REGISTERED—No. M. 1284.

410

# The Madras Bulletin of Co-operation

Issued every month in two languages—English and Tamil.



"If the system of Co-operation can be introduced and utilised to the full I foresee a great & glorious future for the agricultural interests of the country"—
His Majesty's Reply to the Delhi Municipal Address, 13th December, 1911.—

Vol. XVIII.] DECEMBER 1926 [No. 6

PRINCIPAL CONTENTS.
*(For Detailed Contents, Please see inside.)*



Office of the
**Madras Provincial Co-operative Union, Ltd.,**
ROYAPETTAH, MADRAS.

**Subscription per annum Rs. 4. Free for all members except Local Unions in Tamil Districts, and Urban Banks which pay less than Rs. 4.**

*N.B.*—Complaints of non-receipt of parts will not be attended to if not received within a fortnight after the due dates.

## CONTENTS.




THE MADRAS BULLETIN OF CO-OPERATION

P.C.U.

ALL FOR EACH and EACH FOR ALL

VOL. XVIII.] DECEMBER 1926. [No. 6.


*The Editorial Committee do not hold themselves responsible for views expressed by contributors. Contributors are requested to write legibly and on one side of the paper. Payment will be made for news and articles at the discretion of the Editorial Committee. Manuscripts will not be returned unless stamps are sent to cover postage. Matter intended for the issue of any particular month should reach the Committee before the last week of the previous month.*

---

## GRANT OF EXTENSIONS.

*(Editorial).*

One of the circulars issued by the Registrar relates to the procedure to be adopted in the matter of the grant of extensions. Co-operators are aware that this subject has been prominently before them for some months past, especially since the last Provincial Co-operative Conference. The matter underwent considerable discussion and the Conference observed with regret that the system of extension for loans due to central banks in vogue in certain districts was open to grave objections, and resolved to appoint a committee to enquire into the matter. The matter is still under inquiry and the report of the committee is awaited.

In the meantime, we have the Registrar's Circular on the subject (vide pp. 176—178 November issue). It will be within the recollection of co-operators that in July last year, the Registrar issued a circular (vide pp. 91—93 of the Bulletin for August 1925) which dealt with the manner in which the Central Banks should regulate the grant of extensions to primary societies. Certain comments thereon appeared in our August issue (vide pp. 119—123) in which the writer observed that, unless the primary societies and unions moved in the matter, the Central Banks could hardly make any progress, and suggested the issue of the necessary instructions to those institutions. We are glad to find such instructions in the circular under reference. The circular of July '25 and the present one supplement each other and, subject to a few remarks lower down, it is hoped that the primary society, the union and the central bank will observe them in practice.

It is not mere extension that is advocated by the Registrar. He anticipates that a revision of instalments will probably be necessary, but warns that the revision "should not be resorted to without careful inquiry and without express permission of the local union" and (let us add) of the central bank as well. In either case, the grant of the concession will have to be strictly restricted to GENUINE loans.

In regard to one instruction contained in the circular, however, we feel constrained to take strong exception. The Registrar says that "For the amount covered by references under Rule XIV or Civil Suits, the central bank may give an extension of time provided the management of the society is honest and efficient." In another later circular of his, bearing on the reorganization of societies, also appearing in the November issue, the Registrar reiterates the same instruction. He says: "There can be no objection to obtain an extension of time from the central bank for the amount covered by such references (that is, references under rule XIV) or Civil Suits." We are unable to understand the necessity or reason for the grant of an extension of this kind by the central bank to a primary society.

As the term itself implies, "Extension" means the prolongation of the time originally agreed upon, for repayment of the loan. Admittedly, it is justified only when the individual borrowing member finds himself unable to comply with the original stipulation for some reason or another beyond his control and as such deemed as satisfactary, such for instance, as the failure of crop, the failure of monsoon, the happening of an unforeseen calamity such as flood or fire &c. When the reason for non-payment within time is inquired into and deemed as *not* satisfactory, and when all persuasive measures for recovering the arrear



prove abortive, then and not till then are coercive steps resorted to either before the departmental official by a reference under Rule XIV or in a Civil Court by a Civil Suit. Evidently, therefore, overdues covered by references under Rule XIV or by civil suits *are the worst form of arrears*, which the borrowers will not (as they ought to in a co-operative society) pay of their own accord within the stipulated time; which in the next place are not eligible for grant of extension; which again the panchayat cannot collect by resort to persuasive methods; and for the recovery of which, in the last resort, coercive processes are taken. What justification there can be for the Registrar's instruction under reference that the central bank may grant an extension of time to the primary society in respect of such overdues passes one's comprehension.

The Registrar's reasons for this instruction are, to quote his words, as follows: "It may, however, so happen that a primary society will have to ask for an extension of time in regard to a loan not covered by similar extensions of time, given or proposed to be given to individual members of the primary society. This will happen (the Registrar adds) (1) when *a number of members wilfully default in payment of their dues*, and (2) when the society does not propose to give them an extension of time, and (3) when it does not want to penalise good members *on account of the wilful default of a few*." The italics in the quotation are ours. The clause marked (3) is not consistent with clause marked (1). If as clause (3) would put it, the wilful defaulters are a few, the inability of the society to pay the central bank's instalment will not generally arise. If however as clause (1) presumes, the wilful defaulters are many, the society may not be able to pay its instalment to the central bank. These two reasons will not generally co-exist: they cannot go together. The only plausible reason in justification of the instruction is that the society does not want to penalise good members on account of the wilful default of some members. If such members are few and the good members are many, the necessity for extension will not, as already observed, generally arise. If, however, the wilful defaulters are many and the good members a few, the extension will not, in the Registrar's own words, be called for. For, the Registrar says that extension in such cases can be given by the central bank "provided the management of the society is honest and efficient." And how can the management of a *co-operative* society be deemed efficient when the defaulters, *mind the wilful defaulters*, are many and good members a few.

Barring cases in which extensions are deservedly called for and granted, first by the primary society to its individual member and then (where other concomitant conditions call for it) by the central bank to the primary society (the amount of overdues covered by such cases being removed from the head of overdues), there will remain overdues which are either (1) in process of recovery through persuasive measures, or (2) covered by references under Rule XIV, or suits in the civil court. Of these, the better class, namely the former, will appear as overdues while, the worse class, namely, the latter, will be brought under cover of extension from the central bank and presumably excluded from "overdues." For obvious reasons, it will be irregular to do so. Both these classes of overdues, for non-payment of which the borrowers have no justification whatsoever, should be shown under overdues; and the present proposal can hardly be entertained by central banks.

Another objection may be advanced. The overdues from societies to the central bank exhibited in the statistics appended to the Presidency Administration Report and commented upon in it should depict the state of overdues as they really exist. The present instruction will have the effect of removing the worse form of overdues from that head and present a picture inconsistent with facts.

Still another reason. The instruction in question will automatically facilitate the grant of a further loan by the central bank to a society when the latter has brought all its overdues under cover of references under Rule XIV or civil suits. The incentive on the part of the panchayat to do its duty of collecting will disappear: its efficiency will be slackened. The standing instruction that coercive processes should be resorted to sparingly will be honoured more in the breach than in the observance. The open facilities to the central bank for check of the actual condition of affairs in a primary society applying for a further loan will disappear. Even when the society does not apply for a further loan, one sure index testifying to its condition will have been removed.

If the reason for the instruction in question be that a primary society, by reason of having on its rolls a number of wilful defaulters who have been sued for their dues, cannot repay its instalment to the central bank, and cannot, for that reason, raise a further loan from that bank for helping such good members as there may be on its rolls, instances of societies of that kind which can still be deemed *efficient* will be very rare indeed. In their case, exceptional reasons ought to and will certainly exist for the grant of a loan by the central bank and the simple fact that the overdues from the society are not covered by an extension from the central bank and still appear as "overdues" will presumably not stand in the way of the grant of the loan.



We have seen a circular of a local officer that extensions may be granted by the central bank in the case of amounts decreed and pending execution. The Registrar's instruction under comment, however, goes one step further, namely, that amounts covered by references and suits (whether decreed or not) may be granted extension.

Considered from any point of view, the grant of extension by the central bank in respect of overdues covered by references under Rule XIV or Civil Suits (whether decreed or not) appears to be objectionable.

We invite the careful attention of co-operators to the objections stated above, especially of central banks and the apex bank.

## URBAN BANKS—SOME PROBLEMS

In the progress of times, the Bank has, in the opinion of the Board, attained a condition in which a thorough outlook is necessary so as to pick out the difficulties it has to meet with in its administration and concert measures to remedy them. The administration of the Bank has to be rendered as easy, smooth, and efficient as possible. The Board desires to record hereunder the main difficulties it has had to encounter till now and the way in which it may be got over.

(1) Large surplus cash balances have become a standing feature of the Bank for some time past. The Bank enjoys good credit and can draw large deposits. The Board also believes that with certain facilities the Bank can distribute profitably all its resources among the members themselves. As at present, the Bank finds it hard to do so owing to avoidable difficulties. The low loan qualification fixed per share combined with the difficulties in share allotments hamper the administration a good deal. It ought not to be concluded from this that the Bank has grown unwieldy and that other remedies should be resorted to. The present strength of the Bank is not much and the Bank could continue to admit members until it reaches a reasonable limit. Making allowance for ingress and egress of the members of the Bank, the Board believes that as far as this Bank's jurisdiction is concerned, the strength could always be controlled and maintained at a reasonable limit without failing to meet the demands of the residents in the area. As per bye-laws of the Bank, a member could borrow only Rs. 25 per share and the bye-laws also provide that every member could possess shares up to 100. Many of the shares have become vested in large numbers and in excess of borrowing needs in several members when shares were amply available, and it is rather difficult now to make them surrender whatever they may possess in excess of their borrowing

limits. Though the Board has been of late restricting the maximum number of shares to be allotted to a member to 60—the maximum borrowing limit—it has not been able to find shares to be allotted to members in accordance with their demands. In a large number of cases, membership in the Bank is coveted only for purpose of borrowing, and in a very few cases, shares are coveted as an investment. It is a very hard thing both to the Bank that has enough money to lend and to the member who has need for borrowing if sufficient shares are not available to enable him to raise the loan as per bye-laws. The Board is fully aware that there ought to be a limit to the number of members to be admitted in the Bank so as not to make it unwieldy but the limit to be so fixed should be reasonable. Having regard to local needs and conditions, it would be erring on the safe side if even the limit is to be exceeded to some extent rather than to think of finding remedy by the creation of another Bank. The town could scarcely support two banks without conflict, and at any rate it is not the remedy to be thought of at present. The Board is also aware that, by allotting more shares so as to enable every member to hold as many shares as he may require and may be found eligible to hold consistent with his borrowing credit, the Board will have to pay interest by way of dividend at a higher rate than what it may be otherwise. It would be much better to be content with a small margin of profit on the share capital rather than encounter the other difficulty of not being able to distribute its money among members for want of borrowing qualifications in them.

(2) There is an alternative or additional remedy to be adopted for relieving the situation without unduly increasing the share capital, and that is, by releasing the rigour in the limit fixed for borrowing per share. As at present, a member is allowed a credit of Rs. 50 per share held by him but the same is apportioned at the rate of Rs. 25 for loan and Rs. 25 for suretyship. If this restraint is removed and a member is allowed an aggregate credit of Rs. 50 per share to be so utilised by him as he may find it feasible for borrowing or for being a surety, the demand for shares in large numbers will go down. It would be a far better thing if even instead of this a member could be allowed to possess a loan credit of Rs. 50 per share and a surety credit for a similar amount. The amount to be lent to a member depends much upon his status and worth and need not be made to depend very much upon the share capital possessed by him though the same may to some extent be considered as a security for the loan. The Bank's activities are controlled a good deal by the limited local jurisdiction allotted to it, and the other restrictions may as far as possible be relaxed without the least detriment to the society.



(3) There is yet another way by which the difficulty could be controlled to some extent. It is not every resident within the Bank's jurisdiction that may be said to be eligible for individual credit and membership in the Bank. When once a local jurisdiction is assigned to an Urban Bank, it ought to be the privilege and duty of that Bank to satisfy the needs within its jurisdiction in the matter of financing. The Bank may render help by direct admission as members wherever persons are considered eligible for the same, and may help the others by organising them into unlimited societies as prescribed by rules and financing them through such societies. The District Bank cannot seek to exercise jurisdiction over an Urban Bank's area except by financing the Urban Bank concerned. In fact, when once local jurisdiction is given to an Urban Bank, there ought to be no unlimited societies within that area except it be that they are constituted for facilitating the work of the Urban Bank. This principle has been recognised by the department some years ago, and in fact, the several unlimited societies that have cropped up within this Bank's jurisdiction appear to have been brought into existence in that view. The General Body has been long agitating for this concession and has proposed an amendment of its bye-law accordingly at its meeting on 19-12-1925. The principle has also been recognised by the Registrar's circular No. D. Dis. 2206 of 1926 dated 5-7-21. The Board requests that the Registrar may be pleased to take a liberal view in the matter and grant the request. It is hoped that this remedy will also tend to reduce the number of members seeking direct admission in the Bank. In the absence of these remedial measures to be adopted, the management may have to devote their attention to shut out the deposits forthcoming, though the same has already been restricted to some extent by the reduction of the rate of interest offered. This will not be a move in the right direction. When once the management begin to shut up deposits, it may eventually be that the flow of deposits ceases. On the other hand, it will be a much better thing to avail of the credit enjoyed in trying to reduce persons as far as possible especially at the present times when the stringency of the money market is very high and is tending to the economic distress of the public at large.

(4) Yet another way by which the Bank could be relieved of its heavy cash balances and could be helped to utilise its resources will be by grant of permission to advance loans to non-members on the security of their deposits. Such loans have been permitted in the case of provident deposits and the permission has only to be extended to the other deposits as well. The General Body has proposed an amendment of its by-law accordingly and it is hoped that the same will be accepted.

(5) In conclusion, the Board would desire to bring to the notice of the Registrar, that the present condition of the Bank, viewed as a financial concern, cannot at all be said to be very satisfactory. The Bank, in order to be a good concern, must be able to distribute all its resources without accumulation and should depend upon an overdraft credit and daily collections for its daily transactions. It will be interesting to note that it has not had to use at any time till now even a third part of its borrowing capacity. The Board has under the circumstances felt bound to approach the Registrar in the matter, with a view to secure his guidance, sympathy and help towards setting right the situation and if the same is not secured, it will be time it thinks of changing its policy so as not to hold itself answerable to the General Body for any fall of income that may happen.

In the light of the reasons stated above, it is prayed that the Registrar be pleased to be kind enough to find a way out of the difficulty agreeable to the Bank and to the principles of co-operation.

*(Extract from a memorandum to the Registrar of Co-operative Societies, Madras, by the Board of Directors of the Erode Urban Bank).*

## CO-OPERATIVE LANDHOLDING SOCIETIES IN MADRAS PRESIDENCY

*(Letter from the Registrar of Co-operative Societies, Madras, No. C. 2154/25 dated 24-10-26 in reply to the letter dated 10-6-25 from the Madras Provincial Co-operative Union Ltd.)*

There are in all about 260 landholding societies at present and they are situated in five districts as shown hereunder.

| | | |
|---|---|---|
| Tanjore | ... ... | 16 |
| Guntur | ... ... | 77 |
| Kistna | ... ... | 42 |
| West Godaveri | ... | 15 |
| East ,, | ... ... | 110 |

The objects with which the societies have been formed are (i) the acquisition of house sites and construction of buildings and (ii) the acquisition of lands for cultivation.

Societies for the purpose of acquiring house sites and constructing buildings thereon have been formed mostly in Tanjore and East Godaveri districts. Wherever it is found necessary to provide house sites for depressed classes, Government acquire land and make it over to a co-operative society formed for the purpose. The society undertakes to repay the cost within the period fixed by Government. The cost of the site is treated as a loan given to the society which in its turn distributes it to those who have been given house sites. Thus these societies are entirely financed by Government.



4. In regard to societies for acquisition of lands for cultivation, Government have given them lands either on permanent pattah or on long lease. In some cases, the pattah has been given to individual members and in some cases to societies which have distributed the lands among its members. Government have given loans to a few societies to enable them to finance their members to make the lands fit for cultivation. In other cases, the societies have either borrowed from central banks or raised money from the members themselves.

5. The members of these land-owning societies are agriculturists and landless tenants and belong mostly to depressed classes. Most of these societies are in charge of the Labour Department.

## THE FORECAST SYSTEM IN SOUTH KANARA.

Under "Notes and news" of the August issue of your magazine, a short note appears about the Forecast System. As it does not give full information as to the merits and demerits of the system, an earnest attempt is made here to explain it.

**The Genesis of the System.** Time was when the societies were few and far between, the Central Bank had begun to feel that a large amount of inconvenience and expense had to be undergone by societies which had no postal facilities either for receiving from or for remitting to the Central Bank loan monies. The supervision of the societies was done at the time by the Bank itself. The laborious process of getting each ordinary loan application recommended by the Asst. Registrar through the Inspector involved delay, and the societies were complaining that they did not get money exactly when it was needed. As the Bank did not feel the difficulty of financing this small number of societies, they were given a concession of repaying 1/10 of the original sum and applying for an extension for the rest. The whirlwind movement of starting societies in as many villages as possible in order to relieve the indebtedness of the poor ryot and daily labourer of the villages next took the breath out of the Bank with its slender resources. The financing became difficult when a few non-credit societies were started which required large amounts of money during particular seasons. The Bank clamoured that new societies should not be started without consulting it, as easy financing was not possible. Rao Bahadur A. Vedachala Aiyar, as Registrar, attended one business conference of societies and the Bank here, and remarked that the 1/10 system practically amounted to a long period loan, that a clear differentiation of long and short period loans should be made, and that the short period loans must be completely repaid within a period of two years. Long period and short period loans were clearly defined and a definite period for the repayment etc., were clearly explained in the local co-operative magazine. Long period loans were discouraged till the financial condition of the Bank was eased. It was also noticed at the time that, owing to the 1/10th system, a good many societies had resorted to book adjustments and collected by pressure only from the poorer folk just enough to pay 1/10. A few instances of mishandling of cash balances were also noticed and it was found necessary to meet all the difficulties at this time and the forecast systm was devised.

**Forecaste system**.—This system expected every member of a village society to forecast every year the amount that he may require for the next crop year. The purpose, the amount and the month during which the amount was required, were tabulated in a form and if this involved an increase in the maximum borrowing power, this was to be applied for. These lists were to be prepared under the advice of the Inspector, Supervisor, or one of the Union Directors who would be present in the general meeting of the society and the resolutions had to be forwarded to the union, which had to discuss these forecasts in the general meeting of the Union and their recommendations had to go through the Asst. Registrar to the Bank which in its executive meetings settled the amount to be paid in the next year and communicated the details to the concerned unions which maintained a separate Register showing all these details. This was necessary because the sanctioning of a forecast did not mean all. Each individual society had in the next year to receive applications from members each month for the loan to be disbursed next month, and a slip was to be prepared by the Secretary of the society showing the amount for each individual, purpose and period for repayment, and the resolutions sanctioning the loan. This *slip* was to be sent to the Union. In the meanwhile, the Union Governing Body was to meet and sanction the eligibility of a society for the forecasted amount for the next month and communicate the certificate to the Central Bank. This enabled the *Forecast slip* to be disposed of by the Secretary of the Union without further scrutiny by the governing body of the Union and empowered the Secretary of the Bank to pass the slip for payment without placing it before the Executive Committee. This enabled the village society to receive the amount in the month in which it was wanted. A counterfoil for the slip was introduced later on to enable the Supervisor to check and verify whether the loan was actually disbursed. It took nearly two years for the societies to fall in line



with its working. This was practically a modified cash credit system with proper safeguards to see if the amount was really wanted and really had been disbursed.

**Its drawbacks**:—Human ingenuity or a large portion of it is always directed to escape the clutches of rules and escape the consequent penalties attendant on them. To put it in brief, the general tendency is to honour rules in the breach than in the observance. Hence another set of people has always to waste its energy in inventing new safeguards against evils that have already appeared and that are likely to appear. This is inevitable though it is a regrettable waste of energy. The same thing may be applied to this instance of Forecast system. Every attempt at misapplication was to be thwarted, the village society had to get money in time, the Bank had to provide for the needs of the society each month and secure the necessary inflow of money. The drama of "*Hamlet*" was attempted to be played without the part of Hamlet.

Human character which requires constant care and watching in order not to fall into the evil tendencies mentioned above did not receive the requisite training and attention either for want of time, want of men or want of energy. A system can only prove effective if there is the real heart in it. If the heart is affected, the whole system would go to rack and ruin. And this was the outcome of the system.

*Result*:—The steady declaration of 9 per cent dividend tended to help the inflow of deposits and in order to reduce the difficulties consequent on over-capitalisation, the borrowing power per share of the society was raised, and every facility to borrow was placed at the disposal of societies, at a time when individual shareholders were *more particular about their dividends* than about *the working systems*, and when dividends reached their hands before formal approval by the general body of the Bank. They were lulled into security by the maximum dividends declared and the pretty high rate of interest offered for deposits. The business increased. "I scratch your back and you scratch mine" continued and we were expecting a " Millennium ". A rude awakening from this security was made when the first case of prosecution cropped up against the managing Director of the Garden Planters' Wholesale society, a limited liability society which enjoyed a large amount of cash credit and was already a mammoth concern for the resources of the Bank. It is unnecessary to dilate upon this case. But at least, a few rumblings were heard among the Directors themselves and these easily subsided when they understood that the village societies were all of unlimited liability whatever it may mean in a District containing a very large population following the Aliya Santhana Law. The second awakening took place owing to some defalcations in one or two societies and the few who took real interest in the movement began to verify the loans given to individual members in societies. Then the evil effects of working the system were seen in their full vigour. The easy flow for the mere asking of large amounts of money to societies on slips based on forecasts which had never been carefully prepared and which gave some imaginary figures of the wants of members, tended (1) to retention of large balances in the hands of unscrupulous secretaries, (2) to show fictitious balances when there was no actual collection by showing receipts from members when the amounts were still unpaid and by showing fresh disbursements when fresh slips were cashed. The amount realised from these slips was mostly utilised to pay up the dues to the Bank. It is this last thing which awakened the suspicions of a few who began to verify the loans in societies and found that bogus loans had been shown while the secretary or the president or both were mishandling the cash. A few criminal cases have cropped up and a still few more may either end in conviction or discharge for want of sufficient evidence, but all the same it has been found that this admirable system too has to admit of a failure in spite of its several safeguards. The system, I do not say, has given rise to these evils, but it has accentuated these evils and the individual shareholders who rarely attended the Central Bank meetings so long as their share of dividend at 9 per cent reached their hands even before the dividend was approved by the General Body were entirely indifferent. The one factor that was not reckoned in this whole system is the mentality of the society and the secretary of the Bank. So long as there was no proper check on their "carte blanche" transactions, the secretary of the society manipulated his general meeting, got extension for the Bank loans, got his forecast to swell up, his remuneration to increase, used the cash balances for his own ends. In fact he became the "monarch of all that he surveyed". The increase in the number of Unions instead of adding to their efficiency, as was supposed, weakened hopelessly the newer ones whose governing body members either were too ignorant to be operative or helped one another to pass their forecasts and draw fat remittances from the Bank. Wherever the Unions, and especially the older ones or a few of the newer ones, tried to assert their powers of scrutiny by withholding the slip, the too accommodating secretary of the Bank whose one sole idea seemed to be how to give 9% dividend to the individual shareholders and how to dispose of surpluses in the Bank began to override the Union by issuing money on such rejected slips so that the society could very easily snap its fingers at the Union and gloat over its discomfiture. This resulted in the slackness of scrutiny on behalf of the Union. So the Secretary of the society at one end and



the secretary of the Bank at the other have tended to loosen the rigours of the system and only have helped to accentuate the evil effects of promiscuous lending. Is the Department asleep? may be a pertinent question. The smaller fry of the Dept. found water clogging or money clogging beyond their depth or were content so long as "two and two made four" and thought no further. The bigger ones had little time at their disposal amidst the array of references from societies which had begun to swell. The general body of the Bank and especially the individual shareholders were there mostly as investors, never cared to know how the affairs were, and the societies' representatives were only too grateful for the "Ma Bap" solicitude of the secretary of the Bank and it was only last year when the reduction of dividends to 7½% in spite of the ingenuity displayed by the secretary of the Bank in a wrong interpretation of the Registrar's advice about charging as a liability the secretary's fat remuneration to the year under audit and the reading of the overdue list of societies in the general meeting opened the eyes of the general body. It has slightly awakened the general body of the Bank and on the other side, if the general body of the society is awakened to its responsibilities, then and then only will any system work to the satisfaction of the movement and to the betterment of the people. One man society is a danger in the movement and one man Bank would be a still greater danger if the question of surpluses and the question of increasing the secretary's remuneration based on profits obsesses his mind.

*A Dreamer.*

---

## LAND MORTGAGE BANKS IN MADRAS AND THE PROVINCIAL CO-OPERATIVE BANK.

BY THE HON'BLE MR. V. RAMADAS.

*(President, The Madras Central Urban Bank, Ltd., and The Madras Provincial Co-operative Union, Ltd.)*

Long term rural credit on land mortgages is still in the stage of formulation or at best experiment in this province. The schemes published by the department in 1920 and Mr. Devasikhamani in 1926 are based on the fundamental idea of utilising the existing rural co-operative institutions for the distribution of mortgage credit. The difference between those two schemes may be described by calling the former a centralised and the latter a decentralised scheme.

### Departmental Scheme of 1920.

The Primary Societies, on unlimited liability basis, obtain mortgage bonds of immovable property (agricultural land) from their members and transfer those bonds in favour of the Central Banks, which receive them as collateral security for the loans given by them to the Primary Societies. The Central Bank transfers them to the Provincial Bank (M.C.U.B., Ltd.) and borrows money from the Provincial Bank by executing pronotes in its favour for the sums borrowed. The Provincial Bank in its turn transfers those bonds in favour of a trustee, who shall be the Registrar of Co-operative Societies, until the scheme becomes developed and secures public confidence, when, a trustee may be elected by a body composed of representatives of the borrowing banks and debenture holders.

The trustee, by virtue of the power vested in him, issues debentures to the public for a limited period or for an unlimited period, *for one half or three-fourth of the amount covered by the mortgage bonds.* The debentures are proposed to be floated within these limits on the strength of mortgages for the whole presidency in order to avoid the necessity of keeping up specified set of mortgage bonds as basis of security for each series of debentures. The debenture holders are given a floating security on these mortgages so as to permit old mortgages being replaced by new ones and to release redeemed mortgages from the charge.

The Provincial Bank executes a bond in favour of the Trustee and borrows money from him from out of the funds raised by him by floating debentures. The money is transmitted to the borrowing members of the Primary Societies through the medium of the Central Bank and the Societies. The principal and interest instalments payable on the mortgage bonds are collected by the Primary Societies and transmitted to the Central Banks which remit them to the Provincial Bank which in its turn sends them to the trustee. All the collections are held by the trustee with his bankers. He pays interest on debentures, and the balance is held as amortization fund or fund for extinction of debentures.

### Mr. Devasikhamani's Scheme of 1926.

Mr. Devasikhamani divides the business of Central Banks and Societies into two sections or water-tight compartments, the short term credit section and the long term credit section. All loans up to 5 years are designated short and all loans upward of 5 years and below 20 years are called long. A Primary Society which wishes to participate in the long term scheme will transfer to the Central Bank operating over the area, all mortgage bonds taken from its members for periods exceeding 5 years and applies to the Central Bank for a loan within the limits of its enhanced maximum borrowing power. The Primary Societies execute a pro-note to the Central Bank for the amount of loan, as in the case of the departmental scheme, in order to indicate that the primary security for the loan is the unlimited liability of the members of the Society, the mortgages assigned being only collateral.





After the Central Bank gets sufficient number of mortgages from the societies within its area, it will proceed to issue debentures on the strength of mortgages held collectively by it. The debentures are for periods ranging from 10 to 20 years and debentureholders have a floating charge.

The Provincial Bank is altogether left out of the scheme. There is a trustee in the Scheme but his function is limited to see that the Central Bank fulfils its obligations to the debenture holder and carries out the conditions under which debentures are issued. To enable him to discharge this duty, all properties mortgaged to societies and transferred to the Central Bank and all moneys invested in other securities and earmarked for the benefit of debenture holders are vested in him. If the Central Bank fails to fulfil its obligation to debenture holders, the trustee can step into the shoes of the Bank and take such action as may be necessary to protect the debenture holders.

### Objections to these schemes.

The details of these schemes were subjected to searching and illuminating criticism by well-informed co-operators and the field need not be covered by me now. The schemes contemplate that the rural organizations on unlimited liability basis can be trusted to be financially responsible for proper valuation and proper usage of long term loans for specified productive purposes, for watching the character of the borrower and for the due recovery of their dues. The fundamental question to be answered therefore is, shall we use the Primary Societies for land mortgage credit? Mr. Strickland seems to answer it in the affirmative when he says "It is unreasonable and wasteful to start again from the beginning with mortgage credit as though the same person would not normally or at least frequently avail himself of both *types* of Co-operative assistance." But he misses the point when he fixes his attention on the *person* who needs the two kinds of credit and diverts it from the *agencies* which are best suited to render those *different types* of assistances. I agree with Mr. Wolff in his strong disapproval of the idea of village societies being entangled in land mortgage banking. Our past experience in this province, of long term mortgage credit work done by the Primary Societies, ought to convince us of the extreme folly of perpetuating it. The sooner we extricate ourselves from these difficulties we have created by badly mixing up so-called short and long term business in the transactions of simple organisations like the Village Societies, the better for the movement We have not trained people to appreciate the benefits of and utilise short term loans and have made our so called long terms too short to serve our ends in view.

The Committee appointed by the 12th Madras Provincial Co-operative Conference to consider the question was also of opinion that the two kinds of credits should be segregated at some point, but took the view that the segregation need not be made in the rural society but should only be made in the Central Bank. Their reason was that "the *rural unlimited society* has been so modelled as to supply the two kinds of credit needs but the *financing banks* have not been fitted so as to give the rural societies the required finance to meet the two kinds of agricultural credit needs". The Committee was obsessed by two ideas (1) The financial responsibility of the village society affording a guarantee to the soundness of valuation, and (2) the unlimited liability basis of the society securing the co-operative control over borrowers. Both are illusory in my opinion. I shall reserve a detailed examination of these reasons for a future occasion. The absence of requisite knowledge necessary for valuating and investigating titles on the part of Panchayatdars, and other limitations of the management of the village society ought to make us hesitate to saddle them with financial responsibility for long term credit. The obligation, to undertake periodical revaluation with a view to procure the requisite cover in case of depreciation of value, should not be lost sight of in entrusting the village society with mortgage banking. The unlimited contributory liability, which can only be invoked when a deficiency in the assets is discovered on winding up, is overworked. Its legitimate play is in short term credit which finances agriculture as a profession and where guarantee and liability constitute the primary security and tangible property is looked upon as a collateral security. Where substantial real property security is taken for a large loan and its realisation is spread over periods extending over two generations in some cases, I consider that the insistence on unlimited liability is a gross abuse of the co-operative principle. Even the German Mutual Credit Mortgage Associations do not furnish a complete analogy to the system advocated in these schemes of unlimited liability basis.

## The scheme in operation.

A very cautious scheme, which I had to characterise before the Royal Commission on Agriculture as an apology for land mortgage banks, was recently set on foot. Four or five mortgage banks on limited liability basis each operating in a circle of six or seven miles radius, were started or, to be more accurate, by-laws have been worked out for them. The total borrowings of this type of bank both by way of deposits and issue of debentures or otherwise, and whether from members or others, shall not exceed eight times the paid up share capital plus reserve fund. The maximum limit of individual loan was Rs. 1,000 (now Rs. 2,000) up to half the value of mortgage properties or $\frac{3}{4}$ of its net income for the period of mortgage whichever is less; and no loan is granted for a period exceeding 20 years. The Board of Directors of the Bank may issue debentures of various values ranging from Rs. 50 to Rs. 1,000. They bear interest at 7 per cent when sold to the public and $6\frac{1}{2}$ per cent when sold to the Government. The interest on loans granted by the Bank is to be 9 per cent. The Registrar of Co-operative Societies or some one appointed by him shall be appointed trustee by the Board of Directors and his duty shall be to see that the Bank fulfils its obligations to the debenture holders. Each bank was expected to float debentures to the value of one lakh, the Government agreeing to take up for Rs. 50,000 if the bank first raises Rs. 50,000. The Government budgeted last year 2 lakhs for financing these banks in the said manner but the sum seems to have lapsed as the banks were unable to utilise it.



## Failure of the Scheme.

The scheme has undoubtedly failed. But it is not right to attribute its failure to its limited liability basis or to the largeness of its area of operations and consequent absence of mutual knowledge of and control over members. But this is apparently what is in Mr. Strickland's mind when he says "Its affairs will be in the hands of a small group of men at head-quarters elected by members who for most part are unknown to them and probably relying on official or semi-official help both in the issue and recovery of loans". If, however, once we get rid of the idea of using the village society as a land bank, the only alternative is to organise land banks on limited liability basis operating over comparatively large areas. The insistence in that case should be on the capability and business habits of the directorate which ensure sound valuation of security, proper investigation of title, correct assessment of the borrower's credit and the like.

The real reasons for the failure of the independent Primary Mortgage Bank scheme seem to be elsewhere. *Firstly*, these banks appear to be ill-suited to float debentures by commanding the public confidence. Share capital and deposits being insufficient sources to constitute the working capital, debenture money is the chief source and that money does not seem to flow in. The Registrar practically sounded the death knell of these banks when he prohibited Central Banks from lending on the security of the debentures for he himself considered them insecure (*Vide* his letter to M. C. U. B., Ltd., No. 595 of 26, dated 6—3—26). *Secondly*, the by-law that paid up share capital should be 12½ per cent. of the maximum borrowing power of the Bank (the reserve fund coming in only in future) is a serious handicap. A member who desires to borrow Rs. 1,000 must first borrow elsewhere Rs. 125 and put into the bank. This is hardly business-like. The need for a large share capital is not patent. *Thirdly* the maximum loan limit is absolutely unattractive. It is insufficient to help middle class landowners. It is the upper middle classes possessing substantial security to offer and with real need for long term productive credit that can benefit largely by the scheme. Any obsession in favour of the poorer classes should not result in the neglect of the interests of the middle classes. In rural reconstruction, the revival of the economic stability of the middle classes is no less important than the amelioration of the poor. *Fourthly*, want of enterprise and public spirit among the class of people from whom the promoters of such schemes are drawn must be admitted to be a contributory cause to the failure of the scheme. Whoever saw any public advertisement of these Banks to attract investors to put their money into the debentures ?

### A more suitable scheme.

The problem of land-mortgage credit, if it is to be successfully solved, should take note of the conditions now prevailling in the Co-operative Movement and any scheme formulated should be so conceived as to utilise the financial resources available to us. One of the outstanding features of the situation is that the Provincial Bank and the District Central Banks are able to attract money at comparatively low rates of interest so much so that they are all suffering from unused surpluses. The public confidence firmly secured by these institutions should be availed of in our schemes of land mortgage banks. I wish to guard myself against being misunderstood as advocating the use of short term deposit money in these banks for long term credit. All that I wish to propose is that these institutions should be employed to raise the funds required, by well organised primary land-mortgage banks. This function of raising debentures to find the necessary money for these land banks may be assigned, (1) to central banks alone operating over the areas in which the primary land banks are situated, or (2) to certain central banks where conditions are peculiarly favourable and to the Provincial Bank as well, or (3) to the Provincial Bank alone.

I am distinctly in favour of restricting, for the present, the power to the Provincial Bank. If the several Central Banks issue debentures, there will no doubt be greater facilities for closer inspection of titles and properties. but there will be no uniformity of rates of interest. Where money and relief are most needed, the rates will be high and where there is



plenty of money, the rates will be low. The ryots in the dry uplands and the deltaic areas will be subjected to differential treatment. Mr. Devasikhamani's proposal to fix a uniform rate of 6½ per cent is fanciful. Money will simply refuse to come in if the rate is unremunerative to a lender in a particular locality. Experience of deposit banking has opened the eyes of co-operators to a real danger of money flowing to places where competitively high rates of interest are offered. Even if we overlook these tendencies, there still remains the fact that the Provincial Bank can raise and mobilise money with greater ease and at comparatively lower rates of interest. The resolution passed on Mr. Devasikhamani's scheme by the Executive Committee of the Bank on 8-5-'26 puts the position clearly. "The Provincial Bank ought to be the institution which must float the debentures, because it can raise money on the one hand at lower rates of interest than the Central Banks, and on the other hand, make debentures popular more easily than district organisations. Moreover, only the Central Urban Bank Ltd., can mobilize the money over a wide area and equalise the needs of the various districts."

The essential features of my scheme are therefore these. 1. The Central Urban Bank should float the debentures. 2. The money should be lent directly through the Primary Land Banks. Dealing through Central Banks will interpose too many middlemen between the ultimate borrower and the lender and will necessarily involve an increase in interest charge. The Primary Banks may be on the present model with limited liability and a wide area of operation, but should be better constituted. The maximum borrowing power should be 20 or 25 times the share capital and individual loan limit must be raised to 4 or 5 Thousand Rupees. 3. The duty of the trustee will be limited to see that the Provincial Bank fulfils its obligations to the debenture holders and all powers necessary for the effective discharge of this duty will be vested in him.

Details as to rates of interest at which debentures may be issued, rates at which money is to be lent to the borrower, and modes of extinguishing the loan and other connected matters, may be discussed and settled if the essential features of the scheme are approved. Of the several methods of extinguishing a reducible or amortizable loan, the most suitable one seems to be a system of equated instalments spread over a long period, so that the annual payment may not ordinarily exceed roughly 9 to 10 per cent of the principal amount. I reserve a fuller exposition of the amortization system to another occasion. The proportions of annual payment to be applied to interest on debentures and for amortization depend upon the period and rate of interest. Tentatively, I will put their outside limits at 50 years and 8 per cent. I am hoping that the Madras Central Urban Bank will be able to float debentures at 5 per cent, but it can certainly do it at 6 per cent.

The *State* should contribute to the cost of inspection and the valuation of land, investigating titles and assessing the credit of borrowers. Now the Government is making a contribution of ½ per cent on its moiety of debenture money by charging ½ per cent less than the market rate of interest. This is insufficient. It works out to ¼ per cent on the whole capital. The contribution should be at least ¾ per cent to 1 per cent of the whole I am advocating monetary help instead of assistance in the shape of human agency, for fear that dual control over inspecting staff may lead to the same undesirable experiences we are now undergoing with regard to the work of the departmental staff in their attempt to please the Directorates on the one hand and their official superiors on the other. If the State does not purchase a portion of debentures, it should at least guarantee interest on them till they become popular on the market. Even if this is not done, I am hopeful of Madras Central Urban Bank being able to float debentures, but such guarantee will prove very beneficial. The extent and nature of State control over the Madras Central Urban Bank in its proposed new activities need not give rise to any difficulty. It can be easily settled, if the scheme in its essentials matures.

This scheme aims at segregating the rural society permanently and the Central Bank tentatively from long term real security credit. If this offends against the sense of the theoretical propriety of orthodox co-operators, then certain well-equipped village societies may be selected for continuing the long term transactions and certain well-situated Central Banks may be chosen to raise debentures alongside the Provincial Bank. This modification will leave the central structure of the scheme unaffected.

---

## CORRESPONDENCE.

### EXEMPTION OF STAMP DUTY IN CO-OPERATIVE SOCIETIES.

(*Copy of letter No. 460 dated 2nd October 1926 from the Secretary, Coimbatore Dt. Urban Bank to the Secretary to Govt. of Madras, Development Department, through the Registrar of C. S. Madras.*)

May I appeal to the Government of Madras to consider the question of exemption of stamp duty chargeable on cheques issued by current account holders with Co-operative Societies whether they are members or non-members so as to permit withdrawals from current accounts without paying stamp duty.

I wish to point out that this is the most opportune time, in view of the recommendations of the Royal Commission for Indian Currency and Finance



(Vide paragraph 216 of the report.) While the Royal Commission recommends the abolition of the stamp duty on cheques as a whole, a course which will require the amendment in stamp act and which is not possible for some time to come in view of the fact that the legislatures have been dissolved and that the Currency Commission report has not been fully discussed, it would be possible for the Government, acting under Section 28 clause (b) by issuing a notification exempting stamp duty leviable on cheques issued by all current account holders with the Co-operative Societies.

It is necessary for me to state that such an exemption first to Co-operative Societies preparatary to wholesale abolition of stamp duty on all cheques as recommended by the Royal Commission will give a sort of priority in the market for Co-operative Banks to obtain the requisite fluid resources for financing Short Term Loans and thus enable the Co-operative Financing Banks to set free some portion of their Fixed deposits to be utilised in giving Long Term Loans which the ordinary poor ryot of the village is in need of.

It is also necessary for me to state that very many current account holders, wage earners, poor and even middle class depositors, have closed their current accounts with us ever since they were compelled to pay stamp duty on their cheques for drawing from their current accounts, and the exemption of stamp duty will not only be a boon to them but also in the words of the Royal Commission be "an appreciable step forward in the Development of banking and might well prove an important factor in bringing about a profound and still more widespread change in the economic habits of the masses."

I also wish to point out that under the Reform Scheme "Co-operation" being a transferred subject, and under the Devolution rules, the revenue from stamps having been assigned to the Government of Madras, this question need not even go before the India Government; but if any doubt is felt on the point, the Government of India may be addressed to issue the requisite notification under Section 28 Clause (b) of Act II of 1912.

---

*In connection with the above, the following circular of the Registrar of C. S. Bihar and Orissa may be of interest to our readers (Editor).*

*Dated Patna, the 30th March 1926.*

CIRCULAR NO. I OF 1926.

SUBJECT:—The use of receipt-stamps by individual members of co-operative societies and others.

There appears to be some misapprehension regarding the use of receipt stamps by individual members of co-operative societies as also by the non-members. Notification No. 2781-F., dated the 23rd October 1919, of the Government of India regarding the remission of stamp duty runs as follows:—

"No. 2781-F., dated the 23rd October 1919 (*Gazette of India*, dated the 25th October 1919, Part 1, page 2083).—In exercise of the power conferred by section 21, clause (b) of the Co-operative Societies Act 1912 (Act II of 1912), and in supersession of the notification of the Government of India in the Finance Department, No. 683-F., dated the 28th December 1912, as subsequently amended, the Governor-General in Council is pleased to remit the stamp duty with which, under any law for the time being in force, instruments executed by or on behalf of any society for the time being registered or deemed to be registered under that Act or instruments executed by an officer or member of any such society and relating to the business of the society (other than cheques of individual members drawn against their current accounts with Co-operative Banks) are chargeable."

In connection with this and the notification it supersedes, the Legal Remembrancer was consulted and some concrete cases were referred to him. On the strength of the opinion now given by him, the rules below are laid down. They will show the correct application of the principles involved and should be followed by all banks and societies The auditors when checking the vouchers of these banks and societies should be particular about this point and should insist upon the affixation of stamps where necessary.

*Rule I*—Cheques or receipts given by a member depositor for withdrawals from his fixed or savings bank deposit are exempt from stamp duty whether the payment is received by himself in cash or by transfer to his own account in the same bank or in any other bank, or to the account of another depositor or co-operative society or endorsed in favour of a non-member. The above exemption does not extend to a non-member depositor except to this extent that when the payment is received by a non-member by transfer to his own account in the same bank, no receipt stamp will be necessary.

*Rule II.*—When a co-operative society issues an unembossed cheque in favour of a member of a non-member, no stamp need be affixed on the cheque for endorsement, negotiation or encashment. The payee will also not be required to pay any stamp duty.

*Rule III.*—When an individual member is granted a loan by a co-operative society exceeding Rs. 20, the bond or the receipt relating to it need not be stamped.

## RECENT UTTERANCES.

### EXTRACTS.

### Rao Bahadur A. Vedachala Iyer,

*(as President, Travancore Co-operative Conference.)*

A co-operative organisation is a union of persons established according to principles of equality, the number of whose members is not limited and the purpose of which is, by the joint performance of economic acts, to improve the financial position of its members or the conditions under which they carry on profession by means of pure self-help or of self-help with Government support, provided that all profits made by joint action will be distributed in proportion to



the extent to which each member has taken part in the business and not in proportion to the capital invested. Co-operation can be successful only when there is *common need* of some economic advantage and this need must be realised *in full by all concerned* and the real co-operative spirit is the willingness and the desire to sink interests to such an extent that a group of men can work together for common interest. Co-operation is the form of business organisation to small people and small enterprises. The Indian Act has as its object the promotion of the economic interest of the members in accordance with co-operative principles. The characteristic features are (1) the members join as human beings and not as capitalists; (2) The members must meet on a basis of equality in the satisfaction of their need; (3) The act of association must be voluntary; (4) They join to promote the economic interests of themselves and not of anybody else. The Indian Act of Co-operation was the outcome of an enquiry made into the indebtedness of the agriculturist and into the causes which resulted in such indebtedness. The problem to be grappled with was rural finance and the co operative movement started the credit side which was felt as a pressing and urgent necessity, and as a simple arrangement acceptable to the agriculturist who was expected to imbibe the co-operative principles by actually working the co-operative credit institutions.

* * *

(1) An agricultural co-operator should get besides long term credit from a Land Mortgage Bank, short term credit throughout the year to carry on his agricultural industry from some primary co-operative organisation.

(2) The two kinds of credit must be segregated and must not be distributed by the Land Mortgage Bank owing to the disadvantage of inter-locking of short term liabilities to depositors and of long term liabilities to stock holders.

(3) Credit has to be raised in the shape of debentures which should be negotiable on the security of many individual mortgages on real estate not previously encumbered.

(4) The margin of profit in a Land Mortgage Bank should be kept low because of the fact that it will deal in large sums of money with a small amount of paid up share capital and of the fact that the borrowers should be given credit at comparatively low rates.

(5) Money realised by voluntary or forced closure of Mortgage debt should be safely invested to become available on the date of the maturity of debentures.

(6) The area of operations of a Land Mortgage Bank must be limited.

(7) The Land Mortgage Bank must have facilities available for prompt recoveries of dues on such mortgage debts.

(8) A responsible financial agency must be available to secure:

(a) proper valuation of the land mortgaged,

(b) proper use of such long term credit accommodation for a specified productive purpose.

(*c*) Proper watching of the character of the borrower and their borrowing power.

(*d*) Prompt recovery of the dues of instalments of principal and interest on the due dates from the borrowers.

(*e*) The Mortgage Bank must keep a sufficient basis of credit in the shape of paid up share capital to be accumulated by it from the borrowers or from others who may be interested in getting a dividend without the privelege of borrowing.

(*f*) Credit should be raised only up to a fixed multiple of the paid up share capital and reserve fund.

(*g*) Debentures should be issued only for sums equivalent in value or less than the value of mortgages and arrangements should be made for safeguarding the money realised to be made available when the debenture bonds mature.

In giving loans from such banks for the removal of prior indebtedness, very searching enquiries will have to be made before such loans are granted, because the investment of such money in the redemption of such loans does not give increased income or savings to the borrower except the difference in the interest charges paid by him to the sowcar and that payable to the society. Besides the prospective failure partial or total of crop in agricultural industry owing to unfavourable season or to causes beyond the control of the agriculturist should also be taken into consideration in selecting cases for prior debt redemption.

* * *

The local union must become an institution composed of local people with local knowledge and influence and local patriotism who will be expected to control all kinds of co-operative activities within the jurisdiction. Local unions have no financial responsibility in regard to the loans recommended by them. They should therefore be conducted in an efficient manner so as to secure the confidence of the financing bank and of the depositors in such bank.

* * *

A very important duty of the central institute is to undertake co-operative education. It should start training classes so as to fit the staff for its duties and also to educate the office-bearers of banks, primary organisations and the governing body members of local unions so that they may carry out their responsibilities with adequate business knowledge and in accordance with co-operative principles. It is the absence of systematised attempt to give the required co-operative education to everyone connected with the movement which contributes to the slow progress of the movement and to the set back noticed in the working of the primary credit organisations, especially in regard to the regularity of keeping obligations to the societies and by the societies to the Central Bank.

* * *

Any supply organisation that may be floated separately on a co-operative basis should note the following points :—

(1) The indents given by the affiliated societies should be based on the indents of the members and such societies should be financially responsible to the trading society for the purchase according to such indent.



(2) The members who give indent should also be made financially responsible for what they indent.

(3) The trading society should deal with only the articles required in large quantities in the purchase of which, the wholesale rate will be a decided advantage.

(4) A trading society should not keep a running store in rural areas for all articles as the establishment and other charges become heavy.

The marketing of the produce of the agriculturist is a more difficult affair, especially to the rural folk who are ignorant of the market conditions of the articles to be sold. There are two kinds of produce with the agriculturists.

(1) Produce for consumption in local markets either in the raw condition or after conversion in a marketable from.

(2) Produce exported to foreign markets. The first step to be taken in securing better marketing of the agricultural produce is to educate the co-operators so that they may be convinced of the advent of 4 or 5 middlemen who pocket their share before the produce reaches the wholesale market, and thereby to secure their loyalty to any organisation for sale of produce which may be floated. In any such undertaking, produce of uniform quality has to be secured ; adulteration should be prohibited ; produce should be graded according to quality. It should be carefully stocked and preserved in a good condition; the society should be in touch with the prices prevailing in the wholesale market, and should select the best market for the disposal of each produce and responsible men with adequate knowledge should be procured on payment or honorary to determine when the produce should be sold in the wholesale market. Any organisation for the sale of produce of the agriculturists should never attempt the retail sale of produce in the marketing centres. It must rest satisfied with the sale of produce to wholesale merchants or wholesale or retail co-operative stores. TheC onsumers' co-operation should tackle the problem of distribution in retail by buying from such sale organisations. The sale societies may however convert the raw material and its marketable commodities wherever they have facilities to do so.

---

## Sir T. Desikachariar,

*(Chairman, Reception Committee, 1st Trichy Dt. Co-operative Conference,) 9th October, '26.*

Co-operative Societies organised on proper lines must be of great educative value in rural areas. They were not mere commercial concerns. Their proper function is to foster the value of ssrvice to the community and to promote the growth of the civic sense in the citizen. But the members of the societies and their panchayats had themselves to be educated in co-operative effort. Otherwise it would be a case of the blind leading the blind. How best to educate the rural co-operator was another of their problems.

### Some Suggestions.

Some scheme must also be devised for training children in agricultural operations suited to practical farming on a small scale in at least each taluk if they were going to make the small ryot appreciate the true value of co-operative effort in the uplift of the masses.

If the small ryot's case presented many difficult problems, the bigger landholder was not without his grievances, as it was felt that he was shut out from participation in the activities of co-operative credit societies. The formation of Land Mortgage Banks on a co-operative basis was still beyond the range of practical politics: but as things stood, there was no formidable difficulty in organised effort being made to finance the biggest landholder to the extent of say, Rs. 5,000, on the security of his crops. Godowns might be opened in centres like Kulitalai, Lalgudi and Ariyalur to receive paddy or cotton or other produce, sixty per cent. of their market value being advanced on them. It was felt too that Irrigation Panchayats might be organised on a co-operative basis for the removal of silt, maintenance of irrigation channels and distribution of water. There was a duty incumbent on village communities when they functioned efficiently to furnish the labour required for the purpose of irrigation and drainage.

* * *

The Village Panchayats Act and the Village Panchayat Courts Act should, by suitable legislation, be co-ordinated with the statutory provisions in the Co-operative Societies Act, so as to make the village function as the ultimate democratic unit in India. The Primary Co-operative credit society, the Co-operative Unions, the District Federation should all combine to benefit by the immense financial potentiality of the District Central Bank. However spectacular and dazzling might be the work in the Provincial Legislative Councils, the Legislative Assembly of India and the Council of State, there was nothing more glorious than work in the village; the foundation must be laid in the village for the realization of responsibility and the achievement of ideals of self-government of every degree in their motherland. The fundamental principles underlying co-operative effort if duly carried into practice must lead to the ultimate goal of securing prosperity and contentment for the small agricultural ryot and the half starved labourer who formed the bulk of their countrymen.

---

## Rao Bahadur N. Gopalasami Iyengar

*(President, I Trichy District Co-operative Conference.)*

Co-operation is not exactly synonymous with lending money and getting it repaid, in regular instalments, or with selling and purchasing without loss. It has a nobler ideal. The emphasis in co-operative business is on the welfare of the whole body of members, rather than on the profit of an individual member. That the man who borrows is an inferior type of person, that the member of the Panchayat who sanctions the loan is a superior person—these and similar ideas—should be rooted out of societies and central banks before they can lay claim



to being called co-operators. To compel the borrower to repay his loan, or an instalment thereof, when he is unable to do so, if need be, by taking a loan fnom outside, is the reverse of co-operation.

* * *

### Credit Accommodation.

The simultaneous existence of surpluses in central banks and of unsatisfied hunger for more credit in the countryside indicates, *prima facie*, a maladjustment of resources to needs, of supply to demand, in the field of co-operative credit. The ryot member of the rural society does not get enough credit accommodation. What he gets is burdened with conditions as to terms and instalments which, in many cases, are put of tune with his capacity to repay. The collection drive initiated by the apex bank and prosecuted vigorously by central banks and supervising unions, coupled with the fact, that primary societies have generally no resources other than repayments to fall back upon for payment of their own instalments to the central banks, results in the maximum of pressure being exerted on the ultimate individual borrower at a time when far from being able to spare money, he rather needs money as working capital for his agricultural operations. The co-operative remedy for this state of things is not to make collection methods perfect, not to drive the borrower to other money-lending shops where instead of commanding credit he has to beg for it on what terms its dispenser may choose to impose. It should rather be a readjustment of the resources available in the co-operative movement to the ascertained credit needs of every member thereof, t e readjustment of terms of loan and instalments of repayment, the fixing of such instalments with a due regard to the borrowers' repaying capacity, and the introduction of reasonable elasticity in the altering of such instalments when unlooked for expenditure, which could not be avoided, necessitates such.

* * *

The figures (as found in the administration report for the district for 1924-25) suggest the suspicion that members have less incentive to keep their money in the movement than non-members and that perhaps the rate of interest on deposits has not been judiciously fixed. It is worth investigation whether these suspicions are well founded. Vigorous propaganda is necessary to attract money available for investment. The executive of primary societies are generally lacking in initiative in this direction. If the conditions of each village are studied and arrangements instituted to collect deposits at times convenient to the depositor, a great deal of money could be brought into the movement, the dependence on central banks lessened, and greater freedom and elasticity secured to the primary society in its loan operations.

* * *

Few however realise the vast amount of uphill work, the mass of official and private vested interests that has got to be gradually, quickly but firmly elbowed out of the way and the high wall of helplessness and mendicant mentality that has to be knocked down before any progress can be achieved. I believe in the efficacy of co-operation in attacking successfully one important.

aspect of the problem of rural reconstruction, *viz.*, the betterment of the economic condition of the great majority of the rural population, now steeped in debt Such betterment in material condition is a sure foundation for that heightening of moral stature, that acquisition of self-confidence and the assurance of capacity for self-development which are so essential for placing rural life on a virile basis. The old village community is not dead. It is there almost everywhere, functioning perhaps inefficiently as a result of the inefficacy in modern days of the old sanctions on which it throve. It is a sensitive organism. The senstiveness has not been lost altogether and the institution can be revived by the right kind of stimulus applied in the proper way. Villagers unite for common action even to-day in a hundred different matters of which townspeople have no notion. To make such action efficient, what you want is a modern kind of sanction, a legal coercion of the few recalcitrants. That cannot be furnished by co-operation ; it could be given only by a Governmental authority whose decrees and orders can be enforced by law.

* * *

The provision of education in a form suitable to village life is the foundation on which the edifice of a revivified, attractive village life must be reared in this country. Our village elementary schools follow town models which are largely influenced by western civilisation. They do not infuse in the minds of pupils a pride in their village surroundings, race and country. Co-operative societies can do something in this direction, but only as a supplement to State, local board and panchayat effort. The whole village, the whole district and aye, the whole nation gains by education and it is only meet that the work is attended to by the State. Without elementary education at least, co-operation cannot thrive. Compulsory education cannot be the concern of co-operative societies. Co-operation cannot possibly do the first work in education nor cover the whole ground to be cultivated.

## Village Building

Nation-building in our country must be broad-based upon village building. SelfGovernment at the top is no good without self-government at the bottom, and for the latter, the restoration of real life in the village is a *sine qua non.* This restoration cannot come from giving the village ideas from above, but by enabling it to organise itself. While there should be control to prevent unhealthy aberrations, there should not be over much meddling with village life by those who are not in it. Let us give the village, limbs and organs which would largely be self-propelling. Such organs will have partly to be Governmental (like the village panchyat), partly semi-voluntary (like the co-operative society) and partly entirely voluntary. It is only judicious combination of all these forms that will make for the maximum of health in the village body politic.

---



# LAND AND AGRICULTURAL BANK OF SOUTH AFRICA

*(A review of the Report for the year ending 31st December, 1925.)*

The Government finance the bank for long term loans, and short term loans are raised by the bank itself. The following extract from the report on his subject is noteworthy.

"At the present time, the Board is unable to grant loans to replace existing mortgages, and there are, in consequence, a large number of deserving farmers who are not enjoying the benefits of easy amortization. They cannot, in the majority of cases, reduce by small payments their capital indebtedness under existing bonds, and they will, in times of pressure, incur more and more debt at progressively increasing rate of interest until in the end, they must lose their farms. The bank's inability to help in case of the kind under discussion recurs with distressing frequency. The Bank's requirements for shortterm funds to enable it to grant seasonal loans to co-operative societies and companies are met by borrowing for that specific purpose. No difficulty is experienced in raising the amount which naturally varies from season to season according to the extent of the crop to be financed."

The bank was started in 1912 and has a reserve fund of £460 lakhs. The Government voted roughly for 1925-26 a sum of £ 7 lakhs. The capital fund of the Bank amounted to £ 77 lakhs. The Bank is managed by a central Board and appoints farmers of standing as valuators of property in each area. The report mentions that such appointments "gratify the feeling that the farmer is actively assisting in a practical way in conducting the bank's business." Each land bank area has a separate local board to assist in the banking operations. 1764 Mortgage loans for a sum of £ 10 lakhs were issued during the year 1925, for land improvement, purchase of stock, discharge of liabilities and purchase of lands. The largest number of loans cover amounts ranging between £250 and £500. The report makes the following remarks about the advantages of long term loans. "Every payment made to the bank by the debtors includes a portion of the capital with the result that debtors quickly establish a definite credit value ; a reserve on which they can draw by raising a fresh loan if, and when, lean times come." Another kind of loan given by the Bank is that of fencing advances. This helps the farmers, in fencing their sheep and goats in safe places and preventing their onslaughts by jackals. The procedure followed in these advances is quoted below. "The bond is not passed in the bank's favour for fencing loans. The amount is merely noted in the debtors' register by the Registrar of deeds against the holding and on the title deeds. The amount ought to pass automatically from owner to owner. No holding can be transferred unless the Registrar of Deeds is furnished with a certificate by the bank showing that all instalments and interest then due under the advance have been paid." During the year, 1706 advances were made to the extent of £ 3·14 lakhs on this account. The inspection cost of the fencing arrangements is borne by the member himself. Advances are also made by the Bank for the erection of plants as wind mills etc., to pump water, A sum of £ 23,000 was distributed during the year on this account. On the responsibility of the Government the bank lends to those settled on crown lands, and tenant farmers.

But normally the bank restricts its transactions to landowners who are already settled on the land, for carrying on their agricultural operations or the discharge of prior liabilities. The Bank does not undertake loans on the pledge of produce. But even though it does not directly take up this kind of loans, it helps co-operative societies and limited liability companies in the export of agricultural produce. During the year under report, a sum of £ 7·63 lakhs was advanced by the bank to 150 societies comprising of 13,000 members. These loans take the form of instalment loans for ten years, cash credit and seasonal loans to the societies. The objects of these societies are of different kinds as cheese making, living stock breeding, supply of agricultural requisites, sale of produce etc. The bank also lent during the year a sum of £ 3·02 lakhs to 21 co-operative companies which export agricultural produce.

Another activity of the bank deserves mention and that is educational grants made to Agricultural unions for organising the credit work of the bank. A sum of £ 6,000 was overdue on 31st December 1925, and the remarks about recoveries and prompt payments may be usefully quoted here. "The Board has been obliged to conduct a vigorous campaign in this connection because it has been noted that there is an increasing disposition to regard the obligation of the bank as of secondary importance in relation to obligations to other creditors who being on the spot are able to bring pressure to bear. The causes of that growing tendency are (a) That consideration shown by the members during the years of drought and locusts seems to have created a totally wrong idea in the minds of some debtors that the bank is prepared indefinitely to allow payments to be deferred: and (b) the writing off by Parliament of a portion of the amount owing to the bank by co-operative societies as a result whereof some debtors seem to expect relief of debts due to the Bank. One other aspect of the co-operative movement in South Africa may be adverted to here. There are advisory committees composed of farmers with Magistrates as Chairmen for supervising the live stock co-operative societies. There is a central agency for all the co-operative societies which undertake the sale of produce, and this central agency is financed by the Land Bank.

The report issued by the Government of the Union of South Africa is a very instructive one and we would gladly recommend it for perusal to our readers.

## Nova Scotia, Secretary for Agriculture, Report for 1925.

There were 204 Agricultural Associations comprising 7029 members which raised annual subscriptions to the amount of 19,000 dollars and received a state grant of 17,000 dollars mainly for improving livestock. Under the exhibition Act, grants are given by the state to promote district and country exhibitions. Of the 9 Farmers' Associations a number have been instrumental in having Agricultural Demonstration buildings or community Halls erected in which they hold Agricultural short courses and regular or periodical meetings and promote community welfare generally. Women's Institutes have also assisted in the completion of such buildings by way of furnishings, etc., and hold all their meetings in these community halls.



# THE SECOND BANKERS' CONFERENCE.

## Proceedings.

*2nd October 1926.*

29 banks were represented by 45 members. The Hon'ble Mr. V. Ramadas proposed Dr. S. Swaminadhan to the Chair which being duly seconded was unanimously carried.

1. Dr. S. Swaminadhan called upon Rao Saheb T. Srinivasa Rao to give a brief account of the doings of the Working Committee of the Conference. Mr. T. Srinivasa Rao in a brief speech explained the action taken by the Working Committee on the resolutions of the last Conference and also action taken by Central Banks on the resolutions. He brought to the notice of the Conference that most Central Banks have not yet taken any effective steps to carry out resolution No. 1 of the first Conference, *viz.*, steps to be taken for reduction and prevention of overdues.

2. Resolved that the accounts (already circulated) of the last Conference be approved.

3. Resolved that in future 4 weeks' notice be given of the date fixed for the Conference, and each bank shall be at liberty to communicate to the Convener 2 weeks before the date of the Conference any subjects to be included in the agenda. The Convener shall communicate the various suggestions and the agenda at least a week before the date fixed for the Conference.

4. Adjourned resolution No. 9 of the 1st Conference :—*viz.*, "That in view of the large surpluses which Central Banks have in some seasons, the Imperial Bank of India be requested to allow interest at 2½ per cent. per annum on the credit balances of the overdraft account of the Co-operative Central Banks in the Presidency."

Dewan Bahadur R. Ramachandra Rao moved that the resolution be again adjourned. This was duly seconded and carried.

5. Read letter from the Tiruvannamalai Co-operative Union bringing to the notice of the Conference that the Co-operative Central Bank, Ltd., Vellore, has withdrawn the power of recommending loans from certain Unions as the Unions concerned did not co-operate with the District Council of Supervision.

Resolved that this Conference is of opinion that it has jurisdiction to take cognisance of matters similar to the one under consideration.

Further resolved that the consideration of this question be referred to the Working Committee for enquiry and report to the next Conference.

6. Dewan Bahadur R. Ramachandra Rao in moving the following propositions called the attention of the Conference to the unsatisfactory state of things in the Primary Societies. He exhorted the representatives of the Central Banks present at the Conference to take immediate action in the matter of setting things aright. He further called the attention of the Central Banks' representatives to their responsibility to the investing public and that in order to conscientiously discharge that responsibility, they must investigate carefully into the condition of the Primary Societies in their area of operations.

"Resolved to request the Registrar to pass orders that a full and true copy of the Inspector's audit report under section 17 of the Act, (not merely extracts thereof or the Registrar's order thereon) should be furnished to each Central Bank in respect of every Society in its jurisdiction as soon after the audit for the year is completed, as possible.

Resolved to request the Registrar that audit reports for the year 1925-26 as many as have already been received, be furnished to each Central Bank at once; and that the remaining reports be furnished, as they are received by the Registrar.

Resolved further that interim inspection reports submitted by the Inspector from time to time on the occasions of his visit or visits to the Society, other than that on which he submits his final audit report, be also furnished to each Central Bank, as they are received.

The Conference resolves to impress on Central Banks the imperative need that exists to

(*a*) scrutinize these reports; (*b*) get full information from the Department if the audit report be defective; (*c*) urge Societies and Unions to take the necessary action; and (*d*) with a view to effectively carry out these things, organise an administrative section in the Bank.

The Conference considers that in order to carry out these purposes, it is highly desirable that each Central Bank should employ a full time Secretary.

The Conference considers that suitable form of loan application (from rural societies to the Central Bank) should be devised and resolve that the Working Committee draft and communicate the same to all Central Banks.

In the opinion of the Conference, it is desirable that fresh Societies be opened for the utilization of the heavy surpluses in financing banks.

This Conference resolves to request Government to institute two tests, one an advanced one for Inspectors, and another an elementary one for Union Supervisors, the same being conducted by the Commissioner for Government Examinations."

The Hon'ble Mr. V. Ramadas moved the following amendment *viz*, to omit the words "the same being conducted by the Commissioner for Government Examinations."

Mr. M. M. Masilamany moved to insert the words "the tests being conducted by the Commissioner for Government Examinations and the Provincial Co-operative Union respectively" instead of "the same being conducted by the Commissioner for Government Examinations."

Mr. M. M. Masilamany's amendment being accepted by the mover, the resolution as above amended was unanimously carried.

7. With the permission of the Chair, Mr. V. C. Rangaswami (Convener) introduced the subject of the "possibility of making rates of interest uniform in all Central Banks." He dealt with the main points presented in the printed note on the subject that was already circulated and requested Central Banks to fix the maximum rates of interest and periods for deposits from the investing pbulic at the rates suggested in the note.



Letter from the Registrar of Co-operative Societies addressed to the Madras Central Urban Bank, Ld., suggesting that the Provincial Bank may take up the function of regulating the rates of interest payable on deposits by Co-operative Societies and the resolution of the Executive Committee referring the question to the Bankers' Conference were also read.

The Chairman drew the attention of the Conference to the large surpluses in the Apex Bank and requested the Central Banks to bear in mind that the Apex Bank is the Bankers' Bank for the co-operative movement of this Province and that, in the interests of all concerned, it is their duty to see that the Apex Bank is not saddled with a huge surplus by Central Banks' accepting deposits indiscriminately.

After considerable discussion in which several delegates took part, it was resolved that the maximum rate allowed by Central Banks on Fixed Deposits shall at least be ½ per cent less than the rate charged for loans by the Apex Bank; further resolved that the regulation of the rate of interest on deposits be by the Apex Bank.

8. This Conference is of opinion that the maximum borrowing power of individual members in a rural credit society (of unlimited liability) be raised to Rs. 3,000 provided that the general body of the society approves of it.

9. The subject of "opening of branches of Central Banks" was adjourned to the next Conference.

10. Mr. A. Srinivasachariar's questionnaire was adjourned to the next Conference.

11. The consideration of the subject of "Loss Societies" was adjourned to the next Conference.

12. The following resolution moved by Mr. E. V. Gopalaswami Iyer was referred to the Working Committee for disposal:

"That the rate of interest allowed by the Madras Central Urban Bank, Ltd., on current accounts and fixed deposits of Central Banks shall be uniform for all Central Banks without making it a matter of discretionary concession."

13. Proposals contained in the printed note already circulated regarding remittance business amongst Central Banks were approved.

14. The Conference was in agreement with the proposals contained in the printed note regarding extension of current account facilities in Central Banks and the Conference was of opinion that Central Banks may develop this line of business more actively.

15. Resolved that a Central Audit Union for carrying out the concurrent audit of Central Banks be established at Madras and that necessary steps for bringing it into existence, its registration and other business connected therewith be taken by the Working Committee.

16. Dewan Bahadur R. Ramachandra Rao was elected to the vacancy on the Working Committee.

With a Vote of thanks to the Chair, the Conference was dissolved.

## RECENT NEWS.

*Co-operation in Schools* :—We are glad to learn that the North Arcot District Education Council has accepted the recommendation of the District Education Officer on the resolution of the 6th North Arcot District Co-operative Conference held at Cheyyar on 28th and 29th June 1925 that topics on Co-operation may be included in the school subjects taught to the pupils of the fourth and higher standards.

* * *

*The Bellary Circle Co-operative Conference, Gooty* :—a Conference of Co-operative Inspectors and Supervisors working in the Ceded Districts was convened by the Deputy Registrar of Bellary Circle. The sessions lasted for 7 days from the 7th to 13th September. The main object of the Conference was to give training to the Inspectors and Supervisors. Many non-official Co-operators of the District were also present during the Sessions and guided the proceedings with their instructions and suggestions.

* * *

A monthly journal in Telugu known as '*the Nellore Zilla Sahakara Pracharini*' has been started under the auspices of the Nellore District Co-operative Federation whose chief object in publishing it, we understand, is to give information regarding the proceedings of all meetings of the unions, the Federation and the District Bank as also the circulars of the Department, any other instructive lessons for the benefit of primary societies, changes in the by-laws and principles, and any co-operative news in the District. Annual subscription is Rs. 1-4-0 including postage.

* * *

*The Advanced Co-operative Training Class, Madras* :—Under the auspices of the Madras Provincial Co-operative Union, the class was opened at the Kalmady Hall, Triplicane, on 18th October at 5-30 p.m. by Rao Bahadur N. Gopalasami Iyengar, Registrar-General of Panchayats, before a large gathering of experienced co-operators and students who had come for training. Chief among those present were the Hon. Mr. V. Ramadas (President of the P. C U), Rao Bahadurs L. D. Venkatarama Iyer and M. K. Venkatachariar, Rao Sahibs T. K. Hanumantha Rao, T. Srinivasa Rao and P. K. Subba Iyer, and Messrs V. C. Rangasami and S. K. Yegnanarayana Iyer. The Hon'ble Mr. V. Ramadas was voted to the chair. Mr. Ramadas pointed out that in Russia, France and Germany, co-operation was one of the branches of knowledge for higher education, and appealed to the public to make co-operation an important subject for study in the economic course and part of the training for an agricultural graduate. After making a few remarks regarding the manner in which the class would be conducted, the chairman garlanded Mr. Gopalaswamy Iyengar and requested him to declare the class open.

Mr. Gopalasami Iyengar made a few remarks on certain aspects of the movement in the Presidency and emphasised the need for the spread of Co-operative Education with a view to broadcast the basic principles of the



movement. He advised the students never to forget those principles brought to their notice by their professors and said that unless they were prepared to run the risk of being called 'cranks' and 'madcaps,' they would never be successful in uplifting the movement from the present state. He then declared the class open.

With a hearty vote of thanks proposed by Rao Sahib T. K. Hanumantha Rao to Mr. Gopalasami Iyengar, and those present, the meeting terminated at 7 p. m.

* * *

The 15th Session of the Bombay Provincial Co-operative Conference which opened at Poona on 23rd October had the advantage of being addressed by the Marquis of Linlithgow, Chairman of the Royal Commission on Agriculture. Two points occurred to him in regard to co-operation in India. He said that people here 'had learnt by experience to measure the strength and vigour of the movement by the strength and vigour of primary societies.' The other point was 'that they had, in this country, men who had devoted their lives to a careful study of the movement' while, in other countries where the movement failed, it failed because 'people thought that enthusiasm and zeal could take the place of careful study and exact knowledge.'

The conference was opened by His Excellency the Governor of Bombay. Sir Manubhai Mehta presided over it and Mr. G. K. Devadhar, President of the Bombay Provincial Co-operative Institute, was the Chairman of the Reception Committee.

* * *

The Board of Management of the South Arcot District Co-operative Banking Union met on the 24th October in the Bank's premises. The draft administration report for 1925-26 was passed though after a heated discussion over the 'building question.' The report contained a clause conveying the Board's thanks to the Executive Committee for the purchase of a building for the Bank. A motion brought forward by Mr. R. A. Sivananda Mudaliar (a member of the Executive Committee) to delete the thanksgiving clause as the building was not purchased with the sanction of the General Body, was however withdrawn.

During the year under report, the Bank had a net profit of Rs. 41,108-9-7 as against Rs. 32,409-14-6 last year. Interest on fixed deposits for two years and above was reduced from $6\frac{3}{4}$ to $6\frac{1}{2}$ per cent per annum.

* * *

*The P. C. U. Propaganda Party* :—The Hon'ble Mr. V. Ramadas Pantulu, B.A., B.L., President of the Madras Provincial Co-operative Union, arrived at Kurnool on the 27th October 1926 with Mr. N. Satyanarayana, Secretary of the East Godavari District Federation and a Governing Body Member of the Provincial Union. Mr. Ramadas delivered a lecture in English on "Agricultural Co-operation" which was very instructive and which contained practical suggestions for the successful working of Co-operative institutions of different types. The elite of the town, officials and non-officials, were present, Mr. Satyanarayana delivered a lecture in Telugu on the same lines emphasising at the same time the necessity for the effective control and supervision by the Financing and Supervising agencies.

* * *

A meeting of the General Body of the Kurnool District Co-operative Central Bank was held at Kurnool at 8-30 A.M., on the 31st October 1926. Representatives of societies affiliated to the Bank and individual shareholders attended in large numbers. Among those present were Messrs. J. Venkatesam Chowdari Garu, B.A., Deputy Registrar of Co-operative Societies, Bellary, and K. Rangaswami Naidu Garu, B.A., Assistant Registrar of Co-operative Societies, Kurnool. The Audit Certificate of the Bank for the year ending 30th June 1926 issued by the Registrar of Co-operative Societies, was recorded and the Administration Report of the Bank approved by the General Body. The Bank earned a net divisible profit of Rs. 15,018-2-4. A dividend of 9 per cent was declared to all shareholders. Rs. 2,023 was allotted towards Building Fund. The Reserve Fund of the Bank amounts to Rs. 15,325-5-9. The Building Fund of the Bank amounts to Rs. 3,000. On the same day, the Board of Management met at 3 P.M. and resolved that the period for the repayment of long term loans be extended from 5 to 10 years. A sum of Rs. 500 was allotted for the consolidation and expansion of societies in the district.

* * *

The Royal Commission on Agriculture held its sittings during the 2nd and 3rd weeks of November at Coimbatore and Madras and many officials and non-officials gave evidence before it. The Madras Evidence has been collected and arranged and is being printed by the our Provincial Co-operative Union and will be shortly issued as a pamphlet.

# NOTES AND NEWS.

**The new Legislative Council.**

We offer our hearty congratulations to our brother co-operators who have succeeded in the recent elections to the Madras Legislative Council from the various districts of the Presidency. Mr. S. Kumarasami Reddiar, Vice-President of Tinnevelly Dt. Co-operative Bank has topped the polls in that District. This shows the strength and influence of the Co-operative Societies on public life. Mr. M. R. Sethuratnam Iyer, President of the Kulitalai Union and the Director of the Trichy Co-operative District Bank was returned unopposed in the Trichy District. Messrs. R. Srinivasa Iyengar and A. Seetharama Reddiar, prominent directors of the Cuddalore District Bank have come out successful in the recent elections. Mr. T. Adinarayana Chettiar, President of the Salem District Bank and one of the oldest co-operators has stood first by an overwhelming majority of votes in the North Arcot District. Mr. C. V. Venkataramana Iyengar, Director of the Coimbatore District Bank has again entered the council, a clear evidence of his strenuous work in that District. In the Ceded Districts, Mr. A. Parasurama Rao, our old and earnest co-operator friend and President of Nandalur Union, and the Hon'ble Mr. A. Ranganatha Mudaliar, President of the Bellary District Federation and Vice-President of the Madras Provincial Co-operative Union, have won unprecedented success in the recent elections. In the Circars, Mr. Bikkanna Venkataratnam has been elected. This large success is indeed a matter of hearty rejoicings by Co-operators in this Presidency. We hope under their auspices to achieve many things in the new council for which we have been crying hoarse for the last six years.

**The old and the New Policy.**

It will not be out of place here to take stock of the old co-operative policy and set forth a new programme of action for the development of the co-operative movement. We hope that in the new Council, co-operators like Mr. T. Adinarayana Chettiar will not have to hammer hard without any result for any changes in the policy of the movement.

**Expansion without education.**

The old policy was marked by six vital defects. The one was a vigorous prosecution of an expansion programme, namely, the formation of credit societies and Local Unions without making the necessary arrangements for an efficient non-official staff and the training of co-operators.

This has reflected itself in the increase in the number of bad, indifferent and dormant societies as will be evident from the recent circular issued by the Joint Registrar in the matter of the consolidation of the existing societies.

**A cheap staff on a communal basis.**

The second was the recruitment of a cheap staff not based on considerations of efficacy. This policy began first with the abolition in the year 1920 of the post of the Joint Registrar. It was followed by the policy of appointing Assistant Registrars not necessarily from the grade of Deputy Collectors. The Legislative Council in February 1924 was told that these appointments would be made from senior grade Tahsildars or last grade Deputy Collectors; but even this promise was not acted upon. Following in the wake of this new policy, the audit and the clerical staff were recruited purely on a communal basis. Audit work became not only inefficient but delayed. We are of course aware that public agitation had a beneficent effect on the recent appointments of the Assistant Registrars. But the policy of communalism was there. This principle of communalism was adopted not only in the recruitment of the official staff but also in the nominations made for the office of Honorary Assistant Registrarships. The party nominations assumed such an ugly proportion and the increase in their number at the rate of one for each Union, demoralised the local non-official effort to such a degree that co-operators were compelled to pass resolutions consecutively at two conferences asking for the abolition of that office. Each Provincial Conference began to reiterate the need for an efficient staff of auditors. The Central Banks' Conference held last October passed a resolution urging on the Government the need for instituting an examination for Inspectors to be conducted by the Government Commissioner of Examinations.

**Percolation of Communalism into the movement.**

This was not all. The third defect of the old policy was the reflection of communalism in co-operative administration in certain districts. Pointed attention was drawn to it at the Conference held in Salem last year. Elections in Local Unions were manipulated on communal considerations. It really pains one's heart to find the growth of communal differences to such a degree in the District of North Arcot that co-operative questions should be voted on a communal basis.

**More officialisation.**

The fourth defect of the old policy was the deliberate insistence on the officialisation of the movement. The Minister of the first Reformed Council honestly believed that nothing would prosper in this country except when initiated and executed by the officials. He not only preached this policy here but presented it to the adjoining province of Bombay in his Presidential address at Dharwar. Increase in the subordinate staff with low pay and prospects and without due regard to efficiency can hardly improve the quality in the movement. The upper controlling staff was increased at the rate of one Assistant Registrar for each district and one Deputy Registrar for every three districts. Matters relating to co-operative societies were decided at Departmental Conferences without consulting the institutions concerned. The power vested on the officers to advise the co-operative institutions had to be used for the issue of orders partly as a result of want of Co-operative outlook in the officers and partly due to the expansion of the movement which did not lend itself to its successful administration through mere advice.



**Weakness of the Centre.**

The fifth defect in the policy was the absence of any central policy from the headquarters regulating the work of the official staff in the districts. The rate of interest was reduced without a due regard to the prevailing market rate, the adequacy of margin for the building up of the Reserve fund in the Society and the provision of the requisite funds for the efficient administration of the movement. Local Unions were formed in a haphazard manner, Audit Unions were formed with powers not merely to undertake concurrent audit but also final audit, and without correlating their work to the future growth of the movement and even without adequate funds for the conduct of concurrent audit. District Federations were started on an unsound basis without providing for sufficient finance, the co-ordination with other institutions, and the maximum use of the available human material. The policy regarding non-credit societies was hardly regulated. Expansion on the one side, an inefficient sub-ordinate staff on the other, and an upper controlling staff on the third side, subject to the feeling of dependence on a communal Ministry have made it extremely difficult for the Registrar to act with grit and firmness in regulating the policy of the movement.

**No large and bold policy.**

Sixthly, the old policy was characterised by want of boldness to apply the co-operative movement for rural reconstruction. Though an increased co-ordination has been achieved among the departments of Co-operation, Agriculture and Industries, the fact is there to-day that no one department is responsible for promoting schemes of agricultural development and allied industries. Co-operation is after all a method of building up rural life and little has been achieved by way of conserving for the ryots their legitimate income from the land by organising them for joint purchase and joint sale. If to-day we find that the co-operative method has not taken root for increasing the agricultural production of the country, it is because the old Ministry was wanting in a breadth of outlook for the prosecution of a bold policy. Mr. Ranganatham pointed attention to this fact in his recent budget speech on 4th March 1926. These are his words :—" The Hon. the Development Minister, fortunately or unfortunately, is in charge of departments vitally affecting the welfare of the people. Agriculture and Industries are the two important occupations of the people and yet, Sir, what has he done ? The number of people who were depending upon these occupations as a means of livelihood is steadily declining and the number of people who are now unemployed is increasing. If you really face the situation, it means that you have not rendered any appreciable benefit to our people in the departments of Agriculture and Industries. I do not know if the Hon. the Minister for Development has done anything in this direction to investigate and find out the causes and the remedies therefor. He may say 'I have no money'. But I find from the figures so far available that the Department allowed 4·3 lakhs of the year 1921—22 to lapse, in 1922-23 a sum of 4·6 lakhs, in 1923-24, 4·9 lakhs, and in 1924-25 8·9 lakhs, and he says that the real improvements which are imperatively needed in the direction of Agriculture and Industries had to be postponed because of want of money."

Here lies the crux of the question. It is not want of money but want of a large policy and outlook to envisage the situation and find out remedies. Selection of Deputy Registrars on no tests of examination of their qualifications for non-credit work will not improve the situation. Appointment of a few stray non-credit Inspectors will not achieve the successful establishment of the co-operative organisation for the improvement of the agriculturists. Non-official organisations should be strengthened by broadening their constitution to undertake agricultural propaganda. The State should take into confidence more and more non-officials and supply them with the necessary finances for educational and propaganda work. The University Courses should be re-organised. The Upper Controlling staff should be trained in agriculture. There should be a uniform policy followed in supplying agricultural requirements through the co-operative organisation and a single officer should be charged with the duty of promoting such schemes. Credit and non-credit cannot be divided into two watertight compartments. The economic improvement of the ryot is the goal. The co-operative method is the best for organising the ryots. State aid is largely necessary in an illiterate country for stimulating propaganda. Non-officials should be largely drawn into the work. Experts for the conduct and management of the institutions should be supplied by Universities and the States. Unless such a bold policy as enunciated above is well



taken on hand, even the fringe of the problem of the amelioration of the ryot can hardly be reached.

**The new policy.**

We trust that the new Ministry will take note of the six vital defects in the old policy and try to remove them during their period of Ministership. Expansion to be sound requires the training of the non-official staff, and the enlistment of earnest co-operators in large numbers for the work of education. State audit will prove immensely beneficial to progressive improvement of co-operative societies, as it ought to, only when undertaken by a trained and efficient staff. Faith in official initative and administration will wreck itself in the low vitality of the co-operative institutions unless coupled with the active associations of the educated leaders in each area for the work. Absence of a central policy specially in regulating an ever-growing movement will do untold harm to it and deflect it from its true principles and the goal. Absence of a broad outlook to conceive the movement as intended for the ryot and not the latter for the former will make it lob-sided and of poor value to the agriculturist.

**Mr. A. Ranganadha Mudaliar.**

The movement is extremely fortunate at this hour of transition through which it is passing, in the appointment of Mr. A. Ranganatha Mudaliar as the Minister for Development. A genuine worker for the cause of the country who threw away his fat appointment of a Deputy Collector specially at a time when it will be ordinarily hugged for the pension it carries in later life, he belongs to the "Brothers of the order of Service" started by the Theosophical Society. This Presidency cannot but be proud of the ascendency of a life worker who has taken the vow of poverty to the position of a Minister. He has given up his all for the sake of his motherland. Fired as he is by an enthusiasm to do his best for his country according to his lights and capacity, we may be quite confident that nothing will be wanting on his part to improve the lot of his poor countrymen. His stand for the Bellary Ryots against an increase in the land tax is well-known to the public. The resolutions he has moved and his budget speeches will reveal to anyone the sincerity and earnestness of Mr. Ranganatham. At the last annual election meeting of the Provincial Union, he was elected by an overwhelming majority to the place of the Vice-President. He is largely respected and revered in the Ceded Districts. Much calumny vented against him owing to his natural outlook he has withstood. A man of stout common sense, sound and sober judgment, sweet speech and firm action, it is a matter for hearty rejoicing that Mr. Ranganatham should guide the fortunes of the co-operative movement at this hour. We pray for his long life and health to serve his country which he loves so dearly.

**Mr. H. M. Hood.**

It also gives added pleasure to us that Mr. Hood has come back to us as the Registrar of Co-operative societies. His period of administration of the co-operative movement a few years back has been characterised by a firmness which is largely required at this present hour to purify it of its dross. As a Dt. Collector in Tanjore, he has earned the popular confidence by his bold stand for the purification of the administration particularly during the period of flood relief. A frank and fair-minded officer, his recent evidence before the Royal Commission on Agriculture was marked by a scrupulous regard for truth. Hiding nothing, white-washing nothing, we are sure that under his administration, realities will be faced and true remedies applied. We hope that in no long time, the differences between official and non-official views will be set at rest and when once this is achieved, the power for good that would be brought to bear on the movement would increase enormously to its benefit. We gladly welcome him into our midst and hope that during his period of office, the movement will take strong root and spread itself in diverse fields of activity.

---

# FRESH PAMPHLETS FOR SALE.

1. **Loss Societies.—A Study:** is a contribution by Rao Sahib T. Srinivasa Rau on the margin of profits in rural societies—deals with the calculation of profits. *16 pages. Single copy As. 2. Per dozen Re. 1 inclusive of postage.*

2. **Co-operation—A Drive from the Centre or Growth from within:** by Rao Bahadur N. Gopalaswami Iyengar, Registrar-General of Panchayats, Madras. *23 pages. Single copy As. 2. Per dozen Re. 1.*

3. **Rural Training Class—A draft syllabus**—interleaved to take down notes of lessons as suited to each area—gives also outlines of a few lessons. No. of lessons 20. Deals in the main with functions and management of a rural credit society—*24 pages. Single copy As. 4. Per dozen Rs. 2.*

4. **Land Mortgage Banks**—Rao Sahib K. Devasikaman Mudaliar and Rao Bahadur A. Vedachala Iyer. The book includes a summary of the working of Land Mortgage Banks in India a the continent. *No of pages 75. Single copy As. 8. Per do Rs. 4.*

5. **A Co-operative Survey of economic conditions**—in so of the Union areas of Chingleput, Tanjore, Madura, Ramn North Arcot and Coimbatore Districts—Notes by office-bearers Local Unions. *No. of pages 52. Single copy As. 5. Per doz Rs. 3.*

***For copies apply to:***

**The Madras Provincial Co-operative Union, Ltd.,**