 16 lives were rejected, and Endowment policies for a sum of Rs. 250 each with profits, maturing either after 15 or 20 payments have been drawn up and the first years' premia amounting to Rs. 2,488-3-0 on 143 policies have been paid up.

A separate fund for a free medical relief has been created and it is proposed to form a sub-committee consisting of such doctors and a few other ladies and gentlemen as have interested themselves in this work and have promised hearty co-operation.

(II) The second scheme of Free Medical Relief to the members of the Co-operative Societies and their families has also been put into execution. A dispensary has been fitted up on the ground floor of the Servants of India Society's Home, in Girgaum and the work is to be looked after by Mr. Baban Gokhalay. Dr. R. N. Permanand, Dr. Thakkar, Dr. Miss Nagutai Joshi, Dr. R. S. Mehta, Dr. Gaman, Dr. Dherandher, Dr. Merchant and Mrs. Avantikabai Gokhalay, have been kind enough to promise to render all possible assistance to the Debt Redemption Committee, to successfully carry out its Free Medical Relief Scheme. The opening ceremony of the dispensary was performed by the Hon'ble Mr. Laloobhai Samaldas, C. I. E., on the 4th of July 1915.

AN ABSTRACT OF THE CO-OPERATIVE SOCIETIES UNDER THE COMMITTEE.

To the end of July 1915.

Item.	For Gujarati Speaking People.	For Marathi Speaking People.	Total.
No. of societies	8	6	14
No. of members	231	198	429
			Men 409, women 20
No. of members completely redeemed...	185	119	304
Loans given to members ...	Rs. 47,973	Rs. 20,291	Rs. 68,264
Loans returned by members ...	Rs. 15,517	Rs. 11,049	Rs. 26,566
Share or depenture money ...	Rs. 1,376	Rs. 1,620	Rs. 2,996
Members' deposits...	Rs. 550	Rs. 33	Rs. 583
Outside Deposits...	Rs. 28,75	Rs. 5,797	Rs. 34,472
			returned Rs. 1,350
Government loan ...	Rs. 500		Rs. 500
Interest earned ...	Rs. 4,697	Rs. 1,673	Rs. 6,370
Total of turnover ...	Rs. 62,729	Rs. 27,282	Rs. 90,011

N. B.—They have got the lives of over 200 members assured each for a sum of Rs. 250; moreover they have recently opened a free Dispensary for the benefit of the members of the Co-operative Societies where every kind of medical aid is given free including Doctors' visits to the members and their families. During the last month the average attendance is 30 per day.

TRAINING COURSE FOR CO-OPERATIVE BANK EMPLOYEES BIHAR AND ORISSA.

At the instance of Mr. B. A. Collins, I. C. S., Registrar of Co-operative Societies, Bihar and Orissa, a training course was organised for Managers, Assistant Secretaries and Bank Clerks for the Central Co-operative Bank in the province and classes were held at the Agricultural College at Sabour for three weeks—beginning from the 6th September 1915. The course of training consisted of:—

- (i) Secretarial work and practice.
- (ii) The theory and practice of Book-keeping as applicable to Co-operative Central Bank Accounts.
- (iii) The compilation of accounts.
- (iv) The compilation of statistical returns.
- (v) Co-operative Laws and principles.
- (vi) Inspection and supervision of Societies.
- (vii) Principles of Co-operative Banking and financing of societies.

Lectures were delivered by the Registrar, his Deputy Registrar, Khan Bahadur Moulvi Mohiuddin Ahmad and Mr. G. M. Rangiah, Corporate Accountant and well appreciated by the candidates who were impressed by the important part played by Central Banks in the development of the Co-operative movement and the necessity for running the office of the Central Banks methodically in strict accordance to the Act, Rules and Bye-laws. The Secretarial work and the accounts portions were explained with copious illustrations by Mr. G. M. Rangiah, the candidates being allowed to question when they were unable to follow. Lectures on Law and Principles were delivered by Khan Bahadur Moulvi Mohiuddin Ahmad and those on banking finance, supervision and inspection of Societies, &c. by Mr. Collins. At the

close of the period a written examination was held on the following subjects :—

- (i) Book-keeping and Accounts.
- (ii) Secretarial work and practice.
- (iii) Law and principles.

The result of the examinations is anticipated to be satisfactory. The students before dispersing acknowledged that they had learnt many things of which they were ignorant in connection with the workings of Central Banks and it is hoped that there will be a great and appreciable improvement in the office management and account keeping of Central Banks in the Province. Hitherto there was an impression that the paid staff had but limited prospects. They are convinced that the prospects before them are as bright as in any other walk of life and the installation of the Co-operative federation will open out the field for more young men to enter the Department. The only regret was that the course was not longer so that they might have been able to learn more.

Thanks are due to the Agricultural Department and Mr. Taylor, the Principal of the College, and his staff for the ungrudging help rendered in accomodating the students in the splendid and well-equipped Hostel attached to the College and in providing class rooms for the lecture and examination in the College.

Co-operation in Tinnevely.

The Palamcottah Urban Co-operative Credit Society Limited, was the first urban society registered in the District. M. R. Ry. Rao Sahib, K. Vijiaraghavachariar Avl. M.A., the then Assistant Registrar of Co-operative Societies Trichinopoly, who spent nearly a week here organized the society early in January 1913. At that time some five societies of the Satur Taluq on account of the redistribution of districts were included in the Koilpatti Taluq of this District. Vilathikulam Society was the earliest and it was doing very good work though it cannot be said to be progressing at the same rate as before. The Registrar and the Assistant Registrar have since devoted some attention to this District and brought into existence in the past two years and a half some 43 or 44 societies. Two urban societies at Tuticorin and Ambasamudram are among those organised during the year 1914-15.

Though there are 45 or 46 societies in all in the District, all of them are working as separate entities in the various parts of the District each ignorant of the working of the other sister societies. The duty of establishing a link and increasing mutual knowledge of each other and thereby ensuring progress devolves upon the educated public in the urban areas and chiefly upon those at the head quarters of the District.

Though the progress of the Palamcottah Urban Co-operative Credit Society, Limited, so far achieved may be considered satisfactory, yet it cannot be said that all those who ought to consider it their duty to popularise the movement in the district have done their best realizing their responsibility.

A good deal of misconception even about the working of the urban society still prevails. It is not necessary to state that nothing is known of the village societies. From what is given below about the working of the Palamcottah Co-operative Credit Society the public can have an idea of the progress made during this short period of two years and nine months.

The annual report of the society for the year ending 30th June 1915 was read before the general body on the 8th August 1915. The society now owns a building worth Rs. 1,000, and an iron safe worth Rs. 160. It is now running on local deposits alone. It has 361 members on its rolls; its paid up share capital is Rs. 5,879, and it has a deposit of Rs. 11,435-14-11, from non-members. The amount lent to the members during the last three years being Rs. 5,445, in the first year, Rs. 16,668, in the 2nd year and Rs. 23,696 in the 3rd year. The amount outstanding with the members on the 30th June 1915 is Rs. 25,362-5-1. All classes of people have joined the society and loans have been advanced to them. Small loans are always given preference. The Managing Committee is very careful in dealing with loan applications. Every precaution is taken for ensuring punctual repayment. The society has made certain alterations in its by-laws at its last general body meeting to extend its usefulness. The sanction of the Assistant Registrar is awaited. A classification according to the occupations of the members to whom the loans have been granted during 1914-15 is given below to show the extent of the usefulness of the society. The Managing Committee is doing its best to promote the progress of the society in all ways.

The Hon'ble Dewan Bahadur L. D. Swamikannu Pillai Avl., M.A., B.L., LL.B., Registrar of Co-operative Societies, Madras, who visited the bank on 10-5-1915 along with M. R. Ry. P. Minakshisundaram Pillai Avl. B.A., Assistant Registrar of Co-operative Societies, Trichinopoly, has left the following note in the minute book of the society :—

"Inspected the Co-operative Urban Society and Stores at Palamcottah. The affairs of the Urban Society appear to be making good progress."

CLASSIFICATION.

- | | |
|----------------------------|----------------------------|
| 1. Merchants ... Rs. 9950. | 4. Government Servants and |
| 2. Vakils „ 1326. | Clerks ... Rs. 4749. |
| 3. Teachers ... „ 2424. | 5. Others ... „ 5247. |

It is proposed to bring about a meeting of the co-operators of the district to concert measures for holding the first Tinnevely District Co-operative Conference. All enthusiastic co-operators and all those interested in the welfare of the movement in the district are expected to co-operate and with their co-operation the conference cannot but be a success.

Thigalars in Conference.

Bangalore Horticultural and Potato Growers' Co-operative Association.

Mr. M. Subbiah B.A., Proprietor of Messrs. M. Rudrappa & Son and member of the Agricultural Central Committee of the Economic Conference, convened a meeting of the leading Thigalars who are the pioneers of vegetable, fruit and potato growing in Bangalore on Monday the 16th September 1915 at 4 p. m. in the Bangalore District Office under the Presidency of Mr. K. Chandy, President of the District Committee, Economic Conference. Mr. Gopal Raj Urs, Assistant Commissioner, the A. E. I. Superintendent and several other gentlemen interested in Horticulture were also present.

A paper explaining the objects and purposes of the association was read by Mr. M. Subbiah, and the President then explained to the Thigalars the benefits of co-operation. The formation of an association under the above name was then resolved upon. Twelve directors were elected of which the Deputy Commissioner is to be the President, Mr. M. Subbiah, Vice President, Mr. Siddaramiah, Clerk, Lal-Bagh Office, to be the Secretary and

Mr. S. Puttanna Patel of Siddapur to be the Treasurer. Shares of the value of Rs. 5 each were raised and the members present at the meetings took up 380 shares, the number of shares that a member could take being fixed at 20. The work of the Association will commence immediately, the office just now being held in Lal-bagh with the kind permission of the Superintendent who helped us a great deal in bringing this association into existence with his valuable advice. The first business of the association would be to purchase in Hoskote, Devanahalli and other places potatoes free from disease and Mr. Yegnanarayana Iyer, Deputy Director of Agriculture, has kindly consented to purchase disease-free potatoes in the said places.

Correspondence.

To—

THE EDITOR,

The Madras Bulletin of Co-operation.

DEAR SIR,

One of the resolutions discussed at the recent co-operative conference of the Madura-Ramnad District was intertrading among societies; a paper was read on this subject and a resolution also adopted. The president of the Conference, Mr. Paddisor, the Collector of the Madura District, seconded a note of warning with respect to this matter in his concluding remarks. As one connected with one of the leading stores of the presidency, the Madura stores, the attempts made by me in this direction with some of the rural societies did not bear much fruit. Although one of the objects of the system will be the doing away with the middle man, still it will not be very advantageous from the point of view of the producer who is deprived of the advantages of open market and obtaining the best price at the proper season. While on the one hand it confers a benefit on the consumer it does not bring an equal advantage to the producer. This was also the view of an earnest co-operator now holding a responsible position in the Registrar's Staff. In my own humble view, the ideal of co-operation is to receive the old co-operate life of the village which is spoken of so highly. Mr. Krishnasami Iyengar in his work on Ancient India has called out certain inscriptions regarding the village administration in the Cholanadu and it appears therefrom that even in those days the present system of rural co-operation on unlimited liability basis prevailed.

the King supplying money which is now supplied by the societies through the central banks. Every village consists of three classes of people the producer, the consumer and the artizan class. We are already deploring the decreasing extent in crop cultivation and the increasing extent in cultivation of raw products in villages. Our object must be to see that as much of crops remain in the villages as is needed rather than take them away from them. The retention of the crops and products in the villages will bring about co-operation among the producer and consumer and artizan class which will eventually bring about the old state of affairs when each village was a self-sufficient and self-contained unit. But it may be asked what is to be done in the case of villages where only few crops and products are grown so that they have necessarily to depend upon the other villages or outside for all that they want. The solution is the establishment of several distributive wholesale stores in suitable centres and bringing about a federation as it were of all producers. This is what has been done in England, where distributive co-operation has made enormous progress. It may seem rather an ideal and impossible task. The object of the resolution is to amend the bye-laws of the rural societies and of the central bank so as to allow the interchange of articles for money. This can only be done after due precaution is taken to test the nature of the articles and store the same in proper places so as to allow of no wastage. And this is possible only after orders are received from members and the articles supplied to them immediately they are received. I have written this with a view to elicit the opinions of prominent co-operators and I shall thank you very much if you can spare a column of the bulletin for the discussion of this subject.

Yours Truly.

R. LAKSHMANA IYENGAR.

AUDIT ORDERS OF CENTRAL BANKS.

Audit Order of the Madras Central Urban Bank, Limited.

For the year ending with 30th June 1915.

The accounts of the Madras Central Urban Bank, Limited, No. 18, for the Co-operative year ending 30th June 1915 were audited in detail by the Special Deputy Collector M. R. Ry. P. K. Kunhunni Menon Avargal, B. A. Statements showing (1)

Receipts and Disbursements, (2) Profit and Loss for the year, and (3) Assets and Liabilities as they stood on 30th June 1915, have been furnished by him.

2. During the year under review, the Bank earned a net profit of Rs. 56,866-10-2. Under bye-law 17 of the Bank, one-fourth of the net profit, viz., Rs. 14,216-10-7 should be carried to the credit of the Reserve Fund. The Bank is requested to invest this sum in the Bank of Madras, Madras. With this amount, the total reserve of the Bank will amount to Rs. 90,216-10-7. The remaining three-fourths, viz., Rs. 42,649-15-7, will be available for distribution as dividend, bonus or otherwise as the Bank may decide.

3. The deposits held by the Bank (including the overdraft from the Madras Bank) rose from Rs. 26,17,000, on 30th June 1914 to Rs. 26,63,000, on 30th June 1915. The interest paid on borrowings during the year was Rs. 1,47,891-11-9 against Rs. 1,23,225-6-1, in the previous year. Loans disbursed to societies during the year were Rs. 6.53 lakhs (to Central Societies Rs. .89 lakhs; to other societies Rs. 5.64 lakhs), against Rs. 8.10 lakhs in the previous year and those repaid by them were Rs. 6.54 lakhs (Rs. 2.06 lakhs by Central Societies and Rs. 4.48 lakhs by other societies) against Rs. 4.17 lakhs in the previous year. The amount of loans due from societies and members was Rs. 27.53 lakhs on the last day of the year 1914-15, against Rs. 27.35 lakhs on the last day of the previous year.

4. Out of a demand of Rs. 3,93,968 (loans due from societies) the Bank was able to collect Rs. 3,08,140 leaving a balance of Rs. 85,828 uncollected on 30th June 1915. The corresponding figures for the previous year were Rs. 5,37,100; Rs. 4,75,694 and Rs. 61,506 respectively. (The amounts for which extensions were or could have been granted, have been excluded from the latter figures). The amount of interest which was overdue and pending collection from societies on 30th June 1915 was Rs. 27,593-14-6, against a demand of Rs. 2,18,730-6-1. The Registrar is convinced that but for the entertainment of two Inspectors during the year under review the arrears would have been more.

5. The total amount of loans repaid to the Bank by societies, other than Central Banks, was, according to the statement of receipts, Rs. 4,48,172-3-0, against Rs. 3,88,674 in the previous

year. Collections from primary societies were, therefore, really better in 1914-15, than in 1913-14, but for the purposes of the D. C. B. statement only Rs. 3,08,140 was taken credit for as collections against Rs. 4,75,694-13-1 in the previous year. The balance of collections in 1914-15 not taken credit for in the D. C. B. statement represents advance collections. Up to 1913-14 inclusive, the whole of a society's outstanding debt, less only extensions actually granted, was reckoned as a demand against the society, and all amounts actually paid by it, provided any instalment was due, and including payments in excess of any instalment due for the time being, were taken as collections against the demand, advance collections being understood to be only those collections which were made in advance of the first instalment (*e.g.*, within the first two years after a loan advanced by the Madras Central Urban Bank). In this way the advance collections of the Madras Central Urban Bank for the year 1913-14 were returned in the auditor's report as Rs. 81,295, whereas in 1914-15 the advance collections were Rs. 3,70,482-3-0, of which a little over one-third must have been advance payments by primary agricultural credit societies. Only the instalment due in 1914-15 was taken as the demand for that year and all collections from a society in excess of the demand in this sense were treated in the present audit as advance collections.

6. An uncollected balance of Rs. 85,528 out of a demand (limited to the instalment due for a single year) of Rs. 3,93,968 means overdue arrears to the extent of 21.71 per cent. The Registrar's observations on the state of arrears in his audit order for 1913-14 were the subject of adverse comment in the Chairman's speech at the general meeting which considered the annual report and audit order for that year. The Registrar was charged with pointing out "an imaginary evil": at the same time the Directors of the Bank in compliance with the Registrar's advice appointed three Inspectors to collect arrears. More recently, the Directors have written to the Registrar, (letter dated 28th April 1915) stating: "The Board of Management would further like to point out that they never undertook to appoint Inspectors to any particular district or districts and the continuance of the present three Inspectors itself will form the subject of consideration at an early date".

7. On the subject of overdue arrears of primary societies and the mode of collecting them, the Registrar earnestly commends to the shareholders of the Madras Central Urban Bank a perusal of paragraph 151 of the Report of the Committee on co-operation: "In cases where a society fails to recover satisfactorily its loans to its members and on this account delays its repayments to the Central Bank, it is the duty of the Central Bank to use all legitimate pressure to recover its own dues. When it has exhausted its own means of recovery, and not till then, it may apply to the Registrar under Section 36 of the Act for an enquiry, and if the enquiry shows such a course to be necessary, the Registrar may proceed to liquidate the defaulting society.....At the same time applications for enquiry under Section 36 should not be used in order to bring official pressure to bear on societies, in place of unofficial and, when the applications of Central Banks under this section are found to have been unnecessary, the applicant should be freely mulcted in costs by the Registrar".

8. The Registrar has no wish to use the Committee's Report for the purpose of impeaching past action by the Madras Central Urban Bank. The impeachment, if made, would have to be directed against the Registrar himself for having assisted Central Banks in the past in directions and in ways not approved by the committee; *e.g.*, in preparing the valuation register of societies and assessing their credit (apart from fixing their maximum borrowing power), in recommending societies for loans to the Central Bank (paragraph 14, p. xxi, and paragraph 143, p. 83) and in dunning societies for repayment of overdue instalments (80). It is obvious that the Committee would not approve of the Registrar doing what the Chairman of the General Body meeting of the Madras Central Urban Bank, in his speech already referred to, exhorted the Registrar by adducing example as well as precept to do, *viz.*, to use his "personal influence" "to induce a society.....to pay a substantial sum towards the repayment of its loans and to promise to behave with promptitude and regularity in future". All this will, it is hoped, become obsolete precedent, when the Committee's Report begins to be understood and acted upon, and it behoves the shareholders of the Madras Central Urban Bank to take thought and consider, in the light of the Committee's recommendations, what measures should be

adopted to prevent the accumulation of arrears, against primary societies. Up to recently, when three Inspectors were appointed by the Central Bank to bring pressure to bear upon defaulting societies, it was not the practice for the Bank to take any special steps for checking the growth of arrears. Formal enquiry under section 36 of the Act was not asked for except in one or two isolated cases; liquidation was not thought of in the case of any society financed by the Madras Central Urban Bank; and all that was done by the Bank was to inform the Registrar of the names of defaulting societies and the amount of default and leave him to use "his personal influence," etc.

9. Recent correspondence between the Directors of the Bank and the Registrar shows that the Directors are dissatisfied with the experiment of employing their own Inspectors and possibly contemplate discontinuing the experiment. The Registrar does not wish to offer specific advice in the matter after all that has been said in the Committee's report about the duty of the Central Banks to adopt the necessary remedial measures for the realisation of their dues. The shareholders of the Madras Central Urban Bank comprise the *elite* of the educated classes of the Madras Presidency and it should not be difficult for them to devise such measures: the Registrar only requests them to read and digest the Committee's report before deciding on the action to be taken.

10. The duty of the Madras Central Urban Bank to ensure the prompt collection of dues from primary societies is quite independent of the possibility and the desirability of that Bank being converted into a Provincial Bank for the Madras Presidency—a subject repeatedly adverted to in the Committee's report. It is also independent of the function of supervision and control of affiliated societies by Central Banks—a function from which the Committee would exempt the Madras Central Urban Bank in view of its doing business over too large an area (p. 20 of report. 13). In the opinion of the Registrar, the Madras Central Urban Bank, though it cannot directly supervise primary societies in four or five districts at once, could, by contributing towards the cost of supervision by other Central Banks in areas still financed by it, achieve a double object, *viz.*, ensure promptitude in the repayment of loans by societies indebted to it, and also fulfil the object with which the Madras Central Urban Bank was

started, by gentlemen, who in the words of the First Registrar, proposing the registration of the Bank (vide his letter dated 19th September 1905), "had been influenced much more by a desire to facilitate the organisation and the working of Co-operative Credit Societies in the Mufassil than any profit they were likely themselves to derive from the business." This is precisely what the Committee, the Government, and the Public expect from Central Banks.

11. It seemed to the Registrar that though the questions of collecting dues and of supervising affiliated societies were independent of each other so far as the Madras Central Urban Bank is concerned, the former being a banking, the latter a co-operative question, still it was possible for the Madras Central Urban Bank to solve the first problem for itself and the second for District Banks in areas financed by it, by allowing the new District Banks an adequate rebate to compensate them for the trouble and expense of supervision which they and not itself could undertake. In the case of the Chingleput District the Registrar proposed that the Madras Central Urban Bank which has outstandings there to the extent of Rs. 10 lakhs, should allow the recently formed Chingleput District Banking Union, which is prepared to undertake supervision, a rebate equivalent to 1/15 of the interest collected on outstanding loans in the District in favour of the Madras Central Urban Bank: in return for this rebate the Chingleput District Banking Union would itself bring pressure to bear on defaulting societies and ensure the prompt collection of dues, thereby relieving the Madras Central Urban Bank of the necessity of entertaining a separate staff for the purpose. The Registrar hoped, if this proposal commended itself to the Madras Central Urban Bank, to make similar arrangements in regard to other Districts financed by the Central Urban Bank especially Anantapur, North Arcot and South Arcot. The gradual transformation of the Madras Central Urban Bank into a Bank dealing with District Banks instead of with primary societies, which underlay these proposals of the Registrar, is precisely the scheme of an apex Bank, which has since been promulgated in definite terms in the Committee's report.

12. The Registrar's overtures have so far been met by the Directorate of the Madras Central Urban Bank with what amounts practically to a negative answer. In reply to those

overtures the Directors offered to assign the bonds in the Chingleput District to the District Banking Union on the latter showing a share capital of Rs. one lakh, paid up, and on condition of the Reserve Fund of Societies in the Chingleput District remaining invested with the Madras Central Urban Bank. The destination of the Reserve Fund of primary societies is a matter which will probably be determined by the Local Government's rules under Act II of 1912 and does not fall within the sphere of negotiations between the Madras Central Urban Bank and the Chingleput District Banking Union. The Directors of the Madras Central Urban Bank chose to treat the question of rebate in return for supervision as a question of assignment of bonds of primary societies to the District Banking Union; overlooking (1) that such an assignment was not proposed by or on behalf of the District Banking Union, and (2) that in the event of the District Banking Union possessing a paid up share capital of one lakh of Rupees, it would be in a position at least half as good as that of the Madras Central Urban Bank itself, and would under no necessity of taking over bonds of primary societies good, bad and indifferent at 7 per cent.

13. Viewed in the light of the recommendations of the Committee on co-operation, the above negotiations may be considered to belong merely to the transitory stage of the Madras Central Urban Bank while it is on the road to become an apex bank. But in any case, the security of the investments of the Madras Central Urban Bank in this transitory stage has to be carefully provided for: because, apart from the recommendations of the Committee, the policy of starting new District Banking Unions must be continued in order to comply with the intentions of Government and the best interests of the co-operative movement. When District Banking Unions are formed and are in operation in the four principal districts now financed by the Madras Central Urban Bank (Chingleput, Anantapur, North Arcot, and South Arcot); the Madras Central Urban Bank must either give up future financing operations altogether or assume the position of an apex bank as defined in the Committee's Report. The Registrar is anxious to see that the latter alternative is realised, but he has not been able to get the Directorate of the Madras Central Urban Bank to see eye to eye with him in this matter. It may be that the Directorate may have

a third solution to offer to the shareholders, but the Registrar is unaware of a third possibility.

14. There is nothing in the condition of the Madras Central Urban Bank calculated to alarm any shareholder and it is therefore that the Registrar has thought fit to set out the issues without any reserve. Some bad societies—about 110 for the whole of the Presidency and 80 for the area financed by the Madras Central Urban Bank—will have to be liquidated before long. The Registrar does not anticipate any difficulty in eventually recovering the Madras Central Urban Bank's dues in the 80 cases, provided the Bank adopts the precautions which any creditor would ordinarily do. In certain of these cases the Registrar would advise that suits should be filed against the defaulting societies by the Central Banks concerned. Where the defaults of a society are traceable to the default or dishonesty of a small number of individual members, generally members of the panchayat, it will obviously be the best course for the Central Bank to sue the society with the consent of the Registrar and get the property of the defaulting members attached quickly so as to preclude its alienation to third parties. An order for liquidation by the Registrar cannot take effect for two months after it is passed, and there may be cases in which the Central Bank's interests might be imperilled by even two months' delay and in which a suit would obviously be the quickest remedy. In other cases, where a society's default is traceable to a number of petty defaults by many members this is not the ordinary case however—liquidation would be the proper course to be adopted and the Registrar would not counsel a suit in such a case. The rather broad *dictum* on the subject in paragraph 151 (p. 87) of the Committee's report must be taken with obvious qualifications and in any case, while it is the bounden duty of the Registrar to liquidate a thoroughly bad society, it is for the shareholders to consider what further action will be necessary in their interests. The Committee say "the procedure laid down in section 36 is specially provided to serve as an alternative to Civil litigation and with this power in reserve we can see no justification for the institution of proceedings by a Central Bank against a Society in the Civil Court". The Committee are obviously referring to cases in which Central Banks might wish to forestall liquidation by the Registrar, not to cases in which the Registrar himself

counsels the filing of a suit as a preliminary to liquidation. In the Chairman's speech already alluded to, the Registrar was taken to task for tendering such advice in a particular case, but the advice was tendered in the best interests of the shareholders of the Madras Central Urban Bank and, should circumstances warrant such a procedure again, the Registrar will not hesitate to repeat the advice. The Salem District Bank has adopted the advice in two or three cases which arose in that district, and the results have been satisfactory to all concerned. The Registrar would add that the risk of using the principle of unlimited liability as a pretext for selling up innocent members of primary societies ought to be guarded against in such cases, and in the cases alluded to in the Salem district the interests of innocent members were effectually safeguarded.

15. The Registrar regrets the length to which this audit order has run; but having in view the far-reaching changes in the constitution of the Madras Central Urban Bank which are contemplated in the Report of the Committee on co-operation and the desirability of bringing the impending changes to the notice of the shareholders as early as possible, the Registrar thought it best to state his views in the matter, subject always to any orders that Government may be pleased to issue hereafter on the subject.

Audit Order of the Trichinopoly District Urban Bank, Ltd..

For the year ending 30th June, 1915.

The accounts of the Trichinopoly District Urban Bank, Limited No. 178 for the year ending 30—6—1915 as audited by the Chief Inspector M. R. Ry. C. N. Krishnaswamy Aiyar are passed. Statements of

1. Receipts and Disbursements,

2. Profit and Loss,

and 3. Assets and Liabilities

as they stood on the last day of the year, have been furnished by him.

2. During the year under review the Bank earned a net profit of Rs. 16,799—15—6, which should under by-law 17 be divided as follows:

1. Reserve Fund Rs. 4,199—15—10

2. Honorarium to the Secretary 2,099—15—11

3. Amount available for distribution

as dividend and bonus 10,499—15—9

The Bank is requested to invest the Reserve Fund amount in the Madras Central Urban Bank, Limited, Madras.

3. The Bank has been working for six years and continues to work satisfactorily. The success of the institution is due to the interest taken in the affairs of the Bank by M. R. Ry. R. K. Prasanna Venkatesa Row Avergal, President, and the Secretary Rao Bahadur Y. Narayana Row Avergal who is now a full-timed officer.

The Assistant Registrar however notes that there were only three committee meetings during the year, and hopes that there will be improvement in this direction in future.

4. The Bank continue to be popular, and has been able to attract a good flow of deposits.

Audit Order of Madura-Ramnad Central Co-operative Bank, Ltd.

For the year ending with 30th June 1915.

Audit Order of the Madura-Ramnad Central Co-operative Bank, Limited No. 975 by M. R. Ry. Minakshisundaram Pillai Avergal, B. A., Assistant Registrar of Co-operative Societies, Trichinopoly.

The Accounts of the Madura-Ramnad Central Co-operative Bank, Limited No. 975 for the co-operative year ending 30—6—1915 as audited by the Chief Inspector M. R. Ry. C. N. Krishnaswamy Iyer are passed. The usual three statements (1) Receipts and Disbursements (2) Profit and Loss and (3) Assets and Liabilities were furnished by him.

2. During the year under review, the Bank earned a net profit of Rs. 7,578—14—6 which should under by-law 21 be divided as follows:—

(a) Reserve Fund Rs. 1,894—11—8

(b) Honorarium to the Secretary 947—5—10

(c) Fund to meet charge of inspection 947—5—10

(d) Amount available for distribution

as dividend and bonus 3,789—7—2

3. The Bank is advised to pay dividend to the shareholders at the rate of 9 per cent. A sum of Rs. 1,82,940-13-7 was disbursed as loans to societies against Rs. 2,57,575-3-5 during the previous year. The amount of Loans uncollected on

30—6—1915 was Rs. 36,318 against Rs. 70,050 of last year. It is observed that the Committee meetings during the year were very poor, only 5, of which 2 were adjourned for want of quorum.

4. The Bank shows a steady progress. The results achieved are due in a very large measure to the labours of its Secretary, M. R. Ry. Rai Saheb K. Ramaswami Iyer Avergal, B. A., B. L.,. The Secretary has also inspected some of the primary societies. Credit is also due to M. R. Ry. C. Srinivasa Row Saheb Avergal B. A., B. L., for his earnestness and intelligent interest in the work of the Bank during the long absence of the Secretary on account of illness.

Audit Order of the South Canara Central Co-operative Bank.

The accounts of the South Canara Central Co-operative Bank Ltd. No. 113 for the Co-operative year ending 30th June 1915 were audited in detail by the Chief Inspector, M. R. Ry. C. N. Krishnaswami Ayyar. Statements showing (1) Receipts and Disbursements (2) Profit and Loss and (3) Assets and Liabilities as they stood on 30th June 1915 were furnished by him.

2. The year under review is the second year of its working. The number of share holding societies rose from 33 at the beginning of the year to 50 at the end of the year and there was a net addition of 4 individual members. The paid up share capital of the Bank was Rs. 9,570 (Rs. 7,120 from individual members and Rs. 2,450 from share holding societies) at the end of the year as against Rs. 8,460 at the close of the previous year. The deposits of members increased from Rs. 8,774 at the beginning of the year to Rs. 13,036 (including Rs. 7,150 of member societies) at the end of the year while those of non-members rose from Rs. 46,937 to Rs. 1,28,028. The amount of loans disbursed during the year was Rs. 1,23,167 of which a sum of Rs. 80,990 was granted as loans to Co-operative Societies, Rs. 2,227 to members and the balance *viz.*, Rs. 31,950 to the Central Societies of Coimbatore and Madura Ramnad as against Rs. 57,600 (Rs. 57,400 to societies and Rs. 200 to members) in the previous year. The total recovery on this account was Rs. 23,966 of which Rs. 930 was from individual members and the balance Rs. 23,036 from societies. The amount of loans outstanding at the end of the year was Rs. 1,50,301 of which Rs. 1,497 were

due from members, Rs. 31,950 from Central Societies and Rs. 1,16,854 from other Co-operative Societies, in the South Canara District.

3. During the year the Bank earned a net profit of Rs. 1,950-15-6 which should under by-law 26, be divided as follows:—

1/4th to Reserve Fund ...	Rs. 487—11—11
To honorarium to Secretary ...	„ 243—13—10
1/4th to Supervision Fund ...	„ 243—14—0
The balance to members as dividend ...	„ 975—7—9

Deducting Rs. 2-14-3 being the amount of interest accrued up to 30-6-15 and credited by the Madras Central Urban Bank Ltd., the society will now remit Rs. 484-13-8 to the above Bank to the credit of its Reserve for being invested therein. With this amount to total reserve of the Bank will amount to Rs. 578-2-3.

4. The amount available for distribution as dividend to share-holders entitles the latter to a dividend of 9 per cent. per annum, but the Bank will be well advised if it pays 7 per cent. for the year under review and gradually as funds permit increase the dividend.

5. The Bank maintained one Supervisor of its own for inspecting societies during the year. It has since applied for sanction to entertain another Supervisor. Apart from inspection by the Supervisor, the Vice-President and the Secretary inspected 32 societies during the year. The Bank shows progress in all directions. Credit is due to the Board of Directors especially to Messrs. M. Shiva Rao and M. Ananta Rau Avergal for the excellent management of the Bank. Thanks to their careful supervision of Affiliated societies. (Only 2 per cent. out of the demand of Agricultural Societies in general in the South Canara District remained due at the end of the year. The Registrar desires to congratulate the District as a whole for the excellent working of its co-operative system.

The Madras Provincial Co-operative Union, Ltd.,

Bye-Laws Amended.

The following amendments in the bye-laws of the Madras Provincial Co-operative Union have been approved by the Registrar of Co-operative Societies, Madras:—

2. The amended bye-laws read as follows:—

Bye-law 7 (a). The first instalment shall be paid within 30 days of the allotment of the share. Each subsequent instalment shall be paid before the end of each Co-operative year. In default of such payment the member shall be liable to pay the amount within three months together with interest at the rate of one pie per rupee per month.

Bye-law 7 (e). No member shall be permitted to withdraw within five years from the date of admission.

Bye-law 8. Membership shall cease :

(a) By withdrawal subject to the provision laid down in 7 (e) after written notice to the Secretary which notice in the case of a registered society shall be authenticated by the signatures of its President and Secretary.

Bye-law 18. The Committee shall have power to appoint and remove one or more Secretaries who shall have such functions and remuneration as the Committee may from time to time assign to him.

Bye-law 21. One fourth of the net profits of the Union shall be carried to the Reserve Fund. The balance of the net profits shall be utilized in the first instance towards the distribution of dividends on the paid-up share capital subscribed by the members at a rate not exceeding 3½ per cent. and the balance, if any, shall be treated as part of the funds of the Union under rule 20.

REGISTRAR'S CIRCULAR.

In continuation of this Office Circular No. 334 of 1915 dated 17-3-15 the following extract from the proceedings of the Inspector-General of Registration No. 144 of 29-3-15 is communicated to all Co-operative societies. The instruction contained in the same is of use in the printing and presentation of documents.

PROCEEDINGS OF THE INSPECTOR GENERAL

THE HON'BLE MR. C. M. SCHMIDT.

ORDER No. 144 GENERAL.

Madras, dated 29th March 1915.

2. After consulting the Registrar of Co-operative Societies as regards the forms to be used by those societies for the registration of documents under Registration Rule No. 114 it has been decided that

- (i) either Lancashire Ledger paper or paper of equal durability shall be used.

(ii) only one side of the paper shall be utilised for the document so that the other may be available for endorsements

(iii) each printed page shall have a margin of not less than 2" on the left, 1½" at the top and ¾" at the bottom and

(iv) sufficient space shall be left in the appropriate place in the body of each document for the entry of names and additions of parties, description of property and so forth.

3. When a Sub-Registrar receives intimation of the desire of a Co-operative Society in his jurisdiction to avail itself of the provisions of rule 114, he should apply immediately through the Registrar for the Inspector-General's sanction for extension of the rule to his office, furnishing particulars of the approximate number of documents expected to be received for registration in Book 1 and Book 4 immediately and during the course of the year. As soon as the Inspector-General's sanction is received, the Registrar will arrange to supply the office with the requisite number of files and the Sub-Registrar should request the society to present the documents formally.

4. The attention of registering officers is drawn to clause (ii) of the Rule which directs that the blanks in the copy to be filed in the office, should be filled in by the office staff and that the signature or mark of the executant or his representative, assign or agent shall be taken on each sheet. As the party cannot sign until the blanks are filled up, this work should ordinarily be given preference so that parties may not be detained in an office for longer time than is absolutely necessary. No ink other than registration ink shall be used for filling in blanks and for the endorsements and signatures on the copy filed in the office.

(Signed) C. M. SCHMIDT,

Inspector-General of Registration.

GOVERNMENT NOTIFICATION.

Revised Rules under the Co-operative Societies' Act.

Dated, October 2, 1915.

In exercise of the powers conferred by S. 43 of the Co-operative Societies Act, 1912 and in supersession of all rules heretofore issued by the Governor-in-Council under the Co-operative Credit Societies' Act, 1904, the Governor-in-Council is

pleased to make the following rules to carry out the purposes of the purposes of the Act, namely—

In these rules:

(a) the expression "the Act" means the Co-operative Societies Act, 1910;

(b) terms defined in the Act shall bear the meanings respectively assigned to them therein.

RULES.

I. Any body of persons desirous of applying for registration as a Co-operative Society under S. 8 of the Act shall apply to the Registrar of Co-operative Societies in the form prescribed in the schedule appended to these rules.

II. With every application for registration, the applicants shall submit a draft of the bye-laws agreed upon by them. The bye-laws shall be consistent with the Act and with the rules made by the Government thereunder and they shall deal with the matters specified in clauses (a) to (v) below and made deal with such other matters incidental to the organization of the society and the management of its business as may be deemed necessary—

(a) the name and address of the society;

(b) the area of its operations;

(c) the objects of the society;

(d) the purpose to which its funds are applicable;

(e) the qualifications for admission to membership and the payment, if any, to be made or interest to be acquired as a condition of exercising the right of membership;

(f) the nature and extent of the liability of the members for the debts contracted by the society;

(g) the circumstances under which withdrawal from membership shall be permitted;

(h) the procedure to be followed in cases of withdrawal, ineligibility and death of members;

(i) under what conditions, if any, the transfer of a share or the interest of a member shall be permitted;

(j) the nature and amount of the share capital, if any, of the society and where there is a share capital, the maximum share capital which a single member can hold;

(k) the circumstances under which the society may borrow funds and the procedure to be followed in so borrowing;

(l) the entrance and miscellaneous fees and fines, if any, to be collected from members;

(m) the maximum loan admissible to a member and the procedure to be followed in granting loans and extensions or renewals and in recovering loans from members;

(n) the conditions on which loans may be granted to members;

(o) the consequences of default in payment of any sum due by a member;

(p) the maximum dividend payable on subscribed share capital to members;

(q) the rates of interest payable by the society on borrowed funds and by members on loans granted to them;

(r) in the case of productive and distributive societies the procedure to be followed in purchasing and selling stores, raw material and finished products;

(s) the mode of holding meetings, the right of voting and, subject to rule III, the manner of making, altering and abrogating bye-laws;

(t) the mode of appointment and removal of the managing committee and of other officers, if any, and the duties and powers of the committee and such officers;

(u) the mode of custody and investment of the funds and, subject to rules V and VII, the mode of keeping the accounts;

(v) the disposal of the net profits.

III. The Registrar shall satisfy himself that the proposed society does not contravene any of the provisions of the Act, that its draft bye-laws are suitable and that it has reasonable chances of success with reference to local conditions. The Registrar may, before passing final orders, call for such further information or make such enquiry as he may deem necessary. It shall also be competent to the Registrar, before registering a society, to make such alterations in the draft bye-laws submitted with the application for registration as he may deem advisable, provided that the consent of the applicants to such alterations is obtained. When the Registrar registers a society, he shall issue to it, free of cost, a certificate of registration signed by himself and bearing his

official seal; and he shall also issue to the society along with the certificate of registration a certified copy of the draft bye-laws as approved and registered by him, and these bye-laws shall, subject to the result of any orders passed by the Board of Revenue on appeal under rule IV or by the Board or the Government in revision, be the bye-laws of the society. Should the Registrar refuse to register a society, he shall record a brief statement of his reasons for such refusal and the applicants shall be given free of cost a copy of the Registrar's order of refusal. Where officers subordinate to the Registrar have been empowered to exercise any powers of the Registrar, their orders under this rule shall be subjects to revision by the Registrar and all orders of the Registrar under this rule shall be open to revision by the Board of Revenue and the Government.

IV. If the Registrar refuses to register a society or any draft bye-law or draft amendment of a bye-law of a society, an appeal shall lie to the Board of Revenue within two months from the communication of such refusal to the applicants and it shall be competent to the Board to direct the Registrar to register the society or the draft bye-law or the draft amendment of a bye-law or to pass such other order as they may think fit.

V. Every society shall, before the 15th of July or such other special date as may in the case of societies applying for the same be fixed by the Registrar, prepare (a) a statement showing its receipts and disbursements during the year ending the 30th June preceding, (b) a statement showing its assets and liabilities as they stood on the 30th June and (c) a statement showing the profit and loss as it stood on 30th June. These three statements shall be submitted to the Registrar without delay. After the Registrar has verified the statements and granted his audit certificate, the society shall publish the statements in a manner approved by the Registrar. For the 30th June referred to above, the Registrar may fix such other date as seems to him suitable.

VI. Copies of such entries in the books of a society as may be required for the purpose of S. 26 of the Act shall be made by the President or the Secretary of the society and shall be certified by not less than three members of its managing body

including such President or Secretary and shall bear the society's seal.

VII. Co-operative societies shall keep the following accounts and books for the purpose of recording the business transacted by them:—

(a) *Books to be maintained by credit societies—*

(1) Minute book, recording the proceedings of the board of management and of the general body of members.

(2) Admission book, showing the name and address of each member, the date of his admission and shares taken by him.

(3) Cash book, showing daily receipts and the balance at the end of each day.

(4) Receipt book, containing forms in duplicate, one of each set to be issued for money received by the society and the other to serve as counterfoil.

(5) Loan ledger, showing the number and date of disbursement of each loan issued to members, the amount of loan, the purpose for which it is granted and the date or dates of repayment, distinguishing principal and interest.

(6) Ledger of borrowings, showing deposits and other borrowings of all kinds.

(7) Liability register, showing the indebtedness of each member to the society whether on account of loans taken directly by him or on account of loans for which he stands as surety.

(8) Monthly register of receipts and disbursements.

(9) Such other accounts and books as may be required or prescribed by the Registrar.

(b) *Books to be maintained by central banks—*

In addition to books to be maintained as above by credit societies, all central banks, that is, societies which lend money to other societies, shall keep the following accounts:—

(1) Interest register, showing interest payable and paid by each borrower.

(2) Reserve fund register, showing reserve funds of societies invested in the central bank.

(3) Suspense accounts.

(c) *Property statement to be maintained by unlimited liability societies—*

Every society based on unlimited liability shall keep a statement showing the assets and liabilities of each individual member at the date of admission as well as on the last day of each co-operative year.

(d) *Books to be maintained by distributive and productive societies—*

The books for the credit branch of such societies shall be the same as for credit societies other than central banks. In addition the following books shall be maintained by distributive and productive societies :—

(1) Goods ledger, containing a classification of goods stocked and sold.

(2) Stock purchase book, showing the daily purchase of articles.

(e) *The following returns shall be submitted to the Registrar by all co-operative societies annually as soon as practicable after the end of each co-operative year :—*

(1) Statement of receipts and disbursements.

(2) Statement of assets and liabilities.

(3) Statement of profit and loss.

(f) *The following return shall be submitted every year to the Registrar by distributive and productive societies only :—*

Statement of verification of stock on hand at the close of the co-operative year.

VIII. The Registrar shall keep—

(1) a register of the names and addresses of all societies ;

(2) a register of the by-laws of societies, with true translations in English where the originals are in the vernacular, in the order of registration of the societies

(3) a register of amendments and alteration in the by-laws of societies, with true translations in English where the originals are in the vernacular, in the order in which the same are certified by him as approved.

IX. (a) In societies with shares and unlimited liability, not 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. When that proportion has been reached, not less than one-third of the net profits shall be added to the reserve fund, provided that if, by any increase in liabilities other than reserve and share capital, the proportion of reserve fund to such liabilities is again reduced below one-half, the share of the net profits to be credited to the reserve fund shall be raised to one-half until the proportion is restored. The balance of the net profits, after one-half or one-third has been credited to the reserve as above provided, may be divided among the shareholders, subject to a maximum of 6½ per cent. per annum on the paid-up value of each share. No dividend shall be distributed without the previous sanction of the Registrar.

In societies with shares and limited liability, not less than one-half of the net profits shall be carried to the reserve fund, after which dividends may be declared up to a maximum of 9 per cent. per annum on the paid-up value of each share.

(b) Societies with shares and unlimited liability, registered as urban societies under India Act X of 1904, may continue to divide profits in accordance with their by-laws as they stand at the present date ; but they shall not increase the proportion of net profit to be divided among the members except in accordance with the foregoing provision.

(c) No bonus, which when added to the dividend, brings the total of bonus and dividend above the maximum laid down in clauses (a) and (b) shall be allowed but in the case of societies with shares and unlimited liability, the Registrar may sanction the payment of honoraria, on a moderate scale, to the office bearers of the society.

(d) Should a society, whether with limited or unlimited liability, which is competent either under the Act or under the present rules to divide a part of its net profits among its members elect to appropriate such portion or part thereof to a "common good fund," the purpose designated by the expression "common good" shall be clearly defined in the bye-laws of the society and it shall not be other than a charitable purpose as defined in section 2 of the Charitable Endowments Act, 1890.

X. The reserve fund in a registered society shall be invested or deposited in one or more of the modes mentioned in section 32, sub-section (1), clauses (a), (b), (c) and (d) of the Act.

XI. Where a liquidator has been appointed under section 42, sub-section (1) of the Act, the following procedure shall be adopted:—

(a) The appointment of a liquidator shall be notified by the Registrar in the *Fort St. George Gazette*.

(b) The liquidator shall at once publish by such means as he may think proper a notice requiring all claims against the dissolved society to be submitted to him within three months of publication of the notice. All liabilities recorded in the amount books of a society shall be deemed *ipso facto* to have been duly notified.

(c) The liquidator shall submit once in every three months a progress report to the Registrar in such form as the Registrar may require.

(d) All funds in the charge of the liquidator shall be deposited either in the Post Office Savings Bank or in a Central Co-operative Bank and shall stand in his name.

(e) No appeal shall lie from any order of the liquidator.

(f) At the conclusion of the liquidation, a general meeting of the dissolved society shall be called at which the liquidator shall summarise the results of his proceedings, shall point out the causes of the failure of the society and shall take a vote as to the disposal of any cash balance that may remain with him, and dispose of it accordingly.

XII. (1) In the case of a dispute touching the business of the society between members or past members of the society or persons claiming through a member or past member or between a member or past member or persons so claiming and the committee or any officers a reference in writing may be made by any party to the Registrar.

(2) The Registrar shall have power on receipt of such reference either to decide the dispute himself or to refer it for decision to an arbitrator appointed by him with the consent of the parties or to several arbitrators of whom one may be appointed by him and one other by each of the parties to the dispute.

(3) The Registrar, the arbitrator or arbitrators shall have power to administer oaths, to require the attendance of all parties

concerned and of witnesses and to require the production of all books and documents relating to the matter of the dispute,

(4) After hearing the parties to the dispute and examining such witnesses and documentary evidence as may be produced, the Registrar or arbitrator or arbitrators shall give a decision or award in writing, and where there are several arbitrators the opinion of the majority shall prevail.

(5) On application to the Civil Court having jurisdiction over the subject matter of the decision or award that Court shall enforce the decision or award as if it were a decree of the Court.

XIII. Every member of a society may nominate a person to whom under section 22 of the Act his share or interest shall be transferred or the sum specified in that section shall be paid. Such member may from time to time revoke or vary such nomination by writing under his hand. Such nomination shall, in the event of his death, be effect to by the society provided that—

(1) the nomination was signed by the deceased in the presence of at least two witnesses, attesting the same;

(2) the nomination has been registered in the books of the society kept for the purpose; and

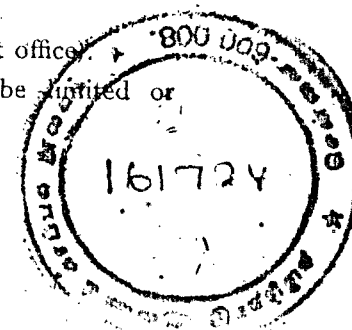
(3) the nominee may become a member only if admitted by the board of management.

The sum representing the share or interest of a deceased member in the capital of a society with unlimited liability shall for the purpose of section 22 (1) be the amount actually paid up towards the value of the share or shares held by him.

SCHEDULE.

Form of application for registration as a Co-operative Society under Act III of 1912 (India).

1. Name of proposed society.
2. Situation of village or town where society is to be located (district, taluk, nearest railway station or well-known place and distance therefrom).
3. Address of society (including nearest post office).
4. State whether liability of members is to be limited or unlimited.



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5. Application to register a society under the above name is hereby made by the persons whose names are submitted here under, with their signature and particulars of age, profession, residence, etc.

6. With this application is sent a copy of the draft bye-laws accepted by the applicants and signed by them.

N.B.—Ordinarily at least ten applicants should attest this application and the bye-laws, and when a registered society is one of the applicants a duly authorized person on behalf of such society should sign the application and the bye-laws.

(1)

The draft bye-laws.

(2)

Number.	Name of applicant.	Father's Name.	Age.	Tribe, class or caste.	Profession.	Place of residence.	Property to which applicant has absolute right.	His debts

* These two columns need not be filled up (1) by applicants for limited liability societies and (2) by applicants for unlimited liability societies who do not propose to borrow from the societies within three months after registration.

Progress in India in 1914-15.

1. BENGAL.

General Progress.

The general progress made in Bengal may be gathered from the following statement:—

Class of societies.	No. of societies.		No. of members.		Working capital.	
	1913-14	1914-15	1913-14	1914-15	1913-14	1914-15.
Central societies. ...	40	46	4,729	5,061	Rs. 32,52,550	Rs. 40,93,136
Agricultural societies.	1,513	1,862	71,282	85,717	44,11,493	52,95,099
Non-agricultural societies.	78	84	14,317	16,340	12,74,222	16,13,832
Total.	1,631	1,992	90,328	107,118	89,38,265	110,01,617

Central Societies.

There are now 38 Central Banks and 8 supervising unions in Bengal. The share capital of the Central Banks has increased from Rs. 383,555 to Rs. 4,89,548 and their reserve fund from Rs. 35,658 to Rs. 75,072. The combined share capital *plus* the reserve fund form 13% of the total liabilities. The banks have taken up the supervision and control of the affiliated societies. Loans are granted to societies at rates ranging from $9\frac{3}{8}$ to $10\frac{15}{16}$ per cent.

Agricultural Societies.

Out of 1,862 societies 1,582 are affiliated to central Banks. The share capital of the societies has decreased from Rs. 57,564 to Rs. 50,482, but the number of societies, the membership and the working capital, all rose by 20 per cent. The average membership of societies is 46.03 as in the previous year. The average capital per society and the average capital per member is Rs. 2,843.75 and Rs. 61.77 respectively. Grain Banks and stores are not working as successfully as before. The Decca Co-operative Dairy is working satisfactorily and its net profit for the year with regard to the supply of milk was Rs. 414-9-9. A society has been started in Mymensingh for supplying bonemeal and potato seed through the agency of societies in that locality. Another supply society at Khelar has been organised to deal in ghee, mustard oil, dhutis and chadars.

Non-agricultural Societies.

Of the 84 non-agricultural societies, 5 are weavers' societies with unlimited liability and 3 non-credit societies. The share capital of the societies rose from Rs. 5,61,204 to Rs. 6,65,242 and their reserve fund from Rs. 46,195 to Rs. 57,996. Almost all the non-agricultural societies can raise their own working capital independently. The weavers' societies in spite of the war are making satisfactory progress. The new societies started in the Bhanga area did not commence transactions.

Audit, Inspection, etc.

Auditing and inspection are done by the Registrar and his staff. The number of the inspecting staff working under the control of central banks and local organisers but paid by Government was 24. The Central Banks maintain staff for the supervision of societies affiliated to them.

2. BURMA.

General Progress.

The following table exhibits a general view of progress made in Burma during the years 1913-14 and 1914-15 :—

Class of societies.	No. of societies.		No. of members.		Working capital.	
	1913-14	1914-15	1913-14	1914-15	1913-14	1914-15
Central societies ...	96	117	2,748	3,162	Rs. 26,57,113	Rs. 34,34,133
Agricultural societies.	1,214	1,329	29,889	32,375	32,65,893	41,62,560
Non-agricultural ...	49	43	3,414	3,574	6,14,107	6,03,119
Total.	1,359	1,489	36,051	39,111	55,37,113	81,99,812

Central Societies.

There are in Burma one Provincial Bank, the Upper Burma Central Bank, 3 District Central Banks, and 112 guaranteeing unions. Affiliated societies have now the majority of shares and a yet more pronounced majority of votes in the Provincial Bank. The Bank pays $6\frac{1}{2}$ per cent. interest on deposits received and lends at 9% to societies, which in turn lend to their members at 15%, leaving a broad margin of 7 per cent. The District Central Banks are independent to a large extent on the Provincial Bank which supports them by cash credit from time to time. Unions have increased from 92 to 112, but this increase is partly due to the splitting up of 6 large unions into 2, 3 or even 4. These unions now comprise 1,117 societies out of a total of 1,252 societies.

Agricultural Societies.

Of the 1,252 agricultural societies 606 are of the Luzzatti and 646 of the Raiffeisen type. Their total share capital is 7 lakhs and their reserve funds amount to about $6\frac{1}{2}$ lakhs. These two items bear to the societies' liabilities a proportion of 45% and to total liabilities 33%. The model bye-laws are being amended to fix the maximum borrowing power of the society by the general meeting, and also the maximum normal credit to be granted to each member. The average membership per society is 27 and the average loan per member is

Rs. 136. There are three tracts in which co-operation goes hand in hand with colonization, viz., 1. *The Mon canal tract* 2. *The Mohnyin Valley* and (3) *the Kadonbaw tract*. The main features of the scheme for colonization are that the area should be leased to Co-operative Societies formed of cultivators migrating to the area and not granted or leased to individuals and that such societies should be formed on a co-partnership tenancy basis without share capital, borrowing money for their work from Government as agricultural advances. Cattle Insurance Societies have increased by 4. Sale societies show a decrease of 49.

Non-agricultural societies.

The number of non-agricultural societies has decreased from 49 to 43. The Amarapura Silk Weavers' Society is working satisfactorily producing novelties in patterns.

Audit, Inspection, etc.

There is a proposal to separate administrative from audit work and to prevent overlapping of responsibility. An auditor on Rs. 70 to Rs. 120 for every 100 societies will be appointed. Funds will be obtained by the levy of an auditing fee. Supervision will also be done by union officials and honorary organisers.

3. THE UNITED PROVINCES OF AGRA AND OUDH.

General Progress.

The following statement exhibits the general progress made in the United Provinces during the year 1914-15, compared with the previous year :—

Kind of societies.	No. of societies.		No. of members		Working capital.	
	1913-14	1914-15	1913-14	1914-15	1913-14	1914-15
Central ...	55	58	12,959	11,250	59,09,74 5	62,99,749
Agricultural ...	2,560	2,716	99,891	1,01,758	50,71,014	49,88,282
Non-Agricultural ...	185	188	5,755	6,270	4,37,423	4,61,113
Total.	2,800	2,962	118,605	1,19,278	114,18,187	117,49,144

Central Societies.

There were at the end of the year 23 district banks, 24 Central Banks and 11 Central Banking Unions; but of the total 35

central banks and banking unions, 26 are affiliated to a larger Central Bank and are financed and supervised by the latter, while the remaining 9 work independently. The rapid rate of increase of the previous year in the working capital was not maintained, the chief causes being the war and the poor yield of the autumn harvest. The paid up share capital has increased from Rs.6,30,631 to Rs. 7,56,147 and the reserve funds from Rs. 3,11,477 to Rs. 3,86,449. These two items form 18.1 per cent. of the working capital compared with 15.9 per cent. in the previous year. The share capital and the reserve fund bear together a proportion of 26.8 per cent. to the amount of deposits and loans received by the banks. The reserve funds are being invested outside. The total profit of the banks amounted to Rs. 1,51,517.

Agricultural Societies.

In spite of the disappointing agricultural conditions and the war, the proportion of capital contributed by members in the shape of share capital, deposits, reserve fund etc. to the total working capital was 26 per cent. against 17.5 per cent. and 19.2 per cent. in the two previous years respectively. The rate of interest paid by members is 15 or 15½ per cent. while most central societies charge 12 per cent. which includes the cost of supervision and audit as well as some miscellaneous items.

Non-Agricultural Societies.

Of the 188 non-agricultural societies in the province, eight are non-credit organisations, nine are limited liability credit societies and the remaining 171 are unlimited liability credit societies and these are almost all affiliated to central societies. The Telegraph Society at Agra is working satisfactorily and the Director-General has permitted the deduction of loan instalments from the salary bills of members. The unlimited liability societies such as silk weavers' were affected very much by the war.

There are twelve agricultural non-credit societies and eight non-agricultural non-credit Societies. Of the former, the three milk societies at Allahabad, the Co-operative Dairy at Benares, 3 Ghi societies in Allahabad and Benares, one agricultural supply society at Manipur are prominent. Of the latter, the Bareilly Carpenters' Workshop has had again a prosperous year. Of the distributive stores, mention may be made of the Lalimli Store at Cawnpore which is growing in prosperity.

Audit, Inspection and staff.

Auditing is done by Government Inspectors, specially trained professional auditors, whole-time auditors maintained at the expense of the Central Banks but under the direct orders of the Registrar, honorary workers and by the paid staff of the Central Banks. All the Central Banks are frequently inspected by the Registrar and his staff.

1. THE CENTRAL PROVINCES AND BERAR.

General Progress.

The general progress of the co-operative movement in the Central Provinces and Berar for the year ending the 30th June, 1915, can be seen from the following statement :—

Class of Society.	No. societies.		No. of members.		Amount of Working Capital.	
	1913-14	1914-15	1913-14	1914-15	1913-14	1914-15
					Rs.	Rs.
Central Societies ...	38	46	6,131	7,074	38,37,411	43,22,056
Agricultural Societies.	2,087	2,158	34,313	37,053	25,76,238	28,21,670
Non-Agricultural ...	88	93	1,778	2,023	96,284	1,17,595
Total ...	2,213	2,297	42,222	46,150	63,09,938	72,61,321

Central Societies.

There were at the end of the last year 1 Provincial Bank, 29 Central Banks, 15 Agricultural Unions and 1 Central Provinces Union of Co-operative Banks. The working capital of the Provincial Bank has increased from Rs.12,22,450 to Rs.13,44,315 and the deposits from Rs. 5,35,933 to Rs. 9,86,796. The working capital of the Central Banks has risen from Rs. 25,86,613 to Rs. 29,37,460, of which share capital forms 21%, deposits by members 13%, local deposits by non-members 27%, and loans from the Provincial Bank 37%. Interest charged by the Central Banks on loans is generally 9%, while that paid by them on deposits is 6%. The Provincial Bank lends money to societies at 7%, while paying 5% interest on the deposits. The Central Provinces Union of Co-operative Banks has continued to give valuable assistance to the Registrar in securing unity of aim and effort and its total income for the year was Rs. 50,411. Crop failures led to numerous renewals of loans.

Agricultural Societies.

The number of Agricultural credit societies on unlimited liability basis rose from 2,083 to 2,154, of which 127 were newly registered last year. 2,013 societies have already been affiliated to Central Banks. There are two cattle breeding societies working satisfactorily, one at Nawagaon and another at Khandwa.

Non-agricultural societies.

There were at the close of the last year 55 societies of weavers, 5 of dyers, 2 of gold and silversmiths, 4 of brass and copper workers, 7 of basket-makers, 2 of potters, 1 of leather workers, and 9 of petty village traders. The societies of weavers and of dyers have been badly bit by the financial crisis and the war.

Audit, Inspection, etc.

Auditing and inspection of the societies are conducted by the Registrar, his assistant, the Chief auditor and his staff. Considerable work is being done in this direction by the Union.

5. AJMER-MERWARA.

General Progress.

The following statement shows the comparative progress made in Ajmer Merwara during the years 1913-14, and 1914-15:—

Kind of Societies.	Number of Societies.		Number of members.		Working capital.	
	1913-14	1914-15	1913-14	1914-15	1913-14	1914-15
Central	5	5	774	841	Rs. 7,60,322	Rs. 8,15,242
Agricultural	352	355	10,887	11,264	7,35,509	7,03,016
Non-agricultural	...	...	...	...	...	...
Total	357	360	11,161	12,105	14,85,831	15,18,258

Central Societies.

The number of central banking unions is five as in the last year. 344 societies have been affiliated to the banking unions and are financed by them, the rate of interest charged being 10%. The net profit of the banks was Rs. 21,885 against Rs. 23,026 last year. The amount of reserve fund was Rs. 14,320 against Rs. 7,373 in the previous year.

Agricultural Societies.

Last year only three societies, two in the Ajmer District and one in Berar were registered. The share capital of these societies rose from Rs. 1,23,039 to Rs. 1,68,809, and loans from Government decreased from Rs. 31,667 to Rs. 21,087.

The reserve funds are generally utilised by the societies themselves. The auditing and inspection are conducted by the Registrar and his staff.

6. COORG.

General Progress.

Last year no new credit society was registered. The amount of working capital rose from Rs. 1,06,020 to Rs. 1,15,400 and the reserve fund from Rs. 18,106 to Rs. 23,514. The number of Cattle Insurance Societies has increased from nine to ten. 434 heads of cattle were insured. The reserve fund of the Insurance societies rose from Rs. 188 to Rs. 590.

Nine co-operative credit societies have resolved that the dividend due to share holders should henceforth be utilised for insuring their cattle. The grain bank is working satisfactorily and its profit for the year was Rs. 594-12-5. The repayment of loans was not encouraging, the amount outstanding being 12% of the total amount against 6½% of the previous year. The rate of interest is 12½% for money lent, and 5 to 6½% for money borrowed.

The Committee and Controllers have been managing the societies satisfactorily. All accounts are audited by the Registrar personally.

CENTRAL BANKS IN MADRAS.

Their Progress in 1914-15.

The following tabular statement exhibits the progress of the Central Banks in Madras as on 30-6-1915 :—

Serial No.	Name of the Bank.	No. of members.		Share capital.	Loans and Deposits by.			Reserve fund accrued.	Net-profit for the year.	Working capital.
		Individuals.	Societies.		Members.	Societies.	Non-members.			
				Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	The Madras Central Bank, Ltd., Urban	305	...	2,00,000	11,71,053	2,50,490	12,41,567	90,217	56,867	28,63,110
2	The Trichinopoly Dt. Central Bank	48	...	50,000	3,17,731	41,073	4,37,307	12,000	16,800	4,46,111
3	The Madura-Ramnad Dt. Central Bank	70	154	43,468	1,19,028	1,78,100	3,25,199	4,110	7,579	6,69,315
4	The Coimbatore Dt. Central Bank	147	5	61,920	35,153	69,499	2,83,265	5,368	8,444	4,52,837
5	The Tanjore Dt. Central Bank.	136	73	23,875	83,343	27,649	1,64,926	1,315	3,144	2,30,793
6	The South Canara Dt. Central Bank	85	50	9,570	1,44,768*	...	...	578	1,951	1,54,338
7	The Tenali Dt. Central Bank.	...	...	6,120*	2,950	59,000	27,839	483	414	1,05,959
	Total	791	282	3,97,973	18,74,026	6,25,911	24,80,163	1,14,041	1,95,199	49,91,963

* Includes deposits from societies.

PRIMARY SOCIETIES.

The following are extracts from the report of the Imperial Committee on Co-operation :—

Importance of stability of primary societies.

1. From the terms of the reference made to this Committee it will be observed that its investigations were intended to refer in the main to the financial position of the provincial and central banks, and we have borne this in mind throughout our enquiries. But the financial stability of the higher class of bank, though dependent on many considerations peculiar to that class, must always in the ultimate resort be dependent on the soundness of the primary societies on which the whole structure rests. We have therefore no hesitation in dealing at some length with the considerations on which the soundness of the primary societies is based. The outside investor or depositor who deals with Provincial or Central Banks has seldom the time or opportunity to look closely into the manner in which the business of the constituent primary societies is conducted, and it is therefore all the more incumbent on the supervisory authorities, from considerations of honesty as well as prudence, to see that the business of this class of societies is conducted on sound lines both from a co-operative and from a financial standpoint. Persons who know of co-operation only from books are doubtless often disappointed when confronted with concrete cases of societies in actual working, whether in India or in Europe, and are apt thereafter unjustly to disparage the whole movement because the specific instances which came before them fell short of their ideals. But while it is indeed a mistake on the one hand to expect more from these societies than human nature is likely to realise, it is equally a mistake for those responsible to rest content with an inferior standard of co-operation, when a higher standard is attainable. We have accordingly considered it our duty to point out in some detail the chief considerations on which the soundness of primary societies is built up. It is ultimately on three main requirements that their soundness is based. They must in the first place be co-operative. They must also be business-like. And finally they must be thoroughly well supervised. These points may conveniently be discussed under the following three heads :—

- (a) The constitution and management of primary societies.

- (b) The composition and employment of their capital, and
- (c) The arrangements for their inspection and audit.

CONSTITUTION AND MANAGEMENT.

Responsibility of the Registrar.

2. A society has very little prospect of success unless it is started on sound lines, and the Registrar is primarily responsible for seeing to this. In some parts of India we have found a tendency on the part of the Registrar to think that he should automatically register all societies, which in their applications for registration satisfy the conditions of the Act and the Rules. But we would draw attention to the provision of the Act which lays down that, after he is satisfied that the legal preliminaries have been complied with, he "may, if he thinks fit" register a society. We think it essential that he should personally satisfy himself that the society is being formed on a sound basis, and that in every case he should himself see the reports which have been submitted on the proposal for registration.

Area most suitable.

3. In considering such applications there are several points to which it is necessary that attention should be directed. The area of operations should for instance be clearly defined and should conform to the spirit underlying S. 6 (1) of the Act. By this we mean that the field of the society should be sufficiently restricted to allow members to be mutually acquainted and to be in a position to exercise an effective mutual control. It is a good general rule that there should be one society to one village and one village to one society. But apart from the fact that the term "village" does not mean the same thing in all Provinces (in Assam and Coorg for instance it carries a special meaning), there are exceptional circumstances which justify departures from this rule. The circumstances which justify exceptional treatment have been described as follows in the Resolution of 1914:—

"Where for instance a group of villages can conveniently form a co-operative unit, they may without objection be served by one co-operative society. Where persons scattered over large areas are for any special reason so thoroughly in touch with one another that they are able and willing to be jointly responsible, the condition of propinquity is not absolute, and the law accordingly allows that members of the same tribe, class, caste or occupation, even if not resident in the same village or group of villages,

may become members of the same society. Similarly, it is permissible to have more societies than one in a single village in cases where a village is so large that all the residents are not mutually acquainted, or where a village is so divided from any cause that one set of residents could not be expected to be jointly responsible for another. But the essential principle remains that societies should ordinarily consist of members so closely in touch with one another that they are willing to be, and can be both in name and in fact, jointly responsible."

We desire to express our concurrence in the views thus expressed.

Co-operation in Travancore.

One of the most useful legislative enactments undertaken by Mr. Rajagopalachari just before he laid down the reins of administration of the Travancore State is Regulation X of 1089, commonly known as the Co-operative Regulation. As the first Registrar of Co-operative Societies in Madras, Mr. Rajagopalachari is admittedly an ardent and astute co-operator, South India can boast of. His intimate knowledge of the movement in all its aspects, the wide experience he gained in its practical working, and his pronounced sympathy to those for whose benefit the movement was inaugurated in India, led him to the view that the difficulties presented by the law of inheritance peculiar to the west-coast and the diffused system of dwelling in isolated houses, to the cause of co-operation, will be solved by time and circumstances and that it was desirable to place the movement within the reach of the people of Travancore. Accordingly, a measure exactly on the lines of India Act II of 1912, was enacted and placed on the statute book on the 4th April, 1914.

In March following, an Officer of the State was deputed to Madras to undergo a course of training for a short period. He returned to Travancore in August last, and commenced his work, towards the end of September, 1915.

The first task to which the Registrar addressed himself was the organisation of a Central Bank at the capital so that monetary assistance at the hands of Government may be avoided from the very commencement. The idea was to form a central society composed of individual members with a provision to enable primary societies, when registered, to become members.

The public support received in the matter has exceeded the most sanguine expectations. The leading gentry in the Town, consisting of private gentlemen of rank and possession such as A. Srinarayanan Tampi Esq., the son of His Highness the late Maharaja and the premier Citizen of Trivandrum, talented retired officers of the type of Dewan Bahadur S. Padmanabha Iyer, Esq., M. A., and Dewan Bahadur A. Govinda Pillai Esq., B. A. B. L., leading members of the Bar of the reputation of E. J. John, Esq., B. A. B. L., K. G. Sesha Iyer, Esq., B. A. B. L., K. Kochukrishna Marar, Esq., B. A. B. L., Bankers and merchants of the status of R. Ganapathiappa Pillai, Esq., S. Adam Sait, Esq., J. Andrew, Esq., took up the question and solved it in a trice. The Bank was registered as a co-operative society on the 23rd November, '15, with a capital of one lakh of rupees consisting of a thousand shares of Rupees one hundred each, of which five hundred shares are reserved for primary societies. The management will, of course, be in the hands of individual members to start with, but provision has been made in the bye-laws for securing the majority on the managing board to the representatives of the share-holding societies when they exceed a fixed member. Though all the five hundred shares open to individual members have been fully subscribed for, allotment has been deferred till an outlet for the money is available by the formation of primary societies. It is indeed a hopeful sign that within a fortnight of the registration of the Central Bank one rural credit society was registered on the basis of unlimited liability in a village in the Taluk of Karunagapalli. Though the two registered societies, the Central Bank and the rural society, have yet to start on their work, Travancore may be said to have entered the arena of co-operation, let us hope, with fairly good chances of success.



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THE LATE DEWAN BAHADUR M. ADINARAYANA IYAH.

It is with very deep regret that we record the death of Dewan Bahadur M. Adinarayana Iyah who passed away on the 17th of March last at his residence in Tondiarpet in his sixty-ninth year. He entered Government service early in life and by sheer dint of merit rose to occupy one of the highest positions open to an Indian, viz., the deputy superintendentship of Land Records and Survey. After retiring from service, unlike most pensioners, he took a prominent part in the political, social and economic activities of the country. We are specially concerned with his services to the cause of Co-operation. It was in his village that the very first society in our Presidency was organised and he was chosen its president. From that time to his death his interest in the cause was unabated and at almost every Co-operative conference one could see him full of age and experience, guiding and advising his brother co-operators in many important matters. He took a special interest in the development of agriculture through co-operation. In the year 1914 he made long tours along with Mr. N. Pattabhi Rama Rao and Dewan Bahadur L. D. Swamikannu Pillai, the Registrar of Co-operative Societies, in the southern districts with a view to organise non-credit Agricultural Co-operative Societies. When the Central Agricultural Committee of which he was Secretary decided to wind up, he, more than any others, prevailed upon it to hand over all its assets to the Madras Provincial Co-operative Union of which he was President, with the request that it should promote as far as possible agricultural co-operation. He was mainly responsible for the starting of the Chingleput District Banking Union (of which he was President) on the lines most approved by the Committee on Co-operation, with membership confined to the societies of the district, managed by their representatives, and undertaking the functions of financing and supervising the constituent societies. Only a few weeks before his death he drew up an able memorandum on the Report of Committee on Co-operation, and discharged the onerous duties of the President of the Reception Committee of the last Provincial Co-operative Conference.

He set a noble example of thoroughness and devotion in every thing he did. There was hardly any meeting of the Executive Committee of the Provincial Co-operative Union at which he was not present. It was indeed pathetic to find by the side of his death-bed proofsheets of the "Bulletin" and the draft agenda of a meeting of the Union. May his soul rest in peace!

THE LATE RAO SAHIB K. VIJIARAGHAVACHARIAR, M. A.

Another mournful event is the demise of Rao Sahib K. Vijiaraghavachariar, M. A., who had served in the Co-operative Department almost from the date of its inauguration in this Presidency. In December 1914, he retired from the Madras service and was appointed as Registrar of Co-operative Societies in Hyderabad, where he passed away on the 2nd of March this year. There is no part of the Presidency with which he was not well acquainted. He was exceedingly popular, and welcomed by the people wherever he went as a guide, philosopher and friend. He served in the Trichinopoly section for nearly five years prior to his retirement, and it will be long before they can forget his familiar figure and close connection with them. He had known the Panchayatdars of most of the societies personally and had been moving with them so freely that he was regarded by them more as a non-official friend than a man in authority. His thorough acquaintance with the social and economical condition of the agricultural community greatly helped him in understanding their requirements accurately and the societies were thriving well during his time. His close acquaintance with the management of each society enabled him to rectify its errors and irregularities then and there. He never allowed any society to go into liquidation during his time. All co-operators in the Presidency will deeply mourn his loss.

THE FIFTY PER CENT. RESERVE RULE.

BY THE HON'BLE MR. V. S. SRINIVASA SASTRI.

It is no doubt a common failing among shareholders of banking and other financial concerns to appropriate as high a share as possible of the year's profits as dividend on the capital contributed by themselves. This failing, if not kept under restraint, will injure the concerns in several ways, one of which is the failure to build up an adequate reserve. Depositors generally look to the amount of reserve behind a bank to judge of its stability. But the share capital of a bank, though it be small in proportion to the deposits, is of equal importance. It forms the very life blood of the concern and has to be added to as its operations

grow or develop along fresh lines. The share-capital sustains the weight of the entire edifice and that is why in Joint Stock Banks the dividend on share money is always 2 or 3 per cent. higher than the interest allowed on deposits. It is in accordance with this principle that our Government have allowed the dividends in co-operative societies to go up to 9 per cent. while deposits bear an interest of 6 to 7 per cent. What has to be recognised is that all legitimate means should be adopted to secure this maximum dividend of 9 per cent. Unfortunately it is not possible in all societies at present, but as it has to be made possible, co-operators must be watchful to see that nothing is done to make it difficult or impossible.

When the eye is fixed on one good object, the temptation is to secure that good object at the sacrifice of another object equally good. In such cases the final benefit is *nil* and perhaps the last state is worse than the first. It requires wisdom to secure a due balance between such good objects. The building up of a reserve fund is a good object and some things may well be sacrificed to it. But not all. The attraction of share-capital for instance cannot be sacrificed. By ordering that 50 per cent. of the profits in any year in the case of limited liability societies should be carried to the reserve, Government are trying to secure the growth of the reserve fund by too great a sacrifice, *viz.*, by making it impossible to allow a reasonable dividend to share capital. Except in the cases of the Madras Central Urban Bank and the Trichinopoly Central Bank, the new rule will not allow of a 9 per cent. dividend to the shareholder in any Central Bank. Some Banks may not find it possible to declare 6 per cent. Distributive Societies like the Triplicane stores may have to cut down their establishment below efficient point and abandon their Common Good Fund if they are to give any dividend on the purchases of their members. Of other urban societies one-half have not declared any dividend hitherto, while the other half under the 25 per cent. rule gave dividends averaging 6 per cent. Hereafter most of these can give only a very small dividend and some none at all. Why is such a drastic step taken? To prevent dividend-hunting! But this object is sufficiently secured by the rule giving 9 per cent. as the maximum dividend in any case. Why adopt a second strong measure which carries a great evil with it? No intelligible answer was given during the discussion on this subject in the Legislative Council. But a clue is to be found in the proviso that Government offered to make in the working of the rule. The Registrar would be empowered to relax the rule in the case of any society if the dividend fell below a certain percentage. The percentage itself was not specified; but there is reason to believe that it is to be $6\frac{1}{2}$ per cent. That is to say, in the opinion

of Government who seemed to consider only the Central Banks, 6½ per cent. is a reasonably high return on share-capital. We can hardly agree as little difference would then exist between deposit and share-capital, and the return on the former is guaranteed. Co-operators, it was said, should expect no dividend. This is to misconceive the whole character of the movement. The amelioration of the man of small means is no doubt its motive. But the methods to be adopted are business methods, and the Madras Government are never tired of saying that it must be made, as speedily as possible, to stand on its own feet. A few rich philanthropists may give money to the cause without expecting a return, but it cannot be everywhere or for long. Principles of business require that in these societies shareholders no less than depositors, in fact rather more than depositors should have a substantial inducement for investing their monies.

If Government insist on keeping the rule, the Registrar, it is clear, will have to relax it in all cases except those of the Madras Central Urban Bank and the Trichinopoly Bank and possibly the South Canara District Bank. Ordinary people will ask; Why make a rule and then break it in most cases? To retrace a wrong step openly is not among the virtues that Government have cultivated: in this respect the Madras Government is no better than the rest. Those that have an abnormal regard for their prestige ought to be particularly careful *before* issuing their edicts. In spite of expectations to the contrary, the Government of Madras did not wait to know the views of those concerned before they promulgated this 50 per cent. rule. The issue was simple, a query would have brought prompt and clear answers, and the Government need not have added haste to error.

It is possible to minimise the hardship to societies by giving the percentage of dividend for the purpose of the proviso aforementioned at 9 instead of 6½. Since Government have not openly committed themselves to the latter figure, they need not consider it a blow to their prestige to instruct the Registrar that the relaxation may be made whenever the dividend falls below 9 per cent.

CATTLE INSURANCE SOCIETIES.*

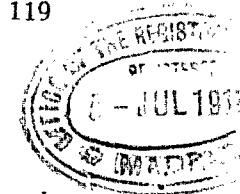
BY MR. A. C. CHATTERJEE.

Registrar of Co-operative Societies, United Provinces.

Almost the principal object for loans in our agricultural primary societies is the purchase of plough or draught cattle. A perusal of the *haisiyat* registers will also show that plough cattle comprise the chief moveable property of members. As is well known, houses and buildings in rural localities would fetch very little if sold and the tenant right of occupancy, non-occupancy or statutory tenants cannot be alienated. It is very important therefore, from the point of view of the societies as well as of the members to devise means, whereby the loss suffered by members from the death of plough cattle can be minimised. At present if a bullock belonging to a member dies, not only is the tangible security diminished that his society has for any loans already borrowed by him, but a fresh advance has to be given to him in order that he might replace the deceased animal.

2. The difficulty has been met in European countries by co-operative societies for the insurance of such cattle. At the conference held in January 1912, Mr. Fremantle outlined the scheme for similar societies in this province. Unfortunately central societies did not take up the idea with any eagerness and there was also some doubt in the minds of competent authorities whether in the absence of adequate data regarding cattle mortality rates and also in the absence of sufficient arrangements in rural parts for the scientific prevention and treatment of cattle insurance societies were likely to be successful in this country. Such societies have, however, now been in operation in Burma for the last five or six years and they have so far proved eminently successful. In view of the great importance of the subject both from the agricultural and co-operative standpoints, the Government is anxious that a few experimental societies should be started under favourable conditions and the scheme given a fair trial. Accordingly after careful deliberation a small number of societies has been registered in the Mainpuri district, and I hope that in other suitable localities co-operators will endeavour to establish a few societies in order to gain experience; and if they are successful, as there is every reason to hope that with sufficient

* A paper contributed to the last Lucknow Co-operative Conference.



safeguards they will be successful, such societies can be organized all over the province.

3. Model by-laws and other particulars can be obtained on application to my office and the Government staff will give all necessary aid. Societies should be organized only in localities where credit societies have been successfully working and the people are familiar with co-operative ideas. Also only such localities should be chosen where the cultivators use and appreciate the value of good plough cattle. Tracts where the agriculturists trade in cattle frequently buying and selling them, should be avoided. The members should belong to one village or to two or three contiguous hamlets. They should insure as many as possible of their eligible cattle. At present insurance is confined to healthy bullocks and male buffaloes between the ages of 4 and 12 years. Premium has to be paid every six months (or the insurance lapses) on the value of the animal which is assessed by a valuation committee appointed by the society. The rate of premium has for the present been fixed at one pice per rupee for the six months. This may have to be altered after experience. If the animal dies during the course of the six months, the owner will get back two-thirds of its value after deducting whatever he may be able to realize from selling the hide, etc. Provision is made to secure preventive measures in cases of epidemic and also for treatment for sickness. No compensation is given if the animal dies through the neglect of the owner. For the present the cattle insurance society will bank with the District or Central Bank of the locality, and, if at the end of the experimental stage of the few selected societies there is any loss, it will be made good by the Government. If the scheme proves successful and the number of societies increases a re-insurance society will be organized. This cannot, however, be done for a year or two or until cattle insurance societies are in operation in different parts of the province so that the risk can be spread out and thus minimized.

4. As I have recently had an opportunity of studying on the spot the work of the Burma cattle insurance societies a brief account of their special features may be interesting. Burma has a great advantage over us in this respect for cow's milk is seldom used for human consumption. Consequently the calves get all the milk and the cattle are more healthy and stronger than in

this province. There is also plenty of grazing except in certain seasons of the year. The village and tenure systems of Burma moreover enable the villagers to prevent individuals from adopting practices pernicious to the general welfare of all the cattle in the village. The cattle insurance societies have given further stimulus to this system and sanitary measures for the protection of the cattle are adopted in every village as soon as any disease or epidemic is threatened. It is hoped that in this province also cattle insurance societies will help in this direction.

5. In Burma the area of a cattle insurance society is ordinarily limited to one village. Membership is practically confined to the members of a credit society. (The registrar of Burma does not consider this rule to be essential, but it has been adopted in order to minimise the chances of dishonesty on the part of the cattle insurance society in its dealings with the re-insurance society. Any such dishonesty can now be punished by the closing of the credit society, which is bound to prove a severe misfortune to all its members.) Members are encouraged to insure all their eligible cattle, but at present they are not compelled to do so. Plough bullocks and buffaloes between the ages of 4 and 12 are insurable. The valuation is made every six months when the premium has to be paid. The present rate of premium is five per cent per annum. On the death of an insured animal, an indemnity of two-thirds of the value assessed, less the price of the hide and carcase, is paid out. The valuation work seemed to be easier in Burma than it is likely to be here. The cattle are more or less of the same value if of the same age. In other words the standard of care bestowed on the animal from the time of its birth is uniformly high and there are not many different breeds to be taken into account. It may also be noted that the meat of a dead animal is eaten by all classes of Burmans. The price of the carcase is thus a substantial sum and the indemnity payable is appreciably reduced thereby.

6. A re-insurance society has been organized for the whole of Burma of which the registrar is at present the honorary and *ex-officio* manager. Half the premia collected by the insurance societies deposited in the local credit society. The other half is sent to the re-insurance society along with a list and particulars of cattle insured and their valuation every half year. If any animal dies, half the indemnity that has to be paid comes

from the re-insurance society, the remaining half has to be made good from the funds of the primary insurance society. The latter has two separate funds, viz., (1) the general fund consisting of all premia realized during the year, and (2) the reserve fund consisting of fines, entrance fees, donations, profits of previous years, etc. In the event of the funds received as premia during the year proving insufficient to meet the claim of half the indemnity payable by the primary society, half of the reserve fund may be drawn upon in any one year with the registrar's sanction to meet the deficiency. If the funds are still insufficient the indemnities for all animals that have died during the year will be proportionately reduced. I am informed by the registrar that so far no society has suffered a deficit. The insurance society was organized only about a year ago. It banks with the Upper Burma Central Bank, which is the Provincial Co-operative Bank for Burma.

7. In Burma only a few tracts have any district or central banks. The link between the Provincial Bank and the primary credit society is the 'Guaranteeing Union' which will be separately discussed at this conference. A cattle insurance society becomes a member of the local union in order to secure supervision from it, but undertakes no financial responsibility in it.

CO-OPERATION IN AGRICULTURE.

BY M. R. RY. K. NAGESWARA RAO PANTULU GARU, B.A.,
Assistant Registrar of Co-operative Societies, Bezwada.

In places where co-operative credit societies have been at work for some appreciable length of time, a desire to have other forms of co-operation is created, and imperatively demanded by the members thereof. In fact, the foretaste afforded by the adoption of the credit aspect of co-operative combination, naturally leads them to aspire for the higher forms of the self-same system, which was so instrumental in bettering their material condition in so short a time and in such a palpable manner.

2. Agriculture being the staple industry of this country, the application of co-operative methods in its connection is rightly looked upon as the imperative necessity of the day. Already several societies in our country have taken up this higher aspect of co-operation. Some societies in North India purchase wholesale better sorts of seed and manure and retail them to their

members at cost prices, thus bringing about the very desirable introduction into the country of more substantial and valuable varieties of crops. In a few societies, small demonstrative farms are maintained with a view to afford the members a practical teaching of an improved method of cultivation. Some societies keep depôts of improved types of agricultural implements and either sell or loan them to the members for being used in their agricultural operations. In the Bombay Presidency, in the Nira canal area, the pressing of sugar-canes and the manufacture of jaggery therefrom is carried on collectively on co-operative lines. In our Presidency, the co-operative production and sale of a superior variety of cotton are carried on in some societies in the South.

3. We have not, however, as yet heard of co-operative methods being utilised for carrying on a large scale such agricultural operations, as ploughing, sowing, reaping, threshing and milling. We read that in every one of these processes machines worked by steam-power are in use in most of the countries in Europe. No doubt, individual cultivators with their ordinary-sized holdings cannot be expected to go in for such a prohibitively costly machinery; nor does it pay them to resort to it. But a combination of landholders can easily obtain the requisite machinery and use it on their lands and derive the benefits therefrom. They can form into a co-operative society and borrow, pledging their joint liability, the needed funds on every favourable conditions regarding interest and repayment and purchase the machinery as the property of the society; every member will be allowed its use by judiciously arranged turns on payment of a fee, just enough to cover the instalment of the loan due and the working expense; the rate of the fee will vary inversely with the number of members and the area of the land to be operated upon; it may not be heavier than the expenditure now incurred, as a good deal of time and labour is sure to be saved; as more experience is gained and the villagers become aware of the comparative advantages of the new process over the existing one, the reform is certain to take root and yield good profits in course of time.

4. No doubt, the Indian ryot has the reputation of being highly conservative and not likely to move with the times; but experience has shown that, when once he is convinced of the safety and the profitability of any reform, he is by no means slow to

adopt it. Certainly, he will not take to the introduction of machinery into his cultivation, readily or easily; and any amount of preaching to him may not avail; but if a modest beginning is made and the advantages of machine-cultivation over the existing system be demonstrated to him in a practical manner, he will of his own accord adopt it in all earnestness.

5. Paddy is the largest cultivated crop of this Presidency. The deltas under the Godavari, Kistna and Cauveri rivers and the ayacuts under minor rivers and tanks produce a larger quantity of paddy than any other province in India. Any suggestions in regard to this extensively raised crop, in the way of saving labour and cost, should be welcome to the very large number of ryots that produce it.

6. In the case of lands in which paddy is raised, not much of dry-ploughing is needed; it is to the process of puddling, after the water is let in, that the ryot looks to for the proper preparation of his land; it is then that the green manures are soaked and ploughed in, or other manures mixed up. Seedlings are then transplanted and water is regularly flown in and out till the crop matures. Weeding also is not much attended to as the transplanted plants take root earlier than weed can spout, and thus stifle the growth of the latter. Then comes the process of reaping, heaping and threshing.

7. Possibly in none of the earlier processes of puddling, transplanting and weeding, mechanical appliances can be brought into play, as the operations are all carried on in knee-deep mud and water; but in reaping, they may be resorted to, as most lands, except the low-lying ones, become by that time fairly dry, and a machine can pass over it with convenience. The difficulty comes in, however, when some subsidiary crop is sown in the paddy at the time it nears maturity; the former is allowed to remain on the land after the latter is cut and removed, to become ripe in 2 or 3 months subsequently; in such cases, the passage of a machine over the field may spoil this supplemental crop.

8. But in threshing and winnowing, however, machines can be very conveniently and profitably used. The paddy stalks with corn-ears are heaped on a flat and high level land in the field; no one feels hurry about its threshing, unless it be for paying the Government kist. Generally it is late in the season

that this operation is carried on; by that time, the lands become dried up completely, and easily passable for all kinds of vehicles and conveyances; the transport of machinery from one place to another will not then present the slightest difficulty.

9. The practices in vogue in threshing and winnowing in the Kistna and Godavari deltas and also in the uplands in the Circars under tanks are very cumbersome, tedious and costly, and I believe they are similar in other parts of the Presidency. They involve good deal of wastage of labour and energy. As a first preliminary to threshing the land around the heap of paddy stalks is well prepared, all the cracks and erevices in it being well closed; and the ground itself is made harder by the application of water and the treading over by cattle. The heap is then thrown down on the prepared land around and spread over it. A number of cattle are made to walk over the stalks round and round in batches; they are goaded on by a number of people to keep on walking by the application of cudgels supplemented by their vociferous shouts and threats. For this duty, even the milch-cows and heifers are impressed; some are borrowed from neighbours, gratis in good old times when there existed cohesion in village life; but now they are hired. Besides the farm-servants, special coolies are engaged. The landowner with all his family keeps a constant attendance at the scene to watch the grain from stealthy removals by this large number of employees. As soon as the upper layer is sufficiently trodden over by the cattle, the paddy stalks are removed after a careful shaking of all the grains in them, and deposited on the side. The same process is continued till all the stalks are thus trodden over and removed to the side. The grain which thus sediments to the bottom is gathered; and is winnowed; the process is of the most primitive character; the grain is taken in baskets and is let down slowly by a man standing on a cart to secure the necessary height; the evening time is selected for this purpose and the wind at the time helps to blow away the chaff, etc. from the grain.

10. In some places, the bundles of paddy stalks with the corn are beaten by men against a wooden plank, so that the corn may fall off. But this process is resorted to by the ryots having a small-sized holdings. The manual labour involved renders it unsuited in the case of large holdings.

11. This forms a trying work for the agriculturist; the process lasts from 3 to 12 days according to the size of his heaps; some big ryots take up the work in instalments. Generally a ryot with 5 acres of land takes not less than a week to finish it. The amount of worry and labour that is undergone both by man and beast in this operation is immense; but it is not felt so keenly as it ought to be as the anticipation of getting home the fruits of his year's labour makes the ryot take to it with a light heart and pleasant feeling.

12. Certainly, it will be a great advantage if, in this process, some mechanism can be introduced, which would save labour, time and worry. Several ryots made enquiries if no such appliances were invented and available. For their formation the following information, which was found in an overland newspaper called the "Irish Homestead" of the 6th and 13th February 1915 is published, quotations being freely made from it, whenever necessary.

13. There are two kinds of threshing machines, the first are for small farmers; they are "small power-threshers which could go anywhere a double's cart could and could thresh and winnow 500 stone of corn per day." The second is a bigger type of thresher, "very suitable for districts which are not hilly and where the average farmer may grow from four to eight acres of corn." Both of them are made on exactly the same principle.

14. The former is called the "wibberly combination"; it consists of a small portable thresher made by the firm Bon Accord & Co., Engineering Company, Limited, Aberdeen. The thresher has an 18-inch drum and is mounted on a platform on four wheels; the thresher is at the end of it and at the other is a small Pitter Junior 5 B. H. P., petrol engine, thus the engine and the thresher are mounted on the same platform. This plant will not only thresh, but will sort the corn into light and heavy grain and winnow it at the same time. It threshes 500 stone of grain per day. The cost of doing this amount of work is 3 shillings per day for fuel and lubrication. The cost of the complete plant, engine, belt, and thresher is £70.

15. The latter is bigger and stronger; it is also fitted with a double blast which more effectively cleans the grain; it is capable of threshing a thousand stone of corn per day; the engine working it is "the Pitter Junior 6 B. H. P.; it is also worked

with petrol. Both the engine and the thresher are fitted on separate platforms, each being mounted on four wheels, with a pair of horseshafts fitted to each of them; one horse is required for the hauling of the thresher from place to place and another to take the engine. In our parts the horse-shafts may very easily be replaced by a single shaft in the middle to be useful for a yoke of two bullocks. "Both the engine and the thresher will go anywhere that an ordinary farm cart will go." The advertisement runs as follows:—

"The Kelledy threshing plant consisting of 24-inch drum thresher and Pitter 6 B.H.P. engine; capable of threshing 1,000 stone of corn per day at a cost of 4 shillings for fuel and oil; the thresher closes up for transit purposes. The cost of the entire plant is about £150."

16. Possibly our Agricultural Department may help the intending purchasers with details as to the suitability or otherwise of these threshers for their purposes. If, on ascertaining from this department, it be found feasible to introduce this machinery into our agricultural operations, it would certainly be advantageous to have it purchased by a co-operative society and work it on the lines already indicated. The outlay for the plant is not much; nor may it be difficult to secure skilled labour to work it. The experiment may be tried first in villages along the Railway line, so that it may be within easy reach of experts from the metropolis. This affords an easy and practical way of making a beginning in introducing steam worked machinery into India's conservative agricultural methods.

AUDIT AND SUPERVISION.

BY M. R. RY. RAI SAHIB K. RAMASWAMI AYYAR AVL. B.A., B.L.
OF MADURA.

The functions of audit and supervision are in many respects so similar in nature and scope, that it is not easy to draw any clear line of division between them and no need has arisen till now to differentiate the two functions, as both of them, so far as this Presidency is concerned, were devolving on the Government Agency. This was one of the weak points of Co-operative development in this province and the system has been rightly condemned by the Committee on Co-operation. Too much official control tended to weaken individual responsibility and it

had become manifest that between the primary societies and the Central financing agencies the Government staff was operating to such a great extent that both the classes of societies had to depend entirely on such a staff.

The Central Societies never dealt with the primary societies except through the Registrar and no primary society can obtain help from a Central Society without the permission of the Registrar though it may happen to be a shareholder of the Central Bank. The Central Bank which is responsible to its depositors and shareholders for the proper utilisation of its funds, has again to depend for its information and scrutiny on the Government Agency. Such information never becomes available when wanted and the Central Banks are in many cases completely ignorant of the condition of the societies financed by them.

The Government of Madras have recently passed an order on this question in which they have accepted the recommendations of the Committee by retaining audit alone in their hands and by resolving to entrust supervision to societies themselves. We fully accept the principles embodied in the G. O., but, in carrying out those principles into practical operation, there may be difference of opinion as regards the method by which devolution is to be carried out.

In the case of Central Banks which admit societies as shareholders, much difficulty does not arise, as the banks themselves have already made some provision for undertaking supervision. The scheme, as outlined by the Registrar, is capable of easy working.

In areas where the Central financing agencies do not admit societies as shareholders the Registrar proposes to constitute Supervision Boards consisting of representatives from societies. These Boards are to be entrusted with supervision, while financing is to be done by the Central Banks. This system is not an improvement on the present practice. The Supervision Board simply takes up the position occupied by the Assistant Registrar and his Staff. This does not bring the Central financing agency and the primary societies close together, and it is to be remembered that from the point of view of the Central Bank it will not be quite safe to rely on the recommendations of the Supervision Board, in the matter of loan applications, especially as no liability is guaranteed by these Boards. Considerable friction may

arise between these Boards and Central Banks and the Registrar's intervention is likely to be constantly resorted to. If the Central Banks do not agree to admit societies as shareholders the only alternative course open to the Registrar, is to organise Central Banks consisting of societies as shareholders and, if this be not quite possible in certain cases, he may at least permit the Supervising Unions to conduct financing to some extent in the earlier stages so that each Supervising Union may develop into a Central Bank in course of time.

Another point involved in the treatment of this subject is as regards the sort of agency that is to be employed by the societies for conducting supervision. The Registrar's proposal is to train a staff of supervisors; for this purpose he has advertised for applications from candidates for employment as supervisors under banks and the qualifications prescribed by him appear to be sufficient. There is no doubt that the staff will prove adequate for undertaking supervision. But as regards the number of societies to be entrusted to each supervisor, the Registrar's scheme is silent. I would suggest that the maximum number of societies to be entrusted to each supervisor should be fixed at between 20 and 25 according to local conditions. In areas where the total number of supervisors does not exceed three or four, it may not be necessary to create a class of officers of a grade superior to that of a supervisor, to check and scrutinise the work of the latter, as the Bank can directly perform this function. But when the number of supervisors exceeds four, it may not be possible for the Supervising Board or Central Bank to adequately perform this function without entertaining the necessary staff. This point may well be left to be determined by the Central Banks according to the requirements of each case.

The only other point that remains to be considered is with respect to the definition of the terms 'Audit' and 'Supervision.' The Registrar has outlined in his letter No. 2069 dated 24th September 1915, that "the primary audit and preparation of the financial statement should be entrusted to the Supervising Staff entertained by the Central Banks and Local Unions, while the final and the more complete audit should be conducted by the Government Officials in such way that all societies may pass under Government Auditor's review once a year." This definition is vague and without entering into details it is not possible

to decide what is meant by primary audit and what is final audit. I would suggest that the following functions may be assigned to the Supervising Staff, *viz.*:—

1. The preparation and scrutiny of property statements;
 2. Scrutiny of loan applications and recommending them;
 3. Scrutiny of all account books and registers;
 4. Examination of overdue loans and taking steps for their recovery;
 5. Scrutiny of the internal administration of the society including the reconstitution of the panchayet wherever it may be necessary;
 6. Scrutiny of the grant of loan applications and their extensions for repayment;
 7. Inquiry into the application of loans and attending to their proper disbursements;
 8. Scrutiny of the Bonds and other securities lodged with the primary societies; and
 9. The submission of monthly returns by primary societies.
- These and other functions of similar nature which concern the internal working of a primary society may be relegated to the Supervising Staff.

1. The conducting of the final audit and the preparation of annual statement.
2. Inquiry into amendments and revision of by-laws.
3. Fixing the maximum borrowing power of each Primary Society.
4. And a survey of the general working of the society, and such questions as relate to the stability of the movement and the working of the societies on a sound and efficient basis may continue in the hands of Government Auditors.

I am of opinion it is not possible to go into a fuller detail on this subject at present as the whole scheme itself is only in an experimental stage.

PROGRESS OF CO-OPERATION.

Co-operation in India.

The Hon. Mr. Lallubhoy Samaldas delivered an address in the Hall of the Lord Sydenham College of Commerce and Economics, Bombay, on "Co-operation in India," of which the following is an abstract:—

Many of them had often read of the heavy indebtedness of the agriculturists in this country and of their difficulties in obtaining sufficient capital at a fair rate of interest for agricultural and other purposes. This feature was not peculiar to India. Even in a new and rich country like the United States 28·7 per cent. of the farms were mortgaged in 1890, while the proportion had risen to 36·8 per cent. in 1910. Taking another standard of measurement they found that the mortgage debt in the United States was 35·5 per cent. some twenty years back, while it was 20 per cent. in France and 40 per cent. in Prussia. The evil was aggravated in India by local conditions of money lending, the rates of interest being to certain extent a survival from times when the value of the security offered by agriculturists was smaller than it was at present.

Origin of the Movement.

The first serious attempt to meet the difficulties arising out of the indebtedness of the agriculturists was made in this Presidency in 1883. In that year a committee of capitalists in Poona under the inspiration of that able and sympathetic civilian, Sir William Wedderburn, and of one of Poona's greatest sons, the late Mr. Justice Ranade, submitted a scheme for the establishment of a Bank to finance the agriculturists of Purandhar Taluka. It was proposed to raise a capital of Rs. 10 lakhs to use it in the first instance in liquidating the existing debts of the ryots, and in the second instance to grant them financial facilities and to have the Bank's debts recovered through the Revenue Officers. This scheme was not approved of by the higher authorities as it was considered tantamount to that of a State Agricultural Bank. Similar other proposals did not meet with any support from Government, whose angle of vision was affected by the growth of the co-operative movement on the Continent, and who thought, and rightly too, that to "solve the problem of

agricultural indebtedness something more than the creation of cheap and unrestricted credit was required." Whilst Bombay could justly take credit for being the first to propose to start an agricultural Bank, the Madras Government was the first to tackle the problem in another manner. Eventually the Government of India decided in favour of Co-operative Societies and a Bill was passed in 1904. The first step taken to give practical effect to the provision of the Act was to appoint Registrars, who with the help of local Revenue Officers started a few societies in selected areas. The seed that was sown, with some fear that it might be wasted, had taken root in suitable soil, and if the young tree that had grown was properly watered and pruned where necessary and the soil manured, it was sure to spread out its branches all over the country, and to give to those that came under its shade a much-needed relief.

Great Progress.

There had been a great rise during the last three years in the number of central societies, to which rural societies were usually affiliated and to which they looked for direct and indirect financial assistance. The progress seemed to be so great and varied that the Government of India thought it advisable to issue to the public a resume of the past and to lay down their policy for the future. That resolution of the 17th June, 1914, was, in a sense, a land-mark in the history of co-operation. Within a few months after this, famine conditions following the banking crisis and the first effects of this world-wide war forced some of the local Governments to approach the Government of India for temporary financial relief. Although that relief was granted, the Government of India appointed a committee to examine whether the movement, especially in its higher stages and its financial aspects, was progressing on sound lines, and to suggest any means of improvement, which seemed to be required. The Committee's report was now before the public. No orders had yet been passed by the Government of India on the Committee's recommendations; as the report had been referred to the Local Governments for their opinion. The speaker was a member of that Committee and he would not be justified in criticising or praising its recommendations, but he might say without much hesitation that the report would, for some years to come, prove

a sort of text book for the use of officials and non-officials in their work in the field of co-operation.

Primary Societies.

The speaker next gave an idea of the constitution and management of primary societies, of the methods of obtaining and employing their capital, and of the control of the Government in the matter of inspection and audit. The primary societies were restricted in area and number, the usual rule being one village one society. The object of restricting the area was to enable the members of a society to have mutual personal knowledge of one another. Exceptions to this rule were permitted under certain circumstances. It was also possible to have more societies than one in a single village in cases where a village was so large that all the residents were not mutually acquainted, or where a village was so divided that one set of residents could not be expected to be jointly responsible for one another. But the essential principle remained that societies should ordinarily consist of members so close in touch with one another that they were willing to be, and could be both in sense and in fact, jointly responsible. Similarly there was no restriction here as regarded the number of members in society. At present the average was 41 per society in this country. This average varied from 69 in Bombay to 16 in the Central Provinces as against 94 in Germany. The lecturer then described how the societies here were working and in what respects they differed from the Raiffeisen societies, and proceeded to give an idea of the progress made by the primary societies in the Bombay Presidency up to March, 1915. The number of agricultural credit societies at the end of the last official year was 631. All of them were of the Raiffeisen type. Their working capital was composed of deposits and loans; for the former they paid a rate of $6\frac{1}{2}$ per cent. and for the latter 7 to 8 per cent. Loans were made to members at the rate of $9\frac{3}{4}$ per cent. and all profits were carried to reserve fund. The number of Agricultural non-credit societies on that date was 43. Under this head the following types were included, viz., purchase societies, dairy societies, seed societies, grain banks, and one cattle-breeding society. The total working capital of these 674 societies was Rs. 33,31,777 of which that raised locally in the form of shares and deposits, whether from members or non-members, was Rs. 12,03,094, with the addition

of the reserve fund of Rs. 2,12,912, or in all Rs. 14,16,206. It would thus be seen that the societies had been able to get locally 40 per cent. of the amount required by them, the balance being loans from outside. As the former percentage increased and the latter went down, the societies would become more self-supporting and less dependent on extraneous help. The non-agricultural societies were divided by the Registrar into "credit societies" and "co-operative stores" and "weavers' societies."

Communal Societies.

The majority of credit societies belonged to the limited liability class and had share capital. Excepting in the communal society or those based on occupation, membership was based on residence in a particular locality. These non-agricultural societies raised their capital locally and were mostly non-dependent on a central bank for the same. The best amongst the communal societies was Rao Saheb Talmaki's Shamrao Vithal society for giving financial facilities to the members of the Gaud Saraswat Community. The society had 1003 members with a working capital of Rs. 2,48,872, and had started seven branches, one outside this Presidency, to serve the interests of its members who resided in different places. The lecturer lastly referred to the co-operative societies for weavers. The hand-loom weaving industry, he said, was the chief handicraft of the Presidency and maintained no less than three hundred thousand weavers. Through co-operation not only cheap credit could be made available for them, but the supply of raw material, such as yarn, silk, dye etc., and the sale of manufactured goods could be effectively organised. To achieve this end co-operative societies ever weavers had been formed, their number being 29 at the end of the year 1914-15.

The Chairman said they were all thankful to the Hon. Mr. Lallubhoy Samaldas for the interesting address he had just delivered. The lecturer had said that agricultural indebtedness was an evil, but in the Chairman's opinion the evil lay not necessarily in borrowing but in excessive and extravagant borrowing. Extravagant borrowing and the difficulty of borrowing at a fair rate of interest were the evils the co-operative society was founded to meet.

CO-OPERATION IN MADRAS.

General Progress.

The following tabular statement records the comparative progress made by the movement in Madras during the years 1913-14, and 1914-15:—

Class of Society.	No. of Societies.		No. of Members.		Working capital.	
	1913-14	1914-15	1913-14	1914-15	1913-14	1914-15.
Central	16	30	941+292 societies	1,035+ 795 societies	Rs. 52,19,370	Rs. 59,34,614
Agricultural	1,353	1,446	77,902	90,068	55,79,926	64,55,589
Non-Agricultural	64	124	21,694	27, 603*	15,21,889	18,19,944
Total.	1,333	1,600	100, 527 +292 societies	118,723 +795 societies	1,23,21,185	1,42,10,14

* Includes 129 societies.

Central Societies.

The number of Central Societies in Madras rose from 15 to 30, of which ten were District Banks and twenty were supervising unions. During the year under report two new District Banking Unions, one in Chingleput District and the other in Kistna District, and twelve supervising Unions were organised. In these banking Unions membership is open both to individuals and societies. The peculiarity of the Chingleput District Banking Union is that it has been organised on the lines recommended by the Imperial Committee on Co-operation. As the services of all the professional and enlightened classes in the District are available to this Bank, even the fears expressed generally by the Committee that such banks would fail to enlist the sympathies of the middle classes do not hold good in this case. For the past two years the Registrar has been organising District Banks in the type of Banking Unions that they might take up in the long run the supervision of the societies affiliated to them.

The margin of interest saved by the Central Banks and societies in loan transactions is very low as compared with those of other provinces and is, therefore, quite inadequate to provide for the supervision charges of the societies. Hence the Registrar after mature consideration has proposed to the Central Banks to

set apart a rebate of $\frac{1}{2}$ to $\frac{3}{4}$ % on their loans to the primary societies. The reasons put forward by the Registrar for taking such a step have been clearly stated thus: "When the Provincial Bank for the Madras Presidency is constituted, or earlier, if possible, I think the opportunity should be taken to revise the margins all along the line. Considering that the Provincial Bank will enjoy the exclusive privilege of obtaining overdrafts from the Presidency Bank and from joint-stock Banks as well as the monopoly of making loans to District Banks (Paragraph 17, page XXV of the Committee's report), and considering also that the expenditure budget of a Provincial Bank dealing with about a dozen, at most two dozen, Central Banks would be much less than the Budget of the Madras Central Urban Bank dealing with 800 primary societies, I think it would be quite feasible to limit the rate of interest on loans from the Provincial Bank to the District Banks to $6\frac{1}{2}$ per cent. or at most to $6\frac{3}{4}$ per cent. At the same time the rate of interest on loans from District Banks to primary societies might be raised from $7\frac{3}{4}$ to 8 per cent. ($7\frac{13}{16}$ per cent. or $1\frac{1}{4}$ pies per rupee for mensem is a possible variant of $7\frac{3}{4}$ per cent.) I do not think the standard rate of interest on loans from primary societies to their members need be raised beyond $9\frac{3}{8}$ per cent. the present rate, because even after paying 8 per cent. to Central Banks the primary societies would have a better margin than the Provincial Bank or the Central Banks, and moreover there are almost insurmountable difficulties in the way of raising the last stage of interest above $9\frac{3}{8}$ per cent. Without any fresh margin being devised in some such way, Central Banks would have to fall back on contributions from societies, always an unsatisfactory device and particularly so when the discretion of assessing the levy upon all the societies in a district is left to a governing body at its head-quarter."

The paid-up share capital of the Central Banks at the end of the year under report is about Rs. 465 lakhs and the amount of loans and deposits Rs. 4,500 lakhs. The net profit of the Banks for the year was Rs. 1,03,574. Of the 20 unions now in existence 12 were registered during the year. They now comprise more than 400 societies. The Madras Provincial Co-operative Union which had been started in January, 1914, had during the period under review about 124 societies affiliated to it. The third

Madras Provincial Co-operative Conference was held under its auspices and the Government were pleased to hand over to it the publication of the *Madras Bulletin of Co-operation*.

Agricultural Societies.

During the year under report 200 agricultural credit societies were organised and 9 were dissolved. The paid-up capital of these societies rose from Rs. 3,71,781 to Rs. 4,07,480 and their net profit from Rs. 1,17,740 to Rs. 1,42,515. The one regrettable feature in the report was the increase in the loan outstandings in all the districts, excepting South Canara and Guntur. As in other Provinces, the war has considerably affected the prices of such agricultural staples as ground-nut and cotton, and hence the difficulty of the agriculturist in the repayment of loans. Some co-operative societies undertook to do sanitary works, such as, construction and repairs of wells and ponds and of streets and drains, and they were handled properly to the satisfaction of the Taluk Board Presidents concerned. Three grain banks were working successfully during the year. Of the 8 agricultural non-credit societies, those at Vadamalaipuram, Avalnatham, Uttungudi, Lingampatti and Tinnivelly were prominent.

Non-agricultural Societies.

The number of non-agricultural credit societies increased from 50 to 103, and their paid-up share capital from Rs 3.36 lakhs to Rs 4.19 lakhs. They include 10 Municipal Employees' societies, 4 Municipal Scavengers' societies, one weavers' and one Fishermen's society, one Ubbaravars' (earthwork diggers') society, one Salt Loaders' Society and one domestic servants' (Nallanchery) society. Three new co-operative stores were organised at Nellore, Mayavaram and Trichinopoly. Four Buildings Societies were registered during the year and it is expected that the Government's decision to help these societies with loans from Provincial funds will encourage the rapid formation of such societies.

Auditing and Supervision

As recommended by the Imperial Committee on Co-operation, every effort is being made to devolve the work of supervision and primary audit of societies upon societies themselves, by making them maintain a separate efficient staff either under District Banking Unions or other agencies where the District

Banks do not undertake the supervision work. Under this arrangement the super audit alone in the long run will remain in the hands of the Government.

CO-OPERATION AND AGRICULTURE.

An interesting lecture was delivered by the Hon'ble Dewan Bahadur L. D. Swamikannu Pillai, at the Exhibition in January last on the above subject, Sir Bernard Hunter presiding.

The lecturer said that the Co-operative Societies, now numbering nearly 1,700, in this Presidency, would seem to have placed comparatively cheap credit within reach of a large number of agriculturists. But the use that was made by the agriculturists of this new credit was not so great as it should be. Not less than one-half of the capital furnished to Societies and by them to their members went to redeem, existing debts carrying a high rate of interest; and of the other half the greater portion went to meet the ordinary requirements of the agriculturist, purchase of seed, payment of State revenue, cultivation expenses and replacement of live and dead stock. All this might be quite legitimate and even productive expenditure, but it did not indicate any substantial advance in agriculture. At most, the village usurer had been brought to terms: in the face of the new rival he offered to lend at 12 or even at 9 per cent., instead of 18 and 24 per cent. as in the past. After surveying the various activities of the Agricultural and the Industrial Departments of Government, the lecturer said that a very brief survey of the situation sufficed to reveal a ground ready, so far as outside and official offers of help were concerned, for the introduction of co-operation in agriculture, but the kind of demand without which no supply, however prospectively copious, could come into active operation, seemed to be as yet wanting. The most useful way, therefore, in which we could promote the cause of agricultural co-operation was by enquiring what were the best means of ushering in that popular frame of mind which constituted an active demand for such societies all over Southern India. Something had been done in Madras in the realm of agricultural credit, and if the advance was to be kept up it had to be seconded by agriculturists themselves learning business principles—and the first of all business principles was punctuality. The task of the hour was to instil the virtue of punctuality into the agriculturist.

Nothing but ceaseless activity in preaching punctuality, and firm, but almost remorseless, enforcement of punctuality, in co-operative societies, by office-bearers, would instil this indispensable virtue into the minds of the agriculturist. When punctuality had been established, the foundations of credit would be secure, and when credit and punctuality were secure business might be expected to be organised almost spontaneously.

Sir Bernard Hunter, in the course of his closing remarks, related his experiences in Siam, where the agriculturists were ground down by the money-lenders. "In this Presidency," he said, "co-operation is in its infancy and we all know what a dangerous thing it is to overfeed an infant. At the same time, it is equally dangerous to starve the child; and I am inclined to believe that the time will soon arrive when it will be safe to give our offspring more and stronger food. Therefore, I take this opportunity of calling upon all public men to support the co-operative movement by personal labour and with financial aid. The release of the ryot from thralldom and the improvement of agriculture generally will do far more for this Presidency and operate more quickly than the improvement and creation of industries. These will follow in due course."

A CO-OPERATIVE HOUSING SOCIETY IN BOMBAY.

An interesting opening ceremony took place in December last when the Hon. Mr. J. P. Orr opened the houses built by the Saraswat Co-operative Housing Society, Ltd., at Gamdevi, Bombay. Among those present were Sir Prabhashankar Pattani, Sir N. G. Chandavarkar, the Hon. Mr. Lallubhai Samaldas, Dr. J. Turner, Health Officer, and many others.

Mr. Orr in the course of his remarks in declaring the buildings open said that the housing of the middle classes was a more serious problem than that of the lower classes. This was the first Society in India which has made a beginning in tackling that problem. In England such societies starting from an humble beginning have come to own property worth millions. In this scheme members of the society instead of being tenants of wayward landlords become their own landlords, in other words they become landlord-tenants. The Society has wisely taken the Improvement Trust plot to build upon, for there will be less

chance of depreciation of the property. In the case of plots of private ownership there are instances of 90 per cent. of the ground being built upon. But there can be no such fear on the Improvement Trust plots. The Saraswat Society has built only on 40 per cent. of the ground and left 60 per cent vacant. The area of the rooms may be considered small, but they are better in many respects than those located in the midst of slums with twice as much area.

Continuing, Mr. Orr said that he would advise others to follow the steps of the Saraswat Society. He was asked by some to wait till the children of the present generation grew up with the new ideas; that meant deferring all improvement in the present housing conditions indefinitely. He would have much liked the ladies of the tenants of the Saraswat Society to be present at the meeting. For a great deal rests with them in keeping the houses tidy and in good order, educating the children and other inmates and in keeping the surroundings in a healthy condition. He further remarked that from figures supplied to him he found that the tenants residing in the houses now built all come from the class of clerks drawing salary from Rs. 100 to 200. They belong to different offices some to the Municipality, some to Government offices and some to mercantile firms. It will afford no small satisfaction to the heads of these offices to find some of their employees decently housed. The rents paid by the tenants are almost the same as those paid by them previously; and there will be a further reduction in doctor's bills, etc. There will also be less occasion for trouble from the landlords. But the tenants will now be in a position to realise the difficulties of the landlords, since they have now become their own landlords. They will not, therefore, ask for costly improvements without paying the corresponding increase in rents. It was a good idea to have a garden around the buildings.

Finances of the Society.

Coming to the finances of the Society he observed that that was the most difficult subject. When he was at home last time he interviewed many persons on the subject, such as Mr. Henry Vivian and others, who all were of opinion that the initial difficulty lay in attracting capital. The same was the case here also and to a greater extent. It was difficult to induce

people to lend at a rate lower than 6 per cent. Government would be justified in lending monies to such societies at the initial stage from 4 to 4½ per cent. Once the buildings are started private investors will recognise the soundness of the scheme as in England. It was therefore a great kindness on the part of Sir Prabhasker Pattani to come forward with an offer of a loan of Rs. 24,000 at so low a rate of interest as 4 per cent. and he hoped that the society would never forget his kindness, but for which it would never have been able to make a start. In the present society a return of 5 per cent. is assured after making provision for all outgoings, and for the sinking and repairs funds.

His Excellency the Governor of Madras and the Conjeeveram Weavers' Union.

His Excellency the Governor of Madras visited the Big Conjeeveram Urban Weavers' Union Ltd. on 27th January 1916, and was much satisfied with the work turned out by the Union. The following interesting remarks of His Excellency will be read with satisfaction by all co-operators:—

"The praiseworthy and devoted efforts of its Secretary Mr. Ramachandra Sastry and the excellent work which the Union is doing for its members and for the weavers of Conjeeveram may receive in increasing measure the encouragement and support which they so thoroughly deserve".

JUDGMENT AGAINST A CO-OPERATIVE BANK.

The following Judgment of the Subordinate Judge at Tanjore deciding against the claims of the Nicholson Town Bank, Tanjore upon one of its defaulting members will serve as a warning to all Co-operative societies to draw up plaint properly and to settle such disputes by arbitration:—

S. C. Suit No. 1469 of 1915.

Between:—

The Nicholson Bank, Tanjore by its secretary, T. A. Ganapathi Ayyar at Tanjore ... Plaintiff

and

Rajagopala Ayyar, son of Saminatha Ayyar, Workshop proprietor, Fort Tanjore ... Defendant.

(1) Claim for Rs. 280-6-3 balance due on a bond executed by defendant and another Syed Kadir Sahib in favour of plaintiff on 22-2-1912.

(2) This cause coming on for final hearing on 14th day of September 1915, before me in the presence of Mr. I. Kumarasamy Pillay, Vakil on the part of the plaintiff and of Mr. T. S. Ramasamy Ayyar, Vakil on the part of the defendant and having stood over for consideration till this day, it is ordered that the plaintiff's suit be and the same is hereby dismissed, that the plaintiff do pay defendant Rs. 5-8-0 for his costs and bear his own Rs. 27-12-0 as taxed by the officer of the Court.

Plaintiff's cost amounting to Rs. 27-12-0 to be borne by himself. Stamp for plaint Rs. 21-12-0; stamp for plaint vakalat Rs. 0-8-0; stamp for process 0-8-0; Pleader's fee 5-0-0.

Defendants costs amounting to Rs. 5-8-0 to be paid by plaintiff: Defendant's costs, Stamp for vakalat 0-8-0; Vakils fee. 5-0-0.

Given under my hand and seal of the court this 17th day of September 1915.

(Sd) P. C. Thiruvengkatachiar

Ag. Subordinate Judge.

S. C. SUIT NO. 1469 OF 1915.

Between :—T. A. Ganapathi Ayyar Secretary, Nicholson Town Bank. Tanjore ... Plaintiff.
and

Rajagopala Ayyar ... Defendant.

The suit coming on for final hearing before me in the presence of Mr. I. Kumarasamy Pillai vakil for the plaintiff and of Mr. T. S. Ramasamy Ayyar vakil for the defendant the court delivered the following judgment :—

This is a suit to recover the balance amount due on a bond executed by the defendant and another Syed Kadir Sahib in favour of plaintiff on 22nd February 1912. Plaintiff is the Nicholson Bank incorporated under the Co-operative Societies' Act as would appear from Exhibit D.

2. The bond Exhibit A, runs thus :—"Of us Syed Kadir Sahib subscriber No. 32 in class A received Rs. 500 as a loan from the bank on 22nd February 1912 and we agree to repay the said amount in 24 monthly instalments of Rs. 25 each with interest at Rs. 0-10-8 per 100 rupees per month. We further agree to pay interest and all amounts payable towards principal as also our subscription

amounts within the 15th of every month without contending that we are liable separately and we further agree to act up to the rules of the bank. If at any time we make default in the payment of the principal amount for any three consecutive instalments, or in case the interest for any three consecutive months is allowed to fall into arrears we agree that the bank may close our accounts form with and recover the entire amounts due with interest at 2 pies per rupee per month subject to the rules of the bank."

3. This suit was filed to recover a sum of Rs. 280 which is the balance as per bank's account (Exhibit 3). The plaint after reciting the terms of the bond in para. 3 (d) proceeds to say in para. 3 (e) that whatever may be the terms of the bond the plaintiff failed to recover the amount as per closing balance in the bank's account.

4. In para. 5 the cause of action is said to have arisen on 15th May 1912, the date on which defendant made default in paying three consecutive instalments towards principal as also the interest due and payable in three consecutive months. The plaint was returned in the first instance on 11th August 1915 to the plaintiff to explain how the suit was not barred by limitation. Then he amended para. 5 by stating that the cause of action arose on 15th May 1912 as originally stated; as also on the several dates on which the several instalments fell due with a note that in spite of the above statement, as payments were made by defendant towards the amount within 3 years from the date of suit as credited in the account, the suit is not barred by limitation.

5. Defendant *inter alia* contends that the suit is barred by limitation because there was no payment of the principal amount payable for the first three instalments and that default was also made in the payment of interest for three consecutive months till 15th May 1912 and also because there is no allegation in the plaint that there has been waiver on the part of the plaintiff in enforcing the penal conditions contained in the bond; nor is there any allegation in the plaint that such waiver could be presumed from the fact that the defendant made subsequent payments in discharge of any distinct instalment due. Defendant takes his stand also on the fact that apart from the payment of interest from time to time by his co-debtor Syed Kadir Sahib which

could not avail as against him for saving the suit for being barred as there was no payment made towards the principal amount in respect of any specific instalment as such, no question of waiver rises in this case. The subsequent addition in para. 5 of the plaint only goes to show that payments were made towards reduction of the debt in general and not in discharge of any particular instalment as such.

6. The law on the point is clearly laid down in a series of cases by all the High Courts. The rulings reported in VII Madras page 577, VII Madras 583, XII Madras 192, XXXII Madras 284 at page 290, XVII Bombay 555, V Calcutta 97, XXXI Calcutta 297, XXXVI Calcutta 394, and XXXV Allahabad 455 are clear authorities on the point. Taking the last case in our own High Court Their Lordships Mr. Justice Muthusamy Ayyar and Mr. Justice Wilkinson lay down the law thus at pages 194 and 195 of the report:—"It is provided by article 75 (Schedule II of the Limitation Act) that time begins to run when the first default is made unless the payee or obligee waives the benefit of the provision (under which the whole debt becomes due) and then when fresh default is made in respect of which there is no such waiver. It was held in *Papamma Rao v. Toleti Venkaiya* that if the obligee accepted one or more sums as an instalment or instalments due under the bond such acceptance amounted to a waiver of the condition of forfeiture and put an end to the cause of action which accrued, so that the bond was set up again as a bond payable by instalments. In *Satracherli v. Setarama* it was observed that the clause providing for forfeiture of the right to pay the debt by instalments creates a case of election for the benefit of the creditor at each default, that the creditor may waive the benefit of the provision on each occasion and that the question whether there is a waiver on any particular occasion is one of fact. It was also pointed out there that it must be ascertained whether the payment was accepted on account of a specific instalment so that an intention to waive the forfeiture might be inferred or as a mere part payment of the balance due. According to the decisions therefore in the Presidency the acceptance of a payment as the instalment in arrear under the bond and in its satisfaction is a waiver. It was similarly held in *Cheni Bash Shaba v. Kadum Mundal* that a waiver consists in the receipt of an instal-

ment after due date instead of insisting on payment in full.....
"The mere acceptance of a payment after default in the payment of an instalment may not be sufficient, but when the payment is accepted on account of the specific instalment in arrear as contra-distinguished from a part payment on account of the whole debt, there may be sufficient evidence of a waiver"..... It is not necessary that the creditor should say expressly that he waives the forfeiture but it is sufficient if from the amount paid and accepted and the circumstances attending the payment and the conduct of the parties, an intention to set up the bond notwithstanding the default as one payable by instalments is unequivocally indicated." In the latter Madras case XXXII Madras 294 their Lordships go further and say that the fact that such sums were so credited must be communicated to the debtors.

7. The other High Courts have laid down the law in the above cases in exactly similar terms and in deciding this case, we may take the extract from the XII Madras case above given on the basis of discussion.

8. Exhibit D is the rules book of the bank. Rule 27 runs thus:—"If a subscriber falls in arrears of 3 months interest or if he fails to repay the amount within the time, the managing committee shall close his loan account and also his share capital account, if any, and proceed to recover the amount due by process of law, interest being charged at 2 pies per rupee per mensem from the date of closing the loan account to the date of recovery. Why the managing committee acted otherwise in this case is not explained, nor any resolution of the managing committee postponing closing of the account in this case is placed before me.

9. Defendant's vakil draws my attention to the cause of action as originally stated in para. 5 of the plaint and wants me to presume from the fact that the cause of action is stated to have arisen on 15th May 1913 that plaintiff did not waive his rights but that he wanted to enforce the terms of the bond with reference to the forfeiture clause.

10. In XXXV Allahabad page 455 at page 458, their Lordships observe that the existence of a waiver is distinctly negatived by the plaint which states that the right accrued on

the 7th of January 1906 as in the present case. Even when plaintiff was given an opportunity to amend the plaint he allowed the original date on which the cause of action is said to have arisen to stand and to that added that the cause of action also arose from the date of default of each instalment without adding that he has waived his right to enforce the penal clause contained in the bond.

11. On these grounds, defendant's vakil contends that the suit filed on the 10th August 1915, that is, after the expiry of 3 years and 3 months from the date on which the cause of action has arisen must be held to be barred in the absence of an allegation in the plaint about the waiver and in the absence of evidence in the suit to show that plaintiff waived his right. Exhibit B is the ledger book of subscriber No. 33 Syed Kadir Sahib in A class. Both this register as well as the bond and the allegations in the plaint show that the present defendant Rajagopala Ayyar signed the bond only as a surety and not as the principal debtor. That is, however, not a very material point for fixing the liability of the present defendant. But to consider the question of limitation from the standpoint of payments made the exact position of the present defendant is to be judged. Defendant, in his written statement, distinctly stated that he was only a surety and that he made no payments whatever towards the present claim of the plaintiff bank and that all payments were made by the other debtor Syed Kadir Sahib and that, therefore, the several payments noted in the plaintiff's register cannot take away the rule of limitation as against him.

12 In respect of this contention, plaintiff has not adduced any evidence to show that the present defendant made any payments. Tuljaram Rao, Bank clerk, is the only witness examined on behalf of the plaintiff. He deposed that Syed Kadir Sahib received the principal amount, that he was aware about all the payments made towards this loan, but that he cannot say who paid the several amounts noted in register Exhibit B. Although the bank maintains a Day book the same is not produced in court. I must, therefore, hold that there is no evidence in the case to show that the present defendant made any payment towards the plaintiff debt.

13. Scrutinizing the several items contained in the register exhibit B in the ledger page of Syed Kadir Sahib the co-debtor of the present defendant, we see that on 8th September 1912, the only date necessary for our purpose, a total sum of Rs. 35—0—6 appears to have been paid on that date and a sum of Rs. 3—5—4 was paid on 30th May 1912. This sum of Rs. 35—0—6 was adjusted as follows :—Rs. 20—0—0 towards principal, Rs. 13—5—4 towards interest and Re. 1—11—6 towards enhanced interest. The demand column of the register shows that the principal amount due then was Rs. 500, arrear interest was 10/—current interest was Rs. 3—5—4, arrear enhanced interest was Re. 1—2—6 and current enhanced interest was Re. 0—9—2. Thus, we see that the defendant paid on 8th September 1912, interest payable by him towards all the previous instalments as such, and also a portion of the principal *which does not represent any particular instalment* and arrear interest due till then with which we are not concerned.

14. From these facts, we have to see whether there has been any default committed prior to 10th August 1912, the date of the presentation of the plaint being 10th August 1915.

15. An unfortunate mistake has been committed by plaintiff in this suit which is apparent from the plaintiff's accounts and which was not referred to at all in the plaint. The bond was executed on 22nd February, 1912, but the consideration amount was not paid till some time in April. In the account Exhibit B, the first item of interest payable on the principal amount is said to be due for April—May, that is, on 15th May 1912. This shows that the principal amount of Rs. 500 must have been paid some time in April 1912 and not in February 1912. The exact date on which the money was paid is not known. The Bank clerk who was examined as a witness for plaintiff in this case, however, says that the amount was paid on 22nd April 1912, as the consideration amounts for the bonds were disbursed in the order of their sanction and consequently there was delay in the payment of consideration for the plaintiff bond.

16. Even from the above standpoint, the first default must be said to have occurred on the 15th of July 1912 (the

first instalment being due on the 15th May 1912) because principal amount was paid to Syed Kadir on 22nd April 1912.

17. As the suit was not filed within 3 years from the date of such default, namely, 15th July 1912, the suit is not within time and is barred.

18. The question to be considered now is whether plaintiff can be permitted to adduce evidence against the express terms contained in the plaint where in para 3 (c) it is stated that Syed Kadir Sahib received Rs. 500/- from the plaint bank on 22nd February 1912. A further discussion of this point is unnecessary, because even supposing that the principal amount was paid on the 22nd of April, 1912, a default as per terms of the bond was committed on the 15th of July 1912.

19. According to the rulings contained in the several cases above cited with particular reference to the XII Madras case, I find that the defendant paid on the 8th September 1912, Rs. 13-5-4 towards the arrears of interest payable on the 15th of June 1912, 15th of July 1912, 15th of August 1912, and the current interest payable on the 15th of September 1912. It is contended that it may be presumed that plaintiff has waived his right to enforce the forfeiture clause contained in the bond, because interest due till then was paid as such. I have already referred to the ruling of their Lordships of the Madras High Court in the XII Madras case, wherein the Lordships observe that it is not necessary that the creditor should say expressly that he waives the forfeiture but it is sufficient if, from the amount paid and accepted and the circumstances attending the payment and the conduct of the parties, an intention to set up the bond notwithstanding the default as one payable by instalments is unequivocally indicated. With reference to the above ruling we have to see whether there has been any waiver on the part of plaintiff from enforcing the clause contained in the bond. The figures given above only go to show that interest as such was paid on September 8th, 1912, that is, in respect of the instalments due till then towards interest. Whether this payment alone is enough to constitute a waiver is the question that we have to see. The terms of the bond as well as the provision contained in rule 27 of the rules book of the plaint bank clearly go to show that the

plaintiff will be entitled to enforce the forfeiture clause, in case the debtor allows three consecutive instalments of the principal amount to fall into arrears or fails to pay the interest accruing due for three consecutive months. If any of these conditions existed, the penal clause will have to be enforced. The payment of interest on the 8th September 1912, accounts only for non-payment of interest for three consecutive months. But defendant has not paid the principal amount due after default arose towards the payment of any particular instalment as such. On the 8th of September 1912, a sum of Rs. 20 was paid towards the principal amount and this amount was taken towards the general deduction of the principal amount as would appear from one of the columns wherein it is given that the arrear principal amount due thereafter was only Rs. 480. There is no indication either in the accounts or in the allegations contained in the plaint or in the oral evidence adduced, that this, Rs. 20 paid on 8th September 1912 represents the amount of any particular instalment payable by the defendant and was credited as such in the plaintiff's accounts to enable the plaintiff to plead waiver as he wants to do now. The account Exhibit B contains entries up to 29th December 1914, and the several payments made towards principal are:—

On the 8th September 1912 Rs. 20; On the 15th December 1912 Rs. 20; On 8th September 1913 Rs. 20; On 16th May 1914 Rs. 40; On 2nd September 1914 Rs. 100; On 29th December 1914 Rs. 42.

After each of these transactions the balance amount of principal is shown as Rs. 480; Rs. 460; Rs. 440; Rs. 400; Rs. 300 and Rs. 258 respectively tending to show that the several payments made towards principal have been credited towards the reduction of the principal amount generally and not towards the payment of any particular instalment as such according to the terms of the bond.

20 Analysing the account from another standpoint also none of these payments will be equal to the amount due towards the principal amount for all or any of the prior instalments that have fallen due.

CO-OPERATION OUTSIDE INDIA.

Co-operative Cattle-rearing Societies in Switzerland.

The January number of the *Monthly Bulletin of Economic and Social Intelligence* contains an article on the above subject of which the following is an abstract :—

Switzerland has been famous from time immemorial for its cattle-rearing, the many mountain pastures and rich meadows of that country having proved a congenial home to its productive breeds. The most important are the Brown Swiss and the dappled Simmenthal. They remain pure without being crossed and are remarkable for prepotency.

The total number of cattle in Switzerland, in 1911, was 1,443,483, of which cows formed 796,909, oxen and young animals 352,255, and bulls kept for breeding 26,207. There are now 205,944 cattle-owners. Cattle-rearing being the chief source of gain to the Swiss Agriculturist, the State has enacted suitable measures for encouraging this industry by establishing associations of breeders. As Switzerland is mainly a land of small holdings, the formation of co-operative cattle-breeding societies among small proprietors is absolutely necessary to ward off the disadvantages of small holdings.

There are now 850 co-operative cattle-breeding societies in Switzerland. The objects of those societies are :—

- (1) The selection and proper maintenance of the best bulls;
- (2) The selection and marking of the best cows and heifers;
- (3) The systematic maintenance of animals for breeding purposes and the proper rearing of their calves;
- (4) The regular keeping of a Herd-book with correct particulars as to the pedigree of the animals;
- (5) Enquiry as to capacity of production;
- (6) The encouragement and facilitation of the sale of cattle for breeding purposes, and the protection of the interests involved;
- (7) The exchange of information among the members of the society as to questions of breeding and feeding.

A certain number of agriculturists or breeders of the same neighbourhood join together and form a society, after subscribing to its by-laws. The Society consists of the general body of members, a President's Committee of 3 to 7 members, a Committee of Experts or Valuers of generally 3 members and a Committee for the examination of the accounts. The Herd-book is also kept by the Secretary of the Society who is always a member of the President's Committee. The sum required for purchasing a bull is collected generally from members from 20 to 100 francs each. The share capital may be formed from subscriptions and premiums paid by members joining the Society later, from fees for animals taken down in the Herd-book, from prizes awarded to the Society's bulls, and from donations from the State and the Commune. It is not the desire of these societies to make much profit, but every society will try to accumulate a reserve fund for itself to meet any unforeseen eventuality.

The Swiss Confederation is granting sums from 100 to 300 francs towards the cost of establishing these societies. The number of members of a society may range from 10 to 100, and the number of animals entered in the books from 30 to 200 and more.

The functions of the Committee of Experts are, to choose sires from the members' cattle, to buy bulls for the Society, and to give their opinion as to entry of cows and heifers in the Herd-book. Animals as their names are entered are marked on their left horn with the mark of the Society and a progressive number. As the societies generally purchase bulls considered to be the best, they have to pay at times 4,000 or 5,000 francs. The society entrusts its own bull to the care of one of its members who agrees on contract to feed and take care of the animal for some remuneration. Special rules are in force for the management, feeding and hiring out of the bulls. There are common pastures for cows and heifers. The calves are scientifically fed and they receive sufficient whole milk for a much longer time and substantial food as they grow older.

The need for closer union among these co-operative cattle-rearing societies led to the result of the formation of two Federations, the Swiss Federation of Co-operative Societies for the Rearing of Simmenthal Cattle, and the Swiss Federation of

Co-operative Societies for the Rearing of Brown Cattle. The former comprises 340 co-operative societies with 10,371 members and 26,510 head of cattle entered in its registers; and the latter 190 societies with 6,347 members and 21,900 head of cattle entered in its books. The objects of these Federations are "to improve the organisation of the co-operative societies and of cattle-rearing, to facilitate the exchange of sires, to create uniformity of method in the examination and valuation of cattle, to institute conferences of Judges appointed for the conferring of prizes after due researches after production, to take part in exhibitions and to favour trade in cattle for breeding."

CO-OPERATION AND DISABLED SOLDIERS.

The Board of Agriculture in England appointed some time ago a Committee to report how soldiers and sailors discharged from the services might be advantageously employed on the land. The recent number of the *Co-operative News* publishes a forecast of the report, wherein it is said that the President of the Committee, Mr. Henry Hobhouse has arrived at a decision for "an extensive State acquisition of land by compulsory purchase, the establishment on a large scale of colonies of small holders, the development of co-operative buying and marketing and of agricultural credit banks, and the provision of a large State grant to finance the scheme."

As the success of the Scheme in its varied phases depends on the nearness of small-holders to one another, it is thought that the colony system of land settlement would be ultimately introduced. In that case the State should provide the necessary capital and it is said that an amount of £ 3,000,000 has already been proposed as an initial grant for this purpose. To ensure the proper utilization of the State grant, it is suggested to vest the ownership of the land in the name of the enjoying settler and to establish State-aided co-operative credit societies to finance them.

GOVERNMENT NOTIFICATION.

Order No. 233 Revenue dated 2nd February 1916.

Audit and Supervision.

The Government have had for a considerable time under their consideration the question of reducing, as far as compatible with safety and efficiency, the degree of control at present exercised by Government officials over co-operative bodies and giving those bodies enhanced independence and responsibility. Some measure of relaxation of official control seems to H. E. the Governor in Council to be called for, lest Co-operative Societies should be led to depend too much upon official support. From another point of view, it is reasonable that the increasing expenditure which is necessary in order to deal with the ever expanding developments of co-operation, should be distributed to some extent among the societies who benefit by it. One method in which some contribution towards the cost of Government supervision and control might be procured is the imposition of audit fees. This, however, is open to the objection that involves a direct subvention from the societies towards the payment of officers who are not under their control and in fact taxes them for the cost of a part of the Government department. A mere suitable solution of the problem is, in the opinion of the Government, to be found in some measure of devolution to private bodies of the duties which have hitherto been entirely performed by Government officials. The Government consider that the duty of auditing the accounts of societies registered under the Co-operative Societies Act must, in the main, for the present and probably for a long time to come, be retained in the hands of Government. But it appears to His Excellency in Council that the work of supervision, as distinguished from audit, might well be devolved on controlling groups of societies themselves or on the district banks. It is not altogether easy to draw a clear line of division between functions included in the term of audit and those indicated by supervision, while the formation of controlling groups and other supervising agencies must take time. No sudden or complete change is possible but H. E. the Governor in Council has come to the conclusion that, on the whole, this is the direction in which progress should be looked for.

2. The conclusions at which the Government have thus arrived are in substantial agreement with those which have been recorded by the recent Committee on Co-operation in India presided over by Sir Edward Maclagan. In Chapter II of its report, that committee, after referring to the statutory provisions on the subject, expresses the opinion that at the present stage of development, an audit carried out under State control is the only arrangement by which the purposes of the Act can be secured. The Committee at the same time contemplates an arrangement by which the auditing staff will be divided into two sections, one a staff maintained by Government and the other a staff maintained by the co-operative institutions. It suggests that the original annual audit should be carried out by the latter while a super audit, that is, a separate and more complete audit, should be made by the former at longer intervals than the original annual audit. As regards supervision, the Committee record the opinion that the functions included in that term may rightly be devolved on the co-operative institutions themselves and they point out that in many provinces those functions are already thus discharged. In the case of central and provincial banks the Committee suggest that the formal audit of accounts might be done either by a professional agency or by the Government staff, the general supervision of these banks being entrusted to the latter.

3. In his letter No. 2089, dated the 24th September, 1915, the Registrar of Co-operative Societies has submitted proposals for carrying out the devolution of supervision and to some extent of audit in this Presidency Dewan Bahadur Swamikannu Pillay suggests that the primary audit and the preparation of the financial statements should be entrusted to a supervising staff entertained by central banks and local unions while the final and more complete audit should be conducted by Government officials in such a way that all societies may pass under the Government Auditor's review once a year. The Government generally accept this suggestion. No precise definition of what is meant by primary audit or final audit is at present possible until further experience has been gained, but the general policy of gradually transferring some measure of the work of control from the Government staff to a staff appointed and controlled by unions and central banks may be accepted. The exact

functions of each of these staffs will have to be laid down in definite rules which the Registrar should draw up after consulting the management of the banks and unions concerned. The Government also agree with the Registrar of Co-operative Societies in considering that the best method of providing funds for the staff to be employed by the central banks to whom supervision is to be entrusted is to raise the rate of interest on loans to societies by one-half per cent. setting aside additional return for the expenditure on supervision. It appears that this will be sufficient to provide the necessary staff and the Government understand that in principle the arrangement has been found to be acceptable to a considerable proportion of the Banks concerned. His Excellency in Council accordingly accepts in outline the proposals which have been put forward in Dewan Bahadur Swamikannu Pillay's letter of the 24th September, 1915 and trusts that the attempt thus made to give greater freedom to co-operative societies without impairing the value to the societies of the aid and support which they receive from the State will commend itself to all who are interested in the success of the co-operative movement.

SCHOOL MASTERS AND THEIR MANAGEMENT OF CO-OPERATIVE SOCIETIES.

Registrar's Circular R. O. C. No. 63 of 16 dated 13-3-1916.

The following is a short summary of the correspondence that passed between the Registrar of co-operative societies, Madras and the Director of Public Instruction regarding school-masters taking part in the management of Co-operative Societies:

M. R. Ry M. Shiva Rao Avl. of Puttur brought to the notice of the Registrar on the 18th September, 1915, that a Sub-Assistant Inspector of Schools in the South Canara District served a notice on a Local Fund Schoolmaster at Kalnad, who was also the Secretary of a Co-operative Society there directing him to resign either the Secretaryship or the Schoolmastership. The Registrar thereupon referred the matter to the Director of Public Instruction pointing out the necessity of enlisting the active sympathy of all teachers in the working of Co-operative Societies. The Director of Public Instruction was

accordingly pleased to enquire into the matter and send the Registrar a reply dated 4th January, 1916, which is to the following effect:

There is no objection to a Local Fund Schoolmaster taking part in the management of a society or doing work for it provided he does not accept any remuneration and provided also that he has obtained the sanction of the President of the District Board and a certificate to the effect that the work undertaken will be performed without detriment to his official duties.

THE TRAINING OF SUPERVISORS AND INSPECTORS.

G. O. No. 285 Revenue, dated 9th February 1916.

Orders having now being passed on the subject of the devolution of powers of control to Co-operative Societies, the Government proceed to deal with the question of the training to be given to supervisors employed directly under the Societies and to recruits to be employed in the Co-operative Department itself as inspectors.

2. Persons will not be recruited for employment either as supervisors or inspectors unless they have passed the School final Test and are prepared to undergo a course of training under the Registrar at their own expense. The Government agree with the Registrar in considering that the training should include, not only classes held by the Registrar and his assistants, but also a period of actual work under an experienced and selected inspector. The Government accept the Registrar's estimate that the number of men to be trained is likely to be between 50 and 80.

The Registrar will maintain a list of trained men; they should be employed as Government inspectors or deputed for service under the Societies, as the Societies indent for them.

CIRCULAR B. & G. NO. 42 OF 1916.

To all Societies and Auditing Officers.

The Imperial Committee on Co-operation say in paragraph 160 of their report as follows: "We have found cases where Central Banks have shown large net profits and consequently declared high dividends by reckoning as profits considerable sums of interest due from societies but not yet paid. In cases

where the accrued interest is overdue and has not been paid by the debtor society, we have no doubt that this practice is wrong. In accordance with the wishes of the Committee and with the approval of the Board and Government it has been decided in all kinds of societies to exclude from the profit account interest which is overdue and pending recovery on loans outstanding against members or other societies at the end of the year. Further in the case of all primary societies interest accrued but not yet due on loans issued by them and outstanding against members or other societies (as for instance in cases where it is payable for a period of 12 months of which only 9 months have expired at the time of preparation of the balance sheet) should be excluded from the Profit account. This method will, it is expected, be a step towards the true appreciation of the real conditions of a society. As regards the interest payable the present practice of taking into account both interest actually paid and accrued (whether fallen due or not) should be continued.

2. As the new method of reckoning profit will to an appreciable extent decrease the net profits of societies in the current year they are particularly advised not to allow overdue interest to remain uncollected at the end of the year.

3 The attention of all auditors is drawn to the alterations to this end made in all forms of the audit notes.

CIRCULAR G1. NO. 717 OF 16.

Dated 6th March 1916.

To

ALL NON-AGRICULTURAL SOCIETIES,

You are no doubt aware from the newspapers that the system of supervision of Co-operative Societies in the Madras Presidency is undergoing reorganization in accordance with a policy which was initiated by Government some 2 years ago and which has had the full approval of the Imperial Committee on Co-operation. In 1913 when Government proposed to levy an audit fee from all societies in order to recoup partially the cost of supervision and audit which hitherto has been borne entirely by Government, the non-official public objected to the proposal urging that societies if left to themselves would undertake and

pay for their own supervision. On the understanding that this stipulation would be kept up, Government have withdrawn that proposal to levy an audit fee for all societies reserving the right they have under the Act to impose it on such societies as can bear the charge. It is probable that where the Government of India have passed final orders on the Report of the Imperial Committee on Co-operation the cost of auditing Town Banks and Central Banks will be recovered by Government from those bodies under Statutory powers. Meanwhile Government has ordered that supervision shall in future be arranged and paid for by the Societies themselves and that the supervision should include what might be called primary audit, *i.e.*, the preparation by the Societies of annual or periodical statements showing the financial position, which statements it will then be the business of the auditor to verify, criticise and redraft for purposes of reference, record and publication.

The Committee on Co-operation recommended that where practicable Societies should maintain at their own cost two separate establishments, one for primary audit under the control of an Audit Union for the entire Province and the other for supervision under the control of Central Banking Unions. The Committee have further recommended that the Superaudit by the Government Staff might be spread over two or three years instead of covering a single year's transactions, and that "in some cases such as the large Urban Banks and Distributive or Insurance Societies the work of audit may be so much more intricate and expensive than in ordinary cases that the Registrar might make special arrangements for the audit and recovery of its cost either through the Union" (*i.e.*, the audit union) "or otherwise."

So far as this Presidency is concerned, Government incline to the view that the primary audit and supervision might be entrusted to a single Staff entertained by Societies and the Registrar's Statutory and final audit by means of a Superior Government Staff should also be annual. They observe that "no precise definition of what is meant by primary audit or final audit is at present possible until further experience has been gained."

All societies have cordially co-operated with the Registrar in organizing Supervising Unions to which the immediate supervision of societies should be transferred. For many reasons it is obvious that Town Banks should not hold aloof from the scheme approved by Government. They may not require frequent supervision by a Supervising Staff in the same way as rural societies but the time, labour and expense saved under supervision in their case will be fully drawn upon for their primary audit. If this audit is made thorough and efficient as is proposed by the employment as Supervisors of well-educated men who shall also be equipped with the knowledge and ability necessary for auditing Co-operative Societies, it may not be necessary to require Town Banks to pay separately for their audit by a Government staff.

For these reasons the Registrar hopes that all Town Banks will join the District Banking Unions, District Supervising Unions or Taluk Unions formed in their areas and agree to pay the same contribution as other primary Societies. The contribution will be used for primary audit as well as for supervision and where necessary it may be subject to an annual maximum.

The Town Banks are an integral part of the Co-operative movement. Their own efficiency depends on the efficiency of the movement as a whole and they are expected not only to contribute in money towards the upkeep of the movement but also to guide and support it with all their business experience. Lastly it is better that Town Banks should offer to pay for their own primary audit than wait until Government use their statutory powers to recover the cost of audit from them.

CIRCULAR R. O. C. NO 832 OF 1916.

1

To

All Co-operative Societies in the Districts of Madras and Chingleput.

Government having in their order No. P. 425 Revenue dated 23rd February, 1916, placed an Assistant Registrar in charge of a group of Districts, Tanjore, South Arcot, Madras, and Chingleput with head quarters at Madras, this officer will in future organise and supervise Co-operative societies in those districts and exercise all the powers of a Registrar under the Act II of 1912, except

those referred to in sections 39 to 42 thereof relating to the winding up of societies. All Communications from societies in the area referred to above should in future be addressed to that officer, viz., Assistant Registrar of Co-operative Societies, Chepauk, Madras.

2

To

All Co-operative Societies working in the Districts of South Canara and Malabar.

Government having in their order No. P. 425 Revenue dated 23rd February, 1916, placed an Assistant Registrar in charge of a group of Districts, Coimbatore, Malabar, South Canara, and Nilgiris with head quarters at Calicut, this officer will in future organise and supervise Cooperative Societies in those districts and exercise all the powers of a Registrar under the Act II of 1913 except those referred to in sections 39 to 42 thereof relating to the winding up of societies. All communications from societies in the area referred to above should in future be addressed to that officer, viz., Assistant Registrar of Co-operative Societies, Calicut.

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No. 4

NEWS AND NOTES.

It has hitherto been the policy of the *Bulletin* not to espouse any opinions as its own and to allow the co-operators of the Presidency to give their views over their own names. But of late the general public has begun to take an increasing interest in matters co-operative and the most prominent journals of this Presidency, notably the *Hindu*, *New India* and the *Madras Mail*, have been frequently dealing with co-operative subjects in their leading columns. The increasing number of co-operative districts and other conferences and the discussion of co-operative subjects in the Local Legislative Council are affording further opportunities for the expression of public opinion through the newspapers. It is, therefore, thought that the only journal devoted entirely to co-operation should no longer remain colourless but come out with what it believes to represent the opinion of non-official co-operators. The Government have often to consult non-official opinion and there are many matters on which the non-officials and societies would like to place their views before the Government. At present this is done by individual communication and also partly by conferences. But it will be more convenient for all that the *Bulletin* should serve the purpose through its editorial columns. Accordingly at a meeting of the Executive Committee of the Madras Provincial Co-operative Union Ltd., held at Madras in May last, it was resolved to request the editorial sub-committee (consisting of the Hon'ble Mr. V. S. Srinivasa Sastriar, Prof. K. B. Ramanathan and Mr. V. S. Ramaswami Sastriar) to introduce editorial notes in the *Bulletin*. This and the future issues will contain, therefore, some columns of editorial notes.

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For the past eight or nine months most co-operators in this Presidency, especially those interested in urban and central banks, have been considerably agitated over a rule framed by the Local Government under the Co-operative Societies Act, laying down that 50% of the net profits of limited liability societies should be carried to the reserve. It was framed without consulting non-official co-operators and it came upon them as a painful surprise. Protests have been sent up to the Government by individual banks—both urban and central—and earnest resolutions passed at the last Provincial and other Co-operative Conferences. There was

also a strong expression of opinion in the local newspapers. In the March issue of the *Bulletin* there was an article on the subject by the Hon'ble Mr. V. S. Srinivasa Sastri. On the 5th of April last he moved a resolution in the Local Legislative Council which ran as follows :

" This Council recommends to the Governor in Council that the minimum proportion of net profits which must be carried to the reserve fund shall, in the case of co-operative societies with shares and limited liability be one-fourth as before, not one-half as laid down in the second paragraph rule IX (a) of the revised rules under the Co-operative Societies Act issued under date October 2, 1915."

Another resolution with precisely the same object had been given notice of independently by the Hon'ble Mr. B. V. Narasimha Ayyar and was withdrawn after Mr. Sastriar moved his resolution, it being seconded by Mr. Narasimha Ayyar.

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The arguments used by the Hon'ble Mr. Sastriar in the Legislative Council were almost the same as those used in his article which appeared in the last issue of the *Bulletin* and so we do not propose to repeat them here. He urged that 50% of the net profits being carried to the reserve, it would be impossible to declare any reasonable dividends in co-operative concerns and as a consequence share capital would fall off and the societies become inefficient. The Hon'ble Mr. Narasimha Ayyar thought the present war time was particularly inopportune for the introduction of such a rule and further observed, "I do understand the laudable motives which actuate the Government. The reserve fund is of the utmost importance in any kind of co-operative society which must command credit. To strengthen the reserve is an important duty. While I concede all these matters, still I must point out that unfortunately if we address ourselves too much to the elements of future stability and, if we do not attend to the present, we are liable to ruin the institution in the interests of its supposed future". The resolution had the good fortune to be supported by the Hon'ble Mr. Muirhead.

The Government were not pleased to accept the resolution. The Hon'ble Mr. (now Sir) Cardew, speaking on behalf of Government, however, added a proviso—that concession would be shown in the case of newly started banks like the Kistna Bank to enable them to pay a reasonable return. Individual societies which were unable to declare even a four or five per cent. dividend were to apply to the Government through the Registrar, and, upon considering each individual case along with the Registrar's recommendation, the Government would be pleased to extend the concession to it if it was deserved. Apart from throwing a lot of unnecessary and

unimportant work on the Government this arrangement entails so much delay and humiliation to the societies that many of the shareholders would withdraw their shares at the earliest possible opportunity, leaving the societies to augment their reserves as best they can. As has often been pointed out, there are very few Urban or Central Societies (excepting the Madras Central Urban Bank and the Trichinopoly District Bank) which are in a position to declare anything beyond a barely reasonable dividend. By laying down 9% as the maximum dividend which any Co-operative Society may declare, the Government have effectively stopped dividend-hunting. The further restriction of carrying 50% of the net profit to the reserve is therefore uncalled for and vexatious. When the final audit of Co-operative Societies for this year is over, we are sure that a number of fresh protests will be sent to the Government, and may we hope that the latter will then at least be so considerate as to remove the 50% restriction ?

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At the same meeting of the Local Legislative Council another resolution relating to Co-operation was moved by the Hon'ble Mr. Narasimha Ayyar. The resolution ran as follows :—

" That this Council recommends to the Governor-in-Council that, before Government frame rules or take further action in pursuance of the recommendations of the Imperial Committee on Co-operation, sufficient notice thereof should be given to enable non-official opinion to express itself on the changes contemplated."

In moving the resolution the Hon'ble gentleman made a very short speech apparently because he thought not many words were needed to commend it. The Hon'ble Mr. (now Sir) Cardew, however, opposed it. He said that the Report of the Committee on Co-operation was for several months past before the public, and it was open to any one interested in co-operation to send up to the Government for consideration his views on the Report. The Government of India had asked for the opinion of the Madras Government on the Report and it was due on the 30th of June. There was no time to consult non-official opinion and then send their views to the Government of India.

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The Hon'ble Mr. Ramachandra Rao thought that Mr. Cardew had not correctly appreciated Mr. Narasimha Ayyar's position. His resolution meant that before giving effect to any contemplated changes in consequence of any representations that might be made, there should be a further opportunity given to the public to put their views before the Government. "It seems to me that once the Government come to a decision it is somewhat difficult for us to dislodge them from the view they have taken, though sometimes, in our opinion, it is a wrong view. I have no hesitation to say that. But the line which the Government are going

to adopt is a matter of uncertainty. It is to remove that uncertainty that this resolution is brought forward..... There is no question of any State policy requiring secrecy in the matter of the co-operative movement and the publication of the views of the Government will not jeopardise any public interests in the slightest manner." Mr. Cardew, however, said finally that it was quite impossible for this Government to publish their letter to the Government of India which dealt with such subjects as the reserve fund, share capital, audit fees, etc. The resolution was then put to the vote and lost. We are sorry for the Government's decision. On all subjects including the reserve fund, share capital, audit fee, etc. there can be no harm in a frank exchange of opinions between the Government and the people. Co-operation is one of the few subjects with regard to which there is little or no difference of opinion between officials and non-officials. There is no question of privilege here and there should be none of prestige.

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We should like to draw the attention of our readers to the proceedings of the Kistna District Co-operative Conference published elsewhere. The Kumara Raja of Challapalli who was the Chairman of the Reception Committee possesses a degree of culture and public spirit which is very unusual in the landed aristocracy of our country. He is the author of a pamphlet on co-operation in Telugu which he has been distributing gratis. We hope his appeal to his brother Zamindars will be fruitful. The presidential chair was occupied by M. R. Ry. Rai Saheb K. Ramaswami Ayyar Avl., of Madura. After the late lamented Dewan Bahadur M. Adinarayana Iya Garu, Mr. Ramaswami Iyer may be said to be the leader of non-official co-operators. His thoughtful address will amply repay perusal. It is gratifying that the Telugu Districts are fast coming up in the matter of co-operation under the fostering care of M. R. Ry. K. Nagesvara Rao Pantulu Garu. Not only has there been a very large increase in the number of societies, but the enthusiasm of the people in the towns and villages has been roused. The services of some earnest and patriotic young men have also been enlisted in the cause, and these gentlemen are said to be very active visiting villages and organizing societies in them. All honour to them!

THE LATE MR. DEWAN BAHADUR M. ADINARAYANAIYA.

THE HON'BLE DEWAN BAHADUR L. D. SWAMIKANNU

PILLAY AVL., M.A., B.L. LL.B.,

Registrar of Co-operative Societies, Madras.

Foremost among those who devoted themselves to the task of steadying the Co-operative movement in this Presidency, stands the name of **Dewan Bahadur Mutlur Audinarayaniah**, retired Deputy Commissioner of Revenue Settlement, upon whose manifold labours the seal of immortality was set by death on the 17th March 1916. It is a fact that the ranks of Co-operators in the Madras Presidency, a gallant band, include many men, younger, but none older, than sixty. Co-operation was little known in India more than ten years of old, and therefore unless a man in this country took up the study and practice of Co-operation after fifty years of age, he would not now be a sexagenarian which, and something more, Mr. Audinarayaniah was; for he was nearing seventy at the time of his death. Indians, like mankind all over the world, and perhaps more so, by reason of climatic conditions than the rest of mankind, are very good teachers after fifty, but perhaps for that very reason rather bad learners. Not so Mr. Audinarayaniah. A hard student of books and literature all through life, the conscientious and stern head of an office, correct in his notions of business, an eclectic in philosophy as well as in religion, in social reform as well as in politics, such was the man to whom the first Registrar of Co-operative Societies, Dewan Bahadur P. Rajagopalachariar, addressed himself for the formation of the first Co-operative Society in the Presidency, Tirur in the Tiruvallur Taluk of the Chingleput District, which still bears No. 1. It is not difficult for any one to imagine that the first Co-operative Society was the result of a good deal of parleying and palaver between the Registrar and the people on the one hand and between Mr. Audinarayaniah and the same people on the other. I have not heard much on this subject from the two who were most responsible for the breaking of the first Co-operative sod in this Presidency, but all Chingleput District is full of stories of this first adventure, which needed as much of Horace's "triple brass" as the first venture of a sailing ship on the broad

ocean. In particular the principle, of unlimited liability, odious from association with historic business failures, and ugly in its first aspect, could not be so much as thought of in the first societies. Tirur, as well as several other Societies organised in 1904 and 1905, was registered as a limited liability society; and though the others have since undertaken unlimited liability, Tirur still continues a limited society, for the simple reason that it does not require extraneous financial help, for which unlimited liability is almost indispensable. It would be curious, if it were not of the very essence of Mr. Audinarayaniah's character, how much personal attention he bestowed upon every detail of the working of this single rural society not only at its inception but during all the subsequent years, up to the time of his death when he was still engaged in drafting some further amendments of its by-laws. Needless to say that he was acquainted with all the *minutiae* of rural Co-operative finance and was able to build up his own Co-operative experience at first hand from the foundation to the crown of the edifice.

Circumstances led him to enlarge the sphere of his connection with Co-operation and finance. He was elected a Director of the Indian Bank, Limited, and shortly after, or perhaps earlier, of the Madras Central Urban Co-operative Bank. Neither of these positions was regarded by him as a sinecure. He brought to bear on them the same minute attention to detail, the same careful study of principles as had characterized his work as a Settlement Officer, or as President of the first Co-operative rural society. They gave him ample opportunity to study the conditions of credit, the value of securities and the rules of business. He had not been in early life and even in early manhood a stranger to debt, because he had started life as an ill-paid clerk and with a load of family debt. But by dint of strict economy and stern self-control, he had not only succeeded in extinguishing that debt, but had saved enough by the time of his retirement to pass for a wealthy man. To such a man, enlightened by liberal education, of which his official and retired life was but a diligent continuation, and ennobled by a naturally benevolent and altruistic character, Co-operation came as a natural and even a necessary by-study; and among all the various activities, municipal, legislative, political and social, to which he devoted himself almost simultaneously in his busy retired life of fourteen years, none com-

manded so much of his own ardour or secured so much public appreciation as his Co-operative work. Slow and cautious in other respects, he was, as a Co-operator, distinguished by enthusiasm which might well astonish those acquainted with his general temperament. I have always regarded it as a singular good fortune that during the five years of my Registrarship, I not only enjoyed his private friendship, but received the utmost assistance which it was possible for one of his experience, position and enlightenment to give in the discharge of my responsible duties. The assistance was given without stint or reserve of any kind, and I am glad to be able to say that in all my official acts, including some that have been severely criticised in the press, I have had, if not his warm support, at least such a measure of his sympathy that, though we sometimes differed, we were never widely separated in view. In registering the Madras Co-operative Union and subsequently the Chingleput District Banking Union, I deferred largely to his views, and must add, to my great personal regret relied upon his living long enough to carry out those views. But although Providence did not spare him long enough to gratify the wishes of Co-operators, I make bold to say and I think that in this I shall be borne out by all the Co-operators in the Presidency, that the foundations of his views in regard to both these institutions were extremely sound, singularly far-reaching, and in every sense well and truly laid, so that it becomes possible for the surviving fellow Co-operators to carry on these institutions on the lines which he himself would have preferred. There are many Co-operators who bore their part as well as he in these important movements, but I am sure that they will agree with me that I have not exaggerated the importance of M. Audinarayaniah his share in the work.

At the very moment when he died he was full of plans for the future of Madras Co-operation. He had carefully studied annotated, and edited in a lengthy memorandum of his own the more important of the recommendations of the Imperial Committee on Co-operation. Only two days before he sank into that unconsciousness from which he never woke, he was discussing with me the comparative merits of supervising unions and district Banking unions; and he asked me with an earnestness which subsequent events have invested with the solemnity of a testamentary injunction, to register District Banking Unions

in preference to District Supervising Unions. He was not alone in this recommendation, which was also made to me about the same time by my predecessor, the present collector of Nellore.

The Co-operators of the Madras Presidency have taken their last leave of M. Audinarayaniah's mortal remains, but his example, his counsels and his work will remain, I hope, for ever and in fact, so long as Co-operation exists in this Presidency. I fondly hope also that our appreciation of him will take a tangible shape, not as a reward of his good work, for he worked for no man's reward, but as an encouragement to co-operators in the performance of their self-imposed and arduous task.

THE SUPPLY OF AGRICULTURAL IMPLEMENTS BY CO-OPERATIVE SOCIETIES.*

(MR. B. C. BURT.)

Great developments have recently taken place in England and Ireland in the establishment of co-operative societies for the supply of agricultural implements and in many cases societies have been formed especially for this purpose. The system adopted has been for the society to buy from its capital certain implements required by members and to lend these to members on hire. The rates of hire have been fixed high enough to give an appreciable profit and to enable the cost of the implements to be quickly recovered, the receipts so obtained being credited to a general fund with which further implements are purchased as soon as possible. In this way after a few years' working several of these societies have found themselves in possession of a considerable number of improved implements. And the scheme has not only worked successfully from a financial point of view, but has been of the greatest assistance to members either by allowing them to bring larger areas of land under valuable crops, or by enabling them to effect economy in labour.

Agricultural implements may be roughly divided into two classes: those which are merely labour-saving and those which enable cultivation to be carried out more effectively than previously. There is, however, no strict line of demarcation between the two classes as many labour-saving appliances permit of better cultivation by enabling operations to be carried out at the most suitable times.

* A paper read at the last Lucknow Co-operative Conference.

With small holdings, which are the rule in this province, the demand for expensive labour-saving appliances is necessarily small, but even so there is a steady demand for such implements as chaff-cutters and improved water-lifts, while there is a larger demand for inexpensive ploughs and cultivating implements which enable cultivation to be carried out more thoroughly than with any indigenous implements. It is obvious that, even when freed from debt and placed in a comparatively sound financial position, there are many of these implements which it would hardly pay an individual cultivator to purchase for himself as he would not use them sufficiently often to justify their purchase. On the other hand, there are few village banks which would not benefit by the co-operative ownership of a number of improved implements.

In the past the Agricultural department has placed small stocks of certain implements at the disposal of central banks for the use of their members. These implements have in some cases been sold direct or given on hire, or in other cases have been sold to members on the instalment payment system. In this way no insignificant number of the cheaper implements, such as Meston ploughs, have been introduced. The arrangement, however, is essentially a temporary one made for demonstration purposes and is one which cannot be indefinitely extended. It is now suggested that certain banks might go a step further and purchase small stocks of implements for the use of their members as well as maintaining a small stock for sale to those members, who can afford to buy them. Amongst implements which members might eventually own individually, we may mention inexpensive implements, such as the Meston plough, but there are far more examples of implements of which one or two would be sufficient for the whole of the village, and which might be given by the village society to its members on hire.

The best example is probably afforded by sugarcane mills and *gur* boiling pans. That there is considerable profit in this business is evidenced by the fact that throughout this province small agencies are found where iron sugarcane mills are given on hire with or without a *karhao*. The hire charged, varies very much, depending partly on the initial price of the mill and partly on the local demand but it is no uncommon thing to find petty contractors charging as much as Rs. 25 per season for the

hire of a sugarcane mill, while in some cases as much as Rs. 40 has been charged. In other villages where mills are given on hire by local men it is frequently the custom to charge Rs. 5 per acre of sugarcane crushed as hire for the *kollu*, sometimes with and sometimes without the *karhao*. Considering that a very good three-roller mill can be obtained for about Rs. 86, which will last for at least ten years with care, it is obvious that there are considerable profits to be made. Many of the mills given on hire in the bazaar are inefficient and cause a loss varying from one-fifth to one-third of the extractable juice. Such mills can be purchased for Rs. 25 to Rs. 30, but a little consideration will show that, apart from the fact that they frequently get out of repair, a mill of this kind is dear at any price. It would be quite a feasible proposition for a central bank to own (say) 20 first class three-roller sugarcane mills and to give these on hire to village societies for the use of their members. The central bank would generally be in a position to make arrangements for the annual overhauling of the mills and the re-turning and re-grooving of the rollers; but should any difficulty arise the Agricultural department could assist them in this matter. It would also be necessary for the central bank to maintain a small stock of spare parts so that mills might be kept in order, and it would also be desirable that they should keep during the crushing season an ordinary *mistri*, who could go round and see that the mills are kept in adjustment and are not being mishandled.

Another agricultural implement, in this case really labour-saving, which has caught on throughout the province is the chaff-cutter, but here again it is obvious that only a man possessing five or six pairs of cattle can make it worth while to own one himself and most of the chaff-cutters sold through the Agricultural department are being supplied to cultivating zamindars, many of whom also give facilities for their use to their cultivators. A chaff-cutter costing from Rs. 40 to Rs. 50 is capable of cutting sufficient fodder for 15 to 20 pairs of cattle; and it is obvious, therefore, that one or two chaff-cutters would meet the requirements of a single village society. It should not be beyond the powers of a flourishing village society to work out a hire scheme, by which a jointly owned chaff-cutter could be used by all the members. Assuming a society to consist of 20 members each owning a pair of bullocks, a fee of annas four per month

each throughout the year would more than pay for the chaff-cutter in a single year, whilst a fee of annas four per month restricted to the *chari* and *karbi* season would enable the chaff-cutter to be paid for in two years and would leave a handsome margin for the provision of new knives when required and to meet any repairs necessary.

As a third example may be quoted the case of special ploughs. It has already been suggested that the ordinary Meston plough is sufficiently cheap to enable individual members to own it, though there will be no objection to a few such ploughs also being jointly owned by small village societies, where the holdings are small. In the case of larger ploughs and special purpose ploughs, for details of which reference may be made to the Department's pamphlet on ploughs and ploughing, one or two ploughs would probably be sufficient for a village bank. These ploughs vary in price from Rs. 25 to Rs. 50 and, as in the case of the chaff-cutter, a very modest rate of hire would soon bring in enough money to pay for the plough. In certain districts, for example, large ploughs are required for ploughing out deep-rooted weeds, such as *bainsura* and *kans*. Experiment has shown that if these weeds can once be got under by thorough ploughing, their complete eradication is merely a matter of time and patience, but ordinary cultivators do not possess the means to do deep ploughing and their only alternative is the very expensive process of digging by hand. With one large plough in a village, owned co-operatively, small areas could be done each year until the pest was eradicated, whilst in the case of ploughs requiring more than one pair of the bullocks the co-operative ownership of the plough would stimulate members to help each other by the loan of bullocks in turn. Another plough may be mentioned, which although not heavy to work it, is expensive to buy, viz., the steel-bar-point plough (Pathartor or Sabul plough), which can be used for breaking up hard land without irrigation. By using such ploughs it is possible, even when there is no rain, to plough cotton and *juar* stubbles during the cold weather, thus improving the yield in the subsequent year and doing much to eradicate insect pests. It would be easy to multiply instances of improved agricultural implements which might be owned co-operatively. A new list of implements with prices has been published by the Agricultural department and it

is for co-operative banks to select those which meet their requirements. The object of the present paper is to point out the great possibilities of the co-operative ownership of implements opened up.

In conclusion, I wish once more to lay stress on the principle which was enunciated in connection with the establishment of co-operative seed stores, *viz.*; that all such transactions must have a cash basis, and further that members obtaining seed or implements from either village society or a central bank must be just as prompt in payment of their dues—whether for price or for hire—as in the repayment of cash loans. This has not always been understood in the past where the Agricultural department has supplied seed or implements to central banks for the benefit of the constituent societies. Any slackness in this respect is opposed to the fundamental principles of co-operation, and it is therefore, necessary that managers and *sarpanches* should insist on the same scrupulous care in the repayment of money due for seeds or implements as in the case of cash loans. It is also desirable that central banks should adequately realize their responsibilities in such matters.

RELOANING.

BY M. R. KY. M. S. SESHACHELLAM AYYAR, AVL,
OF TIRUVANNAMALAI.

Unlike other banking concerns that are started by individual proprietors and joint stock companies, co-operative societies vary in principle in many respects. A Bank is a place wherein the savings of the people are collected and utilised for promoting trade or industries, thus affording facilities for active employment of idle money giving a reasonable profit to the depositor. The difference between the interest earned from borrowers and that paid to depositors forms the main bulk of profit to the Bank. The greater the amount of profit, the greater the confidence of the public and business facilities. The rate of dividend to shareholders may be as high as possible and it will never be construed as dividend-hunting but as legitimate. The clients need not be the shareholders of the bank; reclaiming them from indebtedness is not at all an object of the bank which only cares to know if there are sufficient securities for the loans advanced. The pur-

pose of the loan is no concern to the bank. But in a rural co-operative society the borrowers must be members undertaking an unlimited liability for the society's debts. Reclamation from indebtedness is the principal aim of the society. Loans are granted only for useful purposes according to the discharging power or the earning capacity of the member and not on the value of assets. Thus there is a great gulf between an ordinary bank and a co-operative society. People now a days want to imitate joint-stock banks and fight for greater freedom in co-operative banks in many respects. One such is reloaning in co-operative societies, that is, lending the amounts collected as repayment of loans again to members by the societies. This article mainly concerns the agricultural societies with unlimited liability and not of other kinds. Their working capital consists almost entirely of borrowings from central societies raised for a term of 5 or 10 years to be repaid in equal instalments, and lent to the members for a term fixed according to their discharging power. In societies where the repayments are regular and punctual, there is every probability of some amount being in excess of the repayment due to the creditor or depositor, and the question is whether this surplus amount may be utilised by the society in reloaning to its members. During the last 10 years the question did not attract attention and no restriction was placed on the panchayat against reloaning. The result was corruption in many societies where, instead of actual repayment of loan, book adjustment in time came to prevail and the same method was applied even for the repayment of their dues to central banks. The Registrar of Co-operative Societies in his administration report for the year 1911-12, page 18, describes "Reloaning to members" as a great evil to check which he proposed the opening of a liability register. The liability register shows at once the amount of loan taken by a member at different times and the payments made for the same. It was thought that book adjustments by the issue of new loans cease to prevail as they would be detected at a glance from this register; but its efficacy is doubtful as the dates of the entries and amounts could be so differentiated as to defeat all scrutiny. In the next year, the Registrar in his administration report classified only 154 societies as good out of 1078 and all the rest were found to have one or many of these corrupt practices. Then it behoves the executives of

co-operative societies to find out an effective remedy for these injurious practices and thoughtful men after deep consideration have come to the conclusion *that all collections in a society must be remitted to the central society towards it dues whether the same be due during that period or not.* The effectiveness of this system is unquestionable as we shall see presently.

Book-adjustments (*i. e.*) repayment of dues by the issue of a fresh loan becomes an impossibility, since all collections are to be remitted in hard cash and reloaning of the same is not allowed. Heavy cash balances are no longer to be allowed as even the surplus amounts have to be remitted then and there. Indiscriminate or benami loans could not be issued as the applications for new loans are to be sanctioned by the Registrar and the central society after careful scrutiny. Laxity in payment makes the loan overdue and the full loan will have to be collected. There can be no "one man's societies" and the whole business becomes automatic. Some critics urge that this system interferes with the freedom of the members of societies and that they will find it very hard to get further loans. To this I owe an explanation and I shall try to give it. As I have already observed in the beginning, co-operative societies are not joint-stock banks to employ any sort of available capital to earn a fat profit and their business is to discharge outside debts as early as possible when the opportunity presents itself. Long periods are given for loans but the repayments depend mostly on cultivation which may fail at any time and render the member unable to repay. So, all available amounts must be remitted towards loans so that over-payments may be utilised during such a crisis. If surplusses are allowed to be reloaned, they may remain as cash balances under the pretence of being issued as loans when demanded, or to cover up loss of interest, employment of the same will be sought for indiscriminately without a proper consideration of the purpose. It is well known that loans are not sought for by agriculturists with any particular object in view but purposes are sought only when the loans are obtained. This accounts for the growing indebtedness of the agriculturist and the Co-operative movement claims to be a sure remedy for such a tendency and warns the people of its evil effects. His Excellency Lord Pentland, said in his presidential address at the First Madras Provincial Conference, "Cheaper money

may have disadvantages and it is the case here and it should not be overlooked that borrowings have increased and the total outstanding obligations relatively greater than they were before the introduction of Co-operation." The system advocated above certainly does not interfere with the freedom of the society for granting loans. It remains only as a check upon the discretionary grant of loans by the panchayats and it will never operate so long as they are justifiable. If such a check is thought to be an undue interference, the same argument holds good even in the case of audit and supervision.

Further loans will never suffer as is urged again. There are two kinds of loans to be allowed in these societies. Short term loans to be given every year for cultivation and other annual expenses to be repaid within the year during the harvest, and long loans term advanced for a term of years to be repaid in equal annual instalments. Short term loans being urgent by their very nature, it is desirable that the society should apply in the beginning of the year for a maximum short term loan from the central bank and obtain permission to appropriate the sum out of collections whenever required, repaying it in full at the end year. Long term loans either for old or new members should be got upon application giving particulars of loans to financing banks and the society must not be allowed to either appropriate it for long term loans to others or to utilise it in any other way.

Then what do the societies sacrifice in adopting this system? Only in societies where there are heavy transactions of borrowing and collection, a little amount of transmission charges will have to be spent, but the advantages are overwhelming; and all practical people desire the system to be introduced in all agricultural societies.

THE MATERIAL BASIS OF CO-OPERATIVE CREDIT. *

(Professor H. S. JEVONS:)

The credit of any individual person rests partly upon the amount and value of his property, and partly upon his character and reputation for success or failure in his agricultural or business undertakings. His credit, we may say, can rest either upon a *material* basis or upon a *personal* basis. It is the essence of the

* A paper read at the last U. P. Co-operative conference.

co-operative credit movement that by incorporation with joint unlimited liability the personal credit of a group of persons becomes very greatly strengthened. This outstanding fact does not, however, diminish the need or advantage of developing credit with a material basis, i. e. credit based on the property of the borrowers, as an additional support.

Personal credit must always be somewhat weak even when it is joint among thirty or more members, especially in India. The danger arises from the fact that a widespread natural calamity, such as drought or flood, can affect simultaneously in a similar way at the same time all members of a society. At such times of trial societies are liable to break up through dissensions. Hence it is to the interest of every member not only to strengthen his own material credit, but also to see that other members strengthen theirs.

The building up of material credit must necessarily be a slow process. It is to be done by accumulating productive property—land, cattle, good ploughs, carts, and other tools and implements, and by improving the land with drainage or fencing or sometimes with silos, grain pits or *pakka* buildings for co-operative or individual purposes. Another very important way of increasing material credit is by improving the methods of cultivation, for, the cultivator, is thus assured of producing a larger income and he obtains a larger margin over his bare expenses of living. It is of most vital importance that every member should see that every other member is carrying out his cultivation properly and is marketing by the most economical methods. Every member should learn to say to himself “My fellow member's profit is my own safety.”

Not only farm implements, buildings, and better cultivation, but also immaterial property rights, such as good and long leases, or possession of occupancy rights, are important bases of security; and every society should do its utmost both to protect its members in the continued enjoyment of such rights, and to secure new rights for them whenever possible. Except when the past record of a zamindar gives a practical guarantee against unreasonable disturbance, the policy followed by some societies which consist almost wholly of members possessing occupancy rights, of restricting the admission of new members to candidates

possessing occupancy rights, would seem to be sound. This policy should certainly not be discouraged even though it may lead to individual cases of hardship amongst cultivators unable to acquire occupancy rights.

Although I attach great importance to rights of tenure as a basis of credit, yet I wish to emphasise my opinion that at the present time the adoption of better methods of cultivation and the accumulation of property must be the main basis of improved credit of rural societies. Some of the property, such as ploughs and the smaller implements, must be owned individually; but many things, such as seed stores, oxen, machines, grain or silage pits, wells, and so forth, should be co-operatively owned, that is to say they should belong to the society and be hired out according to a pre-arranged plan. The question may well be asked whether some part of the reserve funds—not the whole—might not with property and advantage be invested in durable machines or in improvements of a lasting character, such as wells, irrigation channels, grain pits, drainage works, fencing, and so forth wherever security of tenure for such works can be obtained from the zamindar.

If the three means of increasing material credit be steadfastly pursued—that is to say: better cultivation, accumulation of productive property, and acquisition of tenancy or proprietary rights—the credit of co-operative societies will be so greatly increased that it will be possible considerably to reduce the rates of interest at which cultivators borrow from societies. By taking the necessary steps to increase their material credit they will have learnt to value capital property, for they will know its productive capacity. Having larger incomes, and being able to borrow at lower rates, they will be able to borrow much larger sums to be applied in still further improving their methods of cultivation and the area cultivated. Thus there may be gradually brought about, through increasing the material basis of co-operative credit, a general raising of the standard of life of all members of the societies.

ON DEPOSITS.

[By M. R. RY. K. NAGESWARA RAO PANTULU GARU, B.A.,]

The following is a translated extract from a "Note on co-operation in the Kistna District" read by M. R. Ry., K. Nageswara Rao Pantulu Garu, Assistant Registrar of Co-operative Societies, Bezwada, at the Second Kistna District Co-operative Conference held at Masulipatam on the 29th April 1916.—

It is highly desirable to remove certain misconceptions which seem to be prevalent in the minds of several people about the nature and the working of Co-operative Societies and their objects and aims. They are now looked upon as so many miniature banks where a person can get money at a reasonable rate of interest and on reasonable conditions; in the popular estimation they are only thus much and nothing more nor less. But let me give you, gentlemen, the history of the working of the earliest societies. A number of extremely poor, but hard working labourers ground down under the usuary of their creditors, to satisfy whom the fruits of their labours barely sufficed, and experiencing numerous and bitter difficulties in making both ends meet, hit upon a plan by which each member should contribute every week or fortnight a very small sum out of his wages or income, even undergoing an amount of inconvenience thereby, and make the collections available for some one of them to meet his urgent demands; the latter to repay it in small instalments spread over a few weeks or fortnights. These repayments together with the ensuing weekly or fortnightly contributions became available in their turn to meet another member's demand. No doubt, the needs of all of them were pressing and urgent, but some had to wait and continue under the existing conditions till their turn came. They could not approach any one for a loan, as at its inception the system of unlimited liability was viewed with much suspicion and misgivings; it was not understood properly but was scoffed at. In this manner the organisers of the early societies had to struggle hard to build up their working-capital. They had no Central Banks to finance them. They had to depend solely on their exertions. Bare and dire necessity drove them to save, and they were satisfied with the relief afforded, however partial it be, on

the good principle that something is better than nothing; they came out of their creditors' hands by very slow, even tediously slow, degrees. They took particular care of the loans issued, since it was their own hard-earned money that was concerned. This comradeship in difficulties, this unity in monetary transactions, and this sense of joint and several responsibility of each for the society's doings created in them a strong bond of affinity and kinness and united them all into one strong corporate body, all their actions were guided by the altruistic principle of one for all and all for one; the sense of individuality and selfishness became absorbed in the higher feeling of care for the community and of its interests. Finally the society had its own capital for its working and never needed extraneous help. It is only very late in the history of the co-operative movement that either the Government or private moneyed persons extended their helping hand to it. Financing Banks came into existence only during the past quarter-century. Now compare this with the condition of a present day Co-operative Society which gets ample funds for the needs of its members within a fortnight after its starting. No member thinks of contributing anything towards the funds of the society beyond the small sum of a share-capital. No exertions are made to accumulate funds for the working of the society. Membership is not sought after as a privilege hard to be won, as he gets it for the mere asking or even without this formality. In consequence, the solid virtues of self-help and self-reliance usually learnt in the hard struggle for existence are conspicuously absent in these institutions. The requisite amount of care for the society's funds is wanting, since it is usually the hard-won objects that are better cared-for. Each member's aim is to obtain as much of the society's money as he can lay hands on, and keep it for as good a length of time as he can possibly help. This system is mainly responsible for the irregularity and unpunctuality which are now rampant in and which form the distressingly bad characteristics of, our societies.

Some of the societies started at the commencement of the movement received loans from Government; the condition on which such help was bestowed being that the applying societies must show as much sharecapital or deposits

in them, as the amount of loan which they applied for; thus if a loan of Rs. 2,000 be required, the society had to show a contribution from its members of an equal amount. No doubt, it would work hard if this condition be insisted on at the commencement of a society's career. But it should not work as any hardship if the financing central bank made it a condition that after the lapse of a reasonable period of time, the borrowing society should be able to show in the shape of share capital and long-term deposits an amount equal to a proportion of the loan advanced by the financing bank. Thus if a society borrowed from a Central Bank Rs. 2,000 it may be imposed as a condition on the former by the latter that in the course of five years there must be in it members' money to the extent of Rs. 1,000, the penalty for default being the withdrawal of the loan amount proportionately. Some such compulsory provision seems to be called for to remedy the existing paucity of members' money in the societies. Its percentage to the total liabilities of the societies is only 9·1 in our Presidency against 29·9 in Bombay, 18·6 in Bengal, 34 in Bihar and Orissa and 28 in the Punjab. By adopting the procedure suggested not only do the societies get strong, but also furnish a more substantial security to the financing Banks.

It is difficult however to convince a villager that it is one of his duties as a member of a society to contribute towards its funds. Even in paying the statutory share capital, he argues that the rate of interest demanded of him goes up to this extent. This vicious reasoning is due to his gross ignorance of the principles on which Co-operative Societies work, and it is hoped that in due course of time as the knowledge spreads, this dark cloud of prejudice will disappear. It is my firm conviction that the best remedy for the irregularity in repayment both by societies and by members, lies in increasing the members' money in the societies and thus enhancing their stake in them. I am sure this will serve as a panacea for most of the prevalent abuses in them. Neither the imposition of penal interest, nor even the suspension of the privilege of subsequent borrowing has had the desired effect. Possibly under the conditions now proposed, it may be hard to form new societies, and thus the spread of the movement may be retarded. But a few good societies working on right lines are far more desirable than a large number of them working

on faulty lines thus bringing discredit to the movement itself. I am sure, however, that when people are convinced of the perfect safety of the co-operative concerns they will quite willingly deposit their savings in them. The numerous difficulties which private money-lenders experience in recovering their dues through courts have been turning their attention to co-operative banks. It is being realised that the average rate of interest derived by a money lender after making deduction for bad debts and expenses in court and out of court is by no means much in excess of that offered by the co-operative societies. On the other hand, some of the reputed money-lenders of our parts have admitted on enquiry that it is 4 per cent. or less. In fact it is a recognised principle of Political economy that the rate of interest on the safest private investments in a country always tends to approximate that on the public debt. Our co-operative societies offer a fairly good rate of interest, ranging from 6 to 7½ per cent. per annum; which ought to satisfy any reasonable money-lender.

One more word to the patriotic leaders of our community under this head. As in everything else, distribution of labour and systematic working are wanting in the monetary dealings of our country. In England, no one having any other profession, thinks of making money-lending also its adjunct. Almost all the rich men deposit their money in the banks. They have the guarantee that their investment is in the hands of most capable men in the country with life-long experience in business, and they are satisfied with the reasonable interest paid by the banks. Beyond striking the balance once a year they have nothing else to do in their monetary affairs. Their time, talents, and energy are undividedly devoted to other spheres of activities. By this division of labour numerous advantages have ensued to the country. The accumulation of individual investments had tended to swell their quantity in one central place; it was thus made available to foster the various industries by furnishing them the needed capital; several new industries were financed and brought into existence; trade was given a strong impetus; and above all, the rate of interest in the country was brought to as low a figure

as is compatible with the working of the theory of demand and supply. Now look at this picture and at ours. Here every one, nay even a helpless widow, who has got a few rupees to spare, is a money-lender; almost every vakil and every public servant is a money-lender, though through indirect channels. Every merchant considers his business incomplete without joining to it money-lending. Every agriculturist is a money-lender, issuing grain-loans out of the surplus of his annual produce. The high rates of interest offered by the borrowers, or rather screwed out of them, owing to their necessity, afford a temptation to all these in an irresistible manner. But let us examine the results that have ensued. Prominent amongst them is the abnormal increase in litigation and the consequent wastage of money over it. Such indiscriminate money-lending is sure to lead to difficulties in recovering the amounts lent, while an organised institution like a bank does not require to resort to Court to recover its dues. The Madras Bank amidst us rarely, if ever, goes to court to recover the lakhs of rupees lent by it. Next, we feel the paucity of capital to finance any of the industries which are now flourishing for want of it, nor can new enterprises be brought into existence for the same reason. It is not correct to say that our resources are slender; when they are all put together in one spot they are sure to come to a decent sum and thus be available for being used in various ways. Lastly, our rate of interest continues high. The interest on capital in any concern whatsoever tends to diminish the profits and to swell the prices of finished products, beyond all comparison to those of similar articles produced elsewhere. It is easy to multiply the list of disadvantages of our present system. Now is it not the duty of all of us to exert our best to eradicate the source of evil, as we are convinced of its deleterious effects? Will it not be better if the enlightened public lead the way by resisting the temptation and investing their funds in organised institutions?

PROGRESS OF CO-OPERATION.

Co-operation in India.*

Report of the Committee.

The presentation of this report is an important stage in the history of co-operation in India, writes Mr. B. A. Collins in the *Bengal Economic Journal*. The object of the Government of India in appointing the Committee was to make sure that, in the enthusiasm evoked by the success already achieved and by the prospects of the future, co-operators in India were not overlooking the necessity for a strong financial foundation. In accordance with the instructions of the Governments of India the Committee has studied the co-operative movement especially in regard to its higher finance and its relations with the outside money market and the report is one which will have a special interest for the investor. Everyone who has any acquaintance with the movement in India probably knows that societies of individuals, which the Committee designates "primary" societies, are financed by central institutions which receive deposits and loans for that purpose. In all the eight major provinces, except, perhaps, Bombay, the primary societies are grouped together for purposes of inspection and finance under Central Banks or unions. In the Punjab, the United Provinces, the Central Provinces, Bengal and Bihar and Orissa the system of Central Banks has been followed. The share-holders of these consist partly of the societies themselves and partly of the educated community and the zemindars who take up preference shares and help in the management of the bank and the supervision of the societies. Now the banker has two broad considerations always before him: first, that the funds entrusted to him should be invested with absolute safety, and, secondly, that they should be so invested that he can always meet all demands made by his depositors upon him. The report commences by pointing out that the financial stability of the Central Banks must always depend in the ultimate resort on the soundness of the primary societies, on which the whole structure rests. The Committee, therefore, devotes more than a third of its report to the constitution and

* From the *Times of India*.

management of primary societies. Into these details it is impossible to go, but it appears from the report that while the Committee is careful not to give the impression that the societies are at present by any means perfect, still on the whole it endorses the principles and methods hitherto followed.

Limits of Borrowing Power.

One of the most important recommendations is that the union or Central Bank should, subject to the Registrar's control, assess a definite sum as the limit of the borrowing power of each society, and it is explained in some detail how this should be done. There is no doubt that in Bihar and Orissa at any rate the directors of Central Banks were in the beginning prone to over-finance societies, a mistake which might have been avoided had the assessment of credit been more methodical. But over-financing was also due in part to the theory that the members of societies should at once be cleared of all previous debts. Experience shows that this course is very unwise, both because it is not prudent to give out large sums of money to persons who have still to prove their character and to show that they are willing to manage their societies according to their bye-laws and pay their loan instalments regularly, and because the moral effect on his part is nearly always bad. The proposal to fix definite credits in proportion to the ascertained assets of the members is therefore to be welcomed, but it is still desirable that the control of the Registrar should not be too rigid. There is no better school than experience and if the directors of Central Banks are to achieve independence, it is better for them to make mistakes and even perhaps to be faced with a few bad debts.

Two other recommendations of the Committee about primary societies require special comment. The first of these is the finding that the reserve funds of primary societies should be utilised as working capital of the societies and not invested separately. This recommendation has already been challenged in the press and in the writer's opinion, and he believes in that of many others with special experience, it is unsound. It is fair to say that the Committee designate as "reserves" the whole accumulated profits of primary societies, of which, save in those provinces where the share system prevails, nothing is ever distributed among the members. In one province at least the

whole of these accumulated profits are treated as reserves and invested separately in a central fund which, it is understood, may be used by the Provincial Bank in times of emergency to support local Central Banks against panics. Both this and the other extreme recommended by the Committee appear unreasonable. As against the Committee's scheme there are several objections. Experience shows that, if the owned capital of agricultural societies increases too rapidly, the members achieve independence before they are fitted for it. So long as they have to repay substantial instalments to their creditors every year they are more or less compelled to insist on prompt repayments by their members. It has already been found that, where this impetus is wanting, members who have not sufficiently acquired habits of punctuality and thrift tend to become slack in making payments.

Meeting Depositors' Demands.

The remainder of the report deals chiefly with the second banking principle, that funds should be so invested that all demands made by depositors may be promptly met. It is in this respect that the Committee appear to have found the co-operative movement in India most defective and their most important recommendations are those in connection with what they describe as "fluid resource." The Committee's views on this subject will be found in paragraphs 130, 152 to 158 and 174 to 176 and as this question is of great importance the following passages from these paragraphs are introduced verbatim:

"It should, in our opinion, be assumed that it is unsafe for any banking institution to invest its funds in loans for longer periods than those for which the funds so invested are entrusted to it; that deposits must ordinarily be met from repayments of loans and not from potential renewals or fresh deposits (which should be exclusively employed either in fresh business or invested in fluid resources) and that the general body of fluid resource can only be legitimately utilized for the purpose of meeting depositors when there is a derangement of normal conditions." (Paragraph 130.)

"The receipt and repayment of deposits should be distributed over the year as far as possible, in accordance with the

generally accepted principle of spreading the liability." (Paragraph 130.)

"The object of the resource is to meet contractions of credit entailing the withdrawals of deposits at due date and a failure to obtain new deposits." (Paragraph 153.)

"The policy of a Central Bank should be to arrange to repay deposits from the repayment of loans and only to develop new loans business from new deposits and from the renewals of old ones. When it becomes evident that societies will be unable to make normal repayments of loans, a bank should apply its new deposits to meeting withdrawals of those that mature. It would, of course, at the same time, follow a very cautious policy in the financing of new societies and in making fresh loans to old ones. If and when loan repayments and new deposits finally cease, it must fall back on its fluid resources to meet withdrawals of deposits and to provide such help to societies as seems imperative." (Paragraph 156.)

What makes it hard to understand these recommendations, which are perfectly sound in themselves, is that they ignore the fundamental difficulty in financing agricultural societies in some, if not in most provinces, that the loans are repaid only at one season of the year and that a very brief one. For instance, in Bihar and Orissa all the agricultural societies repay money to Central Banks from the end of March to the end of May and at no other time in the year. If, therefore, the repayment of deposits is to be distributed evenly throughout the year, Central Banks cannot always rely on loan repayments to meet them but must even in normal times use their other resources. It is difficult to follow out the Committee's line of thought, but the only way seems to be to throw overboard in every place the recommendation that deposits should necessarily be repaid from loan repayments as they come in and to say that when deposits are not renewed and have to be repaid they must, except at certain seasons of the year, for the time being at any rate be met from the fluid resource or new deposits.

BYE-LAWS FOR A CO-OPERATIVE SOCIETY FOR MUTUAL INSURANCE OF PLOUGH CATTLE AGAINST DEATH.

In Burma.

Objects, etc.

1. The Society shall be styled the Village Co-operative Society for the Mutual Insurance of plough cattle against death. Its registered office is at
It is registered under the Co-operative Societies Act, 1912, section 9.

2. The objects of the Society are to provide for its members an indemnity in case of the loss of plough cattle due to death from disease or accident.

Scope of Insurance.

3. The Society will not accept for insurance beasts other than healthy bullocks and male or female buffaloes between the ages of four and twelve years.

4. The Society will not pay any indemnity on account of animals, the death of which is due to the following causes:—

- (a) War, riot or rebellion;
- (b) Theft or loss by straying;
- (c) Journey by railway;
- (d) The act of a third party who is legally liable to compensate the owner;
- (e) Contagious diseases mentioned in the Veterinary rules where the member has failed to carry out those rules or to inform the Committee of the outbreak;
- (f) Ill-treatment or culpable negligence on the part of the owner.

The Society will not insure any beast for more than Rs. 100.

The Society may reinsure up to half its risks with a Reinsurance Society or a Joint Stock Company approved by the Registrar.

Membership.

5. Each Society shall operate in an area not larger than a village.

6. All respectable persons above eighteen years of age who own plough cattle in the village and are members of a

registered co-operative credit society are eligible for admission and on application may be admitted by the Committee. On admission, a member must sign in the Register of Members as having received and read the bye-laws.

7. A member must belong to the Society for a year at least and for three years after he receives any indemnity (except in the case of removal of residence beyond the village area).

8. Withdrawal is only permitted on two months' written notice being given to the Committee.

9. Expulsion may be made by the Committee, with appeal to the next general meeting, for ill-treatment of cattle, grave faults, fraud or deceit, or for breaking rules or refusal to carry out sanitary orders of the Committee or Government.

10. On withdrawal or expulsion the member loses his rights but retains liabilities (*i.e.* to pay up unpaid dues).

Valuation.

11. All his plough cattle must be declared by an owner with details of *age* and the *value* he places on them and *description*. Deceit invalidates the insurance. Three experts chosen by the general meeting from among the members will check these owners' valuations and fix values finally. These experts can refuse to admit animals in bad condition.

Newly brought animals must be declared within fifteen days and will not benefit from insurance for fifteen days after declaration. They must in all cases be inspected by the three experts.

12. Animals brought to replace animals sold can be substituted, provided their value is practically the same.

No refund of premium is allowed in case of sale.

13. The owner is bound to inform the Committee of all cases of illness at once and to carry out its suggestions for treatment.

14. Incurables can be sold by order of the Committee and the indemnity payable will be that due for death less the price obtained.

15. Experts may not judge their own cattle or those of near relatives.

The Committee will judge such cattle.

Finance—Premia—Reserve Fund.

16. Each year each member must pay in advance a premium of 5 per cent. of the value of each animal insured. The premium is payable in two instalments at the beginning of each six months after the revision of the valuations.

In case of non-payment the member can get no indemnity.

17. If a member wishes to remove an insured beast or beasts beyond the limits of the township he shall be bound to inform the Committee and to pay such enhanced premium as the Committee may fix, subject to a maximum of 8 per cent.

18. The General Meeting can raise the premium when it thinks it insufficient.

19. From the second year the General Meeting can charge new members entrance fees.

20. The funds of the Society shall be—

(1) The General Fund.

(2) The Reserve Fund.

21. The General Fund shall be the amount paid in on account of premia each year at the March and September General Meetings.

22. A Reserve Fund shall be created to meet calamitous years and shall be formed from—

(1) Fines.

(2) Entrance Fees.

(3) Donations.

(4) The excess amount of receipts over expenditure in each year as declared by the Registrar in February after premia due to Central Reinsurance Society and indemnities accruing in the past year have been paid.

(5) Interest accruing on Reserve Fund investments.

23. The Reserve Fund shall be deposited in the Upper Burma Central Bank.

Withdrawals from Reserve Fund can only be made with the approval of the Registrar; or other money deposited in the Central Bank by the Chairman and two Committee men.

24. When the Reserve Fund has reached 5 per cent. of the sums assured, a dividend to custom may be paid.

Deaths and Payment of Indemnities.

25. When an insured beast dies, the owner must report the death to and get it vouched for by at least two members or one of the "experts."

He must then report it to the Committee with all the circumstances; the Committee will then help him to arrange for the best sale possible of the meat and skin.

Where a third party is liable, the owner must have taken all possible action against him before receiving any indemnity.

26. The Society will not pay as indemnity more than two-thirds of the value of the beast. The proceeds of skin and meat, and any compensation the member may have got from a third party belong to him and will be deducted from the amount payable by the Society.

Example: A beast value at Rs. 45 dies. Skin and meat are sold by owner for Rs. 10 and he keeps this amount. The Society will pay $\frac{2}{3}$ of $45=30$ less $10=$ Rs. 20 only.

27. Payment of indemnities will be ordinarily made at the half-yearly General Meeting, but the Committee pay on account if funds permit.

If there is *reinsurance*, the amount payable by the Reinsurance Society may be paid at once.

If funds are insufficient, the Reserve Fund may be drawn on with the consent of Registrar, but not up to more than half of its amounts in any one year.

If funds still remain insufficient, indemnities must be proportionately reduced for all deaths of the year.

28. If the Committee thinks veterinary assistance is necessary any amount paid to a veterinary doctor will be borne half by the member and half by the Society.

Management.

29. The Society shall be managed by a Committee of from five to nine members named for two years (quorum shall be

three to seven); at the end of two years two shall retire (selection by lot) but be eligible for re-election.

The Committee shall appoint a Chairman, Vice-Chairman and Secretary. The Chairman shall be Treasurer. All services shall be gratuitous. The opinion of the majority shall prevail.

It shall supervise the work of the three experts and assist them. It shall supervise the tending and use of the animals insured. It can decide on what sanitary measures should be taken and all such measures each member is bound to carry out.

30. At the commencement of each half year (September 15th and March 15th) there shall be a General Meeting convened by the Chairman at which valuations shall be revised, premia paid, indemnities paid and questions discussed.

All members must attend. Absentees without good reason will be fined Re. 1.

At General Meetings each member shall have one vote only.

31. Each year at the March 15th General Meeting the Committee will submit a Balance Sheet and Annual Report. The General Meeting may then raise the premium rate and impose an entrance fee for new members.

Elections for the new Committee men shall be at the February 1st General Meeting.

Resolutions passed by a majority of those present shall be binding on all the members.

Disputes.

32. Any dispute touching the business of the Society between a member or past member of the Society or persons claiming through a member or past member and the Committee or any officer shall be referred to the Registrar who may settle it himself or if he thinks fit refer it to one or three arbitrators for decision. One arbitrator shall be appointed by the Registrar and if he refer the dispute to a board of these arbitrators, one arbitrator shall be appointed by the Society and one by the person disputing. The decision of the Registrar, arbitrator or arbitrators or the umpire shall be final and not removable into any Court of Law.

33. Modifications of bye-laws can only be made as laid down in the Local Government Rules and when approved by Registrar.

34. Dissolution can only be made as provided for in section 39 to 42 of Co-operative Societies Act and any surplus funds will be allotted to some local work, added to the Reserve Fund of the Village Co-operative Credit Society if there be one, or failing that, added to the Reserve Fund of the Upper Burma Central Bank.

BOMBAY.

CO-OPERATION IN BOMBAY.

Commenting on the working of the Co-operative Societies in Bombay Presidency during 1914-1915, a main feature of which was the organisation of a comparatively small number of new societies, the *Bombay Chronicle* observes as follows:—

Co-operation needs to be carried into every village, not because it is a panacea for the economic salvation of the average Indian ryot from his present state of hopeless indebtedness, but principally because next to education it is the only means of regenerating rural life in the country. The policy of cautiousness,—or rather over-cautiousness—cannot obviously be attributed except in a very small degree to a regard for the consideration indicated. It is very largely dictated by an undue fear with regard to the financial organisation of the movement. That this fear is undue does not need to be demonstrated. The Presidency boasts of many rich commercial towns and the existence of the Central Co-operative Bank in Bombay with its command over some part of the surplus commercial money of the city, and the success of the existing district banks and urban societies in the Presidency especially in the Southern Maratha country,—to which the Report itself bears ample testimony,—all indicate that sufficient means exist for the provision of all the money that may be needed for the expansion of the movement. It is also sometimes argued that the existing supervising agency is not quite so sufficient as to make any expansion advisable. But all this is merely the result of a mistaken policy of drift adopted in the initial stages of the movement by Government themselves. Much remains to be done before the co-operative organisation of the Presidency can be said to be based on truly sound lines.

THE SARASWATH CO-OPERATIVE HOUSING SOCIETY, LTD.,

We are indebted to the *Local Self-Government Gazettee* for the following:—

In writing on the housing problem in our large cities, we insisted on the importance of evolving co-operative building organisations and commended the example of Bombay in forming the Co-operative Housing Association whose object is to spread a sound knowledge of the principles of the movement. One of the first fruits of the labours of this Association is the formation of the Saraswath Co-operative Housing Society and we have no doubt that a brief account of its working—taken from the interesting pamphlet published by its energetic Honorary Secretary, Mr. Talmaki—will be of interest to our readers.

Now, the Saraswaths are a compact, homogeneous community in the city. A special committee was appointed to investigate their housing conditions. The committee first divided the community into various classes according to occupation. They, then, considered which of them could contribute a portion of the cost of constructing houses and also could be shifted from their quarters without much inconvenience to their work. The aggregate house rents paid by this class of persons were then gone into and a detailed scheme was worked out for erecting sanitary houses for them on the co-partnership system.

With a group of men more or less homogeneous, aiming at a fair standard of comfort and able to make the requisite monthly payments, a start was made in 1914. By-laws were framed and approved and the society was registered. Initial financial difficulties—due, in a large measure, to the novelty of the idea—had, however, to be overcome and these would have proved to be insuperable but for a loan of Rs. 24,000, repayable in 10 years and bearing interest at 4 per cent., advanced by Sir Prabhashankar Pattani.

As already stated, the society is organised on the co-partnership system. The permanent capital is made up of Rs. 20 shares and Rs. 30 loan stock bonds payable in a lump sum or ten consecutive monthly payments. Interest on loan stock bonds is fixed at 5 per cent., and the dividend on share capital is also limited to 5 per cent. These are not

repayable though the society may, at its discretion, repay the loan stock bonds. As the interest payable on these latter is a charge on the gross profits, they form a good investment. Loans and fixed deposits are also received. The capital of the society now consists of Rs. 32,620 (paid-up share capital), Rs. 24,000 (loan from Sir Prabhashankar), Rs. 7,566 (loan from S. V. Co-operative Credit Society) and Rs. 7,815 (deposits at $4\frac{1}{2}$ per cent.)

The Society obtained a plot of ground from the Improvement Trust Board on 999 years' lease. The President—the Hon'ble Mr. J. P. Orr, C. S. I., I. C. S., to whose sympathy the Society is deeply indebted—reduced the price from the scheduled rate of Rs. 18-12-0 to Rs. 15 a square yard and also allowed some further concessions. Tenements were then constructed. The rents vary from Rs. 25 to Rs. 33 per month for each tenant. The amounts collected defray all the charges and leave a balance for contribution to share-holders. The members have a common interest in keeping down repair and other charges as all the savings under these heads come back to the tenants in the shape of bonus on rents.

We trust that the success of the above scheme started under conditions in regard to price of land, etc., which are decidedly more unfavourable than those obtaining in Madras—will afford encouragement to Co-operators in Madras to take steps to form similar building societies there.

GUARANTEERING UNIONS IN BOMBAY.

The Committee on Co-operation laid great stress on the need for securing efficient supervision over the management of primary co-operative societies either through Central Banking or Guaranteeing Unions. This has been met in some provinces by the starting of District and Taluka Central Bank of what is known in Bengal as the Pabna type. In Burma, the guaranteeing Unions provide an efficient link between the premier central financing agency, *viz.*, the Upper Burma Central Co-operative Bank and the primary societies. But in the Bombay Presidency the few District Banking Unions that exist have hardly met with much success; no guaranteeing Unions have been started, the Bombay Central Co-operative Bank dominates

By V. L. Mehta, Esq., B. A., *Manager, the Bombay Central Co-operative Bank, Ltd.*

the Co-operative organization of the Presidency. In a case like this where a Bank dealing with a whole Province attempts to deal with societies without the intervention of local Central Banks the Committee on Co-operation have recommended that a system of guaranteeing Unions is essential. In anticipation of this recommendation a guaranteeing Union on the Burma Model was established at Annigeri in Dharwar District last year though it has not yet set to work. This, however, was an isolated effort. At the Departmental Co-operative Conference held at Poona in March last, the recommendation of the Registrar, Mr. Ewbank, that Guaranteeing Unions should be started in various parts of the Presidency was accepted, and model bye-laws for such Unions were framed. A group of well-managed societies on the Nira Canal were selected for the experiment, and, with the enthusiastic support of local co-operators, like Mr. D. S. Unde Chairman of the Pandara Co-operative Credit Society, a Guaranteeing Union was registered in May. The working of the experiment will be watched with keen interest especially as Guaranteeing Unions are new to this part of the country.

BURMA MODEL UNIONS IN BOMBAY.

The Burma Union consists of a small group of societies all situated within a radius of eight miles at most. The Union Committee consists of the Chairmen of the constituent societies. It is the duty of the Committee to appoint two of their number to pay regular visits to the constituent societies, for the purpose of inspecting them and valuing their assets. The valuation is made every year and the Committee prepares an annual statement of the amount which in its opinion can safely be advanced to each society. A society desiring to borrow must forward its loan application through the Union, which reports on it and forwards it through the Registrar to the Central Bank. As a safeguard against reckless recommendations, each constituent society is compelled to guarantee the loans of other societies to the extent of its own borrowings from outside sources. An institution of this type has been started experimentally at Annigeri in the Navalgund Taluka, Dharwar District, which is the centre of a group of flourishing societies. A Federation consisting of

eleven societies has been registered, and the Directors of the Central Bank have consented to make use of its agency in dealing with its constituent societies. There is the possibility of the formation of a similar Union in the Valva Taluka of Satara.—*Times of India.*

A CO-OPERATIVE CONFERENCE OF THREE TALUKAS IN SATARA DISTRICT.

The second annual session of the Co-operative Conference of three talukas of Satara District, Bombay, was held at Islampur on 25th March last. The Conference is the second of its kind in the Presidency wholly organized by non-official co-operators, the other being the Belgaum District Conference. The Co-operative Societies in the three talukas particularly in the Walwa taluka have made a remarkable progress during the last two or three years. A Guaranteeing Union on the Burma Model is likely to be organized in the Walwa Taluka and the organization of the Conference is yet another sign of the vigorous co-operative activities in this part of the Presidency. The gathering numbered about 300 and was presided over by the Registrar of Co-operative Societies, Mr. R. B. Ewbank, I. C. S. and it bore evidence of the growing hold which the movement has obtained on the people of the talukas. It included the Secretaries of 25 societies in the talukas, about 80 of their members besides leading co-operators like Dr. Mann of the Agricultural College, Mr. R. M. Sane, and Mr. Chirmule, Honorary Organizers. The proceedings commenced with the reading of interesting reports of societies in the taluka which showed that the members' deposits had increased from Rs. 3,193 at the end of 1914-15 to Rs. 15,300 at the end of 1915-16. The reserve fund of the societies had grown from Rs. 289 to Rs. 2,330—and the further testimony to the popularity of the movement in the taluka was afforded by the fact that the deposits obtained by the societies from members and non-members formed 39 per cent. of the working capital.

Among the questions discussed at the Conference were, the need for societies to obtain long term loans from the Central Bank, the granting of permission for minors Estates' Funds and

Religious Trusts Funds to be deposited with societies, the representation of societies on the Taluka Local Boards and on Local Board Schools Committees and special facilities for the encouragement of well-managed societies. An interesting suggestion made at the Conference was that the Registrar's annual report on the working of Co-operative Societies and important leaflets and other literature on co-operation be translated in the vernaculars and distributed among all societies.

Mr. Sane, Honorary Organizer, then addressed the Conference on the moral aspect of the Co-operative movement, and Dr. Mann on the agricultural improvement of the taluka through co-operation. An agricultural demonstration was also held on the day of the Conference.

THE BOMBAY CENTRAL CO-OPERATIVE BANK.

The report of the Directors of the Bombay Central Co-operative Bank is just issued. It states:—The net profit for the year, including the sum of Rs. 866-15-4 brought forward, amounts to Rs. 43,045. An ad interim dividend at the rate of annas 13 per share was paid for the half-year ending 30th September, 1915, and this absorbed Rs. 11,375. Your directors now propose to pay a final dividend at the rate of Rs. 1-1-0 per share (making six per cent. for the whole year), which will absorb Rs. 14,875; to grant bonus to the bank's staff, Rs. 749; to carry to reserve for doubtful debts, Rs. 3,000; to carry forward to the next account, Rs. 13,046; total Rs. 43,045. It will be noticed that the directors again propose to set aside a sum of Rs. 3,000 to be added to the reserve for doubtful debts, created last year. During the year the registration of seven co-operative societies which had borrowed from the bank was cancelled under S. 39 (1) of Act II. of 1912. The liquidation of these societies, under S. 42 (1) of the Act, is being carried on under the orders of the Registrar of Co-operative Societies, and the directors of the bank as well as the Registrar are confident that the liquidation will not entail any loss to the bank. The directors, however, feel that, until the liquidation proceedings are over, the balance of profits remaining after payment of dividend should not be used for distribution, but should be carried forward to next year's accounts. But they desire to make it clear that, as soon as the

outstandings from societies in liquidation are realized, the amount will be made available for division between the reserve fund and the societies' share of the divisible fund. The sum of Rs. 16,340 stands to the credit of the societies' share of the divisible fund created out of the bank's profits for the past three years in accordance with clause XIX of the agreement between the bank and the Secretary of State for India in Council. The amount of this fund was to have been made over to the borrowing co-operative societies last year, but in conformity with resolution passed at the Departmental Co-operative Conference held at Poona in March last, and on the advice of the Registrar of Co-operative Societies, the fund has been treated as a special reserve (bearing interest at the rate of 7 per cent.) to be utilized later as decided by the Registrar in consultation with the societies concerned. To provide for the repayment of the three series of debentures of the value of Rs. 10,50,000 issued by the bank up to 31st March, 1916, an additional sum of Rs. 14,000 has been credited to the sinking fund created in accordance with clause VIII of the agreement between the bank and the Secretary of State for India in Council. The sinking fund, which now amounts to Rs. 32,901, has been invested under clause IX of the above mentioned agreement. The directors issued during the year a further series of debentures of the value of Rs. 4,20,000. The terms and conditions of this series are the same as those of the last two series and include the guarantee, by the Secretary of State, of payment of interest at 4 per cent till the debentures are redeemed. The directors regret that on account of the continuance of the abnormal conditions of the money market caused by the war, as also on account of a fact that the Government have not yet sanctioned the recognition of the debentures of the Trust Securities under Section 20 of the Indian Trust Act II of 1882, it was not possible to place the debentures on the market.—*The Times of India*.

MYSORE.

CO-OPERATIVE CREDIT IN MYSORE.

There are two or three features of the report on the working of the Co-operative Credit Societies in Mysore that call for comment. The first of these is the great sympathy of H. H. the Maharajah and the Yuvaraj with the work; the second is the

gradual extension of co-operative work from credit and banking to other industrial movements; and, thirdly, a brief account of the effort being made to regenerate the backward Mulnad by the introduction of co-operation. From the very first, H. H. the Maharajah has made the success of the co-operative movement his chief care. By word and deed he has testified how near it has been to his heart. The beneficent administrative measures of his Government are patent for all to see; but hidden away in a small paragraph in the report is the statement that His Highness puts his hand into his private purse generously to help the movement. In the year under record, besides placing a sum of Rs. 2,000 at the disposal of the Registrar wherewith to help backward societies, he deposited a large sum of money in the Bangalore Central Co-operative Bank to create confidence in that institution and to encourage deposits. As long as co-operative credit is confined to money-lending, it will develop in a very one-sided way. It can be used to develop and extend every phase of agricultural and industrial work, and it is gratifying to see that there is a tendency in Mysore to apply it to other forms of enterprise, besides the regulation banking and stores. One of these, the Weavers' Co-operative Society in Bangalore did useful work in saving the weavers from distress and hardship that seemed imminent from the economic conditions caused by the war. One of the crudest and most elementary notions regarding co-operative credit in India was that it was a system for replacing the money-lender and getting cheap loans. If the money-lender will come into line and co-operate with the movement, as he has done in certain parts of India, there is no reason why he should be eliminated as a factor in agricultural life; but when he has got the grip that he has on the ryot population of the Mulnad the more completely he is put on one side the better. Enquiries into the backward condition of this tract have shown that in addition to insanitary conditions, the wretched economic inefficiency of the people is at the bottom of the trouble. A system known as *Samprathi* and *Suttige* exists there, according to which the money-lender advances money to the ryot for all his requirements, agricultural and domestic, and receives in return the whole of his produce at a price fixed by himself. If this is not aggressive slavery, we do not know what is, and it would frighten most enthusiastic co-operators to try and rescue people in this

position by means of co-operative credit ; but an attempt is being made, and with some success. In fact, there is a certain amount of confidence expressed that co-operative credit is going to be a powerful factor in the regeneration of the Mulnad.

CO-OPERATION IN MYSORE.

The General Progress.

Number of societies	...	816.
Number of members	...	59,910.
Working capital	... Rs.	34,73,043.
Total transactions		1,47,59,463.
Reserve fund		1,00,000.

Industrial Co-operation.—Co-operative crushing of sugarcane, Co-operative manufacture of jaggery and Co-operative culling of paddy are the principal forms of Industrial Co-operation that appear capable of development. About ten societies of this kind have been financed by the Government to the extent of Rs. 45,000.

Agricultural Co-operation.—The familiarity which the raiyats have acquired with the objects, principles and methods of Co-operation through Co-operative Credit Societies has opened their eyes to the possibilities of agricultural Co-operation. But it cannot as yet be said to have taken a definite place in the agricultural economy of the State. Here and there people combine to purchase manure, to purchase seed, to improve irrigational facilities and so on. In course of time, however, a great expansion of agricultural co-operation may be expected.

Co-operative House Building.—Advantage was taken of the formation of the Gavipur Extension in Bangalore City for the formation of a House Building Co-operative Society at Bangalore. The society has been advanced a loan of Rs. 32,250 from the Provincial Co-operative Bank, Ltd. It advances loans to house builders in that extension, offers advice and supervises building operations. It also undertakes to buy building materials wholesale and to distribute them among the members at rates cheaper than the market rates and, if called upon, to build houses for its members. The society promises to be an ideal institution of the

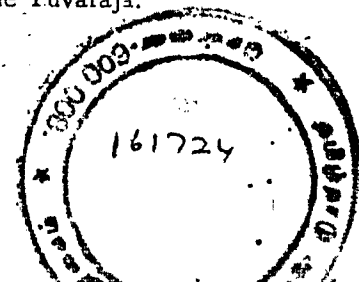
kind. In addition to this, there is an older institution which has done some work in this direction.

Taluk and District Co-operative Conferences.—The utility of holding the Taluk and District Conferences has been fully established. District Conferences were held at Hassan and Chikmagalur and Taluk Conferences at 16 different Taluk Headquarters. No expenditure was incurred by the Department on account of these Conferences. At every Conference the detailed working of the societies were examined and necessary steps were taken to consolidate their working.

Grain Banks.—The question of bringing the few existing Grain Banks under the Co-operative Societies Regulation and of starting new ones was duly considered. Necessary bye-laws have been drafted and arrangements are being made to register a few Grain Banks under the Regulation.

Formation of a Co-operative Committee.—In addition to the three Central Committees, the Department has long been urging the necessity for the formation of a separate Committee to deal with Co-operative subjects. The proposal has been pending with the Government. The Presidents of the District Economic Committee have been separately requested to form Sub-Committees for co-operation in the districts.

Provincial Co-operative Bank, Ltd.—The most important subject that engaged the attention of the Department during the current year was the formation of a provincial apex bank for Mysore on the lines recommended by the Imperial Committee on co-operation. The subject was carefully considered and the Mysore Provincial Co-operative Bank was started in November last for the purpose of financing, supervising, and promoting Co-operative Societies throughout Mysore. During the small period the Bank has been in existence, the financial support that it has obtained from the public is very encouraging and it is believed that with the development of this institution the question of Co-operative finance and supervision will be successfully solved. It has met with great sympathy and encouragement at the hands of His Highness the Maharaja and His Highness the Yuvaraja.



MADRAS.

CO-OPERATIVE SOCIETIES AND RURAL SANITATION.

In commending for the consideration of Local Boards certain proposals for the construction of protected wells in villages as a remedial measure against cholera, the Madras Government expressed the view that rural Co-operative Societies may with advantage be employed in effecting sanitary improvements in the area of their operations and remarked that if in the opinion of the Registrar of Co-operative Societies developments of this description were feasible, the Government would be prepared to consider the possibility of providing through the Agency of the Local Boards concerned grants-in-aid from Provincial revenues. The Registrar reported that some societies would be willing to render a service so useful to the public and he was inclined to think that a trial might be made. Government accepted the Registrar's proposals and asked him to select 20 societies in non-union areas in such a manner that the experiment might be tried in as many districts as practicable. Accordingly, the Registrar sent in proposals for 13 societies at first. Government approved of those proposals and sanctioned the grants through the Local Boards concerned. Details of the societies and works are given below:—

Serial No.	Name and No. of the Society.	Construction of Work.	Amount of Grant.
			Rs.
1	Nerur, No. 879 Trichinopoly.	Construction of well.	1,000
2	Manaparai, No. 197 Trichinopoly.	Repair of seven wells.	700
		Repair of a road to Manaparai.	250
3	Sengalipuram, No. 76 Tanjore.	Repair of 8 drinking water wells.	100
4	Pundarikapuram, No. 82 Tanjore.	Sinking of 5 wells.	600
		Repair of a tank.	200
5	Silukkuvarpatti, No. 755 Madura.	Repair of wells.	550
		Sinking two wells.	500
6	Olakkur, No. 717 South Arcot.	Repair of streets.	350
7	Hamsavaram, No. 245 Godaveri.	Construction of a well for Panchamas.	200
		Repair of a tank.	231
8	Duggirala, No. 367 Guntur.	Construction of a parapet wall for the drinking water well.	260

Serial No.	Name and No. of the Society.	Construction of Work.	Amount of Grant.
			Rs.
9	Vindur No. 982 Nellore.	Construction of a parapet wall & a platform for a drinking well.	150
10	Malayanur No. 219 Anantapur.	Repairing a drinking water well and providing it with a parapet wall and pulleys.	42
11	Erayamangalam, No. 256 Chingleput.	Deepening a drinking water tank.	560
12	Kammalampundi, No. 134 Chingleput.	Repairing a pond.	150
		Digging a well.	250
13	Kilacheri Agricultural Bank, No. 2 Chingleput.	Completion of a new tank.	400
		Repairing a paracheri pond.	235
14	Mangalam, No. 443 Ramnad.	Repair of 5 wells and sinking 4 wells.	2,000
15	Vadamalaipuram, No. 147 Ramnad.	Three wells for panchamas, side drains in the street, repair of one well.	1,750
16	Vayapadi, No. 186 Coimbatore.	Digging a well.	750
17	Rambliampatti, No. 184 Coimbatore.	Do.	750
18	Mettnipudur, No. 409 Coimbatore	Do.	750
19	Kaliampundi, No. 42 Chingleput.	Digging a well in paracheri.	300
20	Kilacheri, (Chingleput).	Improvement to the existing pond	4,100
		Total ...	17,618

In sanctioning the proposals, Government said that these small grants might be expended without the formalities required by the Local Fund Code and Standing Orders, and they were satisfied if the President of the Taluk Board concerned should in person inspect each work and report to them through the Registrar of Co-operative societies, whether the money had been properly laid out and how it had been supplemented by local contributions.

Fifteen of these works have been completed. The presidents of Taluk Boards in submitting their reports to Government through the Registrar have in most cases expressed the opinion

that the works have been well and satisfactorily carried out, that the money was properly expended and that it was supplemented by local contributions in some cases. The works at Sulukkavarpatti, Kammalampundi, Kaliyampundi and Mangalam are in course of execution and they are expected to be completed very soon.

The biggest item—improvement of the drinking water tank at Kilacheri estimated to cost Rs. 4,100, is in abeyance for want of facilities to carry out the work with due regard to the requirements of the Sanitary Board.

The Panchayatdars of the Societies rendered gratuitous service in executing those works and in addition most of the societies' works cost less than the professional estimate. To give only one instance, one of the societies was reported to have done work worth Rs. 741, while as a matter of fact it spent only Rs. 560.

Local Self-Government Gazette.

JUDGMENT IN A CHEATING CASE.

The following copy of the Judgment of the Sub-Divisional Magistrate, Tiruvannamalai, in a case of cheating against a member of Malappambadi Co-operative Society for having obtained a loan from the Society on the mortgage of property, previously hypothecated by him to some one else, will be read with interest by all co-operators:—

The accused, Raghava Ayyar, was President of the Malappambadi Co-operative Credit Society. While President he obtained a loan from the Society on 16-7-1914 of Rs. 300 on the security of 2-2-2 *Kannis* of land in the Shrotriem village of Paliyampet which he hypothecated to the Society and the loan was passed by himself, his nephew (2nd prosecution witness) and 3 other Panchayatdars, *viz.*, 1st defence witness and 5th defence witness and another. It was subsequently found that the accused had previously hypothecated the whole of his share in the Shrotriem village in question amounting to two-thirds to one Muthanna Pillai (3rd prosecution witness) and Appavu Pillai (4th defence witness) for Rs. 8,000 on 31-5-1913. The two *kannis* and odd are believed to be included in the portion previously encumbered. Hence the prosecution of the

accused by the present President of the society (1st prosecution witness) for offences under sections 416 and 420, I. P. C.

2. *Prima facie* evidence of the alleged fraud is afforded by the 2 documents Exhibits A and B and the evidence of 1st prosecution witness who speaks to the giving of the loan. Exhibit A contains a declaration that the property has not been previously encumbered and has been duly signed by the accused and registered. By the original of Exhibit B (which is a certified copy) the accused has mortgaged his two-thirds share in the village excluding the one-third share which belongs to Arunachala Ayyar (2nd prosecution witness) and other nephews. On the face of it therefore, there was no property left in the village for the accused to mortgage.

3. The accused, however, asserts that he had other property which was not included in the two-thirds share which fell to him by partition. His case is that about 2 *kannis* were excluded from the partition and allotted to him separately on account of the performance of his grand-mother's funeral ceremony.

4. This statement is confirmed by his divided nephew (3rd prosecution witness) who says that partition between accused and him took place over 20 years ago while another nephew and a brother of 3rd prosecution witness (2nd prosecution witness) also says it took place and gives the date as about 30 years ago. 3rd prosecution witness says there was no written document for the partition but lists were drawn up showing the property allotted to each. 3rd prosecution witness produced such a list prepared by him (Ex. I) according to which 2 *kannis* were left separately to the accused for performing the funeral ceremony of his grand-mother. The defence also produced a copy of a list prepared by T. R. Ramachandra Ayyar, elder son of the accused now deceased, showing the properties which fell to the share of accused on partition (Ex. II). The list was admitted in evidence though it purported to be only a copy as its authenticity was not disputed by the "adverse party", 2nd prosecution witness. Ex. II has been also duly proved by the statement of 3rd defence witness, village Monegar of Pennathur and a pattadar paying Rs. 300 to have been written and signed by Ramachandra Ayyar.

5. Now according to Ex. I, the following plots of land were left to the accused for the funeral ceremony in question.

		Kannis.		
No. 237	Pala Kanakku vattam wet	...	0	8 0
" 238	to west of "	...	0	8 1
" 223	Kadakai Nanjai	...	0	10 2
" 226	Pugali Nanjai	...	0	4 3
" 229	Kalkundi Nanjai	...	0	0 2
Total		...	2	0 0

The plots that were mortgaged by Ex. A to the Society are as follows:—

No. 152	...	0	3	2
" 153	...	0	4	0
" 159	...	0	10	0
" 160	...	1	1	0
Total wet		...	2	2 2

The two lists Ex. I and II roughly correspond in regard to extents and names of the plots and total extents but not in regard to members. There is no doubt that the numbers in Ex. A are borrowed from Ex. I because these particular numbers are not to be found in Ex. II at all. According to Ex. II the plots mortgaged by Exhibit A must therefore be the following:—

152.	Pallam to West of parai	...	0	3	2
153.	To south of "	...	0	4	0
159.	Paradi	...	0	10	0
160.	Attivattam	...	1	1	0
			2	2	2

It will be seen that the names of the plots are totally different from the names given in Exhibit I. I am therefore forced to the conclusion that the plots in Exhibit A are not identical with the plots left separately to accused for performing funeral rites and that the former were therefore part of the lands forming the two-thirds share of the accused in the village.

There can be no doubt that though the numbers of the various plots may change the names will not change. Thus 2nd defence witness, the nephew of accused, says that he might be able to identify the plots concerned by their names. Again, it is significant that one at least of the two plots which 1st defence witness says was in possession of the accused for performing funeral rites was called *kanakku vattam* a name which occurs in Exhibit II but does not correspond to any of the numbers mentioned in Exhibit A.

6. 3rd prosecution witness's own halting testimony in the box lends further colour to the correctness of this conclusion. He first said that the 2 *kannis* in Exhibit A were included in the two-thirds share of the accused. Subsequently he said it was not included in the latter. He first said that he had an interest in the 2 *kannis*. He subsequently said that he had no such interest. Later again he said he had objected to attest a document of sale of $\frac{5}{8}$ *kanni* included in the 2 *kannis* to a certain Goundan as he thought he might thereby be imperilling his interest in the two *kannis*. If so this would furnish a reason for this witness objecting even to the hypothecating of block. As this witness nevertheless admitted by signed Exhibit A his doing so shows that he believed that the lands concerned therein were not identical with the 2 *kannis* block in question.

7. In the above circumstances there can be no reasonable doubt that the property mortgaged by the accused to the Malappambadi Co-operative Credit Society was included in the property already previously mortgaged by him. As he had declared in the subsequent mortgage that there was no previous mortgage and he was a Panchayatdar of the society in question, he has committed offences under Sections 416, and 420 I. P. C. The offence is a serious one; but, in determining the punishment to be awarded, I take into consideration his advanced age, he is said to be 70 years old, and the fact that the debt due by him to the society has since been liquidated. I convict him under Sections 416 and 420, I. P. C. and sentence him to undergo imprisonment until the rising of the Court and to pay a fine of Rs. 300 in default to undergo simple imprisonment for six months.

MUNICIPAL SERVANTS' CO-OPERATIVE SOCIETY, LTD., MASULIPATAM.

The following Report was read at the conference held in Masulipatam on 29th April, 1916 :—

The 15th September 1914 can be said to be an eventful day in the annals of this Municipality. It was on that day that an attempt was made to free the low paid subordinates of the Municipality from the clutches of the money lenders. This society was started chiefly for the benefit of the municipal scavengers. These people live from hand to mouth generally having no movable or immovable property. They contract debts whenever they require money for marriage or death ceremonies and when once a debt is contracted it is not found possible for them to liquidate it even for years. You will be surprised to learn that the rate of interest they pay ranges from Rs. 0-0-9 to 0-2-0 per rupee per month. This rate of interest works out from 54% to 150%. They have to pay this high rate of interest at the end of every month. Thus they pay interest with utmost difficulty and find themselves unable to discharge the principal. At the instance of the Assistant Registrar of Co-operative Societies, M. R. Ry. K. Nageswara Rao Pantulu Garu, the Municipal Council of Masulipatam has agreed to establish a co-operative society for the benefit of municipal servants. Members have to pay Rs. 2 per share. Admission fee is 0-2-0. All subordinates who draw salaries below Rs. 15 and who are not subscribers to the Municipal Provident Fund shall deposit at the rate of 0-0-6 per rupee in the Co-operative Society towards the Provident Fund. The society lends money at 12 % to scavengers and at 9 % to other members. The debt contracted has to be repaid in 12 months. One-twelfth of the debt will be deducted from the pay at the end of every month. The amount of debt granted should not exceed four times the salary of a subordinate. It was ascertained at the time of the establishment of the Society that the scavengers intending to become members were indebted to an extent of Rs. 120%. Five Councillors kindly undertook to borrow Rs. 1,200 and handed over the money to the Society. Then in a few days certain gentleman paid Rs. 900 as deposits in the Society. The 1st debt was cleared off by this amount. Now it is running on with the

deposits. Besides the above mentioned amount of Rs. 1,200 it was subsequently found that the scavengers owed to others about five or six hundred rupees more. The Society undertook to clear off this amount also. There were 81 members at the time of the organisation of the Society. Subsequently 62 members joined the Society. The total number is 143. Six members have fallen off, 3 having died and 3 having been removed from service. The number on the rolls is 137. Among these there are 11 Brahmins, 15 non-Brahmins, 3 Muhammadans, 1 Christian and 107 scavengers. These 137 have taken 211 shares. Rs. 418 was collected under shares. The business is carried on by a Panchayat consisting of five members, among whom 2 are elected by scavengers from their own caste and the remaining 3 are elected by the rest of the members. The following list shows the receipts and expenditure :

Receipts.

		Rs.	a.	p.
Moneys borrowed	...	1200	0	0
Do.	...	750	0	0
Do.	...	150	0	0
Do. for rice	...	300	0	0
Share capital	...	418	0	0
Provident Fund	...	478	13	0
Admission fees	...	17	14	0
Money received from borrowers	...	4517	12	3
Interest	...	253	7	4
Interest from rice a/c	...	5	0	2
Total		8,090	14	9

Expenditures.

		Rs.	a.	p.
Debts discharged	...	1200	0	0
Interest	...	25	0	0
Debts discharged	...	150	0	0
Interest	...	5	4	0
Cost of books	...	20	6	0
Money lent	...	6310	0	0
Rice account	...	370	0	0
Cash on hand	...	10	4	9
Total		8,090	14	9

By this time all the scavengers are set free from indebtedness to outsiders but the rice accounts are still running on with the local merchants. It is very commonly known that rice is sold to scavengers at a high price and that proper measures are not used. To free them from the mischief of the rice merchants we selected a trustworthy merchant and asked him to supply rice on our own responsibility to them from August last for six months. From February last we undertook ourselves to purchase rice from wholesale dealers and distribute it among them. To meet expenses a sum of 0-4-0 is charged per bag. The benefits of this system are being realised by one and all and most of the scavengers and some of the other members of the staff are buying rice from the Society. There are four municipal subordinates looking after the purchase of the rice and maintain accounts besides the Panchayat. The scavengers have got their own caste rules. They have got a Panchayat of their own. All the disputes, social, civil, and criminal are settled by the Panchayat. They do not go to Courts. They are advised by this Panchayat whenever loans are granted. There were factions among the scavengers when the Society was established. All those have been settled and their Panchayat is vested with full power. Loans are very liberally granted for marriages among scavengers. The number of adults who did not marry is very small among them. All have built houses of their own. Their community is now enjoying peace, the number of outcastes having been very much reduced. There exists still drunkenness among scavengers. This is restricted only to males. There is yet much to be done to free them from this bad habit. All the Councillors have helped us in the establishment and management of this co-operative society. Among them the names of Messrs. B. Pattabhi Seetaramayya, who has always encouraged us and advised us whenever necessary and U. Gopalaratnam who helped us with sufficient money whenever required cannot but be specially mentioned.

REPORT OF THE TIRUVADI TEACHERS' CO-OPERATIVE CREDIT SOCIETY

(Abridged.)

This Society No. 834 by name Tiruvadi Teachers' Credit Society was registered under the Act in March 1912 and began to commence its work from April of the same year. At the

outset it had 20 members on roll limited to 200 shares (ten shares per head) with a maximum borrowing power of Rs. 2,000. At present the Society has on roll about 62 members i.e., thrice the original number. And what is surprising here is that in spite of this abnormal increase the share capital and the power of borrowing yet remain unaltered, even after much correspondence with the authorities. Therefore, some of the members who have paid share fees and deposited amount for Provident Fund with a view of securing help in their needy moments, are now disappointed in their hopes, and were the future also be of this fate, we are afraid that discontent will commence to spring in and there will be every tendency towards a collapse. As matter of fact, it is hardly possible to meet the high and incessant demands with the some original capital. And so, to facilitate continuity, we request that there will be an early and favourable consideration upon this item of the proceedings.

The Society has borrowed Rs. 2,000 from the Central Bank, Kumbakonam, of which more than 1/5th of the principal Rs. 460 and interest have been paid. Therefore it is being carefully watched not to fall overdue. This society which is constituted of poor Elementary School Teachers and few landlords cannot immediately show a big capital of deposits. However the earnest endeavours of the President to obtain Provident deposits have not proved futile. And the total deposits up to date amount to about Rs. 100.

Lastly but chiefly it will be encouraging to such societies if the Central Banks are made to advance money at 6 per cent. interest instead of at 7½ per cent. as they now do. For in that case there will be an increase of loans and simultaneous increase of net profit. And for this Society the net profit for the past three years amounts to Rs. 126-13-8 and for the current year I hope it will not be disappointing. Finally such is the work of this society under its able President who is a teacher of Public Institution and, old as he is, he is spending his full energy in the upkeep of the society. And we, the Secretary, Panchayats and other members are much indebted to his untiring energy, his unsophisticated art in enlisting members and to his earnest enthusiasm to serve as President.

Correspondence.

To THE EDITOR,

THE MADRAS BULLETIN OF CO-OPERATION.

SIR,

In my capacity as Secretary of the Chingleput District Co-operative Banking Union, I visited Andrewpuram yesterday in company with Co-operative Inspector, Mr. T. Krishnaswami Aiyangar, where a co-operative society was recently organised. Some days previous I had visited Melrosepuram where a similar society exists. In both these places, the extent to which the missionaries are carrying their philanthropic efforts to regenerate and raise the Panchama, is apparent. These two places are models to practical well-wishers and friends of the depressed classes for building settlements and housing the settlers. The streets are broad, the houses neat and well-kept. In each place a fine school is maintained and school masters serve as guides and friends to the people and their daughters and sons. Hygiene is taught by word in school as well as example outside. Their sense of godliness is constantly kept alive by the sight of a church where man, woman and child are gathered and the omnipresence of God and His supreme love for His creatures are week in and week out, told in a language plainly understood. Neat plots are let out to those that would come in, for house-building, to live in as well as land to till and cultivate to raise food. Last, not least, is the effort of theirs to provide them that would seek and accept their unselfishly extended aid, with co-operative credit societies. And I earnestly hope that this effort of theirs would be expanded so as to embrace co-operation in other directions as well. The missionaries working in this District may be certain that the Directors would, I believe and trust, be extremely happy to second their effort in all possible ways.

CONJEEVERAM,

20-6-16.

P. RAMACHANDRA SASTRI.

BENGAL.

The following extracts are taken from a letter of Mr. Wolff's to the Registrar of Co-operative Societies, Bengal, in which he comments on the Report for 1914-15 :—

1. You are quite right in insisting upon as prompt repayment as is possible. Remissness in repayment is the great failing to be combatted. However, in every case circumstances have to be taken into consideration. I dare say that people in India, as elsewhere, have a natural disposition to put off repayment. However, times are likely to come when prompt repayment is impossible and a Co-operative Bank would be failing in its purpose by insisting upon it: it is for such matters as this that local administration and local control are pre-eminently useful, as admitting of discretion.

2. Anticipating, I may at the same time say that what troubled you so much in the squaring of accounts in local and Central Banks, when money ran short and outstanding accounts were heavy, may be overcome. Such troubled times are sure to come. When there is what you call a Provincial Bank that ought to be the balancing centre, and that is also the organ by which the outside market may in times of emergency be tapped. It should be what the Bank of England is to our banks on a much larger scale. You are quite right in wanting local banks to raise more deposits. And I thoroughly agree with you in your dislike of compulsory deposits. But it appears to me that you have in India special difficulties to battle with in the matter of local depositing. That was the cause for which what you call Central Banks were created. As I understand you find that outsiders, at any rate, deposit more willingly and more largely in Central Banks. And for that reason one may perhaps condone for the present the risk of interlocking liability which after all is incurred in Central Banks. That is to me a stumbling block.

3 Generally speaking promissory notes are most convenient records of a debt and it is well to accustom people to them.

4 The point touched upon in clause 3 requires careful handling. It was nonsense to say that as a general rule,

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members must clear their old debts at once. Each case wants to be dealt with on its own merits.

5 Non-credit societies are likely for some time to come to play only a secondary role. Productive societies present difficulties of their own. Sugar factories also present difficulties. Dairies will, I hope, soon discharge a useful function. It will be interesting to see how the Dacca Society develops. Agricultural Societies ought to have a great future and your Agricultural Department ought to do all that it can to work hand in hand with you. Stores, I am afraid, will have some time to wait for a real spread and growth. However it is well as King Solomon says in his proverb, to sow besides all waters.

FOREIGN.

DAIRY ORGANIZATION IN SCOTLAND.*

In Scotland the system of dairying pursued, differs as in England and Wales, according to the locality and proximity to markets. The various systems adopted in that country may be classified under the following heads :—

Retailers of Milk. (i) These are farmers who reside on the outskirts of large towns or cities and who for the most part retail their milk direct to the consumer. So far co-operative organization has failed to appeal to this class except in "one or two centres, but with the present increased cost of production and the difficulty in obtaining an adequate compensating rise in price owing to the competition between the dairymen themselves, a desire for an organization on co-operative lines is becoming manifest.

(ii) Those farmers situated from 4 to 7 miles from large centres of population who contract to sell their milk to retail dairymen. This milk is usually sold on yearly contracts and is conveyed by road to the dairy shops in the morning. Until lately the co-operative movement failed to appeal to this class, but with the spread of co-operative schemes in districts at much greater distance from the markets, the farmers within what may be termed the 7 miles radius of towns and cities, are beginning to realise that they too must adopt co-operative methods and

* The Monthly Bulletin of Social and Economic Intelligence.

thus minimise the cost of production and transport. The pressure of competition from organized farmers in localities less favoured as regards proximity to markets and means of transport, and with land at relatively lower rents, has now become a serious menace to those who at one time considered themselves more fortunately placed, and consequently paid higher rents for the privilege. Co-operative organization is now being taken up by this class of farmers in order that he may buy his requirements on more favourable terms, and substitute for individual delivery of milk that of motor transport in combination with his neighbours.

Butter making. Another system adopted by dairy farmers located near industrial centres and mining villages is that of butter making. It is usual in this system to *ripen* whole milk and then churn it into butter twice or thrice weekly, sealing the butter and butter milk direct to the consumers. It is only a relatively limited number of farmers in each locality who adopt this system, and those who are engaged in it are, at the present time, content to pursue it on individualistic principles.

Milk-selling and Cheese-making. Under this heading is grouped by far the largest number of farmers engaged in the dairy industry in Scotland, which embraces the great cheese producing districts in West and South-west Scotland, where cheese is made during the summer months, whilst during the winter and early spring months the milk is sold on contract to city dairymen. There is also embraced in this group a large number of farmers located in districts at considerable distance from the great centres of population who sell milk all the year round, sending it by rail to the distant towns or cities. This latter class has not any alternative means of dealing with their milk, the farm buildings not being equipped with suitable butter or cheesemaking premises.

These farmers have for long enough been at the mercy of the city milk dealer, who taking advantage of their position bought their produce on contract at some pence per gallon less than that paid to those farmers who could deliver direct to the dealers premises. What was termed "railway milk" was not deemed by the dealer as of so much value as milk which was

delivered by cart at an earlier hour, although it is important to recollect that no difference was ever made in the price charged to the consumer. It was amongst these farmers that the Scottish Agricultural Organization Society first turned its attention in 1906. In that year the first co-operative milk depot was erected, and others followed in rapid success.

Under the schemes carefully prepared by the Dairy Committee of the S. A. O. S. each depot erected under its auspices was equipped with cold storage and refrigerating plant of the most up-to-date kind, cheese making plant was also provided as well as cheese drying and storage accommodation. Equipped in this way, committees of these co-operative depots were in a position to dispose of their thoroughly cooled milk to buyers at a considerable distance, the keeping properties of the milk being greatly enhanced through prompt cooling to a low temperature. They were thus no longer dependent on the demand from particular local markets, but were in a position to sell wherever the demand and the price was best.

Prior to the establishment of these co-operative depots the farmers sold their milk on contract to the city milk dealer, who had to take the farmers' whole supply irrespective of the often fluctuating demands of his customers. No doubt from this cause the milk dealer frequently suffered loss through at times getting over supplied. This element of risk of loss has been entirely eliminated since the adoption of the S. A. O. S. co-operative schemes. The milk dealers now get from day to day supplies of milk to suit their fluctuating demands, all surplus not required for immediate consumption being manufactured into cheese. When the milk demand is good, less cheese is made and vice versa. Prior to the adoption of this system, the price obtained by the farmers in these areas did not exceed an average of 6d per gallon throughout the year, indeed taking into account the relatively larger quantities produced during the summer months at a lower price, the real average realised would be under 6d per gallon after paying railway carriage. A further deduction had to be made for milk butts, the cost of carting the milk to the nearest railway station, and the expense of loss of time incurred going to town to collect the monthly accounts. Bad debts were of frequent occurrence.

Under co-operative organization, improved business methods were introduced, better prices were obtained for the produce, each year showing a slight advance on the preceding one, whilst the farmer was relieved of all risk of bad debts, and the charges above referred to. Having the depots conveniently situated in a central position, the cost of production and transport has been minimised and the labour at the farms rendered less irksome, it being no longer necessary to commence milking at the exceedingly early hours hitherto prevailing when the milk had to be sent to a distant railway station for transit by an early morning train.

Members of co-operative dairy association found (i) that better prices could be obtained through acting in combination than individually and (2) great savings were effected through having less wear and tear of milk cans.

The farmers being relieved of the worry of marketing and collecting accounts have more time to devote to the supervision and management of their live stock and farms, and this in turn has led to increased production.

In illustration of this, the following striking figures may be quoted; with no increase of membership, turnover at one depot increased from £ 13, 092 18. 2. in 1912 to £ 14, 485. 3. XX. in 1914, and at another from £ 13, 998. 12. 2. in 1912 to £ 14, 808. 15. 4 in 1914, and at another from £ 16, 796. 4. 7. in 1912 to £ 21, 355. 19. 0 in 1914.

It is pleasing to record that the better returns obtained by the farmers through the adoption of organized methods of marketing has not necessarily entailed increased cost to the consumer. The adoption of motor transport has also enabled the associations to effect considerable saving and relieves the city dealer of the necessity of taking delivery at the railway stations.

In order to avoid the risk of competition between the different affiliated dairy societies, the S. A. O. S. dairy committee found it desirable to promote a scheme of federation, the object of which is, without unnecessary interference with the individual liberty of the federated societies, to guard against competition between them and to promote such common action

as may be generally advantageous. Under this scheme each Association is represented on the Joint Board by two delegates, and S. A. O. S. by four representatives elected annually. This Joint Board or committee meets usually monthly, or at such times as may be found desirable in order to confer regarding matters of common interest and fix minimum price below which the federated societies bind themselves not to sell.

Since the outbreak of War the federation has proved of great advantage to the dairy farmers and no difficulty has been experienced in marketing the products of the depots at prices 25 % and 50 % over pre-war values. On the other hand the unorganized farmer, though complaining bitterly of the increased cost of production, has not been able to secure an increase of price to recoup his increased outlays for purchased feeding stuffs.

APPENDIX

The Third Burma Provincial Co-operative Conference.

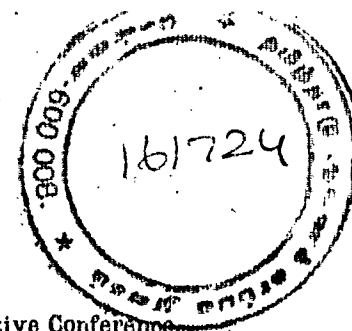
The Third Provincial Agricultural Co-operative Conference was held at Mandalay on the 25th of August, 1915, when there was a good gathering of delegates from co-operative societies, high officials and influential gentlemen.

Sir H. Adamson's speech.

The Conference was opened by the Lieut.-Governor, Sir H. Adamson, who spoke as follows :—

'I have much pleasure in welcoming the members of the Third Agricultural and Co-operative Conference. We meet under the shadow of a great war. Germany has been for some years the largest buyer in Europe of our staple product, rice, and the whole of this trade has ceased. Our merchants have had to find other markets for the past season's crop; to a large extent they have been successful, thanks to the strong demand from India. The uncertainty as to markets and difficulty in obtaining freight owing to military requirements caused prices to rule low at the beginning of the season, but they have since risen to above normal. The cotton market was disorganized at the outset, but the situation was saved by a revival of the old trade with China which had disappeared with the high level of prices ruling in recent years. Difficulties were aggravated by the action of the money-lenders in calling in their old loans, and refusing to entertain applications for new ones. But on the whole the dislocation of its commerce has been borne by the Province much better than was anticipated. I attribute this result in the main to the high prices which have prevailed during the past few years for the staple articles of exports. As a result of those high prices, the people as a whole are now better able to face a year of low prices. More especially is this true in the areas where the members of co-operative societies form an appreciable portion of the community, and I anticipate a great stimulus to the co-operative movement from the experiences of the past year.

The present occasion affords a convenient opportunity for summarising what Government has done to help agriculture and co-operation, since the date of the last conference in



1913. The year 1913-14 was marked by an improvement in the financial position of the Province, and I was able to lend a sympathetic ear to schemes for the improvement of the departments concerned. I have sanctioned the establishment of five seed farms for the distribution of improved seed and the entertainment of eight District Agriculturists, in addition to the six previously sanctioned. The establishment of seed farms is intended to facilitate the distribution of improved varieties of seed, and the appointment of District Agriculturists will extend the knowledge of improved methods of cultivation. The number of Agricultural Assistants has been raised from 6 to 11, and their pay improved so as to attract a good class of candidates. Six experimental stations have been sanctioned for the cultivation of cotton, wheat, sugarcane, island crops, and other dry crops. The appointment of an Additional Deputy Director for work in the dry zone, more especially on the improvement of cotton has been sanctioned by the Secretary of State, and the post will be filled when the war is over, and a suitable candidate is found. I have also been able to effect a much needed strengthening of the Subordinate Veterinary Establishment; the sanctioned number of Inspectors has been raised from 12 to 15, and of Veterinary Assistants from 132 to 176 at an estimated annual cost of nearly Rs. 25,000 a year. In the Co-operative Department, Junior Assistant Registrars have been formed into a separate service on a time scale of pay and their numbers increased from 7 to 12. The clerical staff of the Registrar's office has also been largely strengthened. Many of you are doubtless aware that the Committee which was appointed by the Government of India in 1914, to examine the state of the Co-operative movement in the various provinces has lately completed its labours. I have read the Committee's report, and I am glad to note its general approval of the lines on which the movement has developed in Burma, and in particular its satisfaction with the Upper Burma Central Bank and our system of Unions of Societies. The Upper Burma Central Bank has had anxious times since the commencement of the war expecting shortage of funds, but has successfully managed to finance all its urgent needs without raising the rate of interest to societies. The number of Unions in Burma is now 113, embracing 1,117 Societies, and in future new Agricultural Societies will not be registered if there is no prospect of their early

affiliation to a union. I am informed that the most successful Unions are found in certain large Village Headmen's and *Myethugyi's* charges where the Village Headman or *Myothugyi* has used his local influence to organize the people for their good. The Co-operative Committee also expresses approval of our system of cattle insurance. The number of societies is at present only 63; because it was thought better to proceed slowly pending the establishment of a Central Re-insurance Society. The sanction of the Secretary of State has now been given to the proposal to grant to the Central Re-insurance Society interest free loans for 5 years up to an annual limit of Rs. 25,000 when such loans are needed to supplement its resources which at the outset will be small. I entertain high hopes of the good which will result from the widespread formation of Cattle Insurance Societies, which will not only do much to minimise the loss sustained by the cultivators, but will, by creating mutual interest in stamping out disease, secure the enforcement of the restrictions by which alone cattle disease can be effectually combated.

There are two types of societies in the formation of which our progress has been less satisfactory. I refer to sale societies and non-agricultural credit societies. The failure of the experiment of direct sale of paddy by sale societies to the Rangoon millers is unfortunate, but I am glad to hear that more success has been obtained in dealings with the Supply and Transport Department. The comparative lack of success which has attended the establishment of non-agricultural credit societies is mainly due, I think, to the same cause that makes the formation of agricultural credit societies in Lower Burma, a less easy operation than their formation in Upper Burma. In Upper Burma villages the sense of interdependence and community of interests is much stronger than in the majority of Lower Burma villages, and in this respect towns are even more backward than Lower Burma villages. The establishment of one successful popular bank would initiate a movement which would prove of incalculable benefit to small bazaar sellers and traders, to whom, quite as much as to the agriculturist, credit is of paramount importance. I trust that the difficulties in the way of establishing such a bank will be surmounted before the Fourth Conference is held. The holding of District Conferences is a new and encouraging feature. Such Conferences were held in five districts

in the latter part of the year, 1913-4, and I am glad to learn that the report for the 12 months which ended on the 31st July, 1915, will record the holding of twelve of these Conferences. Conferences bring Deputy Commissioners and other officials into touch with the leaders of the co-operative movement, and they afford a unique opportunity for explaining and discussing all matters of local interest.

Those of you who attended the second Agricultural Co-operative Conference in 1913, will remember that its members resolved that payment for audit is the ultimate duty of Co-operative Societies, and that the date for the introduction of full payment for audit should be decided at the next Provincial Conference. The former Resolution has been affirmed by the Committee on Co-operation in their report, which recommends that the original audit of Primary Societies should be carried out by a staff maintained by the Co-operative Institutions themselves. It now rests with the members of this Conference to decide the date with effect from which, and the basis on which, such payments should be made. The staff of auditors will be quite separate from the staff of Union Inspectors, who will continue the general supervision of the Societies affiliated to their Unions, without making a detailed audit of their accounts. In my address to the members of the first Agricultural and Co-operative Conference in 1911, I laid stress on the intimate relation between agriculture and co-operation, and some time ago I submitted a scheme to the Government of India for the amalgamation of the Agricultural and Co-operative Departments under one departmental head. Since then the Committee on Co-operation has put forward a somewhat similar recommendation, and the consideration of the Burma scheme has been deferred, pending the settlement of the more general proposal. I trust that before the fourth Provincial Conference is held, an amalgamation of the two Departments under one head will be an accomplished fact.

The Committee on Co-operation found that considerable misunderstanding existed regarding the precise position of Government in relation to the Co-operative movement. I therefore take the present opportunity to say a few words on this subject. Government is in no way liable for the due repayment of money deposited in Co-operative Institutions. It merely confines itself

to endeavouring, through the Registrar of Co-operative Societies and his staff, to secure that every Society registered under the Act is conducted on honest and business-like lines. Up to date no depositor of money with Co-operative Societies in Burma has lost any portion of his investment, and the losses of honest members, caused by the presence of black sheep in their Societies, have been exceedingly small. The duty of the Registrar is to enquire into applications for registration, and, if suitable, to register the would-be Societies; to control the audit of all Societies; to have valuation of their assets and liabilities made, to see that the Co-operative Societies' Acts, Rules and Bye-laws thereunder are observed; to inspect and, if necessary, dissolve and liquidate Societies. It is his business to see that all possible steps are taken to make co-operation real, and that Societies are punctual and business-like, and he is always ready to assist Societies with his advice. It is not his duty to doctor bad Societies, or to act as their bill collector. The present policy of the Registrar, as approved by Government, is to consolidate and improve existing Societies in areas where the movement has been firmly implanted; and to confine the preaching of co-operative principles to areas where no Societies yet exist, and where enquiry and imitation by the people is therefore impossible. In areas where Societies exist, the movement must be spread by enquiry and imitation by the persons who desire to form new Societies. The movement is a self-help movement, and no new Society will be formed unless the Registrar is convinced that the would-be members of the Society know what co-operation means and understand the system from the Central Bank downwards.

The Registrar's address.

Mr. English, the Registrar of Co-operative Societies, then addressed the meeting as follows:—"The outstanding event of the year is the great war in Europe. His Honour the Lieutenant-Governor has spoken to you on this subject, and it is unnecessary for me to say anything more. Burma has felt its effects far less than countries nearer to the main theatre of it. There was, perhaps, some scare at the beginning, but that has passed and chief effect here has been to contract credit and temporarily to contract the market for Burma produce. The contraction was due to the elimination of the large buyers, Germany and Austria, to

the shortage of shipping and to the general dislocation of trade and finance in the world. Prices, however, were better than was expected, and it may be hoped that when the war is over the low prices of the past year will be compensated by a good demand and high prices. No country in the world, whether at war or not, has escaped suffering from the war and Burma is lucky that it has not suffered worse. Credit has contracted all over the world but the Central Banks in this province have—though they had to raise their rates on deposits for a time—refrained from calling in loans, have been able to give time to the societies to pay, have maintained their original lending rate, and have financed all urgent demands for loans. Repayments by the societies to the Central Banks were only half of what should have been paid in a normal year, but on the whole the societies have done well, and there has been practically no default in the payment of interests. I trust all the societies will realise that they must make an extra effort to pay up well next March. The Mandalay Central Bank has naturally made less profit than was expected and has therefore reduced its dividend rate to 6 per cent. It has, however, been able to place some Rs. 20,000 to its reserve fund. Another event of considerable importance to the co-operative world in India was the appointment of a committee by the Government of India to visit the various provinces and to enquire into and report upon the condition of Co-operative Societies of all sorts and Central Banks, and to suggest improvements in the system or practice. The committee spent four months in touring and another four months in considering the position and reporting thereon. It visited Burma in January and saw the Central Banks and several Unions and Credit and Insurance Societies. I think, I may say, that it found no very serious failings in Burma, and that it specially approved certain things peculiar to this Province, namely, the Cattle Insurance System, the Union System, the use of the money stick by Unions, and the Registrar to enforce co-operative dealing and punctuality, the measures taken (for example the "Ten main principles" leaflet) to inculcate co-operative knowledge, the A. B. C. system of loans, and in the Central Bank the maintaining of a considerable fluid resource in Government paper and the obtaining of really long term deposits. Speaking generally it found on its tour that the chief evils to

to which the individual co-operator is prone are ignorance of co-operative principles, misapplication of loan money, and unpunctuality in repayment. It found societies incline to suck funds from Central Banks, and not to seek for local deposits, and apt to think that casual business methods were sufficient. It also, of course, found numerous minor faults, some universal and some only occasional. I expect its report will be issued shortly and then I trust Burma will hasten to correct the faults it has, and study to avoid those evidently existing in other provinces, but not yet existing here. Owing to the shortage of money in the Central Banks and to their wish to finance existing societies adequately before attempting to finance new societies, it has been impossible to comply with a large number of requests for registration. Agricultural credit societies have increased, however, in the year from 1,086 to 1,254 and as funds in the Central Banks now seem to be coming in normally I hope it will be possible very shortly to form 200 or 300 societies in these districts where co-operation is most securely established; 19 societies have been dissolved and 15 are still under liquidation. The time has passed for doctoring bad societies. The staff cannot afford the time to do this, and such societies are a bad example and "poison the whole boat." They will in future be expeditiously wound up, and have no one but themselves to thank for their dissolution. It is proposed to proceed at once with the formation of the Central Cattle Re-Insurance Society which Government has kindly consented to support to a limited extent with interest and free loans, if necessary, in its early years. In the matter of insurance Burma at any rate can follow modern methods and by looking ahead secure a certainty of being able to replace cattle died of disease or accident, through insurance. It might almost be said that the extent to which the principle of insurance, whether it be in respect of human life or cattle or concerns fire or other damage is developed, is one of the criteria of civilisation and advancement. Direct sale of paddy to Rangoon has temporarily stopped owing to the haphazard system of weighing there, and the uncertainty that consignments will be acknowledged or paid for in full. Societies have again dealt direct with the supply and transport department, and a sub-committee will discuss the measures necessary for the further developments of this business.

The programme of the discussions at this conference is in your hands. It is a long one, but I think nothing has been included except matters on which the opinions and advice of the representatives of societies is really urgently necessary. I would ask you all to treat the conference seriously, to attend meetings, to think over subjects carefully, and where possible contribute your advice and so ease the labours of the official staff. I say without hesitation that Burma differs to a larger or smaller extent from every Indian province in that through its union system co-operators are able to do a large part of the work of control and development themselves, instead of leaving such work to be done by others, be such others the educated people in the towns or the Government staff. Co-operation is a self-help movement, and it will never succeed unless co-operators help themselves. You have now a good opportunity of showing that you can help yourselves by really working at this conference and contributing careful opinion on the various points for discussion. It is not a picnic, but a serious business meeting which decides the policy and development for the next two years. The Government staff can make suggestions, but we want your considered opinion on them before enforcing them. It is now nearly nine years since I assumed the post of registrar, and it is improbable that I shall retain it much longer. The period has been full of interest to me. I have had disappointments in particular cases, but on the whole the work has been cheering, thanks to the material I have had to work on, and I shall be very sorry to cease connection with the movement here. In England I hope to introduce it in my own part of the country, and trust I may meet with as much help from the people as I have had here. My advice is brief, that nothing short of real co-operation is any use. To practise real co-operation every co-operator must know and follow its principles. You must try to save. Get others to deposit their savings. Take loans only when really necessary and productive. Use them honestly, be absolutely punctual in repayments, and generally be business-like. In this way you will become wealthy. A good and sound system of co-operation brings many other advantages in its train. It reduces crime and litigation to nothing, promotes good morals and trains you for local self-government as nothing else can prepare

you. In the words of one of the greatest co-operators now living it means: "Better business, better farming, better living." I wish to take this opportunity of tendering my heartfelt thanks to all those officials and non-officials who have helped me personally in my duties and thereby the co-operative movement in this province. The many leaders of our Central Banks, Unions and societies who have given their services gratuitously to the movement assuredly deserve well of their countrymen. I hope to hear in later years that in no province in India is the movement more genuine or more successful than in Burma. Much, however, yet remains to be done to accomplish such success, and I trust that co-operators realising this will not relax their efforts.

The following were the most important Sub-Committee resolutions, passed at the Conference:—(1) (a) That only such amount of local fixed deposits as are actually required for the issue as loans to members strictly in accordance with the A. B. C. systems of re-payment, should be accepted by the societies; (b) that no loans should be granted by the Central Bank to Societies for re-payment, of local fixed deposits so accepted; (c) that loans out of such local fixed deposits should only be made to members who can guarantee punctual re-payment of the same; (d) that the dates for the repayment of fixed deposits so received should be arranged so as to fall after the date on which cultivators have usually reaped and disposed of the main crop of the locality. The interest payable on such deposits should not exceed a maximum to be fixed by the Registrar.

II. (a) Resolutions for the repayment of loans should be passed either at the annual meeting convened for the purpose, or two months earlier than the date fixed for re-payment, and that the term "one year" should ordinarily expire at the time of harvest of the crop or crops generally grown in the locality; (b) that though a maximum limit of borrowing has been fixed for each member by the general meeting of a society the committee retains full discretion over the actual issue of loans. They may either reduce the amount as they think fit, or refuse to make any loan at all. No loans in excess of the fixed maximum limit of borrowing may be made without the special orders of the general meeting of the society.

In the arrangements for sale to the Supply and Transport Department; it was resolved that no change is necessary.

III. (1). That where the post office department is not prepared to open a local post office, or to entertain a local postman or to pay a postman a salary sufficient to enable a Burman to be employed in any locality, it should be a legitimate charge on the district cess fund: (a) to give a guarantee for such post office or postman; (b) to make up the salary of the postman to the requisite amount by a special allowance paid from the local fund.

2. That the offer of the Postmaster-General to appoint as rural postmen Burmans, nominated by Unions and guaranteed by them, to deliver letters and money-orders in areas where there are co-operative societies, on condition that the Union will guarantee the amount by which the income falls short of the cost of entertaining the postman, is commended to all unions at present insufficiently served for their acceptance.

3. That the further offer of the Postmaster-General to appoint officials or members of societies as extra departmental agents in places where there is no post office, and that the Union is willing to guarantee the deficit in the cost incurred, is also worthy of acceptance by Unions situated too far from an existing post office to permit of there being served by a postman.

4. That all postmasters and telegraph masters and their clerks should be required to learn Burmese, and that an adequate knowledge of it should be made a condition of promotion in the same way as it is in other departments of Government.

IV. 1. That in Upper Burma, with the exception of Katha and Myitkyina districts, societies should provide an auditing staff, one auditor to 100 societies on a pay of Rs. 50 to 100, arising by yearly increments of Rs. 3 with fixed T. A. at Rs. 20; that such auditors should be appointed from 1st October next.

2. That until the next Conference in 1917 the appointment, control, dismissal, and pay of this auditing staff should rest with the Registrar.

3. That the possibility of the formation of a provincial federation to control this auditing staff, and so to relieve the Registrar, should be carefully considered at the next provincial conference to be held in 1917.

4. That the funds for payment of this auditing staff should be obtained by the levy of fees upon societies on the following scale:—For societies with under Rs. 10,000 working capital, Rs. 8; for societies with under Rs. 20,000 working capital, Rs. 12; for societies with over Rs. 20,000 working capital, Rs. 8. The Registrar should have power to reduce these fees if found possible, and that they should be levied from the 1st October by debiting societies' savings bank accounts and by addition to the Societies' loan accounts in the Central Bank. The Registrar will keep the accounts of this fund in the Central Bank, and issue yearly statements of accounts to Unions.

5. That all society audit reports should go to the Registrar through the Unions concerned, the same practice being adopted with regard to the reports of Government auditors.

6. That Society-paid union inspectors at the rate of 1 to 50 societies, be provided, and that they be paid as now from the Union rates. That this staff be appointed from the 1st October next or as soon after as possible. That payments be made by unions in consultation with the Registrar.

7. That the bye-laws of the various societies be amended to provide for: (a) fixation of a maximum normal credit of members; (b) the fixation of the maximum borrowing power of the society and in both cases yearly.

8. That Cattle Insurance Societies, being practically annexes to Credit Societies, should be admitted into those Unions in the jurisdiction of which they fall.

V. 1. That the chairmen and committee men of Societies should hold meetings of members in their villages at least once a month for instruction in co-operative methods and the bye-laws.

2. That Cattle Insurance Societies should be formed by every society in the districts covered by the scheme.

3. That in the case of money-decrees against members of Societies, the Court should order payment to be made by annual instalments payable at harvest and calculated on the out-turn of the judgment-debtor's crop.

4. That to assist the Co-operative movement should be regarded as one of the duties of a village headman.

VI. 1. That in areas at a distance from existing ginneries it is desirable that societies engaged in cotton-growing should erect their own cotton ginneries.

2. That Co-operative ginneries should confine themselves to ginning cotton for their own members and for hire, and that trade should not be undertaken.

VII. 1. That the introduction of foreign breeds of cattle for breeding purposes into the Province is in the opinion of the Conference undesirable for the present, as there already exists a very good stock which can be bred from and greatly improved.

2. That it is desirable to establish breeding farms for the creation of pedigree herds of the indigenous breed, from which goods bulls can be distributed for breeding purposes.

3. That when funds are available a Central Government Cattle Breeding Farm should be opened in one of the cattle breeding districts. The farm should be under the management of the Agricultural Department, assisted by a committee of Burmans interested in cattle-breeding. That at the farm pedigree bulls should be bred and sold to Co-operative Societies.

Wherever water can be relied on with certainty the Societies will follow the advice of the Agricultural Department as to what crops should be grown experimentally in the present year.

VIII. The meeting agrees to the principle of villages selecting boys to be trained as teachers and guaranteeing their support both at the training school and on their return to their village and allotting a sum not exceeding ten per cent. of their profits of Co-operative Societies to their support.

IX. That the Sub-committee approves of the proposals of the Chief Conservator of Forests for forming village reserves for the regulation of the supply of timber and firewood for villages in the vicinity. Such reserves will be worked jointly by Government and the villagers, the villagers paying their share of the cost of management.

X. That the Urban Societies agree to renew their efforts to give effect to the resolution passed at the Conference of 1913, viz., (a) that Savings Bank should be opened and that devices such as savings boxes and savings cards should be adopted to encourage savings deposits; (b) that the introduction of cash credits and current accounts for members was desirable; (c) that urban societies should be organised into unions.

The Third Madura-Ramnad Co-operative Conference.

The Third Madura-Ramnad Districts' Co-operative Conference was held at the Madura College Hall on the 18th September 1915, under the presidency of Mr. G. F. Paddison, M.A., I.C.S., Collector of Madura. More than 150 delegates from the different Societies in the two districts were present. A number of gentlemen of the City interested in the cause of the Co-operative movement also attended.

The Conference assembled at 12-30 when Mr. A. Rengaswami Iyer, Chairman of the Reception Committee, welcomed the assembly.

In the course of his speech he said that Co-operative Conferences were intended not merely to strengthen the spirit of Co-operation amongst the members but also in addition to bring them in contact with each other and to make them feel that they were members of a vast body in which the Co-operative units were not only individuals but also societies. In the Madura district the number of agricultural societies was 60, the non-agricultural being 5. In Ramnad district the number of agricultural societies was 79, while there were only two non-agricultural societies. There was one Central Bank for the two districts. Although the number of these societies bore but a very poor ratio to the number of villages or groups of villages, the number of members attached to these societies was fairly sufficient to form a substantial nucleus to inculcate and spread the practice of thrift and co-operation amongst the villagers in whom those qualities were at present so sorely lacking. There were 5,247 members belonging to societies in the Madura district and 4,653 attached to those in the Ramnad district. Leaving the Central Bank at Madura with its working capital of Rs. 5,41,274-9-10, which

was distributed to the several societies towards making up their respective working capitals, the Madura Societies had a working capital of Rs. 4,19,320-14-6, during 1913-14, while Rs. 4,20,320-7-9 formed the working capital of the societies in the Ramnad district. These societies gave loans at 9 3/8 per cent. per annum and received deposits at 6 per cent. So far the beneficial action of the co-operative movement of the two districts was apparent. This beneficent action had been strengthened by the assistance of the Central Bank at Madura which formed the connecting link acting permanently between the several Co-operative Societies and creating a feeling of solidarity amongst them.

While it must be admitted that the audit by the officers appointed by Government would be necessary for many years to come, for the Government audit was a factor to be recognised for spreading, popularising and consolidating the co-operative movement and was the minimum of official interference essential to secure public confidence, it must be recognised that in the words of the Board of Revenue that it would be a fatal day when the society was looked upon as a Government concern. While the levy of audit fees might go to relieve the cost of audit by Government to some extent, it was the duty of the Central Bank to scrutinise even more thoroughly than Government officers the position of each one of the several societies who formed its clientele both in the interests of the Central Bank which financed them and those of the societies themselves. The Government remarked last year that the co-operative credit movement was now well established and the principal problem to be solved was the future control of the considerable and growing body of societies. Consolidation was at present more pressing than extension. The working of the societies for the year 1913-14 brought certain features into prominence which deserved close and careful attention. The two points which determined largely the utility of loans advanced by the societies to their members were the purpose for which a loan was borrowed and the regularity of the due discharge of the same. Both these are considerable moral and material value. The figures disclosed that in both directions there was scope for considerable improvement.

Co-operation for diverse forms of utility as distinguished from the type of simple credit societies was destined to bring

the best moral and material results from the spread of the co-operative movement. The Agricultural Society of Vadamalaipuram which in addition to the undertaking of the cultivation of pure Karunganni cotton made wholesale purchases of cattle, food, hides for water buckets and ropes, and distributed the same to its members. The Uthangudi Agricultural Society working for the introduction of improved ploughs, and the entrustment of Vadamalapuram, Mangalam, and Silkwarpatti Societies with the execution of Sanitary works in their respective villages by Government, all these tended to make the influence of Co-operation felt more deeply and make its efforts more lasting.

The Hon'ble Mr. K. Rama Iyengar then proposed Mr. G. F. Paddison to the Chair. In doing so he said that he was proposing an official to preside over their deliberations. The question had been raised recently whether officials were not being brought into the field of these Conferences only with a view to help them in collecting the arrears of loans or for otherwise carrying on the affairs of co-operative movement. The matter should be viewed from two standpoints—the standpoint of the co-operators and that of the officials. On behalf of the co-operators certainly it might be very well to argue that it was better not at all to expect anything of considerable support from the hands of the officials and the day would be welcome to India when the co-operators could irrespective of the officials, stand alone to see that the movement got on and progressed. From the standpoint of the officials it was absolutely necessary in the interests of good administration and in the interests of the welfare of the country as a whole that rather than going to only certain sources of information for guiding himself in the matter of the improvement of the district or other charges placed in his possession, the District Officer should combine sympathy and co-operation and go in to these societies, mix with them, to encourage them and take interest in a movement which was likely to better the prospects and economic condition of the country. In fact it had been felt by the Government and he thought it would be felt more so by their district officers who were practically their Governors, that for them the co-operative movement would be a standing source of help. The money that had to be spent whether from the Provincial Funds or the local funds had all to be distributed now and for a long time to come by their district authorities and

the method of making this money pay its best return, would consist in trying to utilise, the most interested of the masses to work out the several schemes that were placed before them, with all the guidance that could be given by a parental Government; and if the authorities in charge of these districts had really to find out the method of choosing the proper men who could be entrusted with such charges, it would be for them to encourage this co-operative movement and find out the public spirited men in the rural areas and through them see that all their efforts were crowned with the best success that could be commanded.

Mr. N. Ramaswami Iyer, the Secretary, read his report, in which he said:—

At the beginning of the year there were 146 Co-operative Societies in these two districts, 66 in Madura and 80 in Ramnad. At the end of the year the societies in the Madura district increased by 9 and those in Ramnad by 11. Of the 164 societies now existing, the Madura Urban Co-operative Society is not only the earliest, but the most advanced of all. It is a combined credit and distributive society and the only one of its kind in these two districts. Its transactions during the last nine years have shown a steady increase. At present its operations are confined to the limits of the Madura Municipality. A proposal is to be brought forward at the present Conference to extend its operations to the agricultural societies in these two districts by undertaking the supply of all agricultural and other requisites to its members and getting from them in return, all local products for which there is a large demand among consumers in this town. If the scheme be accepted, there will be created a closer link between the producer and consumer and it is thus hoped that the Madura Stores will come to occupy a position in the distributive branch analogous to the District Bank in the supply of capital to rural societies. There are two agricultural non-credit societies which confine their operations solely to the supply of seed and manure and agricultural implements and other requisites to its members. It is not possible to expect speedy development in this type of societies, as the working of the societies require considerable forethought, skill and technical knowledge. The progress so far must be considered good. There is scope for considerable expansion in these societies; but progress cannot but be slow. There is

a proposal to arrange for the wholesale disposal of produce in Uthangudi Agricultural Co-operative Society, which if it proves successful will open out a new field for its activity resulting in increased economic advantages to the agricultural classes.

Two societies whose functions according to their bye-laws are mainly the erection of sanitary dwelling houses, have been in existence since last year, namely, the Madura Co-operative Building Society and the Dindigul Co-operative Building Society. The former has practically not done any business till now, though it has been in existence for over two years. This Society has recently chalked out a programme of work to be done during the current year, according to which sites are to be acquired in suitable localities for the erection of houses for the poor and lower middle-class people. The Dindigul Society purchased a plot of ground, allotted it into suitable sites and sold them to its members who are now constructing houses on them.

Compared with Chingleput and Anantapur our districts must be considered to be backward in the matter of co-operative development. Though we have different types of societies here, the number of agricultural credit societies is comparatively small and even these are not fairly distributed throughout the whole area. In the Ramnad district the movement had attained considerable expansion in the Satur taluk which alone consists of very nearly half the total number of societies in the whole district. In Madura district in the Tirumangalam taluk, the Usilampatt Deputy Tahsildar's Division has got the largest number of societies. There are no unions here of groups of societies for mutual supervision and control, similar to those in the neighbouring districts of Trichinopoly, Coimbatore and Chingleput.

The Societies of Mangalam, Vadamalaipuram and Silkwarpatti have undertaken and completed certain sanitary works entrusted to them under the orders of Government. Vadamalaipuram is maintaining a free primary school in the village out of the profits of its society.

The President's Speech.

Then Mr. G. F. Paddison, the President of the Conference, addressed the assembly. He said that he was an amateur in the assemblage of experts and was there not to instruct them but learn from them. He wanted to know the difficulties that they

showing up those societies that were bad. He hoped that would produce a spirit of emulation; and that the societies classed as bad would improve and show good work during the next year.

Speaking to the educated section of the assembly living at Madura, he asked them to make it a point to go to their villages at least on Sundays and other holidays and teach the ryots there the advantages of the co-operative societies, by pointing out to the useful and helpful work done by the good societies.

He sounded a note of warning regarding the suggestion about the Madura Co-operative stores extending its operations to the agricultural societies in the two districts by undertaking the supply of all agricultural and other requisites to their members. That was a very large scheme and if they considered that it was worth trying, he would ask of them not to do in a large scale all on a sudden but to try it as an experimental measure with some select societies.

In conclusion, he assured them that he was prepared to do anything that was in his power to help the spread of the movement which was one of the first movements that had been ever started and hoped that it would continually go forward.

Rai Saheb K. Ramaswami Iyer spoke on 'Building Societies'. The Madura Co-operative Building Society, he said, was started last year for helping the members in the erection of sanitary dwelling houses and though it had been in existence for nearly two years, it had practically not done any work at all till now. A programme of work was, however, recently chalked out and he hoped that the society would begin to do business early. He also spoke of the other Co-operative Building Societies—Mambalam, Coimbatore and Dindigul—each of which doing work in a way that suited to its local conditions.

Mr. R. Sreenivasa Iyengar read a paper on the advantages of cash credit loans. He said that cash credit enabled young people of good character to acquire wealth and responsibility; and the industrial classes, merchants, traders and farmers were greatly benefitted by this system in carrying on their business. Cash credit had a considerable moral influence on the habits and character of the people by enabling them to draw easily and carefully sums which they required for their urgent needs and pay into the bank their earnings.

Mr. Venkatasubbiah, of the Servants of India Society, spoke on the work of the Provincial Co-operative Union started in Madras and appealed to those present to become members thereof by taking shares and making donations. He also asked the educated and enlightened of them to contribute articles to the "Madras Bulletin of Co-operation" on matters Co-operative and to give their moral support to the Union.

Rao Bahadur G. Sreenivasa Rao, then addressed the Conference. He said that the Co-operative movement was not new to India and it had grown splendidly well on Indian soil. If they turned to the history of India they saw how efficiently the village Panchayet worked. Through want of union and co-operation that system fell into disuse and now it was time for them to be back to the principles of old days: Considering the method in which they had been progressing in matters co-operative, they must all realise that every bit of the money that was necessary to make the movement a success, should come from themselves. Let them not go to Government for every little thing; let them not say that they wanted Collectors to preside over their meetings, Registrars of co-operative societies to be Indian Civil Service men. Let them not say that they had no non-officials among them to do the work. Let them think of their forefathers and call upon them to bless them with the ideas of co-operation of old days and continue in the spirit in which they worked. His feeling was that they did not understand the strength they all possessed. They frittered away their energies in various ways. If they understood rightly the spirit of co-operation they could do a great deal for the uplift of India.

Mr. A. Ranagaswami Iyer, spoke on the evil results accruing from local faction.

The following resolutions were passed at the Conference:—

This Conference is of opinion that the following facilities should be afforded for encouraging deposits by members in the rural societies.—(a) the institution of recurring and seasonal deposits; (b) the opening of Savings Bank account; (c) the opening of current account; (d) the opening and extension of cash credit system with the Central Bank.

This Conference is of opinion that with a view to the better dissemination of knowledge of co-operative principles among

Panchayatdars and members of societies it is necessary that periodical local gatherings should be arranged for Panchayatdars of societies situated within a supervisors' circle and in such gatherings, the Registrar, the Assistant Registrar, Inspectors and important co-operators should be requested to take part.

This Conference considers that in order to facilitate the collection of arrears due by members to societies and also to obviate the trouble and expenditure in resorting to civil courts for recovery of overdue loans, the Madura-Ramnad Central Co-operative Bank be empowered to follow the rules and regulations relating to the Arbitration Board as adopted by the newly constituted Conjeevaram Central Bank, and that the Registrar be addressed on the question.

This Conference desires that steps should be taken for arranging and facilitating the interchange of commodities between the Madura Urban Co-operative Stores and the rural societies to permit of such interchange.

This Conference believes that the present scale of supervision charges fixed by the Madura-Ramnad Central Bank at Rs. 12 for every society is too high for new societies and societies with limited working capital, subject to a maximum of Rs. 25.

This Conference is of opinion that the present rate of interest at 5 per cent. paid by the Madura-Ramnad Central Co-operative Bank to societies for their reserve funds be raised to 6 per cent. per annum.

With a few concluding remarks from the chair, the Conference dissolved.

APPENDIX.

The Fifth Mysore Co-operative Conference.

The Fifth Mysore Provincial Co-operative Conference met on the 10th October '15 in the Rangacharlu Memorial Hall. The Hon'ble Lallubhai Samaldas Mehta, C.I.E., of Bombay, presided. In one platform were the Yuvaraja, Sir Hugh Daly, British Resident, Sir Visvesvarayya, Messrs. J. S. Chakravarti, Comptroller, R. H. Campbell, Private Secretary to the Maharaja and also a few ladies. There were besides about 250 delegates present and about same number of visitors. Mr. Varadhanmiah, Merchant, read English address to the Yuvaraja requesting His Highness to open the Conference. In opening the Conference the Yuvaraja delivered his address in which he said that the Conference had done well to choose the Hon'ble Lallubhai Samaldas Mehta for President. Progress achieved by the Conference was satisfactory. Most of the Societies are credit institutions. Many societies are popularising the use of agricultural machinery, while some of them are thinking to effect a common sale of the produce of members. He pointed out that twenty societies were working for the benefit of the weavers. He hoped that the results of labours of Co-operative Committee would form basis of future co-operative effort in India. Before concluding the Yuvaraja congratulated the Conference on the earnestness, enthusiasm and sound sense that characterised the work of the Conference and thanked the members for referring to the honour conferred on him by the Emperor. This done, address was presented to the Hon'ble Lallubhai Samaldas Mehta, C.I.E., welcoming and requesting him to preside at the deliberations of the Conference.

The Hon'ble Mr. Lalubhai Samaldas Mehta, C. I. E., President, delivered an interesting speech of which the following are extracts:—

While the number of societies has gone up by 195, that is by about 27 per cent., the working capital has gone up by a little more than 44 per cent. This means that the working capital per society now is slightly higher than what it was in the last year. The most gratifying feature however is the large increase in the reserve fund which has gone up by some 72 per cent., that is, from Rs. 56,238 to Rs. 96,669. The larger is reserve fund of a society, the greater is its stability, as well as its capability of attracting deposits and loans from outside on account of the security it offers to the lenders. Had it not been for the system of profit-sharing shares in the agricultural credit societies here, the reserve

fund would necessarily have been much larger. But, as your agricultural societies had a share capital of about Rs. 5,84,386 at the end of the official year 1914-15, they had as their own capital, this plus the reserve fund, that is a total of Rs. 6,81,055 and their financial position would thus practically be equal to that of societies having the same amount of reserve fund without any share capital. No dividends are allowed in the purely Raiffeisen type of agricultural societies in British India, mainly because it is found that if allowed these societies may become profit-hunting institutions. If owing to local conditions it is found necessary to allow dividends on shares in agricultural credit societies, a maximum limit may be fixed for the same, after paying which all profits should be carried to the reserve. In this matter, as in other details, comparison of the practice obtaining in one province with that in the other is fair to neither, yet when my friend Mr. Narayana Ayangar instead of merely vindicating the system adopted here says that he looks upon it "as a matter of very great improvement indeed," I may be allowed respectfully but firmly to protest against the same. The savings to the ryot in the interest paid on loans is another index to measure the beneficial effects of this movement. That figure for the Mysore State has grown from Rs. 95,000 in 1912-13 to Rs. 1,38,000, in 1913-14, and to Rs. 3,00,000 in 1914-15. I believe this to be a very modest estimate, but even that figure shows much better than a lengthy note on the subject could do, the relief that this movement is giving to its members.

Of the total number of the loans given to members, about 25 per cent. are given for the liquidation of old debts of the members. It would be interesting to know more about the system adopted to ascertain their debts, to get reductions thereon and the method of paying off the settled amount.

From the classification of loan it is very satisfactory to note that, while more than 58 per cent. were given for productive purpose and 15 per cent. for the purpose of food and other necessities of life, only less than 9 per cent. were advanced for non-productive purposes. The Registrar is consequently fully justified in saying that "Every society has been taught to scrutinize the purpose of the loans very carefully and the panchayats feel the necessity and advantage of such a step." If the final goal of the movement is to supplant the Sowcar, it must grant its members the facilities which they used to get from the

Sowcar, and as the agriculturist has been in the habit of getting loans for marriage expenses and other social functions, it would not be advisable for the societies to decline any such loans. That would force him again into the hands of the Sowcar, who will perhaps be too glad to get back his clientele. While the societies should not refuse to grant loans for such purposes, the members of the managing committees should, by the use of moral force, induce the borrowing members to reduce such expenditure to the bare minimum. As a human being, the peasant has as much right to enjoy himself on festive occasions as any of us, the only condition—and that holds good for all—is that he should do so within his means. So long as he does this, loans for such purposes should be given by the societies so that the members may have all the benefits of the movement. Loans for productive purposes include those for the purposes of trade. I believe these are loans to weavers' societies and jaggery-societies or to the agriculturists to enable them to hold on their produce to get the advantage of a better market, or to petty *bona-fide* traders.

Owing to the large proportion of the share capital to the total working capital, primary societies here have not to depend so much on borrowed capital as similar institutions in British India, but as the movement grows, more money will be required to finance it and the sphere of the influence of Central Banks and the Provincial Bank will be extended. On academic grounds it may be said that Central Banks should consist only of primary societies and the Provincial Banks should have Central Banks alone as members, but in practice this system is found to be best with so many difficulties, that in almost all Central Banks in British India individuals have to be accepted as shareholders and, while two Provincial Banks have no Societies affiliated to them, the three others have about half the shares reserved for individuals. When it is difficult in the most advanced parts of British India to find representatives of societies who would be able to manage a Central Bank unaided, it would be practically impossible with the 4 per cent. literacy amongst the agriculturists here to have Central Banks composed of Society-members only. For the purpose of efficient management, as well as for that of creating confidence amongst depositors, it will be necessary, for many years to come, to have individuals as shareholders. Where the

Societies can send representatives fitted to sit on the Board of Directors, they may be given a fair representation on the Board. But if the Societies cannot send up such representatives no objection should be taken to leaving the management in the hands of the individual shareholders, as above everything else it is necessary that these Banks should be managed efficiently. It is sometimes said that the interest of the lending and borrowing societies are bound to clash, and as the Central Banks must subserve the movement and not the interests of individual shareholders, the societies' representatives should be on the Board to protect their interest. This argument does not take cognizance of the fact that most, if not all, Central and Provincial Banks have been started not with any idea of dividend-hunting, but for the express purpose of helping financially the primary societies by collecting moneys on the security of the share capital and by the personal influence of the promoters and directors. Such persons, who, in some instances, give up their ordinary work to manage on sound lines the institutions they have started are not likely to treat harshly the borrowing Societies.

As the financial requirements of the co-operative movement will go on increasing, you will have to decide how best to meet them. Even if you start a Provincial Bank at the apex of the movement, that Bank will not by itself be able to raise all the required capital at sufficiently low rate of interest so as to keep a margin for management expenses, making provision for bad debts and for a sufficient fluid resource. The Committee on Co-operation after studying this matter with great care have said, "The same difficulty has been experienced in all European countries and in no country has the movement been financed on any but a very restricted scale by Joint Stock Banks alone, while in every country in which the organization of Co-operative Banking and Credit has been accomplished with success it has been found necessary to provide either a special apical state-aided institution or to make arrangements whereby the existing State Bank undertakes to perform the functions of such an institution. And because agricultural paper (representing as it does security which is remote and inconvenient to realise) is not generally acceptable to ordinary banks it is the most important function of such an institution to re-discount the promissary notes or bills of primary societies when endorsed by co-operative central financing agencies."

The theory that the State should not assist co-operation or industries or commerce is losing its old force. Your state has granted certain concessions to Joint Stock Banking. The co-operative movement is equally entitled to such concessions, though they need not necessarily be of the same character.

When the Bill of 1903 was introduced in the Viceregal Legislative Council fears were expressed that Co-operative movement, being an exotic, will not grow in this country. The progress of the movement shows that those fears were not well-founded. For this progress we must feel grateful to the Registrars of the various provinces and to the non-official workers in the movement, without whose active and intelligent support the Registrars would not have been able to achieve much. But even their joining hands for this purpose would not have been of any avail if the masses had no faith in the movement. In the earlier stages their attitude was one of suspicion and distrust, but when they were satisfied that the movement was for their good, that attitude was changed, and if the rate of progress now is not what one would like it to be, it is not due to any want of desire on the part of the masses to obtain the benefits of the amount. With all these factors in favour of the movement, it is bound to grow: it is for us to see that it progresses on second co-operative lines, and that it is not rushed in such a way as to be beyond financial control as well as that resulting from proper audit and inspection. This is a movement in which one and all of us can help, either by teaching principles of co-operation and organising societies, or giving societies where they exist, or starting and assisting in the management of financing institutions, or by showing our confidence in the movement by financially helping societies and Central Banks. While we have every reason to be satisfied with the progress made, so much more work still remains to be done that the most practical manner in which we can show our appreciation of the good work done till now is to continue it. There is no reason to feel dejected and lose faith in the movement if we see a defect here or some unco-operative work there; such things are bound to be. The right spirit in which to meet these defects or backslidings is not to be disheartened by them but to remove them and not to allow them to effect the movement as a whole.

The First Godavari District Co-operative Conference.

Under the Presidency of the District Collector T. E. Moir, Esq., the First Conference was held in Peddapur on Saturday, the 18th September '15. The Chairman of the Reception Committee in according a hearty welcome to the delegates and others present, said that the chief object of the co-operative credit movement is not so much to cheapen credit as to afford facilities for the agriculturist not to sink deeper and deeper into debt, that the Co-operative Credit Societies' Act of 1904 came to the rescue of the indebted peasant and rendered possible the solution of the problem of the indebtedness of the agriculturist, that apart from the material return, such societies have proved great moral educators and promoters of business habits and self-reliance. He dwelt on the moral advantages of these societies as fostering thrift and punctuality and as being of a disciplinary value. He emphasised the need for the teaching work preceding the work of organisation, and the need for associating co-operative work with popular education, if co-operative work is to bear the rich harvest that it bids fair to yield and concluded by expressing the hope that it would be the comfort, the joy and the peace of the poor toiling peasant.

2. The President opened the Conference with a felicitous speech in the course of which he said that, although the advice that came from Polomius was "neither a borrower nor a lender be", borrowing and lending became inevitable in the course of business and that the ryot should be given all facilities to borrow and repay and taught the virtue of thrift.

3. A paper was next read by the Assistant Registrar of Bezvada reviewing the work of the societies in the District, in the course of which he said that there were on 30-6-15, 24 societies, 18 of which were Agricultural Societies on unlimited liability basis, 6 Urban Banks on the limited liability system, two of the latter being for the benefit of the Municipal Employees at Rajahmundry and Peddapur. He spoke of how an institution started on the best principles can, in the hands of unscrupulous men, be made the means of achieving selfish ends and referred to society No. 87 in which the advances made by an Abkari Contractor, the Secretary, to the toddy-drawers were not transferred to the society and thus his debts from them were recovered; and said that the evil was entirely due to the absence of equality

of status among the members, which ought to be the basic principle of all Agricultural Co-operative Societies: for it was only then that the privilege of protesting against the acts of the executive could be effectively exercised by the members. He next referred to the beginning that was made to introduce the home-safe system under which such of the members as are willing to use the safes, deposited small savings and the accumulations in these boxes, which were cleared once in every month, represented the savings deposits. He then passed on to the subject of loans and condemned the practice of treating loans meant for cultivation purposes, kists, &c., as long terms, in spite of repeated instructions to the contrary and also pointed out that the loans for large amounts to the influential members in societies not being proportioned to their repaying capacity is another evil result of the absence of equality amongst the members.

4. Then a paper was read by the Mr. A. Rama Rao B.A. B.L., giving a brief history of Continental Economy, in the course of which he said that France is purely a country of peasant proprietors with small holdings, like those of India, but that the French peasant is, unlike the Indian ryot, remarkable for his industry and thrift that the idea of the establishment of a Central Bank for lending money was first conceived by the French about the year 1848. He also dwelt on the Italian Economical system and the Federal States of Switzerland as furnishing the best example of genuine co-operative effort. He further said that the Co-operative Credit Societies' Act divides these societies into Central, Urban and Rural. After giving a description of each of these societies, he dwelt on the last class and mentioned among other principles the following, in the words of Mr. Gourlay, the late Director of Agriculture of Bengal:—

1. Unlimited liability of the members,
2. Operations restricted to small area,
3. The moral benefit to the members,

and concluded with a quotation of Justice Ranade to the following effect:—

"The recuperative powers of Nature and Art are limited and cannot stand the dead weight of prohibitive rates of interest, made necessary by disorganised credit. Remove these difficulties and hindrances and credit will rise to its natural and healthy level."

5. Some of the societies then read their reports through their Secretaries.

6. Then the following Resolutions were passed at the Conference:—

1. This First Conference of the representatives of the Co-operative Credit Societies in the Godavari District prays for the speedy termination of the war and success to the allies.

2. Considering the useful work that is done by the various existing societies, this Conference deems it very desirable that more societies of this kind should be formed both in the plains and in the agency.

3. Considering the great laxity in the repayment of loans by the members of the co-operative societies, this Conference is of opinion that a by-law should be introduced into every society that if any member commits default in payment of the instalment of principal and interest he would be debarred for a period of 6 months from taking a further loan from the society.

4. This Conference condemns the practice of large sums of money being taken as loans by the Panchayatdars and their relatives and proposes that steps should be taken for its discontinuance by each society.

5. This Conference is of opinion that the Provident Fund or Savings Deposits system should be made compulsory in the societies in view of its great usefulness.

6. This Conference is of opinion that it is high time for the Co-operative Societies to stand on their own legs without resorting to the Central Banks for financing help.

7. This Conference is of opinion that the Co-operative Societies should in cases where they can be fitly entrusted to them, be entrusted with the execution of the Sanitary Improvement works, instead of their being given to the contractors.

8. The system of giving a long time for the repayment of all loans irrespective of the purpose for which the money is lent is indefeasible in principle. This Conference, therefore, exhorts all the societies to fix time for repayment of each loan, regard being had to the purpose for which it is lent.

9. This Conference is of opinion that till Federal Banks are formed to cover the ground fully in a District, the Government should continue to maintain an adequate Inspectorial Staff.

APPENDIX.

The Fourth Madras Provincial Co-operative Conference.

The Fourth Session of the Madras Provincial Co-operative Conference commenced its sitting at the Pachaiyappa Hall on the 22nd January, 1916, with the Hon. Mr. A. G. Cardew in the Chair. There was a large and distinguished gathering present including the Hon. Messrs. L. E. Buckley, P. Kesava Pillay, S. Srinivasa Aiyangar, M. Ramachandra Rao, A. S. Krishna Rao, K. R. V. Krishna Rao, L. D. Swamikannu Pillai, P. Rajagopala Chari, B. N. Sarma, C.R.M. Schmidt, V. S. Srinivasa Sastri; Rao Bahadurs T. Raghaviah and G. Narayanaswami Chetti; the Kumararaja of Challapalli; Dewan Bahadurs, M. Adinarayana Aiyah, L.A. Govindaraghava Aiyar, and P. Rajarathna Mudaliar; Pandit D. Gopalachari, Pandit Vidya Sagar Pandya, the Raja of Kollengode, Rao Saheb V.A. Parthasarathi Mudaliar, and Messrs. D.T. Chadwick, G.A. Natesan, C.P. Ramaswami Aiyar and a large number of delegates from the various Districts.

Welcome Address.

Dewan Bahadur M. Adinarayaniah, President of the Provincial Co-operative Union, welcomed the delegates to the Conference, in the following speech:—

It falls to me once again to offer you on behalf of the Madras Provincial Co-operative Union, a cordial welcome to the Conference and I hope, my friends, the Delegates, will find the arrangements we have made for their reception not altogether unsuitable.

Looking back over the past year, the event of great importance to the Co-operative interest was the publication of the report of the Imperial Committee on Co-operation. It is a masterly document and deals in a very comprehensive and lucid manner with the principles of co-operation, and the methods of their application to the special conditions obtaining in this country. The report deserves to be carefully studied by every earnest co-operator. That it has already roused much attention and stimulated interest is clear from the value attached to it in many quarters. I may in passing remark that it was somewhat solemnly described by an esteemed friend of mine as the Gospel of co-operation in India. The Madras Provincial Union has it in contemplation to issue short summaries of the various chapters of the report in the more important vernaculars of this Presidency and thus make it available to all the literate public.

Before proceeding further, I should just like to say that the recommendation of the Committee to make the Office of Registrar a permanent one is looked upon by a few with some misgiving as likely to officialise the movement, but the fostering care of Government is and will be necessary for a considerable period not only because the movement is still in its infant stage, but because the general illiteracy of the masses who are to be benefited is so deep that some measure of control by Government to safeguard the large interests at stake is inevitable. This is so not only in regard to this matter but in other directions also. Given a fair amount of education, the people may be trusted to manage many of their concerns by themselves, but the day of universal education is still distant and meanwhile Government has to take on itself extraneous duties and maintain costly establishments to supply the deficiencies of the people, or forswear all progress. At every turn we are faced by this obstacle of illiteracy and progress is obstructed as in a blind alley. That it is infinitely the wiser policy to make the people more efficient and self-reliant to look after their own concerns by giving them a fair amount of education rather than attempt to supply all their needs through costly Government agencies needs no argument to prove it. This is doubtless recognised in the high places of Government also, but the actual achievement is still deplorably disappointing and, so long as this state of things continues, not only does the task of Government become more and more onerous and its interference in many unnecessary matters inevitable but the true progress of the people also is hindered. In view, therefore, of the present conditions of the country the recommendation to make the Office of Registrar and his staff permanent is one which should be welcomed rather than deprecated.

The success of the co-operative movement depends on three main factors:—(1) the efficient management of Primary Societies on strict business methods and in accordance with correct co-operative principles, (2) the vigilant and constant supervision of the work of those societies and (3) a sound system of finance.

Few of us can say that the standard of efficiency reached by the Primary Societies as a whole is satisfactory, much less can it be said that their apprehension of the correct principles of co-operation is reassuringly deep. This is also the finding of the Imperial Committee. It appears to be also unreasonable to expect that matters will improve very much within any short time. With new and increasing numbers of societies coming into existence from time to time, with larger and larger numbers of illiterate people joining them, the task of guiding them in safe and proper channels will become heavier and more taxing.

It is, therefore, imperative that a system of constant and close supervision should be organised and not only of supervision but

also of regular propagandist work. Very large issues affecting the moral and material well-being of the people and even the development of their political status depend on the success of the co-operative movement. It furnishes a training ground where both individual self-interest and a higher moral motive can combine to influence them and enable them through their own effort to improve their position. All who realise the great possibilities of the movement will thus say that no safeguard which will avoid risk can be neglected.

I now come to the last factor "Finance." The weak point of co-operative finance is that while we raise money on short-term deposits, we lend it out for long periods. Further we raise the moneys at rates which leave little margin of profit and very slender scope for rapid accumulation of owned assets by the financing agencies themselves, or, what is more serious, by the Primary Societies. These aspects of the question have been very exhaustively considered by the Imperial Committee, but some of the recommendations made by them do not appear to be such as can be easily translated into practice. We have got on hitherto pretty safely, because, by offering rates for deposits somewhat higher than those of Joint Stock Banks and the security of the unlimited liability of the Primary Societies at a time synchronizing with the failure of some banking firms and institutions, we have been able to draw money in some profusion and with some ease, but the conditions will not always remain so. More tempting fields for investment may soon develop and this may divert money to other channels. It becomes, therefore, necessary to tap long-lying money wherever it can be found and to make co-operative finance self-sufficient in itself. We hear from time to time a great deal of the hoarded wealth of the country. Wheresoever it may exist, it cannot be said there is much profit in the village parts, but what there is, it may be freely admitted, is kept hidden away without profit to the owners and without use to the country, because the necessary facilities for investments have not been carried to their near proximity. Probably if these small amounts can be drawn out from their hiding places, they will materially strengthen co-operative finance.

The Primary Societies are still in too weak a condition to inspire much confidence. The arm of an apex Bank will not be long enough to reach the villages or control the Primary Societies. It is therefore a very appropriate recommendation and the logical conclusion of the position that, wherever the conditions are suitable, a District financing and supervising agency should be established in the chain of financing agencies beginning with the apex Bank.

But the question of the relations which should subsist between these financing agencies and between them and the Primary

Societies is one open to much controversy. The question of territorial jurisdiction, the rates they may offer severally, the services and the help they should render to each other, and the extent to which they may lay the Primary Societies under contribution for services performed to them, are all points which require careful consideration and settlement. There is at present no organic connection between the several financial agencies now operating in the Presidency. Each has started on its own lines, but, while no reasonable precaution to ensure sound business can be deprecated, the tendency to ignore the interest of the Primary Societies requires to be guarded against. For after all as pointed out by the Imperial Committee, all financing agencies are intended only to serve the main purpose of placing the Primary Societies on a strong and prosperous basis. The task of bringing the existing financing agencies into proper line may in some cases prove somewhat difficult, but, the sooner it is tackled and settled, the better it will be in the interest of the movement.

In some quarters the opinion is held that a financing agency will have done all that it needs do if it helped in raising money and that it should not be hampered by restrictions as to its constitution, or burdened with other obligations. You must all have noticed the acute controversy which appeared in the newspapers some little time ago. But it goes without saying that in the ring of co-operation there is no place for an absolutely unrelated body, free to run its own course in isolation from the rest of the movement, for a body which claims the privileges but repudiates the obligations of co-operation. The question is a sufficiently important one to call for careful consideration from all points of view, and I think one of the resolutions you will be invited to consider will bear on this point.

I will conclude with a few words about the Provincial Union under whose auspices this Conference meets. The Union has been in existence for the last two years. Last year it took on itself the duty of editing and issuing the Co-operative Bulletin. And apart from arranging for the annual Provincial Conference, it has also been sending some one of its office-bearers to attend the more important Conferences held in the Districts. This is not in itself much work to show. As you all know, the Union was organised to do systematic propagandist work at the instance of many of the Delegates who are present at this Conference also, and who felt that such a body was necessary. But the Union cannot do much without adequate financial support and this is very slow in coming. I may, however, mention that towards the close of the last year a liberal contribution, of Rs. 300 was received from the organisers of the Puttur South Canara District Conference and another sum of about Rs. 1,400, from the Central Agricultural Committee which has been wound

up as having become superfluous owing to the expansion and re-organisation of the Government Agricultural Department. But these contributions go only a short way to build up the share capital of Rs. 50,000 required by the Union.

Though the expansion of credit co-operation may be left to follow on imitation, there is a still much need for propagandist work in regard to it. Apart from this there are other directions in which fresh ground has to be broken. The organisation of cottage industries and the promotion of agricultural improvement on co-operative lines open up new and interesting fields of work and much patient study and careful and close direction for prolonged periods will be required to ensure the success of these more complex enterprises. Government will of course do its part in this work and it will be a large part, through the Agricultural Department and the Registrar, but there will still be room for the activities of the Union. The Central Agricultural Committee whose assets the Union has taken over was trying to do some work for agricultural co-operation, and the moral obligation to continue this work now devolves on the Union. The duty of strengthening the financial position of the Union and thus enabling it to do all that is expected of it, therefore, rests on all co-operative societies and on such members of the general public as take interest in co-operative matters. I hope that a generous response will soon be forthcoming from them.

It is a matter for sincere congratulation that the present Conference will be presided over by one of the highest functionaries of the State who has made a close study of the problems of co-operation and is in intimate touch with the progress of the movement. I trust that the deliberations of the Conference under his wise and able guidance will enable it to arrive at sound and practical conclusions.

I will now request the Hon'ble Mr. Cardew to open the Conference.

The Hon. Mr. Cardew's Address.

The Hon. Mr. A. G. Cardew C. S. I., I. C. S. then delivered the following Presidential address:

I must express my obligations to your Committee for the honour it has done me in inviting me to preside over this Conference to-day. It seems to me that such an invitation is a compliment not merely to the particular official personally but much more to the office which he holds. It is a great thing that you should feel, and that your Committee should give evidence of the feeling, that in this great and essential matter of co-operation the Government are wholly and unreservedly in sympathy with you and

with the movement. It is no small thing that you should recognize that we feel with you in this matter, that we are ready and willing to second your efforts, that we are in fact fellow co-operators. It was, therefore, with great pleasure that I accepted your Committee's invitation and find myself here to-day. For co-operation is not properly a matter which falls naturally within the province of the State or the sphere of influence of the Government. Essentially and intrinsically it is a matter of private initiative, and private endeavour. The very etymology of the word co-operation, a working together, shows that it contemplates the joint labour of a number of individuals, presumably a number of private individuals, at any rate of individuals working together in their private capacity.

The first apostle of co-operation in England, Robert Owen, and all the early workers were private persons, who neither looked for nor received official recognition or support. All they ever asked from the State was the removal of the legal difficulties which in England prevented the advance of the co-operative method. They would have been genuinely shocked if they had heard of a Government department for the guidance and control of co-operation. They believed in the co-operative idea just *because* it depended on mutual work and support, because it enabled the working classes to join together and by their united efforts to secure success. Co-operation to them was based on the principle that union is strength and in their eyes it depended wholly on private and individual initiative and effort.

I lay stress on this point in the history of co-operation at home, because here in India there is some danger that the co-operative movement may come to be looked upon too much as a department of the State. It owed its origin to an official report written at official instructions by an official. Naturally, therefore, the movement in Madras took an official hue and developed on official lines. Moreover it was first directed and still continues to be mainly directed to the organisation of credit, a matter in which even in the West, State supervision has invariably been found necessary. So that the part which the Government has played in the development of co-operation in India has been quite unavoidable and has been thoroughly justified by the necessities of the case. But we must never forget that co-operation depends for its very existence on private individual effort. Private initiative and sustained private endeavour are the oxygen in the air which the co-operative movement breathes and without a sustained and regular supply of that oxygen it must wither and die. Unless each individual co-operator realises that it is on his personal effort that the success of the movement depends and feels that a duty is laid upon him to do his share in the general task, the healthy development of the co-operative principle becomes

impossible. No amount of State direction or assistance can supply the want of individual personal effort, and this lesson cannot be too often or too earnestly instilled into the minds of our co-operators.

These considerations will be brought home to every one who reads the very able and well balanced report, which has recently been published by the Government of India, as the result of the labours of the recent Committee on Co-operation, presided over by Sir Edward Maclagan. There the true limits of State interference and the true duties of private enterprise in co-operation have been laid down in a very clear and definite outline. Perusal of that report will remove any apprehension that the Government are likely by any hasty or ill-advised withdrawal of their assistance to leave the barque of co-operation stranded high and dry on the beach. At the same time it will be equally plain that, if it is to have a favourable and successful voyage, it must be in consequence of the sustained and united efforts of every member of the crew, and that Nelson's famous signal at Trafalgar must be repeated and emphasised for use in the co-operative cause:

"India expects that every man this day will do his duty."

And it will not be out of place to lay emphasis once for all here on the lesson, which every true co-operator knows of the necessity of the constant exercise of the virtues of self-control and self-denial. The regular and punctual payment of interest and repayment of debt, or other dues, is a duty laid upon every member of a Co-operative Society. No amount of enthusiasm and no number of Conferences and resolutions will take the place of the steady application of the sound business principles of promptitude, punctuality and precision. There has been a very marked and very decided tendency, visible during the last year or two, to display an undue laxity in this matter of payment and repayment of loans and interest, and every one here should help to spread the warning that, if this dry rot of individual negligence is not stopped, it will seriously endanger the whole movement.

As I have already said, the co-operative principle was first enlisted in India for the development and organisation of credit and especially of rural credit. The distinguished author of the movement in India, Sir Frederick Nicholson, took up the study of the subject, in order to help the ryot to find some better means of meeting his needs for money than by borrowing from the sowcar. As all farmers, and especially all small farmers, must borrow, it was essential to discover some method, which, while supplying capital at cheaper rates than those of the sowcar, would tend to prevent any unnecessary or undue increase in the amount of borrowing, and would at the same time help to

develop the virtues of thrift, prudence and mutual help. How great and rapid has been the success of the work thus begun is known to every one here present. In ten years the number of co-operative societies has reached 1,600 in this Presidency alone, while the number of members is 118,720 and the amount of funds Rs. 1,42,10,147. I well remember the day when the first Registrar of Co-operative Societies was selected in July, 1904, and I do not think that any one at that date foresaw the great and immediate success that was to be achieved, a success for which a full and unstinted measure of credit must be given to the untiring and well-directed exertions of the three officers, the Hon. Dewan Bahadur Rajagopalachari, Dewan Bahadur R. Ramachandra Rao and the Hon. Dewan Bahadur Swamikannu Pillai, who have successively held the post of Registrar.

But the co-operative principle, so successful in its application to the problem of rural credit, is also susceptible of a wider and more varied use. The experience of the last ten years has shown that good co-operative work can be done in this Presidency, and has brought to light an unexpected capacity in the people to unite for mutual benefit and assistance. This capacity need not be exhibited only in connection with the necessary but narrow field of borrowing. There is a much wider scope for its application. The same principle may be applied with equal success and with no less benefit to the community in many other directions. First and foremost in this connection I should place the formation of Co-operative Societies for the purpose of providing machinery or appliances too expensive for a single farmer or artisan, but capable of serving the purposes of a group of neighbouring workers. An instance of this was to be seen at the recent, Exhibition of Arts and Industries. In the admirable section of that Exhibition which we owed to our enthusiastic and indefatigable Director of Agriculture, there was a card calculation, which showed that the ryots of this Presidency lose Rs. 50 lakhs every year by their careless and harmful way of shelling ground-nut. The common practice is to shell ground-nut by manual labour, and for this purpose to damp the nuts. The damp is injurious to the kernels and often results in their being found mouldy and useless in the bags, and the loss thus caused to the dealer is so serious that the Pondicherry Chamber of Commerce quotes a price of ground-nut shelled by this method which is actually Rs. 10 per acre less than that quoted for machine-shelled nuts. The machine for shelling nuts requires an oil engine to drive it, and is therefore, too costly a piece of equipment for individual landholders, but, by the application of the co-operative principle and the formation of a Society of neighbouring ryots, the difficulty can be at once got over. Similar illustrations might be supplied from the sugarcane industry, the oil-crushing industry, the fishing industry, the weaving industry, and so on. The immense development of dairying in

Sweden and Norway by the application of this principle of Co-operation to dairy work is doubtless well-known to you. Of late years great progress has been made in the same way in Ireland, and I look forward to a great future for the co-operative method in South India when the Departments of Agriculture and Co-operation join hands to meet and provide for the needs of the agricultural community. Another direction, in which Co-operation may be expected to unlock the difficulties which have hitherto barred the way is in the direction of advance, in the matter of the provision of improved houses for the poor. You are, of course, aware how large a work has been done in Europe by the various building societies at work there. They have enabled the working man to buy or build his own house, and have thus removed him from the tyranny of the landlord. In this country you have so far been spared many of the evils met with in Europe, but they are beginning to appear in the large towns, where the people, whose work compels them to live in certain localities, find that rents are being raised by the competition for houses. Even where that is not yet the case it will certainly soon happen, and the poorer classes are bound to feel the pressure unless they are enabled by the formation of Co-operative Societies to buy and own their own houses. There is also quite another aspect of the same matter. In some rural areas, notably the delta tracts, the very richness of the soil, and its value for agriculture has led to an unhealthy limitation of the village site with the resulting evils of overcrowding and insanitary dwellings. The expense of providing additional building sites and still more of raising their level so as to make them dry enough for habitation is very great and it is not easy for the ryot to find the requisite capital. The Government do not possess the purse of Fortunatus which never emptied and cannot therefore without injustice to other claims spend large sums in improving the conditions of a section of population inhabiting a very limited area. It was found that the cost of providing the additional house sites in five villages of the Ramachandrapuram Taluq of the Godavari District would amount to several lakhs of rupees. Therefore, if anything is to be done, the people must do it themselves; but the question of how the capital necessary at the outset is to be found remains a rather difficult problem. Is it not possible that there again, by the judicious application of the principle of co-operation, we may be able to form Societies which, with the aid of a loan from the District Banks, may acquire the land, distribute it in accordance with the wishes and needs of its members, and after recovering the cost by small instalments finally leave the villager the owner of his own hearth and home?

* The application of the co-operative Principle to the distribution of ordinary articles of consumption is one of the most

familiar forms of co-operative effort. In England it was one of the earliest, the Rochdale Store dating from 1844. Since then many so-called co-operative stores have come into existence and have flourished exceedingly. There is, however, an undoubted tendency for such stores to abandon their co-operative character and to become merely large shops to the advantages of which any one can secure admission under the thin veil of an annual subscription. As a co-operative store always ought to be able to reduce the price of its goods to its members, owing to the elimination of the shopkeeper's profit, every one wants to buy the stores' wares and the temptation to extend sales by admitting non-members becomes too great to be resisted. I do not know whether this tendency has made its appearance in Madras, but it is sure sooner or later to exist, and then the Co-operative Supply Association becomes merely a large shop with the original co-operators degenerated into shareholders. Except, therefore, in quite small areas, or where membership can be strictly limited as in the case of the students of a particular college or the employees of a particular firm or company, this does not seem to be one of the best directions for co-operative effort. As the report of the Committee on Co-operation justly observes, these stores "exhibit a tendency to ignore the moral bases of co-operation."

That remark leads me, without attempting any further enumeration of the obvious possible further applications of the co-operative principle, to invite your attention in conclusion once more to the fact that co-operation is something more than a method of doing business, but it is based on a moral principle, whose success depends on the character of the workers. Of course all business depends for success on the character of those who conduct it, but this must be especially true of any undertaking in which a large number of persons are joined together in the management. You cannot have an autocratic, one man, German-Emperor-sort of rule, in co-operation; the movement must depend on the character of the whole body of members; and it is of great importance, therefore, that every co-operator should bring home to himself the responsibilities which rest upon him. It is for him to exhibit in his person and in the limited sphere in which he works those qualities necessary for success, thrift, honesty and self-denial.

It is essential that every co-operator shall do his own "bit" in the work of his society and not leave everything on the shoulder of the secretary or some other person. No one expects co-operators to display a superhuman virtue, but they must strive steadily to raise the average found in their class. Everyone who looks the facts in the face knows that, as the late Mr. Gokhale said, the average does need raising, and co-operation is one of the best and surest instruments that could be devised for that

purpose. The rapid advance of the movement so far is evidence that we possess the raw material of progress, but it only needs to be properly handled and worked up in order to secure the finished product of success.

And this is one of the special virtues of the co-operative movement, that it furnishes so valuable a training. "Do an act," as was once said, "and you make a habit; make a habit and you form a character." The co-operator who performs with regularity and precision the duties which are necessary for the success of his society is doing himself the most valuable service, for he is training his own character to habits of honesty, thrift and self-control. But he is also likely to obtain in many cases a further training in methods of business hitherto unrecognised by him. Co-operation is not pure philanthropy, still less an affair of sentiment, but a matter of business which is meant to pay and which must pay if it is to succeed. Every co-operator must make it quite clear to his own mind that the movement will not succeed unless it is based throughout on sound business principles. So we have got to see that our Bank, our village loan societies, our building societies and each co-operative enterprise, we may take up, has got a good firm solid foundation. In our banks, for instance, it is altogether wrong to divide large dividends among the shareholders until the first essentials of sound banking, sufficient capital and adequate reserves, have been provided. If we form a building society or a cattle insurance society or any other form of co-operative union, we must make certain that the terms are such as to ensure that with reasonable efficiency and honesty in the management the project can succeed. Uninformed enthusiasm is always dangerous, because, some one has said the man with a mission too often mistakes aspiration for inspiration. Any serious mistakes or reverse to a co-operative venture would damage the whole movement and destroy public confidence and it is, therefore, of great importance to see that this great and growing co-operative enterprise is conducted throughout on sound, sober business lines. It is the function of this Conference to consider how this can best be done. The papers which will be placed before you will provide many interesting and stimulating suggestion as to the lines of development to be now pursued. They embrace a number of topics, which it would be beyond my province now to refer to and which will eventually come up for official consideration, and therefore necessarily demand some measure of reserve at present. Moreover, their consideration requires an amount of practical experience of the actual working of co-operative enterprise, which I cannot claim to possess. I have no doubt, however, that their discussion here will be of great use to you. I have no hesitation in affirming that these Conferences are valuable, both as informing each worker of what others are doing and

thinking, and as subjecting the views of the individual to the ordeal of criticism by others, which all sound views must be prepared to undergo. I wish that I had the time and opportunity to take a more real and practical part in the work of the Conference and I hope that the result of your deliberations will be a substantial measure of advance and agreement as to the problems before you and as to the manner in which they are to be solved.

At the conclusion of the address from the President, reports of selected Co-operative Societies were read.

Resolutions.

The following resolutions were passed at the Conference:—

1. That this Conference re-affirms the resolution number, 1, passed at the Conference held last year, that audit, both primary and super, should be done by Government at their cost and that such audit should be a complete annual audit of every society, supervision alone being left to the societies through unions.

2. That it be represented to Government that the Rule IX *a* 2, recently promulgated by Government under the Co-operative Societies Act, 1912, and laying down that 50 per cent. of the net profits of each Society should be carried to the reserve fund, will work great hardship.

3. That all Central and District Banks which are now composed exclusively or mainly of individual shareholders be invited to revise their constitution so as to admit Societies as members in a larger measure and to secure the preponderance of vote to the Societies.

4. That Government be requested to appoint a Committee, composed of selected officials, gentlemen with banking experience, and representatives of District and Central Banks and of primary societies, to consider, with reference to the recommendations of the Imperial Committee on Co-operation in paragraph 129 of their Report, 1. The relations that should subsist among the different financing agencies including such questions as areas from which deposits may be drawn and whether latitude to offer different rates of interest may be allowed, 2. The relations which should exist between the Apex Bank and the subordinate financing agencies, 3. The limit of credit to be given by the Apex Bank and other financing societies to limited liability societies and 4. the constitution of the Apex Bank.

5. That the maintenance of the limits of fluid resources recommended by the Imperial Committee in paragraphs 155 and 176 in the case of District Banks at half, and in the case of the Apex Bank at one-third, of the deposits repayable in the ensuing 12 months, is calculated, particularly in conjunction with the Government rule requiring 50 per cent. of the net profits to be

set apart as reserve, to hamper the finance of co-operative institutions in the Presidency; and as the entire reserve fund of co-operative institutions in the Presidency is available as a fluid resource, the recommendations of the Imperial Committee under this head may for the present be left in abeyance.

6. That this Conference disagrees with the recommendations made in para. 10 of their Report by the Committee on Co-operation in India, restricting the benefits conferred by the Co-operative Societies Act of 1912 on certain classes alone.

7. With reference to the recommendation of the Imperial Committee in para. 101 of its Report that Local Unions under District Banks should be guaranteeing unions as in Burma, this Conference considers that, as Local Unions in this Presidency are constituted only for supervision and have no banking functions to perform, no guarantee liability should, therefore, be insisted upon.

8. This Conference is of opinion that, as recommended by the Committee on Co-operation in India, provident deposits may be made optional, provided small instalment-sharers to increase the share capital are introduced.

9. That Government be requested to appoint a special staff for making the necessary preliminary enquiries in the various districts of the Presidency with a view to the organisation of special cottage industries on a co-operative basis in suitable localities.

10. This Conference desires that before Government makes any material innovation or change in the existing practice and procedure of Co-operative Societies, responsible non-official opinion, interested in the movement, be consulted before final orders are passed.

THE EIGHTH UNITED PROVINCES CO-OPERATIVE CONFERENCE

The eighth session of the United Provinces Co-operative Conference met in Lucknow at the Kaisarbagh Baradari on Tuesday, the 15th February 1916. It was largely attended by co-operators including honorary workers and the staff of the banks from all the parts of the province. His Honour the Lieut.-Governor inspected the collection of furniture exhibited by the Bareilly Co-operative Furniture Workshop and expressed his appreciation of them. The proceedings commenced punctually at 10 A. M. with his Honour's speech from which we give a few extracts below:—"It is a great pleasure to meet this large and representative gathering of co-operative workers and I welcome you most cordially to the scene of your labours at this conference. Well do I remember the time when co-operation in this part of India was a mere name. Mr. Dupernex, to whose courageous inception of the idea we owe a debt which has never been paid, was looked upon in those days as a visionary. The scheme of co-operation was regarded as mere idealism and its effective working was considered as never likely to enter the sphere of practical politics.

How great a change has taken place since the time I am speaking of some twenty years ago. Co-operation is now one of the most important of the branches of our Government business. Its activities have spread over the whole of the province, not only widely but deeply, and it has evoked a genuine, sincere and slow-burning enthusiasm in the hearts of the people which is the surest guarantee of its durability and success. For this we have to thank the great commonsense of the people and the courage and faith of a large and growing band of quiet unobtrusive honorary workers."

"The greatest possible tribute to the stability of your movement is in the fact, the unquestionable fact, that this alarm affected the co-operative societies and banks in a smaller degree than it affected the large joint stock co-operations and even in a smaller degree than it affected the Government savings banks."

"There are, however, two cardinal principles to be borne in mind and no doubt these are familiar doctrines to most of you. In the first place, it is important that a member should repay as much as he can out of the crop that he will harvest during this spring, and that the societies thereafter should be liberal in advances to the cultivators for their actual needs until the next crop is harvested. And the second point is that where an honest agriculturist is unable to repay his loan in the present season out of his own resources, too great severity on the part of the society might send him back to the clutches of the local money-lender, and the work which has been accomplished during the last ten years would thus be impaired. Elasticity, as I need not remind you, is the distinguishing feature of co-operative credit, and actual faith and knowledge should enable the societies you represent to know exactly who can pay and who cannot among its members."

"As soon as co-operation proved a success there was a rush on the co-operative organization to take up other branches of work for the benefit of the general public. I need not enumerate these; but one—and one of the most prominent—will occur to most of you when I mention the wide-felt desire that has been expressed in favour of co-operative societies taking over some of the work of primary education. Now the idea is an excellent one and no one will be more ready than I to welcome the co-operative societies in inaugurating the improvement which we earnestly hope is at last about to begin in primary education. But I wish to put in a word of caution. A co-operative society exists in the first place for co-operative work and it is only when it has established its footing and secured its position in respect of co-operative work, that it will be justified in taking up other business, however deserving in itself. There is, however, one other branch of the business of the people which co-operators can turn their hands to with great advantage and that is the development of agricultural improvements. Co-operation and agriculture go hand in hand more closely and more logically than any other two spheres of Government business. The programme that you have prepared shows clearly that you realize this and illustrates the great interest that is already being taken in agricultural work by your societies. Mr. Chatterjee tells me that the Board of Agriculture is at present engaged in considering the relations between the agriculture and co-operative departments. As far as this province is concerned they may be relieved of all anxiety,

for the relations between these two departments here are most excellent and they have always worked in complete harmony. This being so, I need not waste your time by impressing on you the desirability of helping in every way in your power the promotion of agricultural prosperity. The mere repressing of the money-lender is not the be-all and end-all of your work. You have to help, and I am sure you will gladly help, in ensuring that the resources which are thus placed at the command of the people are utilized to the best advantage in promoting the industry which is within their sphere. . . . The point I wish to emphasize is that agriculture and co-operation are practically interlaced and that you can do one without relaxing your activities in the other. Now in the matter of agriculture we have already done something in the way of encouraging co-operative societies to take up special pieces of work—for example in the extension of wells, and in one place in Oudh—which I hope will only be an example—in the management and running of a pumping installation from a river. Then of course you have other activities which are always with you,—such as seed stores and the improvement of seed; and closely connected with that you have the whole question of demonstration farms. Possibly also in time you will be able to take up the kindred questions of cattle breeding. All these I would ask you to consider when you feel that you have a sufficient surplusage of workers in your societies to cope satisfactorily with these wider activities."

"You are working not for to-day but for the welfare of India in the years and centuries to come. Consequently you must try to ignore, however painful at the moment, the temporary losses and inconveniences of the policy which you lay out and to think of what advantages that policy is going to bring to the movement not only in this province but throughout India. It is that frame of mind which I would ask you to bring to bear on such questions as the consideration of your fluid resources. You will have seen that that question has been brought into importance by the report of the MacLagan Committee and I would ask you to look into that and all kindred subjects with breadth and liberality of view, because it is the permanent soundness of the whole co-operative fabric in which you are most deeply interested. By establishing a sound basis for your local work you will prepare for that superstructure which is now being pressed upon you from all sides—the establishment of a provincial bank. . . . The provincial bank is to my mind an institution which carries with it the greatest possible hope. It has its dangers but those dangers, I am sure, are capable of being circumvented. It will fulfil two very necessary functions in your organization. In the first place, it will equalize the use of your funds. It will prevent money lying stagnant at one time of the year and being at a fabulous price at other seasons. It will avoid one central or district society having a great deal more money than it wants and others starving at the same time. That is one function. The other function is that the provincial bank will in time absorb capital which is at present doing no good to the country. I do not speak of the capital of the village money-lender. Your local societies are trying to annex that. But I am thinking more of the capital in the hands of wealthy gentlemen who do not know

how to put it to the best use. I would like to see it put into industries, agriculture and half a dozen excellent things. But there is plenty of money to go round and what the provincial co-operative bank is going to do is, I hope, in time to get a substantial share of the money that is at present squandered in litigation and various other ways and employ that money for the strengthening of the agricultural population and for the infinite welfare of this country."

Before retiring, His Honour called on Mr. E. A. Molony, the Commissioner of Agra division, to take the chair. The Hon. Mr. Hailey, the Director of Land Records and Agriculture, then read a paper on 'Sale of Manures by Co-operative Societies' and was followed by Mr. B. C. Burt, Deputy Director of Agriculture who read papers on 'Introduction of superior varieties of crops with special reference to wheat and cotton' and (2) 'Supply of agricultural implements by co-operative societies.' On discussion being invited on the above papers, representatives of several bands enumerated their experience of the results of the experiments that were being tried in their respective areas. Pusa wheat No. 12 was found to be much superior to the Muzaffarnagar or the Desi variety as it needed comparatively less irrigation and was not so easily affected by insect pests. White flowered cotton was becoming popular as the variety yielded a greater proportion of lint than the desi *kapas*. Mauritius cane was also grown in some tracts and the crop had proved very successful. Co-operative seed stores and depots already existed in many places such as at Badlapur in Junpur district, Bulandshahr, Sandila in Hardoi district, Jasrana in Mainpuri district and this branch of the work was proposed to be taken up by the co-operative societies in some other districts in the near future. A big seed depot has recently been formed in Mainpuri and will commence operations soon. A demonstration farm will also be attached to it. The gist of the discussion seemed to be that all the existing seed depots were working successfully and paving their way; it was their chief object to aim at popularising the improved seeds and tried methods of cultivation rather than making large profits from the business. On the whole there seemed to be a general agreement among the speakers about the close relation that existed between the agricultural and co-operative departments and they wished that the development of agriculture should be prominently kept in view by all the co-operative societies in every phase of their working and that they should depend upon the assistance of the agricultural department in the matter of improved implements and machinery. Mr. E. W. Oliver, the superintendent, Civil Veterinary Department, United Provinces, then read a paper on 'Cattle breeding with special reference to the milch cow.' It was followed by a paper on 'Cattle Insurance Societies' contributed by the Registrar who explained in his note the chief features of the insurance system as adopted in Burma and indicated in general terms the lines on which such societies should be worked in this province.

The conference assembled again the next day. Prof. Stanley Jevens then read a paper on 'the material basis of co-operative credit.' The professor's remark that it would be a sound policy to restrict the admission of new members into societies to candidates possessing occupancy rights elicited some criticism as it conflicted with the main

principle of co-operation, viz. that co-operative credit should rest on a personal basis. The president summed up the discussion by observing that if the landholders were progressive and realized that the growth of occupancy rights were desirable permanent improvements would be effected on a wider scale to the immense good of the whole community. The report of the second sub-committee on central societies was then read and accepted. The recommendations on Clause (6)—maintenance of fluid resource—on the agenda gave rise to some discussion. While all realized the importance of keeping an adequate cash reserve there was considerable difference of opinion as to the exact proportion it should bear to the business of the bank.

After the adoption of the sub-committee's report, the Registrar read a note on 'Small central banks and guaranteeing unions, in which he explained the difficulties that were encountered by small central societies in the interior of districts and suggested that guaranteeing unions on the Burma model would probably be a more useful link between the district bank and primary societies. The Registrar would not however advocate guaranteeing unions except in selected localities and only as an experiment. He had recently visited Burma and pointed out the many differences between conditions in that province and Burma. Several members of the conference spoke on the subject, the discussion mainly turning on the guaranteeing feature of the union which imposed a heavy liability on the societies.

The conference reassembled on Thursday the 17th February. On the President taking his chair the Registrar read a note on a Provincial Bank for the United Provinces. This was by far the most important subject on the agenda of the present session and a considerable degree of enthusiasm and interest were displayed by co-operators in their deliberations on this matter. The subject of a Provincial Bank had been engaging the attention of all the district and central banks in the province for the last two years during which the effect of the financial crises has been felt practically throughout the province. There was an unanimity of opinion as to the indispensable need which existed for such an organization, though there was a prolonged discussion as to the details of its working. It was admitted that the function of the bank should be that of a balancing institution as well as of a financing organization. Opinion was divided on the matter of state guarantee which some of the speakers considered was essentially necessary for the success of the scheme, but the great majority of the co-operators thought that a Provincial Bank would be able to raise a large capital independently of state aid.

The sense of the meeting was voiced by the Hon. Mr. Hailey when he observed that the Provincial Bank would rest on the credit of the district and central banks which would be financed by it. It was also pointed out by the president that the existing district and central banks could raise enough money without guarantee and the Provincial Bank being undoubtedly in a much stronger position would be in less need of such a guarantee. Some doubt was expressed as to whether the operations of such a bank would make district and central bank relax their efforts to secure local capital. Several other important

issues which the problem gave rise to *viz*, the need of expert management at the start, the conversion of the existing district and central banks into its branches, the investment of the reserve fund of the district and central banks in it, the admission of primary societies as members etc., received due consideration. The points raised by the different speakers were replied to by the Registrar, who in summing up the discussion said that a mere balancing institution would neither be possible in practical working nor would it be of much use to the banks in solving their present difficulties. He remarked that at the start the bank would not accept deposits on a large scale but a progressive increase of the working capital would be aimed at. He also thought that state guarantee was not an absolute necessity. The whole conference being in favour of the formation of a Provincial Bank it was announced by the president that the Government would shortly consider the appointment of a committee to deal with the matter.

The amendment of S. 19 of the Act so as to give prior claim to a co-operative society in respect of all the loans advanced by it was agreed upon. There was some diversity of opinion in regard to the question whether summary powers should be conferred on societies to recover their arrears as it was argued that the privilege if granted was likely to meet with strong opposition from the village money-lenders and might tend to relax the scrutiny on the part of a society in matter of making advances, but as a considerable majority was in favour of the proposal the recommendations were accepted. The sub-committees' report that the insolvency law should be amended so as to safeguard the interest of the co-operative societies received unopposed assent of the whole conference. The proceedings terminated with the formation of a provisional standing committee whose business it would be to organize and convene the conference in future, and take concerted action in other matters involving the interests of the co-operative movement.

THE FIRST GUNTUR DISTRICT CO-OPERATE CONFERENCE.

The first Guntur District Co-operative Conference was held on 19th February 1916, at Chanagadelavarru, 6 miles from Tenali, with the Hon'ble Rao Bahadur M. Ramachandra Row Pantulu in the Chair.

The Conference was very largely attended by persons interested in the movement. The following were among those present. The Hon'ble Dewan Bahadur L. D. Swamikannu Pillai, Mr. K. Nageswara Rao Pantulu, Mr. P. Rajagopalachari, Mr. Janab J. Husain Khan Sahib Bahadur, Mr. P. A. Subrahmanya Aiyar, Mr. K. Sreenivasa Iyengar, Mr. K. Rattayya, Mr. O. M. Venkatanadha Iyengar of Uttaramerur, Mr. K. Narasimham Pantulu of Bhimavaram and Mr. S. Ramaswami Gupta.

Mr. U. Venkatappayya B. A. B. L. of Tenali who was the Chairman of the Reception Committee welcomed the delegates and visitors in a short speech, in the course of which he said that, though the first Co-operative Society in the Northern Circars was started at Tenali in Guntur District, the movement had not rapidly progressed and was at a standstill for some years. It was only when a Telugu Assistant Registrar was posted at Bezwada that matters set themselves right. They were very fortunate in securing as the President of the

Conference a gentleman who was keenly alive to the interests of the rural population and who was setting an admirable example of what a Legislative Council member should be. He regretted that the Northern Circars Co-operative Conference which was held at Tenali in April 1912 was not taken up and continued by the other districts. He urged a more speedy and varied extension of the movement especially in the direction of productive and industrial co-operation. In almost every one of the Telugu districts there were several weaving centres where societies could be started for the betterment of the weavers. In the Godavari and Krishna Districts which possessed extensive sugarcane plantations and fruit gardens, co-operative sugar refineries and jaggery mills and fruit-growers' societies could be organised. Co-operative oil presses and cotton presses could be tried in Guntur District and something could also be done to encourage ground-nut cultivation. New societies should be started or the existing ones should be so modified as to give facilities for the purchase and distribution of manures and improved agricultural implements. The Guntur District possessed a fine breed (the finest breed in the world) of cattle in the Ongole Taluk which was believed to be deteriorating of late years. He thought there was room for cattle breeding and cattle insurance societies in that taluk. He considered it essential for the District Urban Bank to maintain a good library of co-operative literature and to circulate pamphlets and leaflets and organise lectures in the Vernacular. He then thanked them all for the great trouble they had taken to attend the Conference.

The Presidential Address.

The Hon'ble Rao Bahadur M. Ramachandra Row Pantulu in opening the Conference made an interesting speech from which extracts are given below:—

"The Co-operative movement has not, it must be admitted, achieved the same success in the Coast Districts as it has done elsewhere. Various causes have been suggested for this inaction and it is unnecessary for us to examine each of them in detail. It is, however, incumbent upon us, to shake off this stagnation and to organise our agricultural classes on a co-operative basis as soon as possible. The well-to-do ryot of the delta ought to extend to his poorer neighbour the facilities for credit that can be obtained through the co-operative movement and to lend the weight of his influence for this purpose. The organization of rural credit should not be the only function of the societies in these districts. There are other directions more especially in the introduction of other forms of agricultural co-operation in which there is a great deal of work before us.

"It was only a few days ago that the Agricultural Conference held at Pusa resolved that the Agricultural Department should use the co-operative associations, first and foremost, as a means for the demonstration and introduction of improvements in agriculture and should concentrate its attention on them.

"I have, however, some misgivings as to whether the type of society now adopted meets the requirements of the ryots of this part of the country and of their financial needs throughout the year. In the cultivation season almost the ryot requires funds to carry on his sowing and reaping operations and he borrows the amount from the

village sowcar who finds his opportunity to make most of the situation. The most prevalent practice in these districts, as you are aware, is for the ryot to enter into a contract at the time of the loan to sell the produce to the lender at a stipulated price after the harvest. The price thus fixed for the produce 4 or 5 months before it is ready on the market is about 25 or 30 per cent. below the actual market price in the months of January and February. To this extent the ryot is a loser and the money-lender the gainer. The ryot is again in great need of money for the payment of Government revenue and an immediate sale of the produce in the market generally deprives the ryot of the rise in prices which he would otherwise secure by storing the paddy for a few months. It has now become the practice of the well-to-do ryots in the delta tracts to store the produce of their lands in their own godowns and to hypothecate the same to the Bank of Madras for meeting their immediate demands and to sell it at the proper time so as to secure to themselves the increased prices realised by the sale of the produce at the proper time.....It seems to me that the type of society which the ryots in these districts need is the one which will undertake not only to make advances on the security of the crop but also to receive the produce and secure sales for the same on their behalf and thus in a way to act both as a grain bank and an institution for money credit. I feel no hesitation whatever that, with a proper financing bank at the back of the societies like these, it is within the range of practical politics to secure to the ryot all the advantages of co-operative action and eliminate the village sowcar, the jatty contract and also the outside borrowings. I would, therefore, invite your attention to a consideration of a new type of society which would answer your needs much more effectively than your existing societies.

"I refer to the urgent necessity of the extension of village site in every village in the Kistna and Godavari Deltas. You are so familiar with the problem and it is unnecessary to dwell at any great length on the present unsatisfactory state of things. The density of population on the village site in the delta tracts is almost the highest in the Presidency and for a long time the State has practically neglected to adopt remedial measures so that the present situation has become intolerable. In his address, at the Provincial Co-operative Conference recently held in Madras, the Hon'ble Mr. A. G. Cardew has made a reference to this matter and speaking as I do in the heart of the Kistna delta I venture to call your attention again to this most urgent problem of rural well-being. It is unnecessary to go into the question of the immemorial obligations of the State in this country to provide the village site free of charge. But you will concede that if we wait for State action in this matter we shall be postponing to an indefinite time the solution of the most pressing sanitary problem of the Presidency. In consequence of repeated representation in this matter, the Government have recently appointed a special officer for the purpose of taking steps to acquire the lands necessary for village site and he has now commenced work in 30 or 40 villages in the Kistna District. Under this scheme, it is not possible for the petty ryot and the agricultural labourer now living in the hamlets to find the necessary funds for purchasing a house site by a single payment. The price of land adjacent to the villages in the delta, is about Rs. 1,500 per acre

and, if 10 cents is taken as the area of an average house site, the acquisition of a suitable house site and raising of the same in order to make it suitable as a building site, is beyond the means of a large number of the poorer agriculturists and labourers. The poorer pattadar and the agricultural labourer should be enabled to purchase a site and to pay for it by small instalments extending over 5 or 6 years. I would suggest for your consideration the formation of co-operative societies for the purpose of acquiring the land needed for the village extension for the poorer classes and a society of this kind would be welcomed in the villages in the Repalle and Tenali Taluks, where the population living on village site has been pressed for house room for themselves and their cattle. There is a great deal that the Government can do in the matter and now that they are convinced of the necessity of taking action in this direction, we must supplement their efforts by pushing forward schemes of village extension.

A great deal has been said of the scarcity of labour and day by day the delta ryot is experiencing great difficulties in securing agricultural labourers to carry on his operations. There is certain of emigration from some of the coast districts to places outside the Presidency and the time has come when the ryot should take more active steps to make the general condition of the labourers employed in his farm as contented and satisfactory as possible. The first requisite for comfort is a habitable house. The hard lot of Panchamas living in the hamlets attached to the deltaic villages and of other labourers who now suffer greatly for want of sufficient accommodation can only be realised by an inspection of these hamlets in the rainy season; in most cases the farm labourers are huddled together in huts constructed on the sites placed at their disposal by their employers, or in a small patch of village sites set apart for their use by the Government. The first condition of improvement is, you concede, that the present surroundings of the large classes of men and women who contribute their labour and skill should be bettered. It is, therefore, incumbent on the well-to-do ryots to look after this essential requirements of the agricultural labourer employed on his fields and to provide him or enable him to provide himself out of his own earnings, with a suitable dwelling. In other countries legislation has been found necessary to secure suitable sanitary dwellings to the agricultural labourer. The housing of the Working Classes Act and the Agricultural Holding Act, were aimed at securing suitable dwellings for the labourers in Great Britain. These houses are subject to the sanitary inspection by local authorities and condemned and demolished if they are unsuitable. The ryot in India has no statutory obligations in this respect to his farm servants and public opinion has not set up any other obligation. I would plead that what is being done by compulsion may equally be achieved here by the the ryots by co-operative methods and urge upon you to seriously take this question in hand and to examine the needs of your villages and to form co-operative societies both for acquisition of village sites and for the construction of dwellings for the labouring classes in rural areas. A well-considered scheme of extension of housing for the labourers of the village is an expensive matter but need not necessarily touch the pockets of the ryots. The funds needed may be raised by a co-operative society for the labourers who can pay for their cottages by small monthly

instalments. All that is needed is the organisation and the willingness to help the agricultural labourer. The primeval round hut of the Panchama hamlet must disappear from the Delta and must be replaced by a well-ventilated cottage for the farm servant and his children. The cost of the cottage must be such as to be within the means of the labourer and to make it easy for him to pay not more than 8 annas per month for about ten or fifteen years. We need not attempt many sanitary embellishments and might confine ourselves to one or two essential requisites and I commend to your attention this most urgent need of the Deltaic Districts to secure an improvement in the conditions of living of the farm labourer and to raising his general stand and of comfort. This agricultural labourer of the present day in this and the neighbouring districts gets very much better wages than he did 10 years ago and we are bound to do all we can for him. There is at present a tendency to regard social questions such as these as essentially urban questions. Because the towns have become congested it has been too generally assumed that the towns alone are concerned in social problems. The revival of country life on sound basis is one of the most serious problems of the day and I trust you will give your attention to it betimes, and that the Government will do its best to take some steps in the matter. The Country Life Commission in America which sat a few years ago under the direction of President Roosevelt made many interesting recommendations for bringing about a highly organized Rural Society and the main basis of action is co-operative effort. Let us profit by the example of other countries and let us do all that we can for the small farmer and the agricultural labourer.

"Sir Horace Plunket's observations in regard to Ireland are equally applicable to us. Conditions and habits which have been the growth of generations cannot be transformed in a day. Nor can striking results be expected to follow immediately upon the adoption even of the best considered schemes. Those who undertake such reforms must be prepared to meet many difficulties and much discouragement, but it would be a grievous mistake if we were, therefore, to allow ourselves to be over-come by obstacles which have been successfully confronted elsewhere, or to lose faith in the capacity of our people ultimately to reach the goal which has been gained by other countries not more fortunately circumstanced than us."

Progress in Guntur.

The Assistant Registrar, Mr. K. Nageswara Rao Pautulu, then, spoke on the progress of the co-operative movement in the Guntur District. After classifying the various societies in the District, he said that during the first seven months of the current year loans to the extent of Rs. 83,650 were issued to societies as against Rs. 39,900 for the whole of last year. A most prevalent practice in this and adjoining districts is that the lender enter into a contract with the ryot and the latter's produce should be sold away to the former only at a stipulated cost. The loss to the ryot is from 25% to 50%. Again the harvest synchronises with the period when the ryot has to pay kist to the Government. They had recourse to forced sales in order to meet the pressing demand, and the loss now to the ryots varies from 12 to 25%.

Both the Tenali and Repalle Taluks were inundated by floods, and the crops were washed away. The villages which have co-operative societies in them applied for loans and got them in time for re-transplantations. The timely help rendered by the co-operative societies has stimulated the popularisation of the movement in the District.

The following resolutions were passed at the Conference :—

1. This Conference is of opinion that efforts should be made to promote Agricultural Societies for the purchase and sale of seed, fodder and manure, wherever necessary.

2. It urged the Government to take special measures for the starting of Co-operative Building Societies for the purchase of village site in the congested villages of the Delta area.

3. This Conference is of opinion that a few Cattle Insurance Societies and Co-operative Industrial Societies may be started experimentally in this District.

4. This Conference is of opinion that the Indian Trust Act be amended as to permit the investment of trust funds in the Co-operative Societies, and that in the meanwhile the Government be requested to empower the District Boards and Municipalities to invest their funds in such societies.

5. This Conference is of opinion that the requirements of the Delta Districts are not met by any of the existing type of Credit Societies, and that it was necessary to develop a new type of society for lending money to agriculturists at a larger scale than is at present possible and on the security of land and produce thereon.

The Hon'ble Dewan Bahadur Swamikannu Pillai, being requested by the President to speak a few words on the resolution, rose and said that it was an important resolution for them, as it was very essential that they should increase the sources of credit for agriculturists in the delta tracts. The present banking system, which has been of so much use to the manufacturer and trader is of little use to the agriculturists. It was their business to develop the means of credit which would benefit the agriculturist. They should not think that it was not their business to find this means of credit, and that the Government ought to go on doing as they have been doing in the past. Ryots having surplus money lend it at a higher rate to private individuals. Even if the ryot gets a higher rate of interest the net return does not exceed what he gets from the Co-operative Societies if he takes into consideration the money he has to spend in litigation. He hoped gradually to come to a time when all the money available will come into co-operative Societies.

6. This Conference urges that Co-operative Societies should support the Madras Co-operative Provincial Union, limited, by taking shares in it and otherwise helping it to do its work efficiently.

7. This Conference resolves that it be represented to the Government that the Rule IX (a)-2 recently promulgated by Government under the Co-operative Societies' Act of 1912 and laying down that 50% of the net profits of each limited liability society should be carried to the Reserve Fund will work a great hardship.

8. This Conference is of opinion that Supervising Unions should be formed wherever possible.

9. This Conference urges upon the societies the desirability of availing themselves of the privileges conferred by Rule XII of the above rules in the matter of settling by arbitration their disputes with their members.

10. This Conference is of opinion that as recommended by the Committee on Co-operation in India Provident Deposits may be made optional, provided small instalment shares to increase the share-capital are introduced.

The Conference terminated as usual with a vote of thanks to the Chair.

The Coimbatore Circle Co-operative Conference.

The sittings of the Co-operative Conference began on the 4th March, 1916 at Erode. There was a very large attendance of delegates and visitors. Among those present were Dewan Bahadur L. D. Swamikannu Pillai, the Hon. Mr. B. V. Narasimmier, Rao Bahadur M. G. Arokiasami Pillai, Rao Bahadur T. S. Balakrishna Aiyar, Rao Mr. C. N. Krishnaswami Ayyar, Parameswara Nambudripad Narayana Nambudripad, Mr. Vedachella Aiyar and others.

The proceedings commenced with an Address of welcome which was read by Mr. S. R. Rangasami Aiyangar, the energetic Secretary of the Conference.

The Presidents Address's.

Rao Bahadur M. G. Arokiaswami Pillai, B. A., proposed the Hon. Rao Bahadur V. K. Ramanuja Chariar to the chair, who then delivered his presidential Address in Tamil, of which the following are portions rendered into English:

The Audit G. O.

An order was received a few days ago, in which they have decided to give up the audit fee, but to transfer to the shoulders of the Co-operative Societies themselves what they describe as supervision and primary audit. The supervision is to be exercised by Central Banks and Co-operative Unions; but as they cannot do this work without funds, they are authorised to levy half a per cent. more as interest upon the loans given by them, and form this into a supervision fund. Consider, gentlemen, the result, which appears to me to be nothing more than the obnoxious audit fee in a new garb and with probably at liability to pay more. But you have the satisfaction that it is not levied by Government. I am, however, not dissatisfied with the arrangement. For, I look far ahead. Suppose you had accepted the audit fee. The confidence on Co-operative Societies would be based on the fact that they are supervised by Government agency, and that their accounts are audited by Government auditors. So long as this should continue, more and more societies would spring up. But, if at any time, Government should resolve to withdraw from the supervision what would be the result? The whole thing would come down like a house built of sand. If, on the other hand, a Co-operative Society depends upon itself, and works well and inspires confidence, not quickly but gradually, it is not likely to collapse.

The Meaning of Unlimited Liability.

Gentlemen, to bring about a spontaneous increase in the number of Co-operative Societies in this manner, you have got a great responsibility placed on your shoulders. Make your society an ideal society. First, let me ask you whether you realise what is meant by an unlimited society. It means that your liability to pay the debts borrowed by your society is unlimited, that is, not limited to the extent of the money you have put into the society in the form of share money. It extends to all your property. If, therefore, the society is unable, unfortunately, to pay up a debt, all of you have to pay it up from your own resources. Every one of your members should realise this fact fully. If you will do so, you will be anxious to improve your society to the utmost extent possible, so that you may not have to incur any loss. You will then insist upon every loan being applied to the purpose for which it is taken. You will thus encourage development of honesty in your members. You will not lend money to idle people, who will only borrow in one place to repay in another. You will see whether the borrower will give hard and strenuous labour to repay the money. You thus help to develop thrift. You will also insist upon the loans being repaid with interest on the due dates. If you allow it to be accumulated, you will find difficulty in obtaining repayment. You will then encourage the habit of punctuality. I have heard complaints that the panchayats of some societies distribute the available money as loans among themselves, that they do not collect money on the due dates, and that the accounts are not written up. That only shows that members do not take that interest in the affairs of their societies which they are expected to take. If you regularly attend meetings, follow the proceedings intelligently, and choose members of the panchayat by selecting only those who have knowledge, capacity and unselfishness, these complaints will never be heard. I beseech you to regard the society as your society. In that word *your* and in the word *mine*, there is a great virtue. If you look upon a thing as 'mine', you will begin to love it and you will not like separation from it. If, on the other hand, you do not regard it as yours, you do not care what becomes of it. This is a law of human nature. Apply it to your society, and regard it as your society. You will then greatly begin to love it. Feel yourselves at one with it, and whatever money you have you will put into it, and in no other place. And if you want to borrow, you will go to it in the preference to any other place. You will also realise at the same time its great usefulness to you. You may get a loan of money, whenever you require it and in such quantities as you may need. You will not be under obligation to any private person. You can repay the loan in such instalments as you can, and

the rate of interest is very reasonable. If, seeing this usefulness, and realising your own interests in it, you begin to love it, you will gradually make it a perfect society.

But there is nothing to prevent you from joining together to sell your produce. Instead of each person going to a trader and settling his terms, if you can all join together, there will be but one negotiation, and you will get better price, when there is no competition between yourselves. I hope you will give this suggestion a trial. Then you will join together in purchasing whatever you may require for your consumption. I do not think a co-operative store is the proper thing in a village. You will find it difficult to procure the services of an honest man to sit at the shop and sell throughout the day, but you may join together, make out a list of the articles that you may require for a month, send for them from a whole sale dealer in the town and distribute the articles among yourselves immediately on arrival. Co-operation of this kind is resorted to at Tiruturaipundi. It has a weekly fair, but fresh vegetables, cannot be easily obtained. The co-operators therefore have joined to procure fresh vegetables, now and then, good coffee, and good ghee. This plan you may follow with the advantage. The trouble of going up and down is minimised. You get better articles and for reasonable prices. More important than co-operative sale or distribution is the question of the sanitation of our village. It does not require much money. You have only to spread ideas of hygiene among yourselves, and see that your village-site, your ponds, and wells are kept free from contamination. There is the question of education of your boys and girls. So long as you wait upon Government, nothing can be done satisfactorily. You should take this into your own hands. You need not put up any expensive building. The school may be held in the pial of a house as has been the custom hitherto. You can yourselves spare an hour or two every day to impart instruction to your boys. You are not always busy, but can find time to play at cards. Give up a portion of your time to teach. I will also request you to educate your ladies. They will gladly take part in this work. Do not regard pedagogy as beneath you. For there is no nobler work. Already I find that in some places disputes arising in the village are referred to your panchayats. If your panchayat consist of members, who are above reproach, there will be greater and greater resort to them, speedy justice will be rendered without expense and to your great satisfaction. The litigious spirit will be starved and you will be in a position to realise that every one in the village is your brother or sister. When you reach this stage, you will probably, when the day's work is over, bring all the people together in the village and speak to them on matters which affect them in this world and in the

next. The evening of your day, as the evening of life, will be spent profitably in spiritual advancement.

When I said that the co-operative movement is a very great benefit conferred by the British Empire, I had in my mind all these possibilities, which are enfolded in the Act as a mighty tree is within a seed. Water the seed and make it grow into a vigorous tree by careful attention. If you do so, you will be promoting unity in the village, and if every village becomes autonomous, how great a progress will have been achieved? The Courts will hardly have any work left and the Police will go to sleep in their station houses. And we may make some advance towards the state of things described in the Ramayana as having existed in the city of Ayodhya. Your Taluq Boards will co-ordinate all the villages within the taluq. Your District Board will perform the same work with regard to the Taluqs. The Provincial Government will co-ordinate the Districts, and will enjoy autonomy in a federation of provinces in this country, and India herself will be a respected member of the British Empire. Every one who contributes to bring about this result will be a true patriot. The responsibility lying on your shoulders as the pioneers in the co-operative movement is very great indeed. And I hope that no one of you will realise what is expected of you in the advancement of our country. This is the message which I bring to you from the Tanjore District, and, if you respond, I shall feel myself amply rewarded for the trouble I have taken.

On the second day, the proceedings began with the expression from the chair of the sense of great loss that the cause of co-operation had sustained by the deaths of Rao Bahadur C. Nagoji Rao, B. A. and Rao Sahab K. Vijayaragavachari, M. A. The following resolution among others, were proposed, seconded in Tamil and duly carried:

(1) That the District Urban Bank, Coimbatore, be requested to undertake as a Banking Union the work of supervision of all the Co-operative Societies in the District, such societies being admitted to membership of District Urban Bank and being given sufficient representation on the Board of Management, the details to be arranged between the Registrar of Co-operative Societies and the Board of Management of the District Bank. (2) That a separate Central Banking Union or a District Supervising Co-operative Union be formed for the District of Malabar. (3) That this Conference is of opinion that before the Government frames any rules on or takes any action in pursuance of the recommendation of the Imperial Committee on Co-operation, sufficient notice thereof should be given to enable non-official public opinion to express itself on the changes contemplated. (4)

That the Conference desires to invite the attention of Government to the fact that the enforcement of the rules recently published by them requiring limited liability societies to set apart 50 per cent. of their net profits towards reserve fund will kill those limited societies and to request that the rule may be abrogated. (5) This Conference recommends that the maximum rate of dividend of limited societies be fixed at 12 p. c. instead of 9 p. c. as recently published in the rules by Government. (6) This Conference is of opinion that if the proposed apex-bank be constituted for the Presidency it must be on the condition that every co-operative society should be permitted to become a shareholder thereof and that every District Bank should have a representative in the Board of Management of that Bank. (7) This Conference impresses on all societies in general and on Central Banks in particular, the urgent need of taking special steps for promoting education in Co-operative principle among the people by—(a) Convening periodically general meetings of members of primary societies and addressing them; (b) arranging periodical lectures and starting a regular and systematic publication and free distribution of leaflets and pamphlets on Co-operation, and (c) setting apart a definite portion of their net profits—not exceeding 7½ per cent.—to form a common good fund to be utilised mainly for the formation of suitable libraries and reading rooms.

APPENDIX.

The Second Kistna District Co-operative Conference.

The second session of the above Conference was held on the 29th April, 1916, in the Town Hall with M. R. Ry. Rai Sahib K. Ramaswami Ayyar Avl., B.A., B.L., of Madura, in the chair. About 80 delegates from all parts of the district were present. The conference was well attended by the local Bar and officials.

THE CHAIRMAN OF THE RECEPTION COMMITTEE.

The Kumara Raja of Chellappalli, Chairman of the Reception Committee welcomed the President and the delegates in a long speech from which the following are extracts:—

The following figures will bring home as to the development of the movement in this Presidency. In ten years, the number of Co-operative Societies has reached 1,600 with the membership of 1,18,726 and the funded capital of Rs. 1,42,10,117. So far as the Presidency as a whole is concerned, these figures may be looked upon as satisfactory, but, if the progress of the movement in the Telugu coast districts is taken into account, there is not much to glorify. It is not worth-while to go into the causes of stagnation of this movement in the Telugu country, but since it is recognised that its progress is not all that can be desired, it would be of material benefit to the country, if all the well-wishers strive hard to eradicate this defect by all possible means.

Agricultural Co-operation.

The importance of Agricultural Co-operation cannot be over-estimated as it is the most useful form of combination to the agriculturist next to the development of credit which is the main purpose to which the Co-operative effort has been applied hitherto. But the development of credit will not be sufficient to enable the ryots to carry on improvements in Agriculture for which special Agricultural Societies with definite purposes are wanted. Co-operative Societies should be started for the purpose of raising more valuable crops, of using labour-saving machinery, of lessening the cost of production and of organising for the sale of produce so as to enable the ryot to realise the highest profit in the market. In these matters, the efforts of the Agricultural Department may be augmented by the formation of the above said societies.

There are at present only 8 societies in the Presidency which deal with agricultural co-operation. It is really a matter for regret that it has not made much progress in spite of the manifold advantages derived by the ryots and in spite of the long tours undertaken at considerable expense by the late Dewan Bahadur Mr. Audinarayana Aiyah to start these societies.

However, with some fresh effort, the movement will, it is hoped, spread in this direction, as the ryots will come to realise its benefits.

Zamindars and Landholders.

Regarding the unsatisfactory progress of the movement in the Zamindari villages, Sir P. Sivaswami Iyar in his concluding remarks passed at the Second Provincial Co-operative Conference which met on January 5th, 1914, said that he wondered why Zamindari villages should have been left out so severely and then expressed the hope that the propagandist work would be taken up in these villages by the interested Zamindars and other public workers. It is now more than two years since those words were uttered and the information as to the progress of the movement in Zamindari villages is not so very encouraging. Whoever might have been responsible for this state of things, it is now felt that the Zamindars also should evince an interest in getting co-operation spread in their tracts like every other well-to-do man. Realising their duties in this matter, the Landholders' Association at its last meeting passed a resolution urging on the Zamindars to take steps to spread the movement in their respective Zamins. It remains to be seen as to how far their suggestion will be given effect to. However, I should like to point out here some methods of carrying on the propagandism.

A landlord may best help his ryots by establishing a Co-operative Society in the place in which he lives or he may invest his money in Societies or Banks by lending or by deposits. In the initial stages, the societies are hardpressed for money, which can be very easily met, if the landlords or other big landholders would come forward with loans or deposits. As the rural societies are by their nature unlimited so much so that every individual member or the whole body are jointly responsible for the money borrowed as a loan, the invested money is better secured than in the case of individual borrowers. Further stability is assured to these societies or Banks as their accounts are subject to the severe scrutiny of the Co-operative Department Officers. For carrying on propagandistic work, big Zamindars may employ some trained organisers making them go about preaching the beneficial effects of co-operative societies while distributing pamphlets on the subject.

As regards the starting of a Provincial Apex Bank for rendering financial aid to all co-operative societies there are no opinions existing and the committee's recommendations in this respect have been generally approved, though opinions may differ as to its constitution. The Committee are of opinion that the Apex Bank should be composed partly of individual share holders and partly of societies as shareholders, while the management

should lie ultimately on the co-operative societies. If it be not possible to start an Apex Bank composed entirely of shares owned by co-operative societies under the present conditions of the co-operative Banking it seems desirable that representation on the Board of management should at least be such as to influence the whole policy of the Bank and to exercise control over other banking agencies so as to serve the best interests of all Co-operative bodies rather than satisfying themselves with turning out decent dividends to the share-holders even at the expense of other co-operative bodies as in the case of the Madras Central Urban Bank. To me it seems that the starting of such a Provincial Bank with a capital of two or three lakhs of rupees owned mostly by co-operative bodies is quite within the reach of practical politics, if the Madras Central Urban Bank cannot see its way to amend its constitution so as to admit a large number of co-operative societies as share-holders.

Co-operation in the Kistna District.

As for the spread of co-operation in the District it is gratifying to note that there has been, within the past ten months, a good deal of increase in the number of societies, membership and working capital, as evidenced by the following figures. From the commencement of the current official year up to the end of March, the societies rose from 49 to 85, the members of the agricultural societies, from 1714 to 2,335 and their working capital from Rs. 1,96,977 to Rs. 2,76,528. Out of the total number of societies Gudivada, Kaikalur and Bhimavaram taluqs share 66, whereas in the remaining 6 taluqs, viz., Bandar, Divi, Tanuku, Ellore, Nandigama and Bezvada, there are only 19 societies. And therefore the extension of co-operation is unsatisfactory, so far as these latter six taluqs are concerned.

The most interesting feature of the movement is that there are 9 non-agricultural societies, out of which there are three Banks at Gudivada, Ellore and Jaggayyapet, five employees' societies and one Co-operative Stores at Gudivada, besides the District Bank and a union. All of them except two or three appear to be working satisfactorily on the whole, though the repayment by members of the amounts borrowed by them from societies is not as regular as it ought to be. It is hoped that this defect on the part of members in the agricultural societies will disappear as the defaulters come to realise the necessity of punctuality in their repayments. It is a matter for regret that the District cannot boast of a single society for agricultural improvement as yet, though an appreciable progress has been made with regard to non-agricultural societies.

Taking the entire district into consideration, it is a matter for great satisfaction that the progress of co-operation has been

very marked within the past year and a half and this impetus is doubtless due to the honest and arduous efforts of our worthy Assistant Registrar, Mr. K. Nageswara Rao who, it is no exaggeration to say, has left no stone unturned to give a fresh stimulus to the extension of the co-operative principles not only here but in all the Telugu districts under his jurisdiction. It is hardly necessary for me to add that he has already laid the Telugu people of these parts under a deep debt of gratitude to him. May he show the same zeal and enthusiasm towards the starting of societies until almost all the villagers are brought within the reach of the beneficial effects of co-operation!

After the welcome address was over the President rose and delivered his powerful address.

PRESIDENTIAL ADDRESS.

The President began with thanking the Reception Committee for the great honour they had done him and for giving him an opportunity of becoming acquainted with such public-spirited co-operators as the citizens of Masulipatam undoubtedly were. He then referred to the great loss which the co-operative movement had sustained by the demise of Messrs. K. Vijayaraghava Chariar and M. Adinarayana Iyah, the latter of whom was not only the first President of the first Co-operative Society started in this Presidency, but was also the father of agricultural co-operation, besides being the President of the Madras Provincial Co-operative Union, which was organised by him and a few others to further co-operation and agriculture. Then passing on to the recommendations of the Committee on Co-operation and the recent G.O. on audit and supervision, he said:

"The devolution, sanctioned in the Government Order referred to by me, is to be carried out on two models: first by entrusting the work of supervision to central financing agencies wherever they are suitable and willing to take it up, and secondly, by the creation of Supervising Unions for groups of Societies. The former is by far the more advantageous both from the point of view of the primary societies and from that of the central financing agency. In this system the primary societies and the Central Banks are brought closer together in their mutual relations. But the latter is a thing to be tried. We are, as it were, creating an intermediate agency between the primary societies and the Central Banks. It is very doubtful whether this system will be useful for or further the movement. We cannot expect the central financing agency to place much reliance upon the recommendation of the Supervising Union as the latter does not guarantee, to any extent, the repayment of loans. Whether the assessment of credit made by the Union will be acceptable to

the Central Bank, is also doubtful. I do not want at this stage to offer my opinion on this system as we are not in full possession of details of working as proposed by the Registrar. It will be for you to consider which of these systems will be preferable from the standpoint of view of the Societies themselves.

The Staff.

Closely connected with the subject of devolution is the question of training of the staff of Supervision and Inspectors. The Registrar has laid out a scheme which has been duly published and it is for you to consider whether the qualifications prescribed and the training to be undergone in the case of these officers and the method of recruitment suggested are acceptable. The third point on which the Government has passed the orders with respect to Committee's recommendations is with reference to the formation of fluid resources referred to in paragraph 153 of the Committee's Report. The Government has recently formulated a rule that in the case of limited liability banks 50 per cent. of the net profit should be carried to the Reserve Fund instead of 25 per cent. as is usual at present. There is a great deal of irritation caused among the Urban and Central Banks on account of the introduction of this rule. Strong protests have been made at the Provincial Conference and the District Conferences that followed it against the introduction of this rule. This Conference will also have to pronounce its opinion on the operation of this rule."

Referring to the Committee's recommendation with regard to the maintenance of a large proportion of fluid resources, he pointed out that the working of the co-operative movement in Madras differed considerably from that in other provinces as the condition of the agricultural classes here differed from that in other parts of India. "Owing to the raiyatwari tenure the raiyats can absolutely alienate their holdings in our Presidency whereas it is not so in most of the other provinces. The second point is that the average rate of interest in Madras is considerably lower than in all other Provinces except perhaps in Bombay. This is due to the enhanced security which a borrowing agriculturist is able to furnish in Madras, as compared with the other Provinces. The Committee seem to have had in view the conditions prevailing in other provinces and their conclusions in point cannot be said to be altogether applicable to Madras societies. I hope you will discuss this question of fluid resources in all its aspects and convince the Madras Government that the Committee's recommendation is likely to work considerable hardship especially in the case of Central Banks."

Calculation of Net Profit.

He then referred to the recent circular of the Registrar which lays down that interest due or accrued but not

collected, should hereafter be excluded in calculating the net profits of a Society. He said that it would work as a great hardship on the Central Banks and hoped that the method laid down in the circular would not be followed at least during the current year. Then he said:

"No Central Bank has as yet provided itself with an adequate supervising staff. The Banks depend entirely on Government staff for collection of outstandings. Central Banks merely forward the arrears list to the Assistant Registrar, and he in turn sends them to the Inspectors to make collections. The Central Banks, therefore, cannot be penalised for non-collection of overdue interest. The only safe course will be not to bring this rule into operation in the case of Central Banks at least during this year. The success of the Central Banks is due to the dividends declared by them year after year. At one stage of the movement it was found necessary to attract outside capital. We have not yet arrived at that stage when we can eliminate individual shareholders, as the Committee have clearly laid down. The immediate effect of offering low dividends will be the withdrawal of shares. Most of the newer Banks have accepted the rule limiting the dividend to 9 per cent. I do not think any further limitation of the dividend is either necessary or at all desirable at present.

Heavy Responsibilities.

The co-operative movement is entering on a new phase of development. Till now it was mainly in the hands of Government agency. The Government are changing their policy and have resolved to entrust the substantial portion of their work till now carried on by them to non-official agencies, i.e., to the societies themselves. We as co-operators have therefore to face a heavy responsibility. We have to gird up our loins to undertake the new task that is to devolve on us. Primary societies, by themselves, cannot do much. They have to combine into unions or come under Central Banks managed by competent hands. It is from the Central Banks that the primary societies have derived force and inspiration, advice and guidance, and every kind of pecuniary assistance in the management of affairs. The Central Banks on the other hand have to equip themselves to undertake the very heavy responsibility that may devolve upon them. The organisation of new societies and the supervision of existing ones will, I presume, go to their hands. They will have to prepare the property register of the societies showing the value of the moveable and immovable property owned by the Members of each society and the capacity of the Members to repay. It will also be their duty to adjudicate upon the applications of societies for loans and to fix the periods of repayment. For this purpose

they will have to maintain a well-trained staff. These and other matters will receive due consideration at your hands.

Non-Credit Annexes.

There is another matter to which we may profitably devote some attention in the near future. Our primary societies are engaged mainly in the business of credit. It is possible and at the same time desirable that the members of such societies being mainly drawn from agricultural classes may like to have annexes to them which are of a non-credit character, namely, purchase and sale of agricultural requisites, and for arranging the wholesale disposal of their produce. As it is, only very few credit societies have such annexes, though experience has proved that such transactions are extremely profitable to the societies and advantageous to the members. When a large number of agricultural societies come to have such annexes they will naturally expect the Central Banks to arrange for the wholesale supply of seeds, manure, implements and other agricultural requisites, and distribute them to the various members of societies. The Central Banks can similarly arrange for the disposal of agricultural produce wholesale by getting information from the component societies as regards the kinds and value of crops grown in each area and on the strength of such information can arrange with wholesale dealers for their disposal, thus avoiding the series of middlemen in whose hand the trade now mainly lies. All these require much skill, knowledge and training in business habits, which we cannot at present expect from the panchayats of the primary societies." In his opinion a good society was one in which the general body took interest in the affairs of the society. He would not be discouraged by finding abuses in societies, which he compared to the growth of weeds in a field. No one was discouraged by weeds. They indicated on the other hand the fertility of the soil. If the general body understood its responsibility and properly discharged it, all abuses would disappear in no time. To awaken the interest of the general body was, therefore, a most important work of the co-operator. The strength of the movement should not be judged by the number of societies working in any area but by the number of good societies that existed in it. Rather than multiply societies too rapidly we should see that every existing society works on sound lines and that all bad societies disappear as fast as possible. In conclusion he thanked them again for the honour they had done him.

RESOLUTIONS.

The following were among the resolutions passed at the conference:—

1. That the Government be requested to consider the desirability affording special facilities to co-operative societies.

for the recovery of their debt from defaulting societies and individuals by (1) applying the provisions of order 37, Civil Procedure Code, to suits by Co-operative societies, (2) dispensing with notice to defendants in execution, and (3) ensuring the same rate of interest from the date of suit to date of realisation as was previously agreed to.

2. That Government should utilise rural co-operative societies in the matter of distribution of loans under the Land Improvement Loans' Act and Agriculturists' Act.

3. That the conference was of opinion that in all cases where individual share-holders are also admitted as members of Central Banks an irreducible minimum rate of dividend be allowed for such share-holders.

4. That a committee be appointed to go out into the whole question of starting co-operative societies, in view of the great inconvenience felt by the ryots and the field labourers in the wet villages of the District, in finding suitable accommodation for residential purpose, as to meet the said requirements and of finding funds for the same and to take such other steps as may be deemed necessary under the circumstances.

5. That all the Societies and Banks in the District are requested to enlist themselves as members of the Kistna District Co-operative Bank.

6. That in view of the decay, for want of organised support, of the indigenous industrial arts and crafts of the country such as cloth and carpet-weaving, dyeing, Palampore printing and toy-making, the Conference urges on Government the supreme necessity of appointing a special staff to investigate their present condition and resuscitate them as cottage industries on a Co-operative basis in this district as recommended by the Imperial Committee on co-operation in Paragraph 10 of its report.

7. That the Educational Department be requested to consider the advisability of including the subject of co-operation in the curriculum of studies in secondary schools saying that the time had come when the principles of co-operation should be diffused to children by itinerant preachings.

8. That a committee composed of official and non-officials be appointed to make definite recommendations in regard to (a) the relations between the different financing agencies, (b) the areas from which deposits may be taken and the variabilities of interest on deposits, (c) the constitution of an Apex Bank and (d) the fluid resources to be maintained in case of central and Apex Banks.

9. That the Government would do well to consult non-official opinion before introducing innovations of material importance in the existing practices and procedure of the co-operative societies.

The Fifth Tanjore District Co-operative Conference.

THE fifth session of the Tanjore District Co-operative Conference held on the 9th April last at Tiruvalur, with Rao Bahadur T. Vijayaraghava Chariar, Revenue Officer of the Madras Corporation, in the chair.

After referring to the loss sustained by the deaths of Rao Sahib Vijayaraghavachariar and Dewan Bahadur Audinarayaniah, he said:

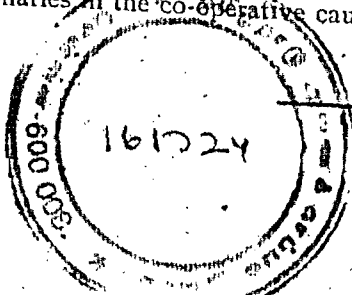
Since we last met in this District Conference, two events of capital importance have taken place in the co-operative world. I refer to the publication in October last of the Report of Sir Edward MacLagan's Committee on Co-operation and the promulgation in November of new rules framed under the Co-operative Societies Act by the Local Government. The report of the MacLagan Committee covers practically the whole field of co-operation and constitutes a landmark in the history of the co-operative movement in this country. I must invite your special attention to the finding of the Committee that in the majority of cases primary societies in India fall short of the co-operative ideal. The Committee's report demands your careful attention as it will form the basis of most future discussions on the issues dealt with in it. Two of the rules recently promulgated by Government have excited considerable controversy. One refers to the restriction of dividends to 9 per cent. So far as this district is concerned, the rule affects only the Nicholson Urban Bank at Tanjore, and that Society has not objected to the restriction. The other rule is the raising to 50 per cent. of the sum to be set apart for the reserve fund. The advocates of the new rule point out that you ought not to look to immediate dividends but to the ultimate prosperity of the Society and that it is wise to strengthen your reserves. On the other side it is pleaded that an enforcement of the rule will lead to diminution of dividends and remove inducements to formation of new banks and to shareholders sticking to existing ones. It is a question for this conference to form and express its opinion.

In our district the statistics of co-operation reveal a record of good work done. Starting in 1904-1915 with 2 agricultural and 1 non-agricultural society, we have now 59 agricultural, 17 non-agricultural and 1 central society. The working capital of agricultural societies has in the same period increased from Rs. 4,600 to Rs. 3,80,000 of which deposits from members amount to Rs. 12,000 and from non-members to Rs. 32,000, that

of non-agricultural societies from Rs. 7,700 to Rs. 1,58,000 ; of which Rs. 26,000 represent members' deposits.

The above figures show that, while we have not much to be ashamed of, there is room for considerable improvement. For one thing the number of agricultural societies is hardly commensurate with the population, importance and intelligence of the district. Two Taluqs have no societies and two others have only one each. The highest number in any Taluq is 11. Tanjore is one of the most densely peopled and educationally advanced areas in the Presidency and from the point of view of landed interests it perhaps occupies the first place. I do not know what is the explanation for the slow progress of the co-operative movement here. An intelligent resident of the district suggested that a spirit of excessive individualism due to early contact with English education made the Tanjoreans rather shy of co-operating with one another. I do not know if that was a correct diagnosis. It seems to me we must look rather to economic causes. Undoubtedly the Tanjore raiyat is able to get money at cheaper rates of interest than raiyats elsewhere, 12 to 15 per cent. representing the ordinary maximum. But 15 per cent. though relatively a low rate is by itself a very high one and the explanation must, therefore, lie elsewhere. I must confess, however, my inability to see where it is. What are the main economic features of Tanjore rural life as they strike a stranger who has seen other districts? They are, the probable inadequacy in quantity and certainly the inefficiency in quality of field labour, the general want of thrift, and the poor condition of the agricultural labourer, which stands out in contrast with the comparative comfort of other classes. In my opinion a district like this eminently needs co-operative work. I desire to speak with all possible reserve as one who owns no land in the district and cannot therefore speak with that true inwardness of agricultural relations which only a landowner can possess; but it strikes me that the inefficiency of the field labourer is closely connected with his economic condition. Start Co-operative societies for field labourers and small farmers where they can invest their little savings and encourage them or build up a little capital for themselves.

The Registrar has commented on the bad state of village societies in parts of Tiruturaipundi and Pattukotta which go to swell the default statements. I think this indicates the need for more educational work on your part. The teaching of co-operative principles should be undertaken, with a view to correct the shortcomings. There is ample room for more teachers and missionaries in the co-operative cause.



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