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LAND MORTGAGE BANKS.

RAO BAHADUR A. VEDACHALA IYER.

The Hon'ble Mr. V. Ramadas, President of the Madras Central Urban Bank and of the Madras Provincial Co-operative Union, Madras, has made a contribution to the Madras Bulletin of Co-operation on the subject of "Land Mortgage Banks in Madras and the Provincial Co-operative Bank." The scheme formulated by him has to be considered with considerable care as it emanates from the head of the non-official agency in the Co-operative Movement both in finance and in the administration of the movement by the people. Still, it seems to be the duty of co-operators to carefully scrutinise every scheme, by whomsoever formulated, so as to secure a suitable one free from all avoidable objections, with a view to focus discussion on the subject. I take the privilege of putting forward my *personal* views for the benefit of all who may be interested in the subject. Before directing my attention to the scheme proper of the Hon'ble Mr. V. Ramadas, it may be useful to Co-operators if we clear the ground and remove, if practicable, certain ideas which find a place in the article and which may be regarded by some as misconceptions or misreading of correct ideas. At any rate, personally I feel that some ideas are of that category and I therefore think it my duty to note down some points which are at any rate arguable in a different way.

Mr. Ramadas takes note of two schemes for long-term rural credit; the first being that proclaimed by the Department as the "Debenture Scheme" in 1920, and the second scheme promulgated by Rao Sahib K. Deivasikamani Mudaliar in the year 1926. The first scheme had nothing to do with Land Mortgage Banks. But the idea of that scheme was to secure long-term deposits by the issue of debentures on the security of unencumbered immovable property and thereby to liberate long term credit to rural societies for the benefit of the agricultural industry and the agriculturists. It was not its object to create a Land Mortgage Credit Section in the Provincial Bank.

The second scheme referred to *viz.*, that of Mr. Deivasikamani Mudaliyar's, is to create a land mortgage credit section in each central bank along with the existing short term credit accommodation section and to secure long term deposits and to give long term credit accommodation to co-operative primary societies and not to individual borrowers as a land mortgage bank would do. It is not correct to say that the Provincial Bank has been left altogether out of the second scheme. Its resources were intended to be tapped, if and where necessary, by the Central Banks placing their transferred mortgages at the disposal of the Provincial Bank for raising debentures and liberating the amount so raised to the central banks which may require such help. The defects in the scheme proposed by Mr. Deivasikamani Mudaliyar were dwelt at length in pamphlet No. 4 on Land Mortgage Banks recently issued by the Madras Provincial Co-operative Union. It may also be noted that this scheme is not likely to evolve a substantial set of land mortgage banks on sound financial lines.

Mr. Ramadas puts himself the question "Shall we use the primary societies for Land Mortgage Credit." He considers this a fundamental question. He answers this question in the negative, and in doing so he gives a number of grounds, which require careful examination before accepting his verdict. He thinks that Mr. Strickland was wrong when he said "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." Mr. Ramadas thinks that Mr. Strickland wrongly pays attention to the *person* who requires the two kinds of credit, long

term and short term, and not to the *agencies* which are best suited to render the two kinds of assistance. Experience in rural economy and in agricultural industry has taught us that as an industry a perpetual stream of circulating capital is required as in commercial industry for successful production, and that permanent capital in the shape of ownership of land, permanent improvements, machinery etc., are required to secure increased production. In any system under which long term credit is distributed to the agriculturist, he will not be capable of keeping up his obligation to such a creditor unless and until he is placed in a suitable position to carry on his industry successfully and profitably by the use of circulating capital in the form of short term credit. Besides, the agriculturist also wants an institution which will rescue him from the difficulties to keep up his obligation when causes beyond his control operate so as to lessen his productive capacity. He wants a strong credit institution to help him in tiding over famines and unfavourable seasons or when cattle or other damage occurs. Even in America where land mortgage credit was introduced, it was found that the distribution of short term credit by co-operative institutions was necessary to secure for the agriculturist punctuality towards the land mortgage credit bank. Mr. Strickland wisely points out that where agriculturists band themselves together in a village for improving the economic condition of each and every one of them by pooling their resources and by raising the deserved credit for distribution among all suited to the necessity of each, with reference to the capacity of each and for improving the agricultural industry for better production and decrease in expenditure, the distribution of the two kinds of credit by one and the same institution is an unassailable necessity. If the money market will only look to the best security to which money can gravitate, the constitution which is safe for the purpose is the rural credit society on unlimited liability basis. But deposit banking pays more heed to managerial experience, accounting and audit than to mere security. It was only for this purpose that central banks came into existence as financing agencies, which distributed credit to rural societies instead of to individual co-operators. This is a device to satisfy the depositors as regards the carefulness of handling deposits and returning them punctually and according to agreement. We may even go to the extreme limit of asserting that a land mortgage credit bank can never be successfully worked for the benefit of the agricultural industry unless adequate arrangements are available to the agriculturist to come to his rescue for giving short term accommodation to the required extent and when required, and also to tiding over accidents arising in his profession from causes beyond his control, such as failure of mansoon, cattle disease etc. Moreover, duplication of institutions in each village is decidedly an evil and not a blessing especially when the condition of the agriculturist is taken into consideration in regard to education, business habit, knowledge of the laws of the land or of banking. In point of organised effort on sound financial lines, the rural area seems to be the best area where simplicity of life, truthfulness, community feeling and brotherhood in profession are felt predominantly in accordance with past traditions.

Mr. Ramadas says that he agrees with Mr. Wolff in his strong disapproval of the idea of village societies being entangled in land mortgage banking. I am afraid that Mr. Wolff meant to say that the members of rural societies may not be competent to deal directly with long term deposits, issue of debentures, accounting, retention of fluid resources, etc. Viewing the condition of the money market, it is clear that deposits for long terms will not flow to rural organisations as readily and as continuously as it does in financing agencies like the central banks. This view is supported by actual facts when we turn our attention to the progress of the movement hitherto achieved in regard to short term deposit banking. Even commercial banks, such as the Imperial Bank of India, prefer to deal with limited liability central banks instead of with primary rural societies on unlimited liability basis.

Mr. Ramadas notes that "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 to utilise, short term loans and have made our so-called long terms too short to serve our ends in view." This view does not appear to be a correct reading of the situation. The word "Short term" has not been clearly understood. The Departmental agency has all along held that the word "Short term loan" implies loan repayable in a year and that all others are long term loans. Deposit banking carried on by central financing banks received deposits repayable in one or two years and liberated the money available from short term deposits as loans returnable in a year or in five or ten years, leaving the borrowing rural organisations to fix the period to borrowers according to the purposes of the loans. Long term credit intended by land mortgage banks was never contemplated hitherto by the movement or by the financing agencies. The mishandling of primary societies of the credit obtained as short term returnable in one year was due to the fact that co-operators used them for such purposeswhich could not facilitate the prompt repayment of the whole loan in the period or periods for which they were taken. The entire credit hitherto liberated by financing banks was only short term credit and the distribution of such credit suited to the repaying capacity of each borrower was not done satisfactorily and after careful scrutiny with the result that defaults become numerous, due in a majority of cases to causes beyond the control of the borrowers. It was for the first time that the Department defined short term loan as repayable in 1 to 5 years as is evidenced by the note of Mr. Deivasikamani Mudaliyar, the official slogan for "short term" having been always for one-year loan. The Madras Central Urban Bank gave loans to primaries or to central banks returnable in 11 years, the first instalment being repayable at the end of the second year. This sort of loan was classed as "long term" though it was really a short term loan to be distributed for periods suited to the repaying capacity of the borrower. Poor men there are who could not recoup the debt for the purchase of cattle or for building houses in less than 10 years. Such loans may be classed as mid-short-term loans. Central Banks dealing with deposit banking can arrange with the help of fluid resources to distribute loans repayable in 10 years and could not be expected to set free credit accommodation for longer periods unless long term deposit banking in the shape of debentures is introduced in them or regular co-operative land mortgage central banks are entrusted with the duty of raising long term money by the issue of debentures on the security of land mortgages for a defined period in addition to what the existing central banks are doing in short term deposit banking.

Mr Ramadas refers to the view expressed by the Committee appointed by the XII Madras Provincial Co-operative Conference that the segregation need not be made in the rural society but should only be made in the central bank and that the reason given by the Committee 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 out to solve the problem of inventing a financial machinery to finance the long term credit needs of a land mortgage primary institution whether on limited or unlimited liability basis, seeing that the existing financial machinery of central banks was unfitted as at present to undertake this work. Mr Deivasikamani Mudaliyar held that this work can be tagged on to the existing central banks and it is the view of some that a separate financing machinery would secure better success in attracting long term money by the issue of debentures; and the course recommended by Mr Deivasikamani Mudaliyar will involve interlocking of financial liabilities. It was not the idea of the Committee to find out methods of constructing land mortgage banks, which can be brought into existence either as a section of the existing rural societies on unlimited liability basis under joint loan, or as a primary bank of the pattern under experiment by Government, or of the one proposed by Mr. Ramadas. If any of these activities undertaken by primary organisations will be successful to coax long term deposits from the money market, the problem will have been solved most satisfactorily. As apprehensions were felt that the chance of success of such organisations tapping long term deposits were gloomy, the Committee wanted to find out a method by which a financing agency can be brought into existence to court long term deposits which can be distributed to primary societies of whatever character which would take such long term credit accommodation and distribute it to the members (co-operators) holding itself responsible to the financing agency to keep up to its obligations. Such a financing agency was held by the Committee to be the formation of central district banks which will deal only with mortgage securities, debentures and long term loans to primaries requiring long term credit accommodation, and which will work as supplementary to the existing central banks. Such central banks will not deal with short term deposit banking. Mr. Ramadas is not satisfied with the financial responsibility of a village society affording a guarantee to the soundness of valuation or with the unlimited liability basis of the society securing the co-operative control over borrowers. He considers them illusory owing to (1) the absence of requisite knowledge necessary for valuating and investigating titles on the part of panchayatdars, and other limitations of management of the village society which ought to make us hesitate to saddle them with financial responsibility for long term credit, (2) the absence of responsibility to feel the obligation to undertake periodical re-valuation with a view to procure the requisite power in case of depreciation of value. He has little confidence in rural village organisations undertaking long term credit whose periods are likely to extend over two generations. This personal view of Mr. Ramadas may be true to some extent when one looks at the state of affairs in the co-operative movement in regard to short term credit by primaries and deposit banking by the central banks. But the failure, if any, is due to the non-discharge of the duties and responsibilities of those in charge of the financing and lending operations and of those entrusted with supervision, both official and non-official. There is nothing inherently bad in the constitution of a rural credit organisation

which will detract the handling of long term credit by village societies. If the system of finance, management and supervision has been faulty, rectification should commence there. The financing agency and the primary organisation should create suitable paid agencies to work the arrangement satisfactorily instead of building their hopes on the Government agency which dropped itself suddenly when it found that its reputation was at stake.

Long term credit institutions should be responsible for proper valuation and proper usage of long term loans for specified productive or protective purposes, for watching the character of the borrower, and for the due recovery of their dues.

It should be able to attract long term deposits by the issue of debentures and to meet its obligations to the debenture holders. As a primary institution, it can undertake the first set of duties. As regards the raising of finance required, it is felt that each primary institution will not be able to do its duty to the desired extent. Hence the proposal to start a central financing agency to undertake this work on behalf of the primary institutions.

The experimental Land Mortgage Banks introduced by Government in 4 or 5 selected centres are primary banks dependent for their success on their capacity to tap long term money by the issue of debentures for the period which each institution wants. There is not much object gained in criticising the constitution of such banks or in pointing out the limited scope of their transactions or in the liberality or otherwise of state aid to such institutions. The absence of long term deposits by the public in such institutions is not a matter for surprise, for, even such institutions with strong unlimited liability basis have not been able to attract even short term deposits at very high rates of interest. Deposit money is money saved and invested to increase itself with the advantage of being available when required. Such money will flow to institutions which command confidence in the view of depositors. The tradition of the Madras Presidency as regards deposits in banking is that towns contribute the lion's share of deposit banking and the depositors place trust in institutions managed by men of business and by men of world-wide reputation. It is for this reason that the Provincial Bank and central banks attract deposits at low rates of interest though really the security for the lodgment of such money is the primary society and its unlimited liability basis. Hence the formation of a separate central institution for long term credit with share capital subscribed by men of business influence and knowledge of banking will be a better and advisable step to be taken. Such an institution will gradually absorb, as members, primary institutions intended to use such long term credit or those which may be brought into existence hereafter, leaving the responsibility of distributing such credit to individual borrowers to the primary organisations. Such a central financing agency might be located in each district and also take part in the Provincial Bank. The Provincial Bank might advisedly undertake this kind of work and transfer its resources in this direction to districts where the central banks are unable to satisfy the needs of the districts. The failure of the scheme of the Government in establishing land mortgage banks is not one which co-operators will have any boldness to proclaim at present. I have pointed out its defects in the note appended to the circular of the Madras Provincial Co-operative Union dated 12th August 1924 published in the notes and papers submitted to the XIII Madras Provincial Co-operative Conference. The scheme formulated by Mr. Ramadas is (1) to bring into existence primary land mortgage banks and (2) to entrust the duty of securing money by raising debentures for these banks to the Provincial Bank. Thus it will be seen that the two essential requisites for the distribution of long term credit are (1) the formation of land mortgage banks to dispense credit to members who will be borrowers, (2) a financing machinery to tap the required money. The Committee appointed by the Provincial Union tackled the second problem leaving the first question to be solved by entrusting this duty to the existing rural primary societies on unlimited liability basis. This proposal does not run counter to the scheme of land mortgage banks now under experiment by Government or those which might be brought into existence hereafter on limited or unlimited liability basis, with a jurisdiction within a radius of 6 miles or covering a taluk or a district.

The land mortgage bank proposed by Mr Ramadas does not very materially differ from that experimented by the Government except that the operation may be over a wider area and credit facilities will be allowed up to 4 or 5 times the limit prescribed for the banks introduced by the Government. One should not forget the fact that in primary mortgage banks the members will be borrowers and no one can be sure in all places of securing competent men to manage business by a mere extended area of jurisdiction. On the other hand, rural people with adequate common sense doing business in agriculture can be trained or educated to undertake this business successfully with adequate supervision and with the guarantee available from the constitution of unlimited liability basis. To raise credit at 15 times the paid-up share capital in a primary institution on limited liability basis, even though the security is the immovable property, does not appear to be a safe principle to follows a

any wrong discretion exercised by the Directorate may adversely affect the institution. The financing machinery in ordinary short term deposit banking has to be in the co-operative movement a guide, philosopher and friend of its borrower, the primary institution. It has to take its borrower as a member and to share with the borrower in the expenditure incidental to the supervision and management of the primary institution. The financing machinery may be compared to a wholesale institution for credit, and the primary to a retail shop. The central financing machinery works for the benefit of all primaries and the primary works for the benefit of all members in the rural organisation. The primary works for the benefit of its members in such a manner that its members will face all difficulties connected with agriculture and all accidents which happen to the members from causes beyond their control. The central financing machinery should also adopt its working suited to the necessity arising in each primary organisation. When we take up the question of long term credit, the central financing machinery to be formed and the primary organization which is expected to use it should be so constituted as to discharge the duties described above as regards short term credit. Hence the financing machinery for long term credit might successfully be expected to cope with this work if it be restricted to a single district. But there are districts which could not gather the required resources by themselves and will have to be dependent for finance on outside areas. Such districts will have to look up to the Provincial Bank for undertaking the work on their behalf. I may summarise the matter by noting down the following as constructive proposals for long term credit accommodation :—

1. Financing machinery to be floated in each district similar to the existing central banks with paid up share capital of a lakh or two of which half will be thrown open to individuals as non-borrowers, the other half being reserved for the borrowing organisations whether they are rural societies on unlimited liability basis or primary land banks of the Government type or primary land banks of the type proposed by Mr. Ramadas.

2. The amount of money to be raised in such banks will be for the present 16 times the paid up share capital and reserve and will be allowed to rise to the extent of 1/4 of the value of the property pledged.

3. The credit to be liberated will be for the benefit of the agricultural industry and agricultural lands and not for the benefit of urban pursuits or urban property.

4. The Provincial Bank will act as the financially responsible agent of all central banks for raising money for long term credit by

issuing debentures on the securities furnished by such central long term credit banks.

We have had enough of discussion over schemes connected with long term credit, and it seems most advisable that co-operators should at the ensuing conference resolve upon a defined course of action by calling upon all interested in the movement to organise themselves in each district for the formation of a financial machinery for such long term credit and press upon the Government to allow the registration of such institutions in suitable districts where men and money are expected to be forthcoming. The conference should also call upon the Provincial Bank to open a separate branch for this kind of work by securing suitable alterations to its by-laws. The scheme very briefly outlined above can be worked out in detail in each district and has the merit of taking in all activities in this direction hitherto undertaken by officials and non-officials and also of working the co-operative movement with the least friction to the existing machinery. One word more as to the proposal of Mr. Ramadas as regards State aid. He recommends (1) that the State should contribute to the cost of inspection, the valuation of land, investigating titles and assessing the credit of the borrowers and (2) that it do purchase a portion of the debentures or guarantee the interest on the debentures. I would not care to secure any State aid in this matter. The volume of transactions in long term credit is so heavy that the financing machinery can work successfully with a small margin of profit and can also provide for the various items of work for which State aid is proposed. I would go further, and state that the maximum dividend on share capital in such institutions can at the start be fixed up at 7½ per cent for the first six years and 8 per cent later. Such a condition will liberate adequate resources for efficient management and supervision.

The principles which should guide us in the floatation of the central financing agency for long term credit, of working long term credit in primary organisations, are summarised in page 229 of the December Bulletin which are quoted below for purposes of easy and ready reference.

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 interlocking 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 privilege 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 of less than the value of mortgages, and arrangements should be made for safe-guarding 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."

LAND MORTGAGE BANKS
(Reply to Mr. Vedachala Iyer's criticism,)

THE HON'BLE MR. V. RAMADAS.

I fully appreciate the spirit in which Mr. Vedachala Iyer has subjected my article on Land Mortgage Banks to a searching and instructive criticism, with his usual thoroughness. I have no obsession in favour of any particular scheme. I entirely agree with Mr. Iyer when he says that we have had enough of discussion over schemes of long term farm credit and that practical action has been long overdue. We must press the issue to a definite solution at the next Provincial Conference. The scheme that commends itself to the conference should be put in operation with the loyal support of all co-operators irrespective of their personal predilections.

In the meantime, I remain unrepentant for expressing the view that the village primary society is not a suitable agency for the distribution of long term real security credit. I assure Mr. Iyer that I was not under any misapprehension about the implications of the terms 'long' and 'short' term credits, in formulating my scheme; nor did I misunderstand Mr. Wolff in the least. I have dealt with the general principles regulating long term agricultural credit in my article which appeared in the January number of the *Bulletin* and I shall therefore not repeat myself. A careful reading of Mr. Vedachala Iyer's article, an advance copy of which he had the kindness to send me, left on me the impression that there is enough in that article itself to justify my misgiving about the wisdom of using the primary society for promoting Land Mortgage Credit. Mr. Iyer says that the fault lies not with the constitution of the "rural credit organisation" itself but with those who are charged with financing and supervising them. Assuming that it is true, then, our past experience shows that a radical reform of those agencies so as to equip them for the difficult task of dealing with long term secured credit is not an immediately practical item on our agenda. The alternative is to confine the articles of those rural organisations to the comparatively simpler function of dealing with short term credit and invent more complex and better equipped agencies for dealing with long term credit.

I may be pardoned for entering into detail on two points raised by Mr. Iyer. In advocating his proposal to segregate the long and short term credits not in the primary society but in the Central Bank, he observes that the "Financing Machinery may be compared to a wholesale institution for credit and the Primary to a retail shop." I entirely disagree with this argument by analogy for the simple reason that the principles which govern the relations between a Central Bank and a village society and those that govern a wholesale and its retail are fundamentally and radically different. Then again, Mr. Iyer's apprehensions that the segregation of functions in the primary society might result in the needs of the poor agriculturist not being satisfactorily served are without the foundation: on the contrary, I am of opinion that they will be better served by the process. The comparatively well-off middle class landed proprietor will resort to the Land Mortgage Bank for the satisfaction of his large needs to which the village society cannot cater and the consequence will be that the village society will be better enabled to liberate more short term credit to the poor peasant who has not much tangible property to pledge and whose security consists in honesty, guarantee and combination.

I am genuinely glad that my articles on Land Mortgage Banks have had the effect of concentrating thought on the question, and before the next Provincial Conference meets in the Easter week at Madura, I hope more will be said and done on the subject to focus the attention of Co-operators on it with a view to formulate definite action.

VILLAGE RECONSTRUCTION.

MR. V. SANJIVA RAO

Village reconstrution—Rural awakening—Back to the villages—Village re-organization—Down with Usury-are words which are dinned into our ears by Publicists, by Politicians and Educationists, Professors and Missionaries, Co-operators and Non-co-operators, by all, of some standing and no standing.

But all of us who call ourselves Co-operators, who work in the co-operative movement started two decades ago, have a duty resting on our shoulders to hearken to these wise and weighty words—come whereverfrom they be—and act upon them to the best of our abilities, since we, in our turn, have been dinning into the ears of all, that in Co-operation lies the economic salvation of the villagers that the prime function of the Co-operative movement is said to be financing agriculture and in raising from the mire of chronic indebtedness the poor, ignorant, improvident villager.

All these twenty years and more we have been at it, mounting the first step on the ladder, Co-operative Credit, but it is the opinion of many that we have not succeeded to that extent which was expected or anticipated by the pioneers and the Government who ushered the movement. "Find Reiffeisen" we have not all been able to do, they say psuedo Reiffeisens we see everywhere. Thousands of co-operative credit societies have been started and are supposed to work something like a prolific mother after begetting a large number of children leaving them all, small and big, young and old, on the road to eke out their livelihood as best they can.

In spite of the alluring statistics produced and glowing reports published about the good that has been done by the co-operative societies, every one who has intelligently observed and enquired has begun to feel that the present system under which co-operative credit has been worked has begotten more evil than good. A change for the better is imperative. We have had the spurious instead of the genuine. We have devised a system of organised money-lending in the villages with the help of the money that has flowed freely into our Co-operative Banks owing to the various causes chiefly as some say to the alluring rates of interest paid, a rate much higher than that paid by the big and the established Commercial Banks which have been able to introduce into existence for a very long time. We have not been able to introduce true co-operative credit—to improve the borrower. The written laws and bylaws are *par excellence* but we are wanting in the proper methods of working. "We have gambled with public money" said a Cynic Co-operator. It is not, after all, the purpose of this note to relate in detail our failures but try to show a direction or two in which we should try to help the poor agricultural villager.

What the Co-operative Movement has been able to do to him by bringing to his very door cheap credit, our system of working has taken away completely the apparent benefits said to be derived by him.

Taking the case of a villager who borrows from a Co-operative Society for his cultivation expenses, he is generally given a short term loan to be repaid soon after the harvest and as is usual the price at which he buys his requirements are high, it being the late season, and then again prices are not favourable to him soon after the harvest and he is compelled to sell at an unfavourable rate and repay the loan. On these transactions, the cultivator is put to a loss of 25 to 30 per cent in addition to paying interest to the society.

To put it in a more concrete form:—A cultivator borrows from the society to buy paddy for his expenses during the cultivation season; he does it generally just before that season commences. The price of paddy is generally very high then. He pays say Rs 10 for his requirements, having borrowed as much from the society. Soon after harvest, he is required to pay with interest, say at $1\frac{1}{2}$ pies per rupee per month for say, 8 months a sum of Rs 10-10-0. He is required to sell $1\frac{1}{3}$ to $1\frac{1}{2}$ times the quantity of paddy he bought originally, to pay off this amount; in all therefore, had he borrowed in kind he pays 30 to 40 per cent interest for the 8 months he used the money borrowed from the society. This works out to even more than what he had to pay the local Sowcar or money-lender, had he borrowed from him.

Unless therefore the methods of co-operative financing are so modified as to secure to the cultivator and producer the best prices for his produce (1) by enabling him to hold up his produce for a favorable market, (2) by organising co-operative selling of his produce, and also (3) by providing him through his co-operative society all his requirements—domestic as well as agricultural—at moderate rates, co-operative finance for the uplift of the village is only a name—a shadow without the substance.

The villager has to be handled on traditional lines: his ignorance, his conservatism, his indifference to his own interests, all tend to make him a dupe in the hands of the vily. The Danish farmer is said to have been able to completely eliminate the middlemen so far as his requirements and sale of his products are concerned. Although it may not be possible for an Indian farmer to do so for yet a very very long time to come, the progress made by us all these 20 years and more does not forebode any such thing and it has to be admitted on all hands that such must be the ideal towards which the educated and intelligent co-operators must work up to. On the other hand, it is seen that many of those who guide the movement at the top have been almost insistent in propagating ideas of financing the traders and not co-operative trade. This in the case of societies who have taken upon themselves the functions of financing traders has only created a large number of traders like mushrooms by inducing all and sundry to become traders with the help of the cheap money that those co-operative societies freely grant as loans and these new traders have in many cases come to grief soon and it is likely, though not immediately but in course of time, that these societies which so freely and to such a large extent finance every one who calls himself a trader, will themselves come to grief.

Coming back to the traditional method to which the village—the farmer particularly—is accustomed to, it must be known to all that the village sowcar not only supplies the villager with all his domestic requirements but also finances him, for cultivation, for paying kist and rent, and recoups his advances by contracting with the villager for selling all his produce. It is not rare that the rates at which the village sowcar buys or contracts to sell the produce are very much lower than even the market rates.

It is here—in buying and selling—that the shoe pinches the farmer most and it is in the matter of providing the farmer with co-operative organisations for buying all his requirements—domestic and agricultural and selling his produce—both agricultural and industrial, that co-operators so-called should devise methods for saving him from the clutches in which he is said to have been writhing in for centuries. Supplying the farmer with more credit facilities by creating loan-shops called co-operative societies has done him no good. The havoc these co-operative credit societies have worked in the hands of unscrupulous panchayatdars is too well known to need any detailed iteration.

There may be a peculiar charm in money-lending and when the money for lending is provided by another, the charm may be all the more facinating. But money-lending has done no good to any.

If then, the fundamental idea of the co-operative movement in India is to improve the economic condition of the villager, the farmer and the poor man generally, it is not money-lending alone as is done now through these co-operative societies that will work for progress but an immediate "change in the angle of vision"—to use an oft-repeated phrase—in the functioning of Central Banks, that is what is required in order that the immense potentialities for good that are said to be existing in "*Co-operation*" may be brought out for the greatest good of the greatest number.

Agriculture being the premier industry of India and over 80 per cent of the population depending upon it, it is the primary concern of all co-operators to try to improve the agriculture of the country—improve the methods of agriculture in order to improve the acre-yield which, compared with that of other countries, is extremely low. If co-operators claim to be the well-wishers of the country—and who does not?—the country needs to-day the true and the unselfish service of all in the field. As has already been brought to the notice of co-operators in this Presidency by the Provincial Co-operative Union, Madras, the local supervising Unions should now at least become—in the fitness of things— the development associations for the areas over which they have jurisdiction. These Unions under good management in the hands of proper men imbued with ideas of service and of doing good unselfishly can really work wonders if they only have a will. At present, these Unions are merely agents of the Central Bank trying to do its collection work and doing it more or less indifferently. It is no wonder therefore that it is in the mouth of all Central Banks to say that Unions are lethargic, indifferent, not working properly. The reason perhaps is that the Unions feel—it may be wrong on their part to do so—that after all, their efforts at collections of interest and principal due to Central Banks only tend to raise the rate of dividend paid by the Central Banks to individual shareholders, who, though

originally at the time of organising these Banks were considered to be necessary for purposes both of providing the necessary capital and of human material with knowledge of business, have after all become only a drag in that they have done neither in most cases but now clamour for the maximum rate of dividend allowed by law.

The Unions have therefore to take up the work of doing real good to the societies—the members thereof—by service in other directions and the most important, among others, is selling and buying—selling members' produce and buying for them all their domestic and agricultural requirements. Village societies must be made to collect members' produce both by inducing them to repay their loans in kind as well as to deposit their excess produce for sale through the societies. The society must grade the produce and send it on to the union for sale at a favourable season. In course of time, in the matter of agricultural produce a society may be able to induce its members to produce for sale particular varieties and even of a particular quality and thereby earn a name for that variety and quality. For this purpose, the management of the society shall be required to be vigilant and careful in the matter of sampling and grading and the society will have to procure and give good seed of a suitable variety to the members so that they may not only produce a better variety but consequentially earn more from their labour, expenses and care bestowed in cultivating that particular variety.

This requires that every Union should have a building, for holding its office and for storing produce. There are not many Unions who can with their own funds provide themselves with a decent useful building. It is here the Central Bank should come to the aid of Unions. The Central Bank has, permanently lying with it, a large amount of money invested by societies as their Reserve Fund. This amount can easily be lent out by the Central Bank at a cheaper rate for long term purposes—not merely on mortgage of landed property but for buildings both for societies and unions. Long term loans for Society-Buildings have been given in some cases and so a beginning there might be said to have been made. In the case of Unions, the Central Bank might fight shy because the unions have no financial responsibility; and so a Union should not borrow money. But there is a way out. The Central Bank is not to lend money to the Union. But it can invest on a decent strong building in each union centre. The building must have two or three shops on the ground floor and two rooms on the upper floor—one small to hold the office of the Union and the other bigger—large enough to hold the general meetings of the union. The shops must be so constructed as to be rat-proof so that the same may be used as a store for articles sent by societies for sale and for temporary deposit of articles brought by societies through the union. The union will have to pay a reasonable rent to make up the interest on investment. This sort of investment on such union buildings of, say from Rs. 2000 to Rs. 3000 on each according to the size and convenience required by the different Unions will require about Rs. 50,000 in a district. In addition, the Central Bank can lend money on mortgage of produce deposited in societies and unions. This will require a lot of money. If this kind of business is undertaken by the Central Bank, a large amount of money now said to be lying idle or as surplus will be used up. Central Banks have invested large amounts of money on premises for their offices or for the offices of their branches. Will the Central Banks invest money on buildings for unions and godowns for sale of members' produce and also lend money on the pledge of such produce? Will Central Banks now at least realise that money-lending is not the only function of a co-operative Central Bank, but that it has to work for the prosperity of the ultimate borrower—the village agriculturist?

The new Minister for co-operation and agriculture in Madras said in his evidence before the Royal Agricultural Commission that the prosperity of the ryot can be increased only (1) by increasing the yield (per acre) (2) by trying to economise the expenditure, (3) by the introduction of labour-saving appliances and also (4) by finding for him spare time occupations.

Will Central Banks which to a large extent guide the movement in their respective areas of operations work up to this ideal?

Sir Robert Giffen in his essay on Finance says "No one can contemplate the present condition of the masses of the people without desiring something like a revolution for the better." For what sort of revolution are the Central Co-operative Banks working?

The Indian world is all eyes and ears.

A PLEA FOR CONSULTATIVE BODIES.

By Dewan Bahadur R. Ramachandra Rau, C. S. I.

On the 3rd March in the course of an interview with Mr. Hood, the Registrar, he insisted on the absolute application of certain formulae which he considered were indispensable for the sound progress of the co-operative movement in this Presidency. One was that the superior district establishment now proposed by some central banks should work

under the federation; the existing bye-law casting some of this duty on the district bank was brushed aside as an anachronism. Another was that the resources of unions should be pooled and the supervisors borne on a district cadre; he was not prepared to admit that this centralisation will tend to invest the movement with all the evils of officialdom. A third was a desire for uniformity; as if human character on which the movement is based can be standardised.

On these and other points, I hold views diametrically opposed to Mr. Hood's. The object of this note is however not to discuss what are the sound views to be held on subjects of difference but to fix responsibility definitely on definite quarters. It cannot be denied that the Minister for Co-operation is ultimately responsible—responsible to such an extent that if he adopts erroneous conclusions, he is liable to forfeit his office. Albeit this penalty, he of all appears at present to have the least facilities of appraising popular views so as to correctly estimate the value of the proposals officially put before him. He has several heavy portfolios; his administrative, legislative and political duties consume a large part of his energy and time. However socially pleasant and accessible he may be—and Mr. Ranganatha Mudaliar is very much so—yet his time is so much occupied that the non-official cannot be sure of seeing him or discussing with him at leisure without undue waiting. Eventually, the Minister, for want of time and information, becomes the creature of his department and the public are deprived of the benefit expected from common sense administration assisted (but not led) by expert advice. No doubt, the Minister tours about; but his tours are brief and crowded and merely yield evanescent and sometimes erroneous impressions.

My suggestion is that the Minister should attach to himself a consultative body of persons to whose judgment and experience he attaches some weight. In the subject of Co-operation, the Registrar should be a member. Whenever a matter of moment comes up for decision, the body should be invited to assemble and give their free opinions, and there should be open discussion. It will be easy for the presiding Minister to grasp the different views put forward and come to a decision after hearing all sides. I do not intend for a moment that the Minister should be bound by the opinions of the majority of the members. A Minister has to incur responsibility and should not shirk it by any means. But what I claim for my procedure is that the Minister would be thereby enabled to learn different aspects before deciding. An expert department is apt to get pedantic; but the mere existence of a body of the nature suggested would tend to relieve, what is rather common in present day administration, autocratic behaviour on behalf of departmental officials based on a forgetfulness that rules, albeit based on experience as rightly boiled down formulae of correct procedure, are not inflexible and should not be rigidly enforced even so as to defeat the ultimate ends to conserve which the department itself has been created. This suggestion of mine obviously applies to most departments of Government—even those administered on the reserved side.

PUNJAB LETTER

BY MR. BASHIR AHMAD,

(Editor, 'Co-operation,' Punjab).

The Provincial Co-operative Conference.

In February 1926, the Punjab Co-operative Union organised a Provincial Conference of co-operative societies. Unlike such other conferences held in other provinces of India, the Punjab Conference adopted no resolutions but confined its activity to propaganda for different kinds of co-operative societies and wider diffusion of co-operative knowledge. His Excellency the Governor opened the conference. Lectures on co-operation and education, adult schools, industrial societies, commission shops, mortgage-banks, cattle breeding societies, thrift societies, model town, provincial bank, and Punjab Co-operative Union were delivered.

The A. D. C. staged a very interesting drama on co-operative credit. The leading poets entertained the audience, reading Urdu poems of a high order on 'co-operation'. The conference was attended by more than 2,000 delegates and was in every way a big success. Some of the lectures delivered in the conference have appeared in the Punjab magazine of co-operation and others are still being inserted.

Along with the conference, an Agricultural and Industrial exhibition was also held. It was also opened by His Excellency the Governor and proved of immense use for propaganda.

The address delivered by Mr. Strickland, the present Registrar, deserves special mention. His address has appeared in almost all newspapers and journals of this Province and other Provinces. Mr. Strickland emphasized the importance of cultivating 5 human virtues, (1) courage, (2) thrift, (2) readiness to learn, (4) education and (5) honesty, for the success of the co-operative movement. I need not try to give here the gist of the lecture. Every co-operator should not only read but assimilate every word of it.

Co-operators as Volunteers.

In Lyallpur District, the co-operators have organized themselves into volunteer corps. These corps sing songs on co-operation and tour from village to village. The songs are in Punjabi and are

most appealing. Large gatherings are attracted before whom the songs are recited. After the songs are over, the gathering is usually addressed by the captain or an enthusiastic member. This kind of activity is useful in producing co-operative spirit and has contributed largely towards the popularising of Co-operative Commission Shops. The volunteers sang in the Provincial Conference and were well appreciated.

Co-operative Propaganda.

The Punjab Co-operative Union is taking deep interest in propaganda and co-operative education. Short pamphlets dealing with the description of different forms of co-operation have been prepared and printed. They are distributed on a large scale and have been found of much use in increasing the knowledge of co-operation and have also been instrumental in bringing the outsiders within the fold.

Another form of activity for propaganda is the preparation of co-operative films and magic lantern slides. A story on co-operative credit was prepared and a scenario was also written. The preparation of the film was put in the hands of the Co-operative Films Society. Acting has been done by co-operators themselves and the members of the staff. The plot of the story is simple. A cultivator of 20 acres is leading life in comfort, but as he does not practise thrift, he falls a prey to the money-lender as he was compelled to borrow on account of the death of his cattle. The vicious system of money-lending holds a firm grip over him until he is ruined. The story reveals all the defects of the money-lender's system. The bad financial state of the cultivator is only set right by co-operative effort. Inspired by co-operative teaching, he becomes an enthusiastic leader who not only works out his own economic salvation but tries to uplift his fellow-villagers and his own neighbourhood. He becomes a true patriot. Co-operation always produces a new type of leader.

Co-operative Education.

The training class for Inspector candidates was held at Gurdaspur, a District Headquarters in the centre of the Punjab. The class lasted for three months. Lectures were delivered on rural economics, the theory and principles of co-operation, co-operation in different countries, and on all the different forms of co-operation. The Law relating to Co-operative Societies and Joint Stock Companies was taught and a grounding in practical work and book-keeping was fully given. One month classes for Sub-Inspector candidates are being held at different centres in the Punjab in the circle of every Assistant Registrar. All these classes are held under the auspices of the Punjab Co-operative Union.

Other Conferences.

Circle conferences are held in every Tehsil, which is usually the circle of an Inspector. These conferences are becoming very popular. An attendance of 1,000 co-operators is now a common feature. At Narowal, when the Deputy Superintendent of the Civil Veterinary

Department explained cattle-breeding, the co-operators opposed his view of importing Hissar Bulls and urged that the local breed of animals should only be encouraged by means of selection. Excellent contributions are being made by the co-operators on the discussions which are of immense use in the solution of common difficulties. The spirit shown is most encouraging. The attendance in any one of these conferences would make one realize how excellently the people have taken up the co-operative idea.

The co-operative cattle-breeding societies held their special conference at Gujrat, a district headquarters in the Western Punjab. The conference decided which kind of breed should be encouraged: insistence was also laid on castration of scrub bulls. A penalty of Rs. 5 was considered sufficient for the member who contravenes the rules of the society. The District Boards were requested to help the initial efforts of the co-operators in the direction of cattle-breeding.

A conference of co-operative better farming societies was held at Lyallpur. The conference decided that 25 societies should ask for a special expert in agriculture—an agricultural assistant to direct their activities. The members were urged to keep up-to-date accounts of their income and expenditure on agricultural operations. Discussion also centred on manures, rotation of crops and how to preserve moisture in land. In the opinion of the conference, it was desirable that in canal-irrigated tracts, intensive agriculture and in barren tracts extensive agriculture should be practised.

The co-operative adult school conference held in Montgomery district was probably the first of its kind in the whole of the Province and perhaps in India. The conference was largely represented, more than 1,000 members of the co-operative societies and delegates being present. A prize fund was created by the Punjab Co-operative Union, the Union itself contributing Rs. 50. The S. D. O. contributed Rs. 50 from his own pocket. Books were bought out of this fund and presented to the deserving students. In all, 35 prizes were given: one prize awarded to an old man of 60 years. He has lost his teeth on account of old age and one of his eyes is not functioning rightly. Yet the co-operative spirit encouraged him to go through the course which he did excellently. He was given vociferous cheers when he presented himself to receive the prize. The conference ended in a show of Boy Scouts.

Co-operative Vernacular libraries.

Vernacular libraries on Co-operation and its allied subjects are being created at the headquarters of Banking Unions and small Central Banks. The expenses are to be met by the Rural Community Board. Lists of books have been approved of, and shortly we are going to have small libraries for simple folk.

Consolidation of holdings.

The movement for consolidation of holdings is becoming popular. The following illustrations would, I think, be of interest;—

In the village of Ghazi Nangal (District Gurdaspur) consolidation work was done. A mortgagor had 18 acres in his possession which was scattered in different blocks. The whole land was consolidated in one block. The mortgagor redeemed 9 acres leaving only 9 under mortgage. This illustrates how the price of land is affected after consolidation.—At once it increases. Previous to consolidation, 18 acres were considered good as security and after consolidation, this place was taken by 9 acres. Quoting the example of another village in which work has recently been finished, 554 acres of land was the total area of the village. The land was divided into 650 plots. These were consolidated into 117 plots. Some persons who had left the village on account of minute distribution of land have come back to the village and are living happily. Consolidation works wonders. The progress achieved in this direction is really encouraging and the movement is on an appreciable increase.

Better Living Societies.

Punjab co-operators have achieved good success in the organization of what are known as Better Living Societies. Several of them have been established in different parts of the Province and have begun their work in earnest. Rajputs of Rawalpindi who as a caste are notorious for being spendthrifts have agreed not to spend more than Rs. 10 on marriage ceremonies.

Other activities.

Many kinds of co-operative activities are appearing in villages. Mention of two villages of Lyallpur would be of interest. In Chak No. 281, there are the following kinds of societies, credit, compulsory education of boys, compulsory education of girls, cattle-breeding, better farming, and special credit society for depressed classes. All these societies are in good condition and working with marked success.

In Chak No. 354 Quadarabad, there are 10 societies. Two are of credit and the rest are of different kinds—cattle-breeding, better farming, compulsory education of boys, compulsory education of girls, grain-thrift society, thrift society of women, better living, and co-operative arbitration. All are working with conspicuous success. The Assistant Registrar says that "the village is a model of co-operative success."

The co-operative commission shops have passed through the experimental stage. Many shops are being founded at different centres. The committees are imposing binding rules, compelling the members to sell their produce through them. This "voluntary compulsion" is proving useful, and experienced co-operators like Sir Horace Plunkett advocate it strongly. In co-operative sale societies, loyalty of members is of utmost importance and by binding rules this is being insured.

The Provincial Bank.

The Provincial Bank is making sound progress. It has created facilities in inter-lending of central banks and borrowing from outside the Punjab. As most of the primary credit societies are the members of this institution and membership is large, the last general meeting was held in local sections on an identical agenda totalling the votes of all meetings. So far, no difficulty has been experienced. The bank is undertaking the duty of training the managers of central banks for the province.

Miscellaneous.

In Lyallpur District, a co-operator met with a sad accident. A treasurer of a credit society presented a cheque of his society and demanded Rs. 741. The amount was stolen from his pocket. The Board of arbitrators and the Registrar have held that while carrying the money of the society, he was bearing a personal risk and so the treasurer must suffer and not the society. The societies are encouraged to use the Post Office freely and should not go to the Central Bank office. It may be mentioned that 75 per cent of the sum spent upon money order commission is returned to the society as rebate on all monies sent to and from central banks and societies.

UDIPI CO-OPERATIVE AGRICULTURAL AND INDUSTRIAL SOCIETY Ltd.

(Extracts from audit certificate for the year ending June 1926.)

The society was registered during the year and started on work on 25-11-1925. One hundred and fifteen individual members and 13 co-operative societies working in the Udipi Taluk joined the society before the end of the year and none was removed.

The paid up and subscribed share capital held by members and societies are as shown below.

			Shares.	Subscr. Rs.	Paid up. Rs.
Held by societies	...	I	115	1,150	595
-do- individuals	...	I	198	1,980	995
-do-	...	II	61	122	104
Total			313 61	3,252	1,694

Thus the total paid up share capital held by members and societies amounted to Rs. 1,694 only, which is too small an amount to commence any real work. The Directors are requested to collect more share capital required for the capital outlay.

Unable to purchase machinery for want of sufficient share capital, the society hired an engine and mill from Mr. Vasudeva Padiyar, one of the members and did work for 5 months. As the factory could not command sufficient work from its own members for the season, the society had to purchase 2821 mds. and 20½ lbs. of copra for Rs. 13,362-14-7. The total production in the mill amounted to 1492½ mds. of cocoanut oil and 976 maunds of punnack. The amount realised by sale of the whole stock was Rs. 13,972-8-10 by way of (oil) and Rs. 1,386-3-6 by way of (punnack) and the gross profit earned amounted to

Rs. 773-0-1. A sub-committee has been appointed to fix the rates of purchase and sale, but the committee does not seem to have met and the Secretary does not seem to have consulted them either.

Proper sanction does not seem to have been obtained for expenses incurred in connection with the business and some of the items of expenditure are not supported by vouchers. The Directors are requested to get those defects rectified immediately and see that such defects do not recur.

The society has made a good start and it is hoped that the Directors will carry on the work of this useful non-credit institution successfully during the current year as well.

COMBINED RECEIPTS AND CHARGES

(VI East Godavary District Co-operative Conference and the IV Andhra Provincial Co-operative Conference held at Peddapuram in February 1926.)

Receipts.	RS.	A.	P.	Charges.	RS.	A.	P.
1. Dt. Conference Reception Committee	255	0	0	1. Printing	113	4	0
2. Dt. Conference Delegate fee	176	0	0	2. Typing and clerical charges	35	0	0
3. Provincial Conference Reception Committee	380	0	0	3. Postage, Telegrams and Stationery ...	71	6	6
4. Provincial Conference Delegate fees ...	40	0	0	4. T. A. to workers ...	36	2	6
5. Contributions ...	334	4	0	5. Hire of Furniture ...	10	3	3
6. Miscellaneous receipts	34	12	0	6. Lighting charges ...	38	1	3
7. Sundry deposits and advances	107	8	0	7. Boarding charges ...	676	14	6
				8. Contingencies (including purchase of garlands, cooly, conveyance and other sundry charges) ...	238	2	9
				9. Advances and deposits repaid ...	107	8	0
				By balance ...	0	13	3
Total ...	1327	8	0	Total ...	1327	8	0

Certificate No. 1 :—On behalf of the VI East Godavary District Co-operative Conference and the IV Andhra Provincial Co-operative Conference, we hereby certify that the expenditure shown in the above statement has been actually incurred.

STATION: PEDDAPURAM,
12—9—1926.

N. SATYANARAYANA,
G. LAKSHMINARAYANA,
Joint Secretaries.

Certificate No. 2 :—I hereby certify that I have added the combined accounts of the VI East Govadari District Co-operative Conference and the IV Andhra Provincial Co-operative Conference held in February 1926 and that the receipts and the expenditure shown in the above statement are correctly stated and supported by proper vouchers.

PEDDAPURAM, 12-9-1926.

K. CHELAPATHIRAO, *Auditor.*

REGISTRAR'S CIRCULARS.

XII

SUBJECT :—Rural credit societies—Loans—Cultivation expenses—Holding up of produce for a favourable market on an extended scale. (No. C. 3785 of 26 dated 3rd November 1926.)

The bye-laws of rural credit societies provide for giving loans for cultivation expenses but for various reasons, members are not able to avail themselves of this provision to any large extent. One of the reasons is that by the time they require money for cultivation expenses, they find they have exhausted their borrowing limits as permitted by the by-laws. However liberally these limits are fixed, it is found that a very large number of members soon exhaust them by borrowing money for purposes such as paying off prior debts, purchase of cattle, etc. Exhausting their borrowing limits, they naturally resort to other sources for raising loans to meet their cultivation charges. Crops like sugarcane, plantain, cotton and groundnut require heavy amounts for their cultivation. The village dealer who purchases agricultural produce for the merchant in the town or the village money lender, taking advantage of the situation advances money to the needy members on condition that they should sell to him their crop when ripe or their harvested produce at a concession rate. Thus the ryots, though members of co-operative credit societies, are deprived of the full benefit of their labours in cultivating their lands. Even in case where the members do not borrow from the village dealer or the money lender for cultivation expenses, they do not reap the full benefit of their labours by holding up their produce for a better market. Having exhausted their borrowing limits, as already observed, they cannot borrow more money from their societies for purposes such as payment of kist and therefore sell their produce immediately after harvest or bit by bit subsequently as occasion demands. Needless to say, they lose a great deal by this method of sale. To remedy these evils, it is suggested that village credit societies may give loans to their members for these two purposes (for cultivation expenses and for holding up produce for a better market) to the full extent even though they have exhausted their borrowing limits as fixed by the by-laws.

2. To enable the societies to do this, their by-laws have to be amended as indicated in the note appended to this circular. It will be

observed therein that amendments are suggested to the by-laws Nos. 44 and 53, of the model rural credit societies. Two new clauses Nos. 6 and 7 are proposed to be added to by-law No 44. Clause (6) will enable societies to give loans on the pledge of produce. The loans will be given without any reference to the borrowing limits fixed in accordance with by-law No. 42 (model) and therefore will not depend upon the number of shares held by the borrowers. The amounts to be advanced will entirely depend upon the value of the produce pledged. This provision will enable the big ryots, who now keep aloof, to join the societies. These ryots require big sums of money for short periods and they will be glad to get this accommodation from the societies. Clause (7) permits the grant of loans on standing crops. This is to prevent the members from taking advances from the village dealer even before the crops are harvested. The loans are secured not merely by the crops but also by other members standing sureties for the borrowers. These two new clauses have already been adopted by societies in certain districts with advantage.

Existing joint loan by-law No. 53 is spilt up into two parts. The first part deals specially with the loans given for cultivation expenses and the second part with loans for other purposes. As the loans given for cultivation expenses are over and above the ordinary borrowing limits of the members, the by-law requires that loans should be given only to groups of members. The members included in a group will be jointly and severally responsible for the whole of the loan given to that group. The grouping will be an advantage. Ryots growing a particular crop may want a particular kind of seed or manure. They can join together and buy at wholesale rates. The essential point to be borne in mind in regard to the working of this by-law is that money should be advanced to the ryot in instalments promptly at every stage of his operations. For example, a sugarcane cultivator may require an initial loan when he begins operations, a second loan in the fourth month for manuring and a third loan in the seventh month for second manuring. The joint loan should be got sanctioned sufficiently in advance and drawn in instalments as necessity arises.

3. Village credit societies which give loans on the pledge of produce will be well advised to transfer the produce pledged for safe custody to sale societies working in the neighbourhood. Wherever possible, the societies should also transfer the loans to such sale societies and have reserve in their borrowing power so as to enable them to give loans to members for their other needs. Sale societies admit individuals and give them loans on pledge of produce. It is desirable to start sale societies at all market centres, if not at all local union headquarters.

4. When rural credit societies give loans on an extended scale in accordance with the amendments to their by-laws suggested above, it will be necessary for them to raise their present borrowing power. In most societies, the net assets of the members would warrant the raising

of the borrowing limit. In the other cases, the societies may transfer the produce loans to sale societies as they are pledged to them and thus get borrowing power, or the central banks concerned may also take into consideration the paid-up share capital of the societies in determining their borrowing limits.

5. The amendments to the by-laws suggested above may be introduced in all good societies.

APPENDIX.

Add the following as clause (6) to model by-law No. 44;—

Loans may be granted to members on the security of their produce or finished products up to an amount not exceeding 75 per cent of their market value on the date of the grant of the loan. The borrowing member may, instead of taking payment of such a loan in one lump, draw it in instalments according to his convenience. Interest will be calculated for the instalment so taken only from the date of the disbursements of each such instalment. The panchayatdars should take immediate possession of the movables so pledged. Wherever possible, the movables pledged should be removed from the premises of the borrower to a place specially provided by the panchayatdars for their safe custody. Where it is not possible to do so, the borrowing member may be entrusted with the property by the panchayat subject to all risks and damages being borne by the member himself, the panchayatdars at the same time securing the property with the lock and the seal of the society. The panchayatdars either individually or in groups or any one authorized by the panchayat in that behalf shall have power to inspect and check the articles so left for safe custody with the borrower himself. The lock and seal of the society shall, however, ordinarily be opened only in the presence of the borrower, or some one on his behalf. The panchayat may obtain at the same time when the pledged property is handed over or subsequently the consent of the borrower to dispose of it outright. In such case, the panchayat may arrange for a joint sale under by-law 54 (2). There is no objection to the member who has pledged his produce himself arranging for the sale thereof. But unless the loan has been discharged in full before the disposal of the produce, the sale should be effected only through the panchayat.

Such loans on produce need not be limited to the individual member's maximum borrowing power or in accordance with the borrowing limit per share prescribed in the by-laws. In other words, a member may be allowed to take a loan not exceeding 75 per cent of the above said movables pledged by him, even though the loan may exceed the borrowing limits fixed for a share of a member.

Add the following as clause (7) to model by-law No. 44:—

Loans may be granted to members on the collateral security of their standing crops which will mature for harvest within one month

in the manner detailed below. The probable return from the standing crop which it is proposed to pledge should be carefully estimated and loans may be granted up to 40 per cent of market value of the outturn as so estimated. A member who wants such a loan shall execute a bond in favour of the society with one or two sureties as is done in the case of suretyship loans. In addition to this bond, the member and his sureties shall execute an agreement to the effect that

(1) the sureties are also liable for the loan until it is discharged by the sale of the grain to be harvested;

(2) their liability will not be affected even if the crops fail either wholly or partially on any account such as scarcity of water, theft, insect pest, grazing of cattle otherwise.

The borrowing member may instead of taking payment of such a loan in one lump draw it in instalments according to his convenience. Interest will be calculated for the instalments so taken only from the date of the disbursement of each such instalment. After a loan is disbursed to a member under this clause, either in a lump sum or in instalments, the panchayatdars either individually or in groups, or any one authorized by the panchayat in that behalf shall have power to enter the field and inspect the crops thereon or to inspect the produce at the thrashing floor. The borrowing member shall render all help necessary for such inspections. As soon as the crop is removed from the field, it should be sold and the amount of loan taken from the society repaid to the society at once. If the member is not able to sell the produce as soon as it is harvested, he may pledge the grain to the society converting the "standing crop loan" to a "produce pledge loan" under clause (6) supra. The liability of the sureties will cease only after the loan is cleared off either by payment in cash or by the conversion of the "standing crop loan" to a "produce pledge loan."

Such suretyship loans with the collateral security of standing crops need not be limited to the individual member's maximum borrowing limit or in accordance with the borrowing limit per share prescribed in the by-laws. In other words, a member may be allowed to take a loan not exceeding 40 per cent of the estimated value of his standing crops fit for harvest within one month even though the loan may exceed the borrowing limits fixed for a share or a member.

Add the following as model by-law No. 53:—

Joint loan for cultivation expenses.

On an application in writing (in the form to be prescribed from time to time) of five or more members, the panchayat may grant a joint loan to the members so applying subject to such rules as may from time to time be framed by the panchayat for the joint purchase of manure, seed and other agricultural requisites or for incurring jointly or individually other cultivation expenses provided that—

(1) The number of applicants for such a joint loan shall be not less than five nor more than twenty;

(2) Each joint borrower shall be required to state in the application;

(a) the full description of the field or fields for the cultivation of which the loan is required, *viz.*, its survey number, sub-division number or letter, and extent;

(b) the quantity of manure, seed or other articles he requires or the amount of cash, if any, he requires for meeting cultivation expenses such as disbursement of hire or wages;

(c) the maximum price he is prepared to pay for the seed, manure or other articles required inclusive of incidental expenses, if any;

(d) the crop or crops proposed to be raised with the articles or cash supplied;

(e) the probable date or dates when he requires the seed or manure or other articles or the cash for cultivation expenses with particulars of such expenses;

(f) the probable date or dates of the several agricultural operations in which the articles or cash secured by the joint loan are expected to be utilised; and

(g) the probable date or period when the crop will be harvested;

(3) The total amount of any such joint loan shall not be more than Rs. 1,000 or in the case of a loan for the purchase of manure Rs. 5,000;

(4) the due dates and instalments for the repayment of the joint loan shall be fixed with reference to probable date or dates of the harvest or disposal of the crop proposed to be raised with the loan.

(5) the members applying for the joint loan shall be jointly and severally responsible for any loss resulting from any of the applicants for the joint loan failing to fulfil their engagement and the society as a whole shall not be responsible for such loss;

(6) The general provisions regarding loans set out in the other by-laws of the society shall apply, as far as possible, to the amount due from each of the members participating in the joint loan, interest running from the date or dates on which the society has actually disbursed the loan to the joint borrowers;

(7) The operations of joint purchase and distribution of the seed, manure or other articles or the disbursement of the cash needed for other cultivation expenses shall be conducted by a sub-committee consisting of a member of the panchayat of the society, selected by the panchayatdars themselves, and one of the group of members taking the joint loan selected by the joint borrowers themselves;

(8) In the case of difference of opinion between the members of the sub-committee, the decision of the panchayat shall be final;

(9) It will be open to the sub-committee, after obtaining the sanction of the panchayat, to supplement the joint loan sanctioned by the panchayat with contributions from the borrowing members of the particular group, but the society will have a prior lien on the commodity purchased and the produce raised to the extent of the joint loan including the incidental expenses, if any, incurred by the panchayat;

(10) Every joint borrower shall pledge to the society as collateral security the produce to be raised with the help of the loan. Such produce shall not be harvested without the previous permission of the sub-committee reffered to in proviso 7 supra. Further, the panchayatdars or the members of the sub-committee constituted under proviso 7 supra or the governing body of the union to which the society is affiliated or any one acting in their behalf shall have power to enter upon the field and inspect the crop thereon or to inspect the produce at the threshing floor. The borrowing member shall render all help necessary for such inspections. The borrowing member shall have liberty to discharge the loan by cash payment at any time before the harvest and the collateral lien on the crop will then cease;

(11) The amount issued as a joint loan under this by-law shall not be subject to the borrowing limit prescribed in by-law No. 42 for each individual member or per share. In other words, a member may participate in a joint loan for agricultural operations under this by-law, in addition to and quite irrespective of the total amount outstanding against him under by-law 42.

Add the following as model by-law No. 53-A :—

Joint loan for purposes other than cultivation expenses.

On an application in writing (in the form to be prescribed from time to time) of five or more members, the panchayat may grant a joint loan to the members so applying subject to such rules as may from time to time be framed by the panchayat with a view to supply requirements other than those for agricultural purposes provided that

(1) the number of applicants for any joint loan shall be not less than five nor more than twenty;

(2) the period for which the joint loan runs shall be not more than twelve months;

(3) the total amount of any joint loan shall not be more than Rs. 1,000 and shall be subject to the limitations prescribed in by-law 42 for each individual member or per share;

(4) each joint borrower shall be required to state in the application the kind and quantity of articles he requires and the maximum price he is prepared to pay and shall further bind himself to pay all incidental expenses at a rate to be finally settled by a sub-committee as constituted below;

(5) the members applying for the joint loan shall be jointly and severally responsible for any loss resulting from any of the applicants for

the joint loan failing to fulfil his engagement and the society, as a whole, shall not be held responsible for such loss;

(6) the general provisions regarding loans set out in the other by-laws of the society shall apply as far as possible to the amount due from each of the members participating in the joint loan, interest running from the date or dates on which the society has actually disbursed the loan to the joint borrowers;

(7) the operation of purchase and distribution shall be conducted by a sub-committee consisting of a member of the panchayat of the society selected by the panchayatdars and one of the group of members taking the joint loan selected by the joint borrowers themselves;

(8) in the case of difference of opinion between the members of the sub-committee, the decision of the panchayat shall be final;

(9) it will be open to the sub-committee after obtaining the sanction of the panchayat to supplement the joint loan sanctioned by the panchayat with contributions from the borrowing members of the particular group, but the society will have a prior lien on the commodity purchased to the extent of the joint loan and the incidental expenses, if any, incurred by the panchayat.

XIII

SUBJECT:—Execution of Decrees (No. Dis. F. 99 of 27, dated 10th January 1927.)

It has been suggested to the Registrar that the execution of decrees through the Revenue Department is slow and uncertain because in many cases when land is brought to sale, there is combination among the villagers to prevent the ryot from losing his land with the result that there is no bid, the land is brought to sale time after time and in the end is sold at a price below its value. Apart from the extra burden of work such tactics throw on the limited official staff which is so deterred from attending to other important duties, the ultimate effect can only be most damaging to the co-operative credit movement. Land, however great its value may be theoretically, is of no value as an asset if it cannot be sold and if ryots combine first to obtain loans and then on default of repayment to prevent the land from being sold at its full value, it will naturally be impossible to grant them further loans. In one area, such tactics as these have resulted in a number of societies completely losing their credit and the central bank concerned stopping all further loans to them, and it must be patent that the development of such a tendency, however well meaning and philanthropic the motive may be, can only be most damaging to the credit system which has been built up. The credit system is in fact based upon business principles, not on philanthropy.

The remedy lies in panchayats using every endeavour to collect promptly all sums due and so minimise the necessity for obtaining and executing arbitration decrees. Once the society is driven to execution, it should use every endeavour to see that the attached property is sold at its full market price and to frustrate any attempt to boycott the sale.

All Deputy Registrars, Assistant Registrars and Inspectors are requested to make enquiries during their tours and to bring to the notice of the Registrar and of the central banks any tendency to obstruction of sales. If any particular society is found to be suffering from a disability to bring to sale the property of defaulters, its credit should immediately be reduced. The object of co-operation is to increase credit and any practice such as this which will reduce credit must be strenuously combated.

XIV

SUBJECT.—Simplification of accounts—Elimination of pies—Accounts and returns—Co-operative Banks and Societies (No. B 345 of 27, dated 27th January 1927.)

The Registrar considers that the present system under which Co-operative Banks and Societies make up their accounts to the nearest pie is unnecessary and that it would be simpler to eliminate all pies from all accounts, remittances and returns. Savings and similar deposits by members in labour, depressed classes, and poormen's societies alone should be excepted from this rule, unless these societies also wish to omit pies from these items. The Registrar thinks that all other accounts and all remittances and payments and returns and statements by or for Co-operative Banks and Societies should be made up to the nearest anna and recommends to the Madras Central Urban Bank and the District Co-operative Central Banks that they should introduce this system as soon as possible. The District Federations of Unions and the Deputy and Assistant Registrars of Co-operative Societies are requested kindly to take the steps necessary for the introduction of this system into all other societies.

All returns and annual statements to the department of all societies without exception will omit pies and the earliest opportunity will be taken to have the pies column omitted from the forms prescribed for the returns and statements.

THE MADRAS PROVINCIAL CO-OPERATIVE UNION LTD.

Royapettah, Madras.

Co-operative Examination (Advanced Course).

The following students have been declared to have passed the above Examination held in January 1927:—

I CLASS.

Rank	Name	Place	Deputed or not
1.	K. S. Viswanathan	Travancore	no
2.	A. Venkatanarayana Rao	Nellore	yes
3.	T. K. Sivaramakrishna Iyer	Pudukottah	yes
4.	A. Ganesan	Madras	no

5

II CLASS.

Rank	Name	Place	Deputed or not
5.	V. Subramaniam	Guntur	yes
6.	V. K. Narayana Raja	Ramnad	no
7.	P. V. Srinivasan	Madura	no
8.	U. T. Narayanan	Malabar	yes
9.	Ch. Virabhadram	Vizag	yes
	III CLASS.		
10.	T. V. Somayajulu	Vizag	yes
11.	M. Venkat Rao	,,	yes
12.	V. P. Narayana Panikkar	Travancore	no
13.	B. Devarajulu	Guntur	yes
14.	V. Ramanathan	Trichy	yes
15.	S. Subbaramiah	Nellore	yes
16.	M. K. Varadachari	Madras	no
17.	V. V. Ramadas	Guntur	yes
18.	S. Souriraja Iyengar	Tanjore	no
19.	V. Ethirajulu	Trichy	no
20.	P. R. Sundararajan	Madras	no

T. SRINIVASA RAO,
Hon. Joint Secretary.

RECENT NEWS.

A conference of the Mirasdars of Tanjore and Trichy Districts was held on the 9th January, at Aduthurai. Mr. Anstead, Director of Agriculture, during his speech in welcoming the delegates, laid stress on the need for suitable paddy-breeding stations and said that all possible help will be rendered to co-operative societies by the officers of the Agricultural Department both as regards the method of cultivation and in finding a ready sale for seeds if they take up the work of distribution of seeds. The Hon'ble the Development Minister opened the conference. He emphasised the urgent necessity for organising subsidiary cottage industries for the agricultural population. As regards the problem of agricultural indebtedness which prevents the ryot from reaping the full benefits of his labours, he said that 'if the experiment of land mortgage banks proves to be the success it ought to, the removal of this great evil, I hope, will only be a question of time and sustained endeavour.'

Resolutions were passed regretting that the Agricultural Department has not so far done anything in the most important work of manufacturing and distributing scientific manures on a large scale for the benefit of the ryots, and requesting the Government to prohibit the export of bones to other countries, to open land mortgage banks and to establish an Agricultural Middle School for the districts.

* * *

The 4th Bombay City Co-operative Conference was held on 30th, January last. The Maharaja of Sawantwadi in his Presidential Address

observed that there was a great future for distributive societies and that the co-operative principle had not been applied except in very few places to the problem, for instance, of milk supply which required urgent solution especially in great cities.

Resolutions were passed requesting the Bombay Municipal Corporation to give substantial annual grants to the Bombay Divisional Institute for more active and vigorous propaganda in the City, urging the establishment of a People's Bank in Bombay and strongly urging the Government to take effective steps to remove the two temptations of drink and race-course gambling from the path of the poor and middle classes.

* * *

The East Godaveri Co-operative Conference was held at Mummidivaram on the 6th February. Mr. T. Adinarayana Chettiar, M.L.C., presided. Mr. Chettiar emphasised the need for the early establishment of Land Mortgage Banks, development of cottage industries and spread of Co-operative Education.

* * *

At a meeting of a large number of Co-operators of Madura on the 10th February, an association styled as the 'Madura Co-operators Association' was started, its object being to enable members to acquaint themselves with the working of co-operative institutions and generally to take keen interest in all matters relating to Co-operation. It has also been proposed to have a Reading Room and a Library opened for the benefit of the members.

THE FIFTEENTH

Madras Provincial Co-operative Conference.

To be held at Madura on the 16th, 17th and 18th April 1927.

Madras Co-operator! what do you propose to do?

You can do one or some or all of these:—

1. To become a member of the Reception Committee and send Rs. 5.

2. To get yourself elected as a delegate from your Society or or Union or Bank or Federation.

3, To make your Society pay a liberal contribution to the Conference.

4. To think deeply about the burning problems of the day and go to the Conference with definite views on them, ready to give and take suggestions.

5. To make the Conference a grand success

P. C. U.

(Note) All remittances in connection with the Conference should be sent to M. R. Ry. Rao Sahib N. Ramaswami Iyer Avl., President Madura,--Ramnad Co-operative Central Bank, Madura.

NOTES AND NEWS.

We wish to invite the attention of our readers to an article by M. R. Ry., Dewan Bahadur R. Ramachendra Rao Avl., C. S. I., on 'a plea for consultative bodies' published elsewhere in this Bulletin.

* * *

The Policy of Expansion.

Now that a number of District Banks is engaged in a special programme of absorbing the surpluses, it is well that Co-operators benefit by the experience of the past years and regulate the absorption of the surplus in a manner which will effectively put an end to the existing paradox in the movement, *viz.*, of surpluses on the one side and unsatisfied credit needs on the other. The distribution of the surplus is not a mere question of creating safe business investments for idle moneys. In fact, the policy regarding the distribution of surplus moneys should be one which will abolish surpluses altogether in the movement. Certainly, everyone is aware that the surplus is not due to an excess overflow of money in financing banks beyond the credit requirements of the agriculturist in the Presidency. Money, after all, is only a concentrated and concrete expression of the results of human labour given in excess of what is required for satisfying one's requirements. And this surplus can by no stretch of imagination be conceived as excess wealth due to larger savings in the movement. Not that there are no borrowers, but that the service of the lender is inefficient. When we once agree on the fact that the surplus is due to the weakness of the agency or the organisation, we should also agree that the remedy to wipe off the surplus lies in strengthening the same agency or the organisation. It should be recognized that this surplus is not a temporary phenomenon but that it will ever face the movement so long as the credit service does not connect the surplus with the needy ryot. *The first principle, therefore, that should guide us in the expansion policy is that the present surplus should be so absorbed as to strengthen the organisation and thus make it impossible for surpluses to arise at all in financing banks.*

If, suppose, the existing surpluses are distributed in a certain number of societies scattered far and wide in every district, the question of surplus is not really solved. In fact, an additional difficulty would be raised by this method in the way of collections for the next year. The transactions will have to be so expanded as could be promptly supervised by a compact Local Union. Or, suppose the surplus is distributed in a large number of societies in small driblets, no society then would have sufficient volume of transactions to ensure the payment for clerical service in the society. Supervision will also be weak, as the number of societies in its area would not be able to guarantee the minimum supervision fund. Or suppose, the amount is absorbed by concentrating loans only in the hands of a few rich members. It will be a safe investment, but it fails to create the village organisation for credit which alone will establish that civic vigilance in the place of outside supervision. Or suppose, the surplus is absorbed in a set of societies newly organised and started. We would have increased the number of weak babies in the movement, but not solved the problem of surplus for ever. Expansion, therefore, should be so regulated as in the first place to create a village organisation, which will satisfy all the credit needs of all the members at all times; for this broad basing alone will bring in the richer class, the middle class and the poor class, and thus ensure the sound working of the society. *Secondly*, the volume of transactions should be sufficient in every society to permit the payment for a clerk and provide funds for supervision. *Thirdly*: the societies should be so selected for expansion as to facilitate the growth of effective local unions or the starting of new compact unions. Every inch of the present expansion policy should go to build up the supervising organisation in a manner which, without any special programme of the kind adopted at present to push in the surpluses, will in future years freely liberate the required finance for the needy agriculturists. It is a matter of common knowledge that in many societies the maximum borrowing power is small, their service is restricted to the known few, and the margin is made up from penal interest. A tendency is growing among the honorary workers in rural societies that it is to their interest that the overdues of some members should be steadily continued lest the loyalty of all might endanger the margin required for the conduct of the society. Thus is set a premium on the disloyalty of a member. The way out of the present *impasse* is to so expand as to ensure the minimum margin necessary for the movement. In fact, we should expand more so that the monies already invested in the movement might be safe. It is one of those seeming paradoxes which are of every day occurrence in this world which we have to recognise, namely, that quality grows out of quantity. A sound mind cannot live in an unsound body. Unless the body of the movement is filled up with sufficient flesh and blood, its brain (the supervising agency) cannot function at all to its benefit. There is no half way house in expansion required in every district for the protection of the very transactions which the movement is doing already; and this minimum has to be discovered in each district by a survey of the existing transaction in the societies from two points of view, *firstly*, the working of the society itself in the village and, *secondly*, the working of such local supervising union. To take a concrete example, it would be impossible to work a rural society without maintaining an average working capital of Rs. 10,000 which alone would give, on a half per cent basis, an annual income of Rs. 50 for the payment of clerical services. Take again a local union. No union can efficiently work without a budget of a decent sum, say about Rs. 2000, if it is to maintain a graduate supervisor, a clerk and a peon. This means that the union ought to be so shaped that within a compact area it should command transactions of not less than 2 lakhs of rupees. The *third* principle, therefore, we have to remember in the present policy of expansion is that we should expand more so that a halting and haphazard expansion may not endanger the safety of the present transactions.

Keeping these principles in view, a programme of expansion has to be drawn for each district. This necessitates that the work of expansion be left in the hands of unions and societies without a proper regulation from the centre. Not that the unions cannot do it, but that the work has to be co-ordinated among the several unions. It should be also remembered that a number of questions will arise during the course of expansion whose solution requires a uniformity of policy to be followed in the several areas.

* * *

Provision loans in affected areas.

The failure of crops in many of the dry districts in the Presidency has worsened the position of the ryot, and in such years the staying power of the ordinary ryot becomes exhausted. The richer ryots of course manage by getting loans for purchase of provisions and cattle fodder. The middle class ryots pledge their jewels and borrow at high rates of interest extending to 24 % while the poorer ryots are compelled to migrate with their cattle and carts to more flourishing areas. The labourer migrates to Ceylon and Rangoon in such years long before the harvest, as he is sure that his landlord cannot help him with grains as he himself is depressed by the failure of crops. The deterioration in the position of the ryots with moderate means and moderate debts who will be otherwise compelled to mortgage their lands for loans at high rates of interest can be warded off by co-operative societies by liberating small loans for purchase of provisions. The question will arise whether the ryots will be able to repay the loans from the next harvest particularly because the deficiency in the income during a bad year will have to be made up from

the incomes of a series of years. We would request therefore Dt. Banks operating in such affected areas not to insist on the principle that a provision loan should be paid out of the proceeds of the next harvest, but to permit such loans being paid in 3 or 4 years. As an example we may cite the fact that the Government issued loans for purchase of provisions to be repaid in five years in the flood affected areas of Tanjore and Trichy districts in 1925. At the same time, it might be insisted that such loans should ordinarily be for Rs. 100 to Rs. 150 and in no case should exceed Rs. 250.

* * *

An esteemed Co-operator has sent the following query for publication.

"Is it justified on the part of the Inspectors and Supervisors of the Co-operative Department to take copies of certain resolutions from the minute-book of a Registered Co-operative Society without the knowledge of the Society?"

It may at once be answered that nobody, whether an Inspector or a Supervisor, is entitled to take copies of resolutions from the minute-book of a society without the *knowledge* of the society. The Inspector for purposes of audit and the Supervisor for purposes of supervision may on occasions find it necessary to report to his superior (the Assistant Registrar or the Deputy Registrar or the Supervising Union) that the society has by passing a particular resolution done something inconsistent with its duties and functions or contrary to the Act or the Rules issued thereunder. In such cases, it does not appear to be objectionable that the Inspector or the Supervisor should take copies of the resolutions concerned. In doing so, he will naturally tell the society how its action is brought into question and for what purpose the copies are taken. Subject to the necessity for taking copies arising in the circumstances mentioned, there does not appear to be any reason for any one taking copies of any resolutions from the minute book of the society without the express permission of the Panchayatdars.

* * *

We invite the attention of our readers to the Audit Certificate of the Deputy Registrar of VIII Circle relating to the Udipi Co-operative Agricultural and Industrial Society. The Certificate shows that the society started work with too small an amount of share capital to purchase the requisite machinery or commence any real work, that it could not command sufficient work from its members and that it had consequently to purchase raw material from non-members. We are afraid the organisation of the society was not preceded by the necessary initial survey and enquiry. Such societies cannot succeed on the off chance of finding the required capital or work. Such societies, to function well, require a minimum amount of initial capital for purchase of machinery and entail a minimum amount of recurring expenditure on management and establishment. Further, the machinery has to be supplied with work all round the year. These in turn imply a certain minimum quantity of work, which means the supply to the society by its members of a minimum quantity of raw material throughout the year. The jurisdiction of a society of this kind will necessarily have to be pretty wide and until the surrounding area is surveyed and the actual desire of growers of raw product is ascertained, it will in our opinion be premature to organise the society. The Audit Certificate shows further that very little interest was evinced by the Sub-committee appointed for the purpose in fixing the rates of purchase and sale, and that proper sanction was not obtained for expenses incurred in connection with the business of the society. There seems to be nothing surprising about this in a society organised without a sufficient enquiry and the actual desire on the part of the growers of different articles of produce which require to be prepared for the market.

Yet, the Deputy Registrar observes that the society has made a good start. Our standards of the quality of work may be different. However, we wish the society will earn this compliment during the current year.

THE MADRAS PROVINCIAL CO-OPERATIVE UNION LTD.

List of Affiliated Co-operative Institutions

(up to 15—3—1927).

A. Provincial Societies.

1 The Madras Central Urban Bank, Ltd.
2 The Central Co-operative Printing Works, Ltd.

B. Central Banks and Banking Unions.

1 The Anantapur Dt. Co-operative Central Bank, Ltd.
2 The North Arcot Dt. Central Co-operative Bank, Ltd., Vellore
3 The South Arcot Dt. Co-operative Banking Union Ltd., Cuddalore
4 The Hospet Central Co-operative Bank, Ltd., Bellary Dt.
5 The Chingleput Dt. Co-operative Central Bank, Ltd., Conjeevaram
6 The Chittoor Dt. Co-operative Central Bank, Ltd.
7 The Coimbatore Dt. Urban Bank, Ltd.
8 The Guntur Dt. Co-operative Banking Union, Ltd. Tenali
9 The Kurnool Dt. Co-operative Central Bank, Ltd,
10 The Madras Christian Central Co-operative Bank, Ltd., Madras
11 The Madura-Ramnad Central Co-operative Bank Ltd., Madura
12 The Malabar Dt. Co-operative Bank, Ltd., Calicut
13 The Nellore Dt. Co-operative Banking Union, Ltd.
14 The Ramachandrapuram Central Co-operative Bank, Ltd., E. Godaveri
15 The Salem Dt. Urban Bank, Ltd.
16 The Srivilliputur Co-operative Banking Union, Ramnad Dt.
17 The South Kanara Dt. Co-operative Central Bank Ltd., Puttur
18 The Tanjore Central Co-operative Banking Union Ltd., Tanjore
19 The Tinnevelly Dt. Co-operative Banking Union Ltd.
20 The Trichinopoly Dt. Urban Bank, Ltd.

C. District Federations.

1 The Anantapur Dt. Co-operative Federation, Ltd.
2 The Bellary Dt. Co-operative Federation, Ltd.
3 The Chingleput Dt. Co-operative Federation, Ltd.
4 The East Godavery Dt. Co-operative Federation, Ltd. Alamuru
5 The Kurnool Dt. Co-operative Council of Supervision, Ltd.
6 The Nellore Dt. Co-operative Federation Ltd.
7 The Salem Dt. Co-operative Council of Supervision, Ltd.
8 The South Kanara Dt. Co-operative Council of Supervision Ltd.
9 The Trichinopoly Dt. Co-operative Federation, Ltd.

3 The Perundurai Co-operative Trading Union
4 The Pudupalayam Co-operative Stores, Cuddalore
5 The Srivilliputur Co-operative Trading Union
6 The Tiruvannamalai Co-operative Trading Union
7 The Villupuram Co-operative Stores

Limited Primary Non-Agricultural Societies with a Working Capital of Rs. 20,000 and over.

1 The Gooty Co-operative Credit Society
2 The Hindupur Co-operative Town Bank
3 The Hospet Co-operative Town Bank
4 The Tirupathy Co-operative Town Bank
5 The Big Conjeevaram Co-operative Town Bank
6 The Little Conjeevaram Co-operative Town Bank
7 The Gobichettipalayam Urban Bank
8 The Madras City Co-operative Bank
9 The Madras Government Servants Co-operative Society
10 The Triplicane Urban Co-operative Society
11 The Madura Urban Co-operative Society
12 The Periyakulam Urban Co-operative Society
13 The Dindigul North Urban Bank
14 The Madura Dt. Public Servants Co-operative Society
15 The Cannanore Urban Co-operative Society
16 The Ootacamund Co-operative Credit Society
17 The Ootacamund Co-operative Building Society
18 The Nilgiris Public Servants Co-operative Society
19 The Tiruvannamalai Urban Co-operative Society
20 The Tirupathur Co-operative Town Bank, N. Arcot Dt.
21 The Kurnool Urban Co-operative Bank
22 The Mangalore Co-operative Town Bank
23 The Puttur Agricultural Co-operative Credit Society
24 The S. Kanara Government Servants Co-operative Society
25 The Paramakudy Urban Co-operative Society
26 The Tirupathur Town Bank, Ramnad Dt.
27 The Salem Urban Co-operative Society
28 The Tiruchengodu Urban Bank
29 The Krishnagiri Urban Co-operative Society
30 The Namakal Urban Bank
31 The Cuddalore Govt. Servants Co-operative Society
32 The Pudupalayam Co-operative Society, Cuddalore
33 The Shiyali Urban Co-operative Society
34 The Tirutturaipundy Urban Bank
35 The Pattukottai Urban Bank
36 The Nicholson Town Bank
37 The Mayavaram Urban Co-operative Society
38 The Tiruchendur Co-operative Credit Society
39 The Trichy Co-operative Credit Bank
40 The Vizianagaram Co-operative Bank