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P.C.U.

ALL FOR EACH and EACH FOR ALL

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## A RETROSPECT.

**(EDITORIAL)**

**Introduction.**

The Co-operative Year which closes with this issue of the Bulletin is an eventful one in the history of the Movement in more ways than one. The first two decades of co-operative effort were characterised by a tendency for continual expansion and growth in bulk and inadequate attention was paid in that period to the consolidation of past work and making sure of the ground already covered. But at the close of that period a distinct reaction in the mentality of co-operators set in and the cry of " halt and look back " began to be heard from many quarters. The continuous growth of overdues in rural societies, the disproportionately large number of decrees and awards for about 25% of the total overdues, the annual increase in the numbers of moribund and loss societies, the progressive inefficiency and inadequacy of official audit, the visible deterioration in the qualifications and equipment of the departmental staff, the withdrawal of the Registrar from supervision and collection work, the dismay which such withdrawal produced among non-official agencies which found themselves in the unenviable position of not being able to step into the place vacated by the official agency nothwithstanding the loud cry for deofficialisation, the virtual dropping of inspection of village societies in this confusion, the consequent deterioration of the village societies and depression among rural co-operators which gave rise to some real anxiety about the safety of the money sunk in the Movement, the surplusing in the Provincial and the Central Banks mainly due to the outlet for co-operative money through the village societies being blocked up, lack of vigour and business capacity in the Supervising Unions which were depended upon to keep their constituent societies upto the mark, the failure of the District Federations to fulfil the expectations raised of them to co-ordinate and improve the working of the Unions and to strengthen propaganda and education, the deplorable neglect of the Central Banks to realise their responsibilities to the Movement by keeping themselves in live and intimate touch with the affairs and the financial activities of their member societies, the dissensions that arose between the supervising and the financing limbs of the Movement, these and other symptoms of disease which manifested themselves too patently to be ignored brought home the gravity of the situation to co-operators of every shade of opinion and temperament. This was on the one side. On the other side, the steady growth of public confidence in the Central Banks which secured to them an assured place in the country's money market, an appreciable fall in the general level of interest rates on deposits and rural money-lending transactions, the capacity of the Apex Bank to attract co-operative money on terms which made it possible to progressively reduce its lending rate from 7½ to 7% and to 6%, the resultant larger margin of profits to Central Banks, the rousing of official conscience to the need for improving and quickening audit operations, evidence of genuine desire to spread co-operative knowledge and training, the move to strengthen supervision by augmenting the resources of Unions and Federations, the larger interest of the public in the Movement as evidenced by substantial additions to the ranks of non-official co-operators specially in rural areas, the lead given by the Madras Central Urban Bank and the Central Banks' Conference in the matter of setting on foot a programme of rectification and consolidation, these and other symptoms of health in the Movement afforded proof of not only its vitality but also of its potentialities and encouraged co-operators to put their shoulders with enthusiasm to the wheel of constructive effort.



**The Verdict.**

The desire for self-examination and stock taking was therefore universal among all sections of non-official co-operators, but it was left to an official Committee to handle the task. The verdict of that Committee, the appointment of which may be described as the chief co-operative event of the year, was this : "Generally speaking, we consider that the Co-operative Movement in the Presidency had done good. But much remains to be done ; the Movement has not yet touched even nominally the lives of more than 10 per cent of the people ; in many respects it requires *correction* ; in some *a change of system* ; and in some *additional attention*." The Report of the Committee in main was devoted to the analysis of matters requiring such correction, change and attention. It is obviously beyond our scope to review the work of that Committee in a rapid survey of the outstanding features of the expiring year. Opinion so far expressed inclines to the view that the Report cannot be said to lay claim to originality or brilliancy, but that it has the merit of being a business document. It has of course the impress of work done under official aegis and has also the defects of a hurried production. Nevertheless it deals with several vital matters concerning the actual working of the Movement in this Presidency from a business standpoint and some of its recommendations are of real practical utility in the day-to-day administration. It was considered by the XVI Madras Provincial Co-operative Conference both in the sub-committees and in the open sessions. The Madras Central Urban Bank and the Central Banks' Conference also sat on judgment over it and the issues of the Bulletin for April and May contain reports embodying the views of those Conferences and organisations on the recommendations of the report. The Government have not yet formulated their views and given any indication of the action they proposed to take. Whatever differences of opinion there may be on the propriety of or the need for enlarging the Registrar's administrative staff for the exercise of non-statutory duties, there are no two opinions on the urgent necessity to improve the audit staff. The scale of 60 societies for an Auditor is by no means over-generous. We also express our full concurrence with the Committee's proposals to re-organise the Department by replacing the present Assistant Registrars by better paid and more qualified District Officers of the type of the old Assistant Registrars or the present Deputy Registrars. We hope that the Government will accept the proposals and that the Legislature will vote the necessary grants of money.

**The New Role.**

The co-operative activities of the year commenced with a thorough revision of the constitution of the Madras Provincial Co-operative Union in July, 1927. The new constitution came into force only in April 1928. The old Advisory Body and the Governing Body are replaced by a Board of Management and an Executive Committee elected on a widely representative basis, so as to ensure due representation of not only the several constituent organisations but also the various parts of the Presidency. Its representative character is indisputable. Only 6 out of 31 central banks and 4 out of 19 District Federations still remain unaffiliated and we have no doubt that these will soon come in. Of the 366 Unions, exactly one half, 183, are affiliated and others are gradually coming in. The membership now stands at 305. With the overhauling of its composition and enlarged scope for its activities, the Provincial Union has assumed a new role as the chief propagandistic and educative non-official agency for South India. The resolve of co-operators to hold the annual Provincial Conference in different centres of the Presidency which was given effect to since 1927 has substantially relieved the P. C. U. of the duty of organising the Conference, that duty having devolved upon the local Reception Committee of the Conference. But this arrangement has in no way diminished the representative character or the authoritative nature of the Conference as demonstrated by the two successive sessions held at Madura and Rajahmundry under the distinguished presidency of Sir Lallubhai Samaldas and Dr. Radhakamal Mukerjee respectively. Nor has the itinerant programme of the Conference affected the relations of the P.C.U. with it.* We are glad to state that the attempt to question the loyalty of the Union to the general policy of the Conference failed and that a workable understanding between them was arrived at. In the task of co-ordinating the activities of supervising and propagandistic agencies, helping the training of the higher and the lower staff of Unions and Federations and in the general spread of co-operative knowledge and education on an intensive and extensive scale, the Union has an ambitious programme before it and, God willing, we are hopeful of its realisation. It is also our desire to effect considerable improvement in the English and the Tamil Bulletins. But finance is our handicap; it is not however insuperable. Unlike the Governments

*It is not unlikely that the question of framing a constitution for the conference and defining its exact relations with the Madras Provincial Co-operative Union will soon force itself on the attention of co-operators in South India. There is a large volume of opinion that propagandistic conferences like the Provincial Conference will not serve much useful purpose if their proceedings are not conducted in the vernaculars. The question of the utility of Provincial Conferences conducted in English was definitely raised at the XVI Provincial Co-operative Conference held at Rajahmundry. We invite opinions of brother co-operators on this question and we desire to give it prominence in the columns of the Bulletin in the coming year.





of Bombay and of some other provinces, the Government of Madras renders no financial aid to the Provincial Union. The grant of Rs. 1,200 a year ear-marked for utilisation on training classes, does not go the whole length of the expenditure incurred by the Union on that account. We are glad to state that the Townsend Committee recommended that the Government should give the Union a grant-in-aid in the proportion of Rs. 3 to every Re. 1 raised by the Union by subscriptions and contributions until the grant reaches Rs. 20,000, when the position might be re-considered. The present income of the P. C. U. by contributions is in the neighbourhood of Rs. 4,600 and is expected to improve in the coming year. It remains to be seen how far the Government will respect the Committee's unanimous recommendation about the grant-in-aid.

**Bridging the Gulf.**

The most gratifying activity of the year is the attempt to rehabilitate the financing and the supervising agencies in their rightful places in the Movement and the move to bring about harmony between the Central Banks and the Federations. The combined wisdom of co-operators has at last secured recognition to the fact that it was the imperative duty of the financing bank to inspect its member societies and to maintain a full and accurate record of their financial history. In order to faithfully discharge this duty, the need for the employment of a paid Secretary and adequate field and administrative staff is realised by the Central Banks and action is being taken in that direction. The Townsend Committee helped to a certain extent to clarify the issues and remove the conflict by demarcating the functions of the non-official agencies. Inspection is tacked on to Finance and Supervision is divorced from Finance. The power and duty of inspection is laid on Central Banks; normal supervision is assigned to Unions assisted by Federations; and supplemental and residuary supervision to the Registrar's administrative staff. The considered conclusions of the co-operators assembled in the XVI Madras Provincial Co-operative Conference on these recommendations resulted in their further modification which secured to Central Banks supplemental and residual supervision when and where federations failed to safeguard the financial interests of the banks, without interference by the Registrar.* The gulf that once threatened to widen between the primaries and the Central Banks has thus been bridged—we hope to the lasting benefit of

* *Resolution No 6:*—This Conference disagrees with the recommendation of the Committee that a Central Bank should obtain the previous sanction of the Registrar to take steps to safeguard its financial interests and resolves that it should be at liberty to take all such steps on its own initiative when and where Unions and Federations have failed in this regard.

the Movement. The common endeavour to put co-operative finance on a sound basis brought the Apex and the Central Banks closer. Of late, they have begun to function in harmony as integral parts of a single financing organisation by pursuing a uniform policy of regulating rates of interest on deposits and loans. To give a finishing touch to this new orientation, the convention of the Apex Bank inspecting the Central Banks has also been established by mutual agreement and good will. This paves the way for a sound and satisfactory solution of the intricate problem of the interrelation between the Apex and Central Banks without disturbing the individuality or the local enterprise of either.

**Spoon Feeding.**

The awakened and the intensified activities of the Central Banks may, however, not have a smooth course. The latest Report of the Registrar on the working of the Co-operative Societies had not a single word to say in favour of these later activities of the Provincial and Central Banks. Speaking of absorption of surpluses, the Report says that "the agitation which produced the result has given greater prominence to this question of surpluses than the problem of arrears and the Central Banks which participated seemed more concerned with immediate results than with sound investments." We cannot subscribe to this criticism. The disapproving references in the Report to the "agitation for expansion" and the Madras Central Urban Bank's offer of special rebates on loans to Central Banks "to be utilised in this expansion" are inaccurate inasmuch as they do not set out the true conditions of the rebate scheme and do not even once make mention of the programme of "rectification and consolidation" apart from expansion. The whole passage indeed reads like a piece of disingenious official propaganda against the attempt of the Central Banks to assume their rightful and legitimate duty of financial control of the Movement. This regrettable mentality of the Department quickly put its officials into conflict with the Central Banks and the societies attempted to be rectfied. This obstructive interference of the officials is euphemistically described by the Registrar, not without an abundant sense of humour, as "conservative attitude" in the following passage: "The enhancement of maximum borrowing power had, in view of the duty laid on the Registrar by statutory rule to fix its limits and of a tendency to press enhancement more with a view to absorb the bank's cash than to provide for loans within the easy repaying capacity of the ryot in moderate years, *compelled* the department to "*adopt a conservative attitude*". Will the Registrar substantiate the grave charge of the selfish disregard of the interest of the Movement on the part of the Central Banks by furnishing comparative figures regarding the repayments of the societies rectified under the bonus scheme and those not so rectified. If he does not, we shall attempt to discover the true state of facts. But there is nothing new in this bureaucratic omniscience and the plea for continued official spoon-feeding of non-official agencies. The Registrar's plea for a rigid adherence to the one-eighth total assets rule is not only unconvincing but is in conflict with the scheme of finance propounded by the Townsend Committee and progressive co-operative opinion. The productive short term loan to be repaid out of the harvest, the self-liquidating crop loan, the intermediate loan and the long term loan cannot be sensibly worked on the Registrar's ancient methods. But conservatives rule.



**Divided Counsels.**

The one problem that confronts us more than any other is how to secure a right lead to the rural co-operators. The village society is the pivot of the Movement; it is common ground; that the success of the Movement depends upon how its affairs are regulated, is also undisputed. But the most distressing feature of the situation is the distraction that is visible on the face of the rural co-operator by reason of tormentingly divided counsels. The Provincial Bank representative gives one advice; the Provincial Union director gives another; and the Departmental official a third. The path of wisdom lies in finding a *via media* and avoiding deadlocks. If individualism holds the sway and infallibility is claimed by each school of thought for itself, then there is an end of Co-operation. So concentration on unified lead and united effort is the solution of our troubles.

**Immediate or remote?**

The essence of the Committee's recommendations, in our opinion, lies in the following statement which occurs in its Report. "Anxiety is however felt on some matters, especially the increasing amount of overdues and *immediate steps should, we most strongly urge, be taken to remove it.*" Who will take the steps and when? The XVI Madras Provincial Co-operative Conference has answered the question. Let us follow its lead. They must be immediate in the words of the Committee and in the opinion of all thoughtful and informed co-operators. If we disagree among ourselves, the prospect will not be even remote. If we agree it will be immediate.

## THE ECONOMIC CONDITION OF OUR FISHERMEN.

### The system of management and upkeep of fish-curing yards

BY THE HON'BLE V. RAMADAS PANTULU,

*President, Madras Provincial Co-operative Union.*

A Committee to investigate into the working of the Fisheries Department of the Government of Madras is appointed with Sir K. V. Reddi as its Chairman. Its terms of reference, which are wide, include an examination into the spread of education among fishermen and into the results of the working of the Co-operative Movement among them. I believe that the Committee will also have to enquire into the general economic condition of the community. Co-operators ought therefore to interest themselves in the Committee's work of enquiry. My endeavours to ascertain how far co-operation is likely to make headway among fishermen led me to devote some attention to the study of their economic condition. The community was at one time plying a flourishing trade in this presidency. They are industrious to a degree, the men, women and children all toiling. Nevertheless, their condition to-day has a harrowing tale to tell of poverty, unemployment and misery. Sufficiently distressing as the account of their condition is as given in the official report of 1916—Bulletin No. 9 Fisheries—that condition has become worse since then, during the last decade. Owing to various causes, the domestic aspect of their hereditary industry which once provided them with an independent living was destroyed, and they were reduced to the position of miserable wage-earners under most distressing conditions. The industry itself has passed into the hands of profiteering middlemen who by merciless exploitation reduced the fishermen who were the legitimate owners of the industry, into a state of absolute economic dependence. The process by which this deplorable result has come about is in economic theory and practice much the same as that by which the agricultural peasants are reduced into field labourers and wage-earners by the exploitation of the non-agricultural classes who make land a mode of investment for their extra wealth or that by which the producers of raw materials are deprived of the legitimate returns of their labour and outlay by the middlemen who intercept the profits by effectively standing between the producer and the consumer.

I am credibly informed that one of the causes that led to this rapid economic degeneration of the community was the system of the management and upkeep of the fish-curing yards under the dual control of the Fisheries Department and the Salt Department. That system undoubtedly inflicted great hardship on this community and some of its present woes are traceable to it. Those who were throughly conversant



with the problem assured me that it was not easy to effect any real improvement in the state of affairs unless the Government of India assumed direct supervision over these fish-curing yard operations. I therefore brought up the question before the Central Legislature. On the 3rd March 1927, I moved the following resolution in the Council of State:

"This Council recommends to the Governor-General in Council that the management and upkeep of fish-curing yards in the Madras Presidency should be taken up by the Central Government."

The resolution was not opposed by the Government of India and was therefore unanimously accepted by the Council. I am not aware whether any and what action has been taken on it. I hope and trust that the Committee now sitting in Madras will take up the question.

### Public Fish Yards.

A mere statement of the case for the fishermen on this question is, in my opinion, sufficient to convince any one of the justice of their cause. Before the introduction of the salt tax the fish-curing industry was carried on mainly by the fishing community with the help of what they callled "Salt Earth." This salt earth is nothing but earth impregnated with salt which the women of this community used to gather in the hot season from low-lying saline lands, and from this earth they used to manufacture a sort of crude salt by dissolving it in water and evaporating the fluid either by boiling or by exposure to the sun. By that means they used to manufacture what they called "earth salt." With this salt they used to cure fish of small dimensions. With regard to larger fish they used to buy salt from the bazaar for curing them. By this means they were making a very decent living and were also carrying on a fairly large trade. With the introduction of Act VII of 1840, stringent regulations were introduced with regard to the use of this "earth salt" and the utilisation of "salt earth" for making or manufacturing "earth salt" was made punishable. These provisions were made still more stringent by the introduction of Act II of 1878. At that time, having regard to the condition of the industry in Malabar and South Kanara and also to the fact that the fishermen in those parts were found not to have recourse to illicit use of this "earth salt", these two districts were exempted from the operation of that Act. But later on they were also brought under the Act and "earth salt" was made contraband, and the use of it for curing fish was also made punishable. Then as time went on the duty on salt was enhanced and it became practically impossible for the poor fishermen to pursue their hereditary occupation of curing fish with cheap salt and salt was essential as a preservative of fish. Fish in these parts of the country is the only nutritive food which the poor people could procure and therefore not only trade suffered by the restriction simposed on cheap salt, but the cost of edible fish also became prohibitive. The Government realised the difficulty of the situation and they adumbrated a policy wherein they undertook the responsibility of establishing some public fish yards in important fishing centres along the coast. The object of the new system was stated to be *firstly*, to improve the condition of the fish-curing industry and *secondly*, to protect salt revenue. Ultimately the latter object seemed to have been kept in view much more than the former.

### Middlemen System.

The fish-curing yard is an enclosure fenced all round, with a shed in the middle, where salt is stored and supplied duty free, merely at the cost price of it, together with transport charges, to those who cure fish. The fish has got to be cured within these yards. Certain restrictions are imposed and certain rules are enforced in the curing of these fish. The whole of the curing has got to be done in the yards and the fish has to be kept there for 3 or 4 days until the salt is dissolved and they become dry and these operations are carried on under the supervision and strict watch of departmental officers. Thereby the industry suffered greatly. The new arrangement had a tremendously depressing effect upon the fishermen as a class in which the men and women and children are equally industrious. They all toil. The catching was the vocation of the men and curing the job of the women and the children. The women and children, by traditional habit, were accustomed to carry on their profession in sheds near their houses, because it was an essentially cottage industry. As they were a timid class of people they were reluctant to carry it on in the newly established or public places to have any direct intercourse with officers in uniform. They were very shy to go to these yards. The men could hardly be spared for they had to be in the water to catch fish. In these yards they had to construct their own sheds to cure the fish and the difficulty of women being induced to go to these public yards to work under the surveillance and supervision of these officers drove away the women and eventually the fishermen as a class from this trade. There was also the constant fear of prosecution for infringing any of the salt laws and this was the last straw on the camel's back. Therefore the fishermen have practically gone out of this curing business. But the Government had to get, somehow, the curing carried on by somebody and they resorted to the device of issuing licences. Some concessions were made to licencees to attract them to the trade and naturally enterprising middlemen



came into the bargain and they took up these fish-curing yards and employed their own hired labour to cure fish. These hired labourers were not fishermen in many cases and therefore the entire trade had slipped out of the hands of fishermen into the hands of the petty traders and the middlemen in a very short time. The cost of the bazaar salt, especially after the salt duty became heavy, was so prohibitive as to practically make it impossible to use it for curing fish. The normal value of salt in the bazaar was five to six times that of the old earth salt which these people were getting at a very low cost. They had no means of curing fish except by resorting to the Government curing yards. The women and children having been deprived of their facilities, these poor people became very much embarrassed. Fish caught by men could not be cured by their families. So they had to part with it to the middlemen who always tried to beat down the prices. In course of time the gain from catching fish also thus dwindled gradually, and the men who had lost a very considerable source of income from the labour of their womenfolk had to incur debts and the credit accommodation naturally came from these middlemen. They advanced money to these fishermen and in course of time it led practically to the position of mortgages and anticipatory catches were sold to these people by means of forward contracts. This tended further to bring down the prices. So these poor people became practically stranded; and the evil has gone so far that, instead of getting the benefit of the fish caught by themselves, these men are actually compelled to buy the fish for their domestic use from these middlemen. The magnitude of the distress can be judged by the account given in the Administration Report of the Government for the year 1916 concerning the condition of Malpe, one of the fish-curing centres situated in South Kanara. The Report says:

"In April 1915 there were 71 ticket holders (licencees) of whom only 6 belong to the fisher community and these have also to engage coolies of other castes to carry on curing operations. The remaining ticket holders (65 out of 71) belong to various non-fisher castes, such as Brahmans, Muhammadans, Christians, Bhunts, Shetties, Bilavas, etc., who were attracted to this industry by the large profits it gives, as several people have grown rich by it. These conduct operations through hired labourers. Thus the curing industry is mostly in the hands of non-fisher castes".

A well informed journalist recently reviewed the situation in these words:

"Contrabanding the original method of curing, and the opening of the public yards, had destroyed the domestic aspect of the industry. It was a short step from this to the middlemen system in the shape of licences to the yard, which took advantage of the indigence of the fishermen, advanced them money and practically attached them as mortgagees in anticipation of catches which the poor fishermen were to obtain by their toil. By its very nature the article must needs be disposed of at a price that is offered on the spot, which the middleman takes care to keep down at the lowest level in order to strengthen his hold upon the fishermen. The pathetic irony of the situation lies in the fact that the fisherfolk have themselves to buy from middlemen contractors their supply for domestic use. It is no wonder therefore that the condition of the community has been going down from year to year."

**Fiscal policy in salt issue.**

These conditions were very seriously aggravated by the fiscal policy of the Government in the matter of the issue of salt required for the curing operations. I am free to admit that the Government was not inspired by any desire to make a profit out of the transaction. They considered that it was their duty to take over these fish yards, because their introduction was a direct incidence of their policy of administering the salt tax; it was not due to any desire to make profit. It was not expected that the issue price of salt would in fact be quite sufficient to maintain the yards. But as a matter of fact, it was found that they were making some profits, a considerable amount too. And on looking into the reports, I find that in 1897-98 the progressive profits aggregated to a lakh and fifty-thousand rupees. As the policy was not however to make any profit the Government was apparently a little piqued at this result and consoled itself with this unconvincing statement in a latter year's report:

"The usual method of calculating loss or gain on fish-curing operations has been found to be defective and that the true gain is much smaller than has hitherto been supposed."

When we come to 1912-13, we find that there has been a further progressive accumulated profit of Rs. 1,20,000. In 1917-18, they introduced a system of charging a fixed price of annas ten per maund instead of a varying issue price which consisted of the cost of manufacture plus transport charges. And in regard to this ten annas price, what the Board of Revenue of Madras said was that this "more than covered the cost of making the salt and delivering it at yards, but it only covered a part of the charges on account of the establishment and construction and repairs." I value those words of the Board very greatly, for this reason. Their implication is clear that the Government recognised its responsibilty to maintain these yards and also to bear a part of the establishment charges, though the payment of extra expenditure



was not covered by the income. It is a direct admission of their responsibility to maintain these yards.

**The Bifurcation and enhanced cost**

Then a very great change came over this industry with the bifurcation of the salt and the excise departments. As soon as the bifurcation took plrce, the fish yards were handed over to the department of fisheries which the local government has been administering, and since then the change has wrought even greater havoc in regard to the condition of these fishermen. In order to make these fish yards self-supporting and not to put an undue strain upon the resources of the provincial government, the issue price of salt was doubled. From as. 10, it was increased to Rs. 1-4-0, and it naturally told very prejudicially upon this trade. In the very year in which this extra charge was put on, the fish curers had to pay out Rs. 1,17,000 in addition to what they used to pay till then. 1926, which happened to be an year of famine and cyclone had brought these people down to the lowest economic state imaginable. To reduce the cost of the salt, the Madras Government purchased what I may describe as a white elephant. In April 1926, they got down a secondhand trawler, and by the end of June 1926,—I have access only to the Report of 1926—its cost and transport charges came to somewhere near Rs. 1,05,000. The wisdom of this step was questioned by the members of the local Legislative Council, who asked some questions as to what work it was going to be put on: and the Council was then assured that it would only be used for deep sea-fishing and for the transport of salt to west coast fish-curing yards from salt factories. As a matter of fact we find that it was turned into a maid of all work, and in addition to the duties mentioned to the Council it was also doing the duty of inspecting pearl banks, research work and so on. The trawler was costing the Government of Madras a sum of Rs. 10,000 monthly, including her Master's pay. It proved to be a case where the remedy was worse than the disease.

**The Remedy.**

The remedy I therefore suggest is that the management and upkeep of fish-curing yards should be taken up by the Government of India. My reasons for asking them to do so are briefly three: *Firstly*, these fish-curing yards are the direct incidence of their policy for regulating the salt tax. The salt tax is a central subject and so they ought to take up working of these yards. The Fisheries Department of Madras Government has to maintain a staff of officers, duplicate the inspecting staff and employ a number of menials; and there is in addition a Salt Department also to supervise what is going on. The result is that the cost is very heavy and the industry is suffering. In order to make the yards self-sufficing, the cost has been put up and I find as a matter of fact that last year a profit of Rs. 18,000 odd was made by the Fisheries Department on the fish-curing yards. This is a very anomalous state of affairs. While the fish yards were under the direct supervision of the Salt Department till the bifurcation as I told you, a profit was being made with a lower issue price of salt and then the Government did not lose anything over it. The Government therefore need not be under any apprehension of loss. Even if it does lose, I think it ought to bear the loss because this is a part of the incidents of the huge system of salt monopoly in this country. Again, the Government has, as a matter of fact, taken up the direct management of the fish yards in the presidency of Bombay, and experience of working in that presidency shows that by minimising the cost and avoiding duplication of machinery by the management of these yards under the combined supervision of the salt and customs department, in Bombay, the Government is able to issue salt at as. 12 per maund instead of at Rs. 1-4-0 rate at which they issue it in the Madras presidency. A similar economy will be possible in the presidency of Madras, if the Central Government takes it up, as I hope it will. *Secondly,* the plea which I have noticed in some of the Reports in favour of the things being run by the Fisheries Department, namely, that if the operations of fish-curing are supervised by expert officials, the trade will be improved and the cured fish will be of a superior variety is untenable. This plea was more than once exploded. Thirty years ago, the Board of Revenue, Madras, said that these experiments in improving the quality of the cured fish had proved futile, and that the fishermen were not people who would improve by any amount of teaching in that direction. Things have not changed during the last 30 years. *Thirdly,* there is yet another consideration why the Central Government should intervene. The Fisheries are a transferred department in the province and are being administered by the Minister for Development. These operations are costing an amount of roughly Rs. 1,20,000 a year in the Madras Fisheries Department, and the legitimate claims of other industries, which are the proper charge of the Development Minister, are suffering on account of this expenditure which he has to incur. If the expenditure is to be minimised, or if the industry is to be self-supporting, then the price of salt has to be put up to such an extent that the industry will be hit. Either you must prejudice other industries which have a legitimate claim upon the resources of the Development Minister, or you must put up the cost of the salt so as to hit the fish trade. Both these undesirable alternatives can be avoided by the management and upkeep of the fish-curing yards being transferred to the Government of India.



## SHORT AND LONG TERM LOANS

BY RAO BAHADUR A VEDACHALAM AIYAR.

In an article in pages 436 to 438 in the Madras Bulletin of Co-operation for April 1928, the Hon'ble Mr. V. Ramadas Pantulu has explained in detail his views on "short" and "long" term loans and also the views of the Committee on Co-operation when it formulated some proposals and believes that those who are not in favour of the views of the Committee refuse to examine the defects of the existing system and to consider the merits of the Committee's schemes. On the other hand co-operators wish to find out, how far the committee's scheme is anything new and different from the existing system except that the land mortgage operations should be handled by a separate institution on limited liability basis under a different constitution with a separate land mortgage bank. Mr. Ramadas evidently believes that "loans advanced through primary societies for long periods on mortgage of land up to the hilt are not really co-operative and there is *little need or scope* for *mutual watch of members* over *each other's affairs* or for *democratic control of credit in such an arrangement.*" This seems to be a new view which co-operators should deeply consider. It is evident that Mr. Ràmadas's conception of land mortgage bank is that it cannot be Co-operative and that a sense of identity of the borrower and the lender and scope for mutual watch over each other's affairs will not be secured in the mortgage bank, primary or central, and there will be no necessity for it. Co-operators attempted hitherto to deal with Co-operative credit, short or long term, with a view to keep up the principle of co-operation that credit should be democratically controlled by the borrowers. If their attempts in this direction, which is really the correct view, have failed, as Mr. Ramadas asserts, it is our duty to find out the causes of failure and to apply suitable remedies to avoid such failure. It is not a proper solution to advocate the grant of long term loans by the formation of Land Mortgage Banks, primary and central, without paying heed to the essential principle of democratic control of credit by borrowers. Let us have separation of short term and long term finance in any manner suitable, but let us have them worked on *co-operative* lines. The real remedy lies in devising *co-operative land mortgage banks* for long term credit, primary or central, more in regard to primary. If this is not practicable, why should land mortgage be fostered by the co-operative movement? Long term loans dealt with by the existing arrangement, paying heed to co-operative principles failed not because merely of the inherent defect in the system but because of the *bad handling* of institutions by ill-equipped agencies. By all means try the long term credit through co-operative agencies but let it be co-operative.

Every one is agreed that three kinds of credit are required for agricultural industry (1) short term or crop finance loan repayable in one year after harvest (2) inter long term loans repayable in 1 to 10 years (Existing system) or 1 to 6 years as proposed by the Committee payable out of annual savings. (3) long term loans from 11 to 30 years or from 7 to 30 years by Land Mortgage Banks, primary and central, distinct from existing central and primary, and repayable also out of savings. Mr. Ramadas seems to have felt that the borrowing power of a society or member gets enhanced under the Committee's recommendation. This is not strictly accurate. Crop loan allowed by Government on the pledge of produce is the only additional credit available to the society or the member and this loan on the pledge of produce is available even under the existing system. Additional borrowing power is not available under the Committee's system on account of short term loans. On the other hand, one would have expected the Committee to recommend the raising of the borrowing power of the primary rural society by advocating the fixing of the maximum borrowing power proportioned to $\frac{1}{4}$ or $\frac{1}{5}$ of the net assets in regard to short term.

The 10 years loans advocated as against 6 years loans are not for the purpose of granting all long term loans but to allow the primaries to regulate short and long term according to necessity. In analysing the illustration given by Mr. Ramadas, he thinks that under the Committee's arrangement Rs. 25,000 credit will be liberated, Rs. 20,000 as long term from Mortgage Bank on the assets of Rs. 40,000 and Rs. 5,000 as short term on the net asset of Rs. 40,000—why is this? It is because you would not allow credit beyond $\frac{1}{8}$ of the net assets in the existing primaries, even thoug such primary has mortgage security for for Rs. 40,000 worth of unencumbered property. The moment you take Rs. 40,000 worth of unencumbered landed property as assets from the unlimited primary credit society confined to a village, to the limited primary mortgage society with a wide area, the safety of higher borrowing power is considered assured in Mr. Ramadas's and the Commitee's view and *not* in the existing primary societies.

Co-operators have felt that with short term deposit banking by central banks long term loans beyond 10 years should not be given and that a separate arrangement of a *really co-operative character* should be devised to tap long term deposits and to disburse them through Land Mortgage Banks.

Mr. Ramadas observes that "the loan in co-operative organisation should lead to increase in the productive capacity of the ryot and that the combined operation of the three classes of loans will undoubtedly



result in a real increase of the productive capacity. That the existing arrangement does not so result is conceded on all hands." Did we give all the three loans? Did we give inter long term loans suited to the repaying capacity of the borrowers? Was short term loan given to all the desired and deserved extent and in time? You can condemn the existing arrangement if you had done all these.

Marketing credit under the existing or Committee's system involves no change at all. I fail to see what reformation the Committee has proposed in the existing system. Credit on the pledge of produce was disallowed by Government till 1926 and the act of removal of the restriction has not reached all the primaries till now. Hence the non-development of marketing credit. It is not due to the *inconvenient* and *uneconomic* mode of the system of loaning adopted hitherto. If the 10 years' loan hinders the development of the land mortgage banks very effectively, as Mr. Ramadas says, would not 6 years' loans do it? The real un-co-operative character of the Committee's recommendation is the non-recognition by the Committee of the fact that a rural primary society should distribute credit to *all* for *all purposes* and to the *desired and deserved* extent at the *proper time* and to finance the agricultural industry in all its aspects.

Divide the work in any manner you please but let credit be distributed without losing democratic control by borrowers and with adequate moral, material and financial responsibility. The growth of land mortgage banks is hindered because of the faulty constitution of such banks brought out by Government and of the fact that the question of financing such banks has not *yet* been effectively tackled. I am pained to read the remarks of Mr. Ramadas "that the plea for satisfying all the members' needs through the primary society alone with its 10 years loans (whose extent is limited by the maximum borrowing power fixed at $\frac{1}{8}$ of the net assets basis out of short term money received by Central Banks) is *irrational, unbusiness-like, unattainable* in practice and calculated to defeat the very end in view."

No co-operator agitated for the plea put forward. They wanted to raise long term money to deal in long term credit. If the existing primaries are found to be unsatisfactory institutions for handling such credit, by all means float primaries on a satisfactory basis. The remarks of Mr. Ramadas are in my view uncharitable and due to his strong conviction in the recommendations of the Committee of which he was a member.

The Committee's recommendation may be considered *revolutionary* in the sense that inter long term loans are to continue in the existing primaries till mortgage banks are established. Co-operators must thank the Committee for this recommendation. The revolutionary character consists in asking long term loans to be handled by institutions losing sight of the necessity of *mutual* and *democratic* control. If we are to have *more land mortgage banks* of the *company type*, under the protection of the co-operative movement, this will be the first serious step to demolish the edifice of the Co-operative movement, built up efficiently or otherwise by the sacrifice of enormous sums of money by government and by the sacrifice of energy by the non-official Co-operators.

Let us put our heads together and carve out a land mortgage system which will be *Co-operative*, and it will be a proper solution.

## REPLY OF THE HON'BLE Mr. V. RAMADAS PANTULU.

That the Committee's recommendations lead to an automatic enhancement in the borrowing power, on the existing basis, when the short term and intermediate loans are advanced by the primaries and the long term loans exclusively by the Land Mortgage Banks, admits of no doubt. I am unable to find any fallacy in the arithmetic of my illustration. Mr. Vedachala Iyer's proposal to fix a new maximum borrowing power proportioned to $\frac{1}{4}$ or $\frac{1}{6}$ of the net assets in regard to short term loans is another matter altogether. There is much to commend it and I have nothing to say against it. Co-operatisation of mortgage credit can be only on a quasi-co-operative basis. There is no human or personal element in a land mortgage loan. It is advanced on sound, safe and legal security with ample margin for errors of valuation and possible depreciation. The scrutiny of the purpose of the loan and due attention to the repaying capacity are its co-operative elements. I remain unshaken in my conviction that 10 and 12 year term mortgage loans cannot be co-operative and ought not to be advanced through the Rural Credit Societies. I commend for the perusal of the readers of the Bulletin the chapter on Mortgage Credit in Mr. Wolff's second edition of "Co-operation in India" (1927), pages 192 to 207, in support of my view that "it is essential that any scheme to be approved must keep the pledge credit of the mortgage distinct, being thoroughly self-sufficient, and not allowed to branch over into personal credit."



## SOME ASPECTS OF CO-OPERATIVE BANKING

By Mr. R. Krishnaswami Iyengar, B.A., B.L., *Cuddalore.*

Since the advent of the Co-operative movement in this Province in 1904, two enactments have been passed and two Committees have been constituted. The movement has had the benefit of them. The report of the Townsend Committee is now subjected to the searchlight of criticism by prominent co-operators all over the Province. What recommendations the Registrar is going to make for the acceptance of the Government remains to be seen. It is, however, devoutly expected that the Government wlll introduce systems that will answer the present needs.

2. There is one main point which deserves prominent attention and that is the co-operative viewpoint of banking. The idea underlying it is generally misunderstood and not unoften exaggerated. The business aspect is completely lost sight of, so much so that, if systematic attempts at inspection, rectification and consolidation are sought to be made by ardent Bankers, they are termed unco-operative by a certain section of the society element which can be brought under the nomenclature of "Federationists." The result is that Bankers and Federationists pull in opposite directions without that spirit of harmony and co-operation, the absence of which will spell disaster to the movement. There is no merit in the multiplication of agencies and any agency is worth existing if it is functioning well. The Unions and Federations no doubt are intended to bring division of labor. So far so good. But when the division exists only in name and not in reality, what is the good of their existence. They are financed by the societies and the District Bank in a proportion of their interest collections from members and societies. Should they not justify this receipt of funds and give a good account of themselves in the carrying out of the objects for which they are constituted? If the concerned parties take up this attitude, out jump the Unions and Federation to protest against it. It is said to be no part of the business of the Financing Bank to bother about this. It has, according to them, merely to tap the resources of the capitalists and irrigate the monetary needs of the members of the affiliated societies through the latter and sit with folded hands watching the decline and fall of the societies, without the power and machinery of theirs to inspect the societies with a view to ascertain the financial status of the societies which have borrowed from it. And this is doctrinaired on the least understood theory of unlimited liability and despite the potential difficulty of putting it in practice as adverted to in the report of the Committee on Co-operation. It is a bit refreshing that the report in question pitched in an

unsatisfactory key in several respects has recognised the inspection work as one of the rights and responsibilities of the Central Banks. This leads us to the necessary formation of an administrative section in Central Banks.

3. There is, however, a school of thought, fortunately not formidable, which will not allow of the formation of an administrative section. I do not question their sincerity, but beg leave to question their wisdom. Advocates of that view are in my judgment coveting, wittingly or unwittingly, disaster to the movement. Do the facts and figures, which the evidence taken by the Committee disclosed, justify the taking of suitable steps or not? That is the question. What is the good of having pet theories, well intentioned no doubt, belied by situations and circumstances? Are we to be slaves to shibboleths and to allow things to drift in chaos? Don't people at the helm of affairs in financing institutions possess conscience and should not their hands be strengthened in effecting reforms? And now what is the position? Let no red herring be drawn across the scent.

4. Nearly 70 per cent of the societies are unsatisfactory in their working. Poor financing banks grant loans to the societies on the recommendation of the supervising unions. The unions for the most part do not realise their reponsibilities in the matter. They are not guaranteeing unions as obtain elsewhere, but are merely intermediate links between the borrowing society and the financing bank. Several items of their business which do not require any great expenditure are neglected by them. Most of them do not maintain rotation register, register of property statements, register of delegates representing societies. Tour programmes and diaries of supervisors are not discussed at the Governing Body meetings. The meetings of the Union are not held as often as they should be. The Federations do not appear to exercise any wholesome check on such unions, with the result that the Unions and the Federation which are concentrated for supervision do not turn out their quota of work. In this district, for example, the Federation which was started in December 1925, appears to have met once in General meeting during the year 26-'27 and four times in Governing Body meetings. The latest audit report does not show the number of Executive Committee meetings held during that year. It is not my desire to belittle the importance of the Federation, but to lay before the public its utter futility in practical work.

5. In the chain of credit organisation, you have the Apex Bank, the Central Banks and the Primaries. There are the Supervising Unions, the Federations and the Provincial Co-operative Union for education and propaganda. All the Banks have a mixed constitution, the individual and the society elements being thrown together. The time for the elimination of the individuals has not come yet according to the report of the Committee, despite the inclination to the contrary evinced by the borrowing section, viz., the primaries. The individuals are not dividend hunters, but, in my opinion, belong to a section in the co-operative movement who spend anxious and sleepless nights, overweighted by a sense of serious responsibility for administering the entrusted funds without fear or favour. May God give them sufficient strength of mind to steer the ship of Co-operative Banking safely! In places where the Banks have no representation in the Federation, the Unions freely occupy a dual position. They are in the constitution in the Central Bank in large numbers and are solely in the constitution of the federation. They recommend loans to societies and after the loans are disbursed to them on the granting of them on the strength of their recommendation, they as a body take little or no interest in the matter of collection. Of course there are exceptions, but they are so few that one can indulge in generalisation without fear of contradiction. The Unions, jointly or severally, despite the part they play and omit to play in the financial side of the working of the Bank, evince towards it, unfortunately, only a step-motherly affection. It is really a sorry spectacle to find that most of the Union Directors of the Bank, while attending a Bank meeting, are obsessed with the idea that they are Federationists first and Bankers next. I wonder who is the cause of this lamentable misdirection. It is an elementary rule that every representative attending the meeting of a particular institution should address himself to the welfare of that institution as an institution and not to allow himself to be influenced by another capacity which he may hold. This detachment is completely lost sight of even by comparatively more prominent co-operators from whom better can be expected. The sameness of most of the Directors causes not a little embarrassment to the questions being viewed in their proper perspective.



6. It is no doubt an open secret that most of the institutions of any type are managed by only a handful of people placed at their helm. That does not prevent others from taking an intelligent interest in the matter. Talking of co-operative societies which have about 30,000 members in this district, we find that amongst them there are classes of persons by whom certain duties over and above that devolving on the rest are expected to be performed. They are

(1) delegates representing societies in Unions and Central Banks;

(2) Panchayatdars of societies, more particularly their office-bearers such as presidents and secretaries;

(3) Governing Body members of supervising Unions, more particularly the presidents and secretaries thereof;

(4) Representatives of the several unions in the Board of Management of Central Banks;

(5) The representatives of the individual shareholders in the Board of Management of Central Banks;

(6) The office-bearers of the Central Bank, the President, Vice-President and the Secretary, if honorary;

(7) The President of the Federation, not to speak of the Executive Committee members of both the Federation and the Central Bank.

I am tempted to put the question, are not these estimable gentlemen expected to do their bit in the successful carrying on of the administration committed to their care? How many, shall we think, stand the test of good work? Each one is singled out for distinction and given some representative capacity or another. If they only perform their share of the work willingly, conscientiously and promptly, much of the criticism that has been levelled against co-operative societies will disappear. To occupy positions of trust and responsibility is not a bed of roses. It is humorously expressed by a co-operator friend of mine that the spirit of co-operation that is infused into a society at its formation leaves the body of the society after some time, reducing it to a corpse. Most of the present day societies are described by him as corpses from which the spirit has long ago departed. But these are fortunate corpses. They are not like human corpses given a decent burial forthwith. They are allowed to exist as Egyptian Mummies to the utter dismay of the investing public. Let me not be accused of pessimism. Any co-operator who knows the inner history of the movement will agree with me. These inert unions won't supply timely information to the banks who apply for them. How long are the Banks to be blindfolded? I am not here to apportion the blame for this melancholy state of things. The department has come in for cheap criticism. We have no right to criticise it when many of us give a handle for this sorry spectacle.

7. Now what is the remedy? The official and non-official sections must set their hands to the plough.

1. Each society must be made to conform to the by-laws suitably framed in letter and spirit, subject to severe penalty for wilful disobedience of them;



2. The propery statement of the societies should be honestly prepared and revised in due time, preferably in the first 2 months of each co-operative year;

3. Each member should be clearly made to understand the scope and the implication of the unlimited liability system.

This would throw on each member of a society an obligation and a duty, to save his own skin, of watching the financial prosperity or decadence of his fellow-members, a thing which hardly obtains now, notwithstanding the pious notions in that respect.

4. To devise ways and means of distributing the loans to members promptly as soon as the society gets the amount from the Bank. Cash should not remain long with office-bearers. This will prevent benami system also apart from preventing misappropriation. The idea of making societies open current accounts in Urban Banks and transmitting agency societies and the issue of cheques in favour of the borrowing members of the primaries in conformity with the circular issued by the Registrar No. C. 3257/27 dated 16th August 1927 will meet the situation. These may be collecting, distributing and transmitting agents. They should each require an iron safe for keeping the moneys in. The district bank may make advances therefor and recover them later according to their convenience.

5. The proper obtainment of long and short term loans and the application of them for the purposes originally intended. The Panchayatdars and the delegates aforesaid may keep a close watch on these members in this respect. It is the want of this close scrutiny that makes a short term loan a long term loan and a long term loan an arrear. Prompt steps should be taken to collect the sums advanced if they are applied for a different purpose.

6. The Panchayatdars of the societies should meet once a month to pass the accounts. They will know then their financial position. The General Body must meet 4 times a year or oftener if necessary. There must be a meeting as soon as an audit order is received. Steps should be promptly taken to rectify the errors pointed out. They must meet at the beginning of the year to prepare or revise property statements and to make forecasts of the requirements of all sorts of all the members. The other two should be business meetings. The arrears should be openly read out. There must be publicity in co-operation. That is the bedrock of the movement.

7. The Union Governing Body members should allot to each of them a specified number of societies to be frequently inspected by them. They should send reports of the working of the societies to the

Governing Body for their consideration. They should meet once in a fortnight for recommending loan applications after a close scrutiny of all particulars according to by-laws and calling for particulars which require to be known before the disposing of the application. They should extract sufficient work from the supervisor. His diaries and inspection notes must be carefully examined and steps taken to mend matters in societies. They should seek the help of the Federation whenever necessary. The Unions should consider the question of suggesting the desirability of having a paid clerk to each society or group of societies according to the transactions leaving a margin for that establishment, giving them decent salary, so that he may attend to the work of collection and help the societies in writing accounts in time. There should not be, as a rule, more than 25 societies affiliated to a Union. They must call upon their representatives in the District Bank to give an account of his working as such. He is not sent merely to attend meetings and draw travelling allowances.

8. The Directors should be asked to inspect particular societies at the request of the Executive Committee of the Bank.

9. The District Bank should grant loans as expeditiously as possible which they must do with due care and caution.

10. The Federation must have a real grip over the unions, formulate policies and carry out the same through the intermediate agency. They must meet at least twice a year in General Body, six times a year in Governing Body and 12 times a year if not oftener in Executive Committee for transacting business. They have got clear cut functions to discharge in the co-operative movement. The much adumbrated ideas of supervision, education and propaganda must be introduced into practice. These, rightly done and in good time, will remove the anxiety of the financing bank to a considerable extent. The body and soul of co-operation will be kept together.

11. There must be adequate representation of the District Bank in the Federation.

12. If what has been sketched above is perfectly done by the respective agencies, it will leave nothing to be desired. But no human agency can be perfect. Shortcomings there must be. What is the solution ? The formation of the administrative section in conformity with the resolutions recently passed in Madras by the representatives of Bankers. This may be given a trial and if acceptable may be continued. This is forced on us by the necessities of the situation created by its adverse critics.



13. A spirit of harmony and good will not only in name but in reality must prevail among the co-operators, at least among their leaders in Districts. This is the only field of activity, a mass movement started with good intentions, to ameliorate the conditions of the people, without distinction of caste, colour or creed, where officials and non-officials are thrown together for a common goal. It should not be permitted to be trespassed upon by undesirables for political or sectarian considerations. May God give sufficient light to co-operators to pursue the path of virtue, self-help and character !

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## RIGHTS AND DUTIES.

Do not talk about our rights. Talk about our duties, because if everybody in this country did his duty, there could be no question of rights; we should all have them.

Democracy, it has been said, is on its trial. That is true. Democracy, after all, is only one of many forms of government. Ever since men gathered together in the smallest tribe until the time that they formed themselves into vast empires, that problem of how they should be governed has remained from the beginning, and will be with us to the end.

In a democracy we are all responsible men and women, old, middle-aged, and young. Unless every one of us does his duty and is conscious that the work he does—it may be an insignificant unit—goes to make up the whole, unless he realises that, wherever he is, there is a weak spot in the body politic that may spread and cause corruption throughout the whole.

You will never get that perfect democracy at which we aim until the whole people plays its part. Every fragment must bear its share of the burden. (Stanley Baldwin, Prime Minister of Great Britain). *(From the Millgate Monthly, May 1928.)*

## SPECIAL LEGISLATION FOR "NIDHIS"

BY MR. C. VENKATRAMANA IYER,
*(High Court Vakil, Chittoor.)*

The Circular letter No. 188 comp—dated 17-4-1928 of the Registrar of Joint Stock Companies, Madras, addressed to the Secretaries of the several Nidhis in the Presidency has created quite a sensation.

That the constitution of the Nidhis could not be made conformable to the Indian Company Law, there is no doubt. A remedy was suggested that the Indian Companies Act might be amended by empowering the Local Government "to exempt any Company or class of Companies from *all* or *any* of the provisions of the Act".

In view of the necessity for uniformity in the administration of the Act and also in view of the undesirability of permitting a class of Companies "to systematically ignore the fundamental principle of Company Law" viz., that a Company limited by shares should not be permitted to reduce its share-capital without the sanction of the Court, the Government of India suggested the enactment of a special measure to regularise the position and to provide for their incorporation and control. With due respect, I submit this is the natural and straightforward remedy.

A suggestion appears to have been made by the Local Government in 1919 that the Nidhis should be left to adjust themselves either to the Indian Companies Law or to the Co-operative Societies Act; this suggestion if it had been accepted would have sounded the deathknell of the Nidhis. The Government of India rightly rejected the same.

With a view to remove the existing anomaly of allowing the Nidhis to be registered under the Indian Companies Act and to be worked without even enforcing the fundamental provisions of the Companies Law, the Government of India suggest the following courses for consideration ;—

(i) the Re-organisation of the Nidhis as a new class of Companies to be registered under the Indian Companies Act.

2. their recognition as a new class of Associations to be regulated by special legislation.

3. their suppression as illegal associations.

They further point out that the 1st is inadvisable as that would mean the inclusion in the Law applicable to Companies of provisions dealing with a radically different class of associations. They have no objection to the 2nd and they do not wish to adopt the 3rd unless it is found impossible to provide for their proper control.



It was under these circumstances that the Tanjore Permanent Fund called for a Conference of the representatives of various Nidhis. The Conference was held on Sunday the 13th May 1928. I was really wondering about the need to call for a Conference, when the solution is very simple and there were really no two courses to consider. It was pointed out by some representatives of the Nidhis at the meeting that there was no need to have any change. They were of opinion that the Nidhis should be allowed to be registered and worked under the Companies Act and wherever the provisions of the Company Law were found unsuitable, the Government should be requested to exempt the Nidhis from the operation of the same. With due respect I must say they did not answer the anomaly pointed out clearly in the Registrar's Circular nor do they suggest any remedy for the same.

A representative of one of the Nidhis from Madras made the following ingenious suggestion :—Every subscriber should be made to take a share and as it was to be non-withdrawable, and as many as possible should be enabled to partake of the benefits, the value of a share might be put as low as possible even as one Rupee i. e. he must pay this One Rupee in addition to what he has been paying as subscription.

This again is a wrong position to take. What is attempted to be done and what should really be done is "to regularise the existing state of affairs". Most, if not all, are under the impression that the subscriptions are the shares. If a person pays one Rupee subscription, he is said to have taken one share; if he so pays for 84 months, he is paid generally Rs. 100 *plus* a certain proportion of the profits. The rules of most if not all Nidhis further provide that these so-called shares are security for the Depositors. To pay a share of profits and to hold these subscriptions security for the deposits are the 2 important characteristics of a Nidhi and it is these that must be legalised. The necessity is all the more, in view of the decision of the High Court in O. P. No. 127 of 1914 wherein it was pointed out that these subscriptions are more recurring deposits and not shares strictly so-called. In view of this decision it is doubtful how far the provision in the rules to make these subscriptions security for the depositors can be legally enforced. At any rate the said provision is useless in so far as the Nidhi allows a withdrawal of the so-called share. If however we accept these subscriptions as mere recurring deposits, I doubt if anyone will deposit his money in any Nidhi; for we shall then have only 1/100th of what is now "believed" rightly or wrongly to be security for the depositor. The borrowing power in a Limited Liability Company always depends on the subscribed share-capital available as security for the depositor.

I therefore propose that all Nidhis should unhesitatingly ask fo fresh legislation "to regularise the present position" as pointed out by the Government. My reasons for so doing are stronger than those pointed out by the Registrar in his Circular.

(1) If we do not ask for a special legislation so as to make that which we have been calling shares and which we believed to be security for the depositor really form such security legally, we shall be landed in difficulties.

(2) There are a number of provisions far too numerous to mention here in the Indian Companies Act which cannot be applied to the Nidhis at all, on account of its very constitution.

(3) There are again a large number of sections in the Act, dealing with penalties and fines. Even trivial irregularities are liable to be fined.

It is absurd to subject honorary workers of Nidhis to such penalties and fines.

(4) There is yet another reason and that is to introduce uniformity into the working of the Nidhis.

(a) Most Nidhis pay a portion of the profits to the so-called shareholder, for his is believed to be one such, in addition to what is paid to him as guaranteed interest; still there are some which do not pay a share of profits. This is very hard.

(b) Most Nidhis have no definite rules to regulate their fixed and current deposits, fluid resource, reserve fund and audit.

(c) Most Nidhis deal with members—some with non-members also.

In this connection I may point out that it is a mistake to suppose that the Nidhis cannot be worked under the Co-operative Societies Act "because some deal with non-members." It is not difficult to restrict their operation to members alone.

The chief reason why it cannot be worked under the Co-operative Societies Act is the very same for which it is felt that it cannot be worked under the Companies Act. Under Co-operative Societies Act also, shares are non-withdrawable. No doubt withdrawal is permitted in Urban Banks but only under certain restrictions and these are not suitable to the essential characteristics of what is now called a share in the Nidhi.

An objection was raised to special Legislation which I believe is most unfounded. It was said that it was not desirable to ask for special legislation without knowing its provisions.



This is sufficiently answered in the circular letter of the Registrar wherein it is said that the object of the special legislation is "to regularise the present position".

Further no legislation is passed without inviting suggestions and criticisms and it will be open to all interested to put forward their suggestions.

It is not here necessary to indicate in detail the lines on which the special Legislation should be passed and I have therefore refrained from doing so.

# EXTRACTS.

## CO-OPERATION IN INDIA.

With the Co-operative Society movement we come to what is unquestionably one of the most promising and important of the efforts now being made to improve the conditions of life in India. Its activities are not confined merely to the agricultural population, although of course it is among them that it finds its greatest scope and widest field of work. It is now about 23 years since the Co-operative Societies movement was started in India and its record has been one of uninterrupted progress, the total number of Co-operative Societies having risen to well over 70,000. It is only natural that such an impressive growth should be accompanied by some failures due either to ineptitude, or, as in some instances, to actual dishonesty. But on the whole the growth has been a sound and healthy one, and if the most important of all statistics which are prepared in connection with the Co-operative Societies are studied—the figures which show the overdue recoveries outstanding by the Societies—it will be seen that the Co-operative movement in this country is in a good state of health.

It is obvious that in a land of the size of India, the Co-operative movement does not function under homogeneous conditions in every part. If the reader glances at the map of India, he will see on the east and in the centre an immense block of territory represented by Bengal, Bihar and Orissa, the Central Provinces and the United Provinces where, broadly speaking, the agriculturist is a tenant holding his land by one form of tenure or another from a landlord. This means that he can only offer personal security for any obligation contracted by him. To the north, the west and the south of this block are the ryotwari provinces of the Punjab, Bombay and Madras, that is, the provinces where the agriculturist as a rule has mortgageable rights in his land and therefore can offer real, instead of personal, security. Thus the Co-operative movement in the former group of provinces is faced with certain difficulties which do not appear in the latter group and this general consideration should be borne in mind by all who study the work of the Co-operative Societies in India.

Through these societies a good deal of quiet constructive work has been carried on. Their membership and capital grow steadily, and one of their primary objects is the encouragement of thrift by collecting small shares, receiving deposits and attempting to induce members to make compulsory contributions for special purposes. In no province in India does the work of the Co-operative Societies end with the supply of credit or with the removal of indebtedness.

Agricultural non-credit societies are extending their operations every year. They undertake the joint sale of agricultural produce, the production and sale of implements and manures, the furtherance of irrigation projects, and the consolidation of holdings. They open dispensaries and schools; thay assist the Agricultural Department in spreading knowledge of improved methods of cultivation; they maintain communications and build new roads The co-operative movement has its own individual features in each province. In Madras, building societies helped by the Government, are very active; cultivators have formed societies to enable them to hold up their crops for a favourable market and the co-operative movement is spreading even among the depressed classes. Bombay has developed co-operative banking, and implement societies which hire and maintain expensive agricultural machinery. In Assam, the Department of Agriculture has been amalgamated with the Co-operative Department. Some of the money-lenders of Bengal have even taken to investing money in the co-operative societies, and in Bihar and Orissa a society has been formed to undertake farming on a large scale. In the Punjab, particular attention is being paid to the consolidation of holdings and much valuable work has been already done in this respect. In one village which was consolidated two years ago, the rent of the area treated is reported to have doubled. A mortgage bank, assisted by the Government, has been opened to provide long term credit for redeeming the heavy mortgage debt of the Province, and to finance large schemes of agricultural expansion. A very promising feature of the co-operative movement everywhere is the growing number of voluntary workers.

In Madras, the re-organisation of the upper controlling staff, of which mention was made in last year's report, came into full effect during 1926. Existing Societies expanded their activities and full progress was made in the formation of new societies. The total working capital of all classes of Co-operative societies was over 11 crores on the 30th June 1926. Three more land mortgage banks were registered during 1926 bringing the total to seven. The aim of these banks is to enable ryots to clear their lands of all debts and to effect improvements. Trading Societies had a profitable year and the Societies for organising labour on a co-operative basis, which are one of the features of the movement in Madras, turned out a greater amount of work than in the previous year and proved their usefulness both to their members and to the public bodies which had entrusted contracts to them. The system of granting loans on agricultural produce and standing crops shows signs of becoming popular and the Madras Government have sanctioned long term loans to the extent of Rs. 25,000 to sale societies for building sheds for the storage of produce. These loans on produce and the work of the sale societies protected



cultivators from forced sales at uneconomic prices. The very interesting feature of the Co-operative movement in Madras is the training classes which are now held in order to instruct office holders and other unofficial workers in Co-operative Society administration.

The state of co-operative societies in the United Provinces was shown in last year's report to be far from satisfactory and it was there stated that a Committee had been appointed to enquire into the whole state of the Movement in the provinces. The Committee published its report in February 1926. The conclusions reached were that the co-operative movement in the provinces was generally lacking in vitality owing chiefly to defective organisation and supervision of primary societies by the Bank staffs, insufficient propaganda, and inadequacy of the Co-operative Societies departmental staff. The necessity for an increase of staff was recognised and in September 1926 the number of auditors was raised. The other recommendations of tle Committee have in the main been accepted by the Provincial Government and as a preliminary measure it is proposed, if the Legislative Council agrees, to make an additional appointment of one Deputy Registrar, four Assistant Registrars and fourteen Inspectors with effect from April 1927. Statistics for the year 1925 show a steady if slow progress. The number of societies increased by over 200 and 151 unsound societies were weeded out during the year. On the whole, there is reason to be hopeful for the future. The main causes of stagnation in the Co operative movement in the United Provinces have now been detected and the reforms which the Provincial Government have already undertaken should produce the desired effects. Staffs are to be still further increased and it is hoped to bring them to a total which will enable them to tackle successfully the important problem of invigorating the primary societies.

Another province whose record was stated to be discouraging in last year's report was the Central Provinces, and here consolidation rather than expansion was the feature of the year 1925-26. No fewer than 232 societies were cancelled, these figures bringing the total number of societies cancelled during the last four years to 1,118. The importance of winding up as early as possible all Societies which are a danger to the stability of the movement has now been fully recognised and there are indications that the work of re-organisation is being attended with a gratifying measure of success. Fortunately the financial position of Central Banks is thoroughly sound and most of them have now realised the importance of training the paid staffs and the members of societies in the principles and practice of Co-operation by the holding of meetings and conferences. In order to stimulate interest and to foster a sense of responsibility, 61 new societies have been organised on a share basis and 56 old societies have been converted into share societies. It is at present too early to judge the success of these measures, but they are particularly welcome in the present condition of the movement in the Central Provinces since they encourage members to participate more actively than before in the conduct of the business of their societies.

In the Punjab where the Co-operative Societies movement has taken deep root, there is excellent progress to record during the year ending March 31st 1926. The number of agricultural Co-operative Societies rose by 1,200 and the working capital of Co-operative Societies of all kinds increased by more than 2 crores of rupees. Over 20,000 new societies were added to the existing number of agricultural societies. Particular attention has been devoted in the Punjab to the financial organisation of the movement and the outstanding features of the work of the year under review were the development of the Punjab Provincial Co-operative Bank and the founding of land mortgage banks. Considerable attention was also given to the extension of better farming and cattle breeding societies. The work of consolidation of fragmented holdings proceeds apace, and in this side of the movement lies much promise for the improvement of agriculture in the Punjab.

The consolidation movement is now about six years old and in that time its operations have been extended from three districts in which it was originally started to twelve districts. When the movement began, it included 45 consolidation societies with 1,653 members working on an area of 8,000 acres. Within this area these societies reduced the number of fields from eleven thousand to about two thousand. By the end of July 1926, no fewer than 255 societies with 12,649 members were at work. The acreage covered by their activities had by this time risen to 60,015 and altogether the number of fields dealt with have been reduced from 88,710 to 16,458 at a cost varying from Rs.1-6 to Rs.2-1 per acre, none of which has fallen on the cultivator. This compares favourably with the cost of consolidation in other countries which has to be met partly by the tenants themselves. It is gratifying to note also that the Punjab figure shows a tendency to decrease.

The advantages secured by the process of consolidation are conspicuous and considerable. It has led to wholesale improvement in agriculture generally. New land has been brought under cultivation and irrigation has been extended. New ploughs and other implements are being used, new crops and new varieties of all ones are being sown, the planting of trees and reeds in hitherto waste soil is proceeding and cultivators show an increasing readiness to adopt new and better methods and material. All this has resulted in increased contentment, an improvement in the cultivator's condition and an all-round increase of rents. Moreover, causes of quarrel and litigation have been reduced substantially.

It is interesting to note that contrary to the experience of certain other countries where holdings have been consolidated, these satisfactory results have been obtained without coercion. Though the bye-laws of the Consolidation Societies give them power to use compulsion, the provision has never been put into effect. This is undoubtedly wise for, were compulsion to be employed, the inborn litigiousness of the Indian Ryot would certainly lead to lawsuits and appeals and would thus both delay consolidation and increase its cost. A very interesting development has recently been inaugurated by Mr. C. F. Strickland, the officiating Registrar of Co-operative Societies in the Province, who is bringing



the advantages of Co-operative Societies home to agriculturists by means of travelling cinema shows.

In Bengal where prosperous agricultural conditions prevailed, the year 1925-26 was one of special activity for the Co-operative movement and a marked increase in membership and working capital was registered. It is a striking fact that the number of Co-operative Societies, their membership and their working capital have almost doubled since 1921. During the 21 years of its existence in Bengal, the Co-operative movement has already effected a marked reduction of the prevailing rates of interest and has also enabled the people to invest in the Co-operative Societies the surplus money which they used to keep infructuously in hoards. Appreciable progress was made during the year in the development of sale and supply societies on a large scale, in giving effect, in other words, to the idea of re-organising the economic structure in respect of sale of agricultural produce and the supply of the necessaries of life on a co-operative basis. Experiments have shown that if sale societies are to be successful, they must be on a large scale, so as to be able to handle commodities in bulk and guarantee their quality. The organisation of the Chandpur Sale and Supply Society gave a great impetus to the sale movement and towards the close of the year similar societies at Sarisbari, Bhanguria, Serajganj, Naogaon, Taki (Basirhat) and Alamdanga were organised for the sale of jute, which within this short period, have been able to establish their market with the mills. Several paddy sale societies are also now in operation and the Bengal Government has given their financial assistance in the building of a Central Depot in Calcutta. The Provincial Government have also agreed to provide adequate supervising staff for a small number of paddy and jute sale societies in their initial stages and to grant financial assistance to them in the shape of loans for the provision of storage accommodation.

On the purely credit side, the working of the year fully proved that the development of co-operative banking and the linking up of the financing of agriculture with that of trade and commerce will be of incalculable benefit to the country, as it will undoubtedly save much of the waste attendant upon the use of cash. Considerable advance was made during the year in getting co-operative banks to recognise the need for distinguishing between short-term and long-term loans, a distinction which corresponds to a real distinction in the needs of members. By maintaining an effective watch over the proper use of loans and their repayments and by helping to keep the major portion of the societies in a fluid state, this distinction will undoubtedly assist the movement to come into closer touch with the money market. The need for land mortgage banks for the redemption of old debts is now being felt and a start in this direction is being made by the establishment of a bank in the Rajshahi district. The number of Irrigation Societies continued to increase in spite of a local setback in the Bankura District, and a noteworthy development during the year was the formation of a society for putting up an embankment for protecting from the ingress of salt water an area in the Khulna district.

The Calcutta Milk Union recorded marked development during the year. The Corporation of Calcutta granted to the Union a non-recurring subsidy of Rs. 5,000 and a loan of Rs. 50,000 free of interest, repayable in 6 years, on condition that the Union increased its yield to 500 maunds a day within 3 years. With this assistance the Union was able to erect a dairy with up-to-date plant for the purpose of pasteurising and treating milk. The membership of the Union increased from 63 to 71 societies, and the existing capital from Rs 75,000 to Rs 1,17,961. There was a further extension in the area of operations.

The great difficulty in the way of the development of industrial societies is the control now wielded by middlemen over the supply of raw materials and the disposal of the finished products Every attempt is being made to overcome these difficulties, and co-operative organisations are more and more taking over these functions of the middlemen. Foremost among these societies are the Weavers' Associations one of which, the Bagerhat Co-operative Weaving Union, has started the first Co-operative cotton mill in India. Considerable advance was also made in the organisation of the silk industry on a co-operative basis. The Dopukuria Silk-Reeling Society in Murshidabad took up the construction of the first co-operative factory of its kind for reeling silk in filature. Societies have been formed to carry out different processes in the manufacture of silk from cocoons reared by other societies and all these will co-ordinate their activities and thereby make the manufacture of silk by co-operative societies in Bengal into a self-contained industry.

Owing partly to the distribution of grants by the Government of Bengal, there was a remarkable expansion of the activities of co-operative anti-malarial societies for the improvement of rural sanitation. The number of the societies rose from 98, with a total membership of 2,251 and a working capital of Rs. 8,753, to 269 with 6,488 members and a working capital of Rs 19,064. They are doing useful work by combating preventable diseases such as malaria, Kala-azar and cholera, and they have also applied themselves to the provisions, of pure water-supply by sinking tube-wells in places of scarcity.

Hitherto, the Co-operative movement in this province has consisted of men's organisations only, but the necessity has been keenly felt for including women's organisations within it so as to secure their active sympathy and support. A beginning was made by the Saroj Nalini Dutt Memorial Association, which organised several women's societies (mahila samitis) of which five were registered during the year.

The reconstitution of the Bengal Co-operative Organisation Society was an important event of the year. The society has been registered under the Co-operatives Societies Act II of 1912, and is now a federation of the registered societies in the Province.

In Bihar and Orissa, the Co-operative movement continued to expand during the year 1925—26 when 930 societies were registered bringing up the total number of societies of all kinds to over 8,000. Five new central banks were established, while there are now more than 200 guaranteeing unions. The growth of the movement rendered it necessary to appoint a Deputy Registrar to take semi-independent charge of Chota Nagpur and Orissa. Very few sub-divisions in the Province are now without a society, and nearly all have at least 50 whilst some have over 200. There are certain features which cause anxiety but on the whole the societies are making their influence felt more and more and their aid is increasingly sought by the agricultural and other departments which have to maintain close touch with the people. The Provincial Government advanced loans free of interest to seven central banks for the construction of seed and manure godowns, and also paid special subsidies to enable them to appoint subordinates to work under the direction of the Agricultural Department in popularising improved seeds and manure recommended by it.



Bombay reports uniform and satisfactory progress in the co-operative movement during the year 1925—26, when the total number of societies rose from 4,126 to 4,645. A large increase in the number of members and in the working capital of the societies is also reported. Many new agricultural societies were formed and housing societies made satisfactory progress in Karachi and Dharwar. The notable feature of the year was the registration of a society in Ahmedabad the importance of which will be easily realised in view of the remarks made of the subject of working class housing in Chapter III.

But perhaps the most important event of the year was the revision of the constitution of the Central Co-operative Institute, that is, the agency which controls the Co-operative Movement in the Bombay Presidency. It is now constituted on a more democratic basis and mainly represents primary societies which will henceforth have a large majority on the boards of management. Branches of the Central Institute, to be called local institutes, will be formed in every district, and thus the Central Institute will become a sort of federation of societies. A supreme Board of Management for the province is to be formed under the name of the Provincial Co-operative Council. This body which is composed of a hundred members will meet at least twice a year and will perform much the same functions as are now performed by the annual Provincial Conference.

Assam reports steady progress of the movement and an increase in the number of societies and in their membership and working capital. Agricultural credit societies are now in a position to provide short term crop loans on a larger scale than before, but the problem of long term loans for land improvement and for the liquidation of old debts remains. The establishment of a Co-operative Land Mortgage Bank in the district of Kamrup however represents the beginning of an attempt to tackle this problem. Assam has now an Advisory Board for Provincial Developments and one of the sections of this Board is to deal particularly with the Co-operative Movement.

What has been said in this chapter shows that the "nation-building" departments in the provinces are doing a good deal of valuable constructive work, and it is to be hoped that the great remissions of provincial contributions which have now been made will allow this work to be extended and its results to be consolidated. Perhaps the latter process represents the more urgent need at present, for signs are not lacking that here and there the operations of ministers tend to be directed by zeal rather than a judicious caution.

*(From " India in 1926-1927 " By J. Coatman.)*

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## RURAL RECONSTRUCTION IN INDIA

### Growth of Co-operative Societies.

A correspondent wrote in " The Times " of April 19 last:—

While political leaders in India harangue the new Councils and spiritual firebrands stir up riots, the population of the towns and, more particularly, of the villages is being organised in co-operative societies, which now number 1,00,000 in the entire country, and include three millions of members. The first Co-operative Societies Act was passed only in 1904, and the progress made in less than a generation is as rapid as prudence has allowed.

The co-operative movement has nowhere developed greater strength than in the Punjab, from which Province the Army recruits a larger percentage of its soldiers than from any other. The success attained has been due partly to the innate qualities of a virile peasantry and partly to the thoughtful policy of Government. Whereas in India as a whole 8 per cent of the population are literate, it is doubtful whether the literacy of males in the rural Punjab amounts to 2 per cent., while literacy of the females is below 1 per cent. Consequently the necessary explanation and instruction can be carried out only by personal contact Those engaged in the work must reach each village, and if they are to be successful in persuasion they must be taught and trained. The first essential of success, therefore, has been a skilled staff of Government organisers, known as inspectors and assistant registrars, who, while enjoying little legal power beyond that of registration and liquidation, are competent to advise the people and are genuinely trusted by them.

The barrier of illiteracy having been thus overcome, the Government has had to consider the indebtedness, which is a characteristic of agrarian India. To the smaller land-owner or cultivator of the Punjab the existence of a permanent debt is normal, and he neither expects nor attempts to pay it off. The money-lender finances the village at his own rates, and buys the produce at his own prices. A common rate of interest on advances to a villager is 25 to 35 per cent. compounded every six months, and 100 per cent on an advance of seed at sowing time. The only escape from his grip is by means of a co-operative credit society, formed, owned, and managed by the villagers, and it follows naturally that 14,000 out of 17,000 co-operative societies in the Punjab, as also in all other Indian Provinces, should be societies of credit or village "banks."

In England entirely, and in other European countries for the most part, co-operation takes the shape of a purchasing or a selling institution; in the Punjab, on the other hand, little inducement can be offered to a farmer to buy better seed, implements, or fertilisers, so long as the entire surplus of his produce passes into the hands of the money-lender. Credit societies are no more than the foundation of the co-operative structure, but they are an indispensable foundation, without which no edifice of purchase or sale can stand



### Social Conditions.

A third obstacle was provided by the condition of the Indian society, for, apart from its caste divisions—important in themselves, but rapidly becoming irrelevant to economic life—Indian society is inorganic. Co-operative organisers, therefore, were forced to enter fields which in Europe would be regarded as lying outside their scope. They must reform the ideas of the people, teach them thrift, correct their social customs where they lead to extravagance and debt, and encourage them to brighten their lives by every means which can make those lives better worth living. No other agency for this purpose has until recently existed and the vacuum has been filled by the co-operator; unless he did so he could not hope for lasting success.

Twenty-four years having now elapsed since the passing of the Act, the 17,000 societies of co-operation in the Punjab contain 5,000,000 members representing 10 per cent of the families in the Province. An expert estimate sets the rural debt of the Province at £ 60,000,000, of which about half is secured on land. This figure is lighter than those for Germany and other agricultural countries, but the test of a rural debt is its object and its necessity. The debt of a European peasant is ordinarily productive and incurred for purchase, stocking, and other development of the land, while the debt of the Punjab is unproductive and is a relic of former misfortunes and extravagances. Moreover, a debt to a money-lender, once incurred through folly or adversity, is soon swollen by compound interest and similar ingenuities to a point at which full repayment is out of the question. The co-operative credit society then intervenes and, having first disciplined its borrower by an apprenticeship in petty loans, makes terms with the usurer and clears the debt at a lower figure.

This process, continued for a term of years, has begun to exhibit appreciable results, though an exact calculation is impracticable. As a single instance may be quoted a village, recently examined after the society had completed its first ten years of life, in which 134 out of 160 members had shaken off the yoke of Shylock Much ground remains to be covered, and many more than 10 per cent of the people have to be brought within the net. Yet something has been done, not by noise but by silent and steady action.

### Farming Societies.

Other forms of co-operation have not been neglected. Better farming societies organize the peasants in groups to test and adopt the new seeds or methods recommended by the agricultural experts; more than 100 such societies are working in the Punjab. Twenty sale societies in local markets secure fair weighments and fair prices to the farmer, while 200 bull clubs or cattle and sheep breeding societies pledge their members to avoid " scrub" bulls and rams and select their female animals for careful breeding.

There is another aspect of the question to be considered. Co-operative credit may free a man from past debt but will not protect him from his own folly in the future. Ordinarily the Punjabi cultivator believes all saving to be beyond his powers; 800 co-operative societies of thrift have now collected £ 40,000 in petty snms and taugnt him that saving is possible. Moreover, 14,000 credit societies use £ 4,500,000 of working capital of which £ 1,500,000 is derived from his small contributions and deposits. The thrift sccieties are new, and their accumulations are growing from year to year. If indebtedness arises from extravagance, the extravagance must be checked, and 150 co-operative societies of better living have no other object than to pledge their members to a limitation of expenditure on social occasions, and to authorise their elected committees to fine a defaulter in case of breach. Experience proves that the desire for such limitation of follies is general, but without a public pledge no individual has the courage to set an example of common sense.

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## VILLAGE WORK AT SHANTINEKETAN
### Rabindranath Tagore's Village Ideal

BY C. F. ANDREWS

Ever since the earliest days of Shantiniketan Ashram the Poet's mind had been set on establishing some Village Reconstruction work which should bring back health and vitality into the malaria stricken villages round Shantiniketan itself.

The Burdwan District, on the border of which Shantiniketan lies, used to be one of the healthiest in Bengal, and near to Shantiniketan was a place that originally was a sanatorium for the people of Calcutta. But in the last 50 years the whole district has sunk to a level of indescribable poverty owing to the inroads of malaria. It would be too much to say that in some villages 90 per cent of the people are infected with the malignant type of this disease, and the children grow up with spleens which show the malarial condition of their blood, as they carry about with them the malaria parasite. Everywhere round Shantiniketan his village destitution is evident. The villagers themselves look helpless and their villages are left in a sadly untidy condition. During the dry weather, water is very hard to obtain, and not seldom in later years great scarcity has prevailed owing to the failure of the monsoon In the present year, for instance, the people round the Shantiniketan are ready to come and do any kind of work for one seer of rice per day. The mis ry is almost indescribable. In every village a larger number of houses in ruins are visible. Tanks which used to be filled with pure water are covered with weeds and silted up so that very little water remains in them. The worst thing of all is to see the vitality of the people being sapped by disease and initiative being undermined owing to continual helplessness.

The Poet had set his heart to doing something in his own neighbourhood which should restore the villages to their former healthy and prosperous condition. He felt from the very first that only when the inner life of the villagers



themselves could be moved and stirred to action could there be any chance of solving the village problem

His own idea was to use the children of the villages in order to encourage through them the older people and to build up a new generation more healthy and active than the old. For this purpose he instituted a Scout Work, called in Bengalee *Brati-Balak*, which means literally Social Service by the Children; and through these Scout organisations he has been able, in the course of time, to do very much to restore the villages and renew health and prosperity.

By far the most important work has been what might be called "cleaning up". That is to say, the village jungle had to be cleared away; the roads had to be kept clean; the surroundings of the village houses had to be cleared of refuse; and above all the tanks in the villages had to be cleaned throughout and made into sources of pure rain water instead of being breeding places of mosquitoes by their filthy stagnant condition.

Marvellous results have already followed from the work of those boys. Quite recently the medical officers who visited our district have commented very favourably on the improvement that has taken place. The spleen-rate among children has remarkably diminished and last year in certain villages where there used to be a malaria infection of about 70 per cent of the population during the malaria season, there was hardly any malaria at all; and the villagers this year have been healthier than ever before.

The Scouts who are thus organised for this important village work carry on what we have called pictorial education. That is to say, the training of the villagers themselves is undertaken in the knowledge of the diseases of hookworm, malaria and cholera, by means of pictures which appeal directly to the eye of the villager.

These pictures are remarkably effective, and they are all the more efficient when their story is told in a somewhat humorous or exaggerated manner. For instance, one of the most effective pictures is that of the contrast of a good village and of a bad village. On one chart will be drawn a village fallen to pieces with roofs of houses unthatched and a tank covered with weeds. Side by side with this bad village will be drawn a set of scare-crow villagers looking miserable, lean and emaciated.

On the other side is drawn in colors the prosperous village where the tank is properly kept and all is clean. Side by side with this picture there stands a group of prosperous villagers, smiling and contented and evidently well-fed.

A second group of pictures illustrates the danger of cholera owing to filthy water in the tank. Various illustrations are given of the cholera germ magnified in the water which is swallowed by the villager. On the other side, we see the circle representing a pure drop of water without any cholera bacilli at all. Then another picture shows the agony of cholera as the patient lies suffering. On the other side, stands a healthy cheerful villager evidently free from all kinds of cholera germs.

Hookworm is treated in the same manner, and also the malarial infection by mosquitoes. Many kinds of mottoes in the vernacular are placed at the head of these pictures. They are often in the form of a rhyme which the villagers are taught to learn by heart.

Not only has the Poet taken a deep special interest in the health of the villagers, but also he has been able to help them in their agricultural pursuits themselves. Already there has been re-introduction of sericulture into one district, which once was famous for it. The lac industry also, which had completely died out, has been revived. Everything is done to sell the products of the villagers when the revival of an industry takes place, because the greatest inducement to continue a village industry is the fact that a good market could be found for the products.

In every way the Poet himself has been the inspirer and creator of this village work. He has gone into the smallest details, such as the revival of the arts and crafts of each village according to its special capacity and opportunity. He has also been among the first to re-introduce music into the villages and some of his own songs are sung by the villagers in preference to any other. Every year in accordance with his father the Maharishi's wishes, a mela, at which many thousands of people from villages resort, is held at Shantineketan itself and during this Mela-time all kinds of instruction are given to the villagers that are assembled Last of all, I would mention that the most effective work is done by bringing the older leaders of the villagers at one time, and the chief Boy Scout at another and training them in special Village Camps which each go on for about a fortnight or a month. Each day the teachers of our Ashram give instruction to these leading village folk and in the evening they mingle together, and have long conversations with them late at night.

The Poet's one guiding principle in all this work has been that the village has always been the centre of life in India, and must always remain so because, 90 per cent of the people of India live in the villages and only 10 per cent in the towns. Therefore he regards the village problem as by far the most important political and social issue of India to-day.

## Village Reconstruction.

Village Reconstruction is the talk of the hour. It is protean in its shapes. Men of versatile tastes and abilities are required to carry it out. As it is we have not visualized it fully ourselves. Nor have we the men who would be efficient workers in the field. All our graduates are trained for the learned professions. They have to unlearn much of their learning if they are to go to the villages and feel at one with them. The co-operative movement is the one connecting link between the classes and the masses, between townspeople and village folks. The lawyer doubtless comes across his clients who hail largely from villages, but their relations are purely professional and oftentimes do not pass beyond the mercenary stage. So is the doctor. It is only in the co-operative movement that urban and rural population meet on terms of equality. It must therefore be the earnest endeavour of the rising generation to qualify itself for work in this field. That work embraces many aspects. Immediately



the movement requires a hundred or two hundred young men who have a correct grasp of the principles of co-operation, the conditions of our ryots and craftsmen and the needs of the villages They must be men with trained sensibilities having deep sympathy for the masses. Such a band must be selected and trained for a year or two in a co-operative college. We are not anxious that this college should be started or manned by Government. Rather must it be taken up by the standing committee of the Inter-provincial Co-operative Conference which is to meet shortly. It may well be located in Madras and the Madras Central Urban Bank may start with a handsome donation of say fifteen or twenty thousand rupees for the purpose.

What shall we teach at such a college. In fact all about the co-operative movement in India as a compulsory subject—Book-keeping, and Banking, Agricultural Economics, Rural economics, Panchayet oaganization, Sanitary principles and a general knowledge of Land Revenue, arts and crafts and principles of Indian civilization and sociology—all these may be taken up as accessory—not optional subjects. Co-operative morals and manners would claim special attention, for, after all co-operation is more in the man than in the method or the mechanism of the movement. When these subjects are handled by able and experienced men in the space of a year or even of two years, and when in addition the young men—not too many at a time—are taken through a regular course of practical work in the Apex Bank and some leading Central Banks, we shall have brought into being a set of competent and capable men who will be able to do splendid work as secretaries of Central Banks and pioneers of rural reconstruction. In the first year we shall not select more than thirty. They will be handy for a class. They can be got to develop intimate touch with the professors. They can be sent out to Central Banks and rural societies for a first knowledge of the day to day work there. It is our ardent hope that the Madras Central Urban Bank will take up the scheme in a spirit of daring and trustfulness which it has been able to show in the past. Banks are not money-making machines. They may also make men.

*(From the Janma-bhumi, 10th May.)*

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## PREPARATION OF PROPERTY STATEMENTS.

In regard to the furnishing of property statements of societies, duly revised annually and certified to be correct by the unions as required in our Circular No. Nil. dated 10-12-26, no Union has thought fit to comply with the terms of our circular or our bye-law No. 22. The few statements received were sent, without a single exception, by the societies at the time of taking loans. These reports contain highly exaggerated values of properties and for this reason are unreliable. There is nothing in them to show that they were verified by the Unions. The Bank has to rely on such unsatisfactory statements for its advances and the department for fixing the maximum borrowing power. There are instances where the cover for the bank's advances is reduced considerably by the quiet withdrawal of men with substantial properties at the earliest possible opportunity of which fact both the Bank and the department are kept in the dark. The total value of properties of others are found to be not sufficient to give the required cover to the Bank's advances. If things are allowed to go on in this fashion the Bank may find itself in embarrassing situation. To prevent such a contingency ever happening the Unions may be advised (1) to see that each society purchases a copy of the diglat register, (2) to revise it with reference to its members once a year at the beginning of each co-opeative year if there be any change and with reference to the adangal, with the co-operation of the karnam, (3) to prepare the property statement wit due care and caution and with data from the diglat register revised or unrevised as circumstances warrant, taking care to put down the value of the agricultural holdings preferably at 40 times the kist instead of putting fancy prices—prices not possible of realization in forced sales and leaving out from the net value value of cattle etc., as experience has amply demonstrated the impossibility of apprehending them when needed It is found that similar exaggerated value of a house, whatever may be the cost of construction, depends upon demand and supply and it is a well-recognised fact that in villages, as at present populated, there is practically no demand for houses. It would therefore be safe and satisfactory to all concerned that only nominal values of houses should be noted in the property statements values that will be realized in forced sales Again, several members in almost all societies own only the roofs while the sites belong to others. As the owners of such roofs can be ejected and the demolished roofs can fetch practically no price, it is safe to ignore such items altogether in the property statements. Para 3 of the review of the aid rendered by Unions in 1925-26 contained suggestions somewhat on these lines and it is unfortunate that they have not demanded of Unions and societies that attention that they deserved. It is hoped that Unions would so shape their action in this behalf at least in the future so that there might be no more necessity to advert to this question. The property statement prepared by the Panchayat on the lines indicated above should be placed before the General Assembly for approval and a copy thereof should be sent to the department, union and the bank with a declaration that the entries are true and correct. (*From a note by the Secretary, The Tanjore District Co-operative Central Bank, Kumbakonam dated* 14—5 – 1928).

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## THE XVI MADRAS PROVINCIAL CO-OPERATIVE CONFERENCE, RAJAHMUNDRY

A REPORT BY DR. P. GURUMURTHI,

*Chairman, Reception Committee.*

Rajahmundry had the unique honour of holding the 16th Session of the Madras Provincial Co-operative Conference on the 6th, 7th and 8th April '28 under the distinguished presidentship of Prof. Radhakamal Mukherjee, M. A, Ph. D., of the Lucknow University. The Conference has been pronounced an unqualified success. The Reception Committee organised by the East



Godavery District Federation and joined by 25 Individual c -operators, 13 Banks, one Federation, 15 Unions, and 6 Urban Banks was in charge of the arrangements for the large number of delegates and visitors; it did its best to make the delegates and others feel comfortable and at home. The Conference was held in the Veeresalingam Theistic High School Hall and boarding arrangements were made in the Government Arts College Hostel, while the Nalam's Choultry, Pithapuram Raja's bungalow and the Government Arts college hostel were improvised for the purpose of lodging the delegates and visitors. Most of the delegates coming from the South were lodged in the Arts College hostel itself, while those from the Andhradesa were lodged in the Nalam's choultry. Thus Rajahmundry has had to congratulate itself on the facilities it could offer to the guests from outside and on the very successful session of the conference itself. In a brief but instructive and inspiring speech, Mr. A. Ranganadha Mudaliar, B. A, B. L., Ex-Minister, opened the Conference. Dr. Mukherjee, the President, dealt in an exhaustive and thorough manner with the various aspects of the co-operative movement. Altogether the Conference was in session for three days and transacted much useful business.

### *Delegates and Visitors.*

244 delegates from all parts of the Presidency attended the Conference and contributed to the success of the Conference and a special feature was the attendance of quite a large number of delegates from the Tamil Districts. There were also several distinguished visitors whose presence at and participation in the Conference was a source of special pleasure and encouragement to the organizers. Among visitors were Dewan Bahadur M. Ramachandra Rao Pantulu Garu, Rao Bahadur N. Gopalaswamy Iyengar, Registrar-General of Panchayats, Mr N. Subba Rao Pantulu and Gudur Ramachandra Rao Garu, H. M Hood Esqr, I. C. S., Registrar of Co-operative Societies, along with Messrs N. Ranganadhachary, C. Bhaskara Rao Naidu and other Deputy Registrars. The general public also evinced good enthusiasm in the proceedings by attending in large numbers, while the students of the Local Arts College and the Supervisors of the Local Co-operative Unions in the District and supervisors under training exhibited their zeal for public service by serving as volunteers.

### *Exhibition.*

One of the most interesting features of the Conference and that which attracted a very considerable amount of attention from all quarters was the Agricultural Exhibition held in the Veeresalingam Theistic High School by the Government Agricultural Department. There were also exhibits sent in by Leather Trade Institute, Madras, Kerala Soap Institute, Calicut, and Government Industrial Institute.

*Finance.*

We append herewith statements of receipts and expenditure.

*Conclusion.*

The proceedings of the Conference have already appeared *in extenso* in the Madras Press and therefore need not be recapitulated. The general opinion as already stated was that the Conference was a success from every point of view. There are several factors which contributed to rendering the Conference so and we desire to express our feelings of profound gratitude for the help and co-operation we received from the general public. In particular we wish to thank Mr. J. Gangannah, B. A., L.T., Headmaster of the Veeresalingam High School and Mr. K. Sriramulu, Secretary, Veeresalingam School Committee, for kindly placing the Veeresalingam School Hall at the disposal of the Reception Committee for holding the sessions of the Conference. We also wish to thank Mr. W. M. Brierly, B. A., Principal of the Government Arts College, for having kindly placed the hostel and the college at our disposal. Our special and sincere thanks are due to Mr. B. Apparao, M.A., L.T., Warden of the Metcalfe Hostel, for having undertaken to help us in all possible ways in the matter of lodging and boarding, and our thanks are due to the managers of the Nalam's Choultry and the Pithapur Raja's Bungalow for lending the use of the buildings under their respective charges forthe purpose of lodging the delegates and visitors. Last, but not least, our thanks are due to those who agreed to help us in every possible way by serving as volunteers in the Conference. There is one thing however that has to be emphasised in this connection since it serves to distract somewhat from the usefulness of the otherwise important deliberations of the conference such as the one under review. The practice has been obtaining of conducting the proceedings of the co-operative conference in the English language which is understood by only a very small section of the people and this year also the same practice was observed with the result that many people who were eager to follow and benefit by the addresses and speeches could not do so and had to go away disappointed. It seems to be an imperative necessity to introduce the practice of holding the proceedings in the vernacular, if the masses of the people are to derive any enlightenment and advantage from them, as they ought undoubtedly to do. With this one resolution and with the further observation that the resolutions passed at the Conference after mature consideration and bearing upon the different aspects of the future work of the co-operative movement in this presidency at this juncture, deserve the careful perusal of every co-operator, we conclude this report.



**Statement of Receipts and Charges.**

| *Receipts* | | Rs. | As. | P. | *Payments.* | | Rs. | As. | P. |
|---|---|---|---|---|---|---|---|---|---|
| Reception fees | ... | 1,024 | 0 | 0 | Boarding charges | ... | 1,205 | 12 | 3 |
| Delegate fees | ... | 484 | 0 | 0 | Conveyance and Travelling charges | ... | 408 | 2 | 0 |
| Donations | ... | 821 | 12 | 0 | Coolies etc. | ... | 34 | 13 | 3 |
| Boarding fees | ... | 456 | 2 | 0 | Stationery and goods | ... | 555 | 7 | 6 |
| Sale of goods | ... | 303 | 9 | 0 | T. A. supervisors | ... | 68 | 4 | 3 |
| Advance | ... | 103 | 0 | 0 | Advances refunded | ... | 103 | 0 | 0 |
| Other items | ... | 4 | 2 | 0 | Advances | ... | 195 | 8 | 0 |
| Advance recovered | ... | 195 | 8 | 0 | Remuneration for Clerical work | ... | 30 | 0 | 0 |
| Other collections | ... | 4 | 7 | 6 | Railway freight | ... | 9 | 13 | 0 |
| | | | | | Commission on cheques | .. | 0 | 12 | 0 |
| | | | | | Rents | ... | 15 | 0 | 0 |
| | | | | | Remittance charges | ... | 0 | 10 | 0 |
| | | | | | Printing | ... | 198 | 2 | 6 |
| | | | | | Press telegrams | ... | 19 | 2 | 0 |
| | | | | | Postage | ... | 94 | 5 | 6 |
| | | | | | Lighting charges | ... | 18 | 0 | 0 |
| | | | | | Total | ... | 2,956 | 12 | 3 |
| | | | | | Closing balance | ... | 439 | 12 | 3 |
| Total | ... | 3,396 | 8 | 6 | Total | ... | 3,396 | 8 | 6 |

(Sd.) P. GURUMURTHI,

## XIV U.P. CO-OPERATIVE CONFERENCE.

(*Aligarh, 3rd, 4th & 5th Feb. '28.*)

RESOLUTIONS.

I. Resolved that the department be requested to arrange for the training of Group Secretaries along with the supervisors at suitable centres.

Resolved further that, in order to facilitate the training and appointment of member-secretaries, the work should be taken up in a group of about 15 societies at a time by a supervisor who has been for the time being relieved of the charge of other societies, and after that group is completed, he should similarly take up another group.

II. Resolved that it should be brought to the notice of banks and societies that under the existing bylaws they are empowered to advance loans to members above their normal credit up to the limit of maximum credit in special cases.

III. Resolved by a majority that the Government be requested when appointing new Inspectors to allot at least 50 per cent of the new posts to competent managers.

IV. Resolved that the Education Department be moved to include object-lessons on 'Co-operation' in text-books prescribed for vernacular schools, including normal training and Girls' schools.

V Resolved that the Conference is of opinion that the Standing Committee of Co-operators (the proposed Provincial Committee) should be entrusted with the work of preparing the agenda for the Provincial Co-operative Conference and also fixing dates for the Provincial Co-operative Conference in consultation with the Reception Committee.

VI. Resolved that this Conferenee recommends that for the purpose of constituting the proposed Provincial Committee the Central Banks of the Province be divided into 23 constituencies each constituency returning one representative.

VII. Resolved that this Conference recommends that every Central Bank should reorganise its societies as early as possible, where necessary, and where the movement is healthy and genuinely co-operative, the department should encourage the formation of new primary societies.

VIII. Resolved that this Conference recommends that Group Conferences of primary societies should be held at suitable centres in the district, the societies to select their own place and programme.

IX. Resolved that this Conference recommends that better farming should be encouraged in suitable co-operative societies in co-operation with the Department of Agriculture.

X. Resolved that this Conference recommends that adult education be introduced in co-operative societies or co-operative societies formed for adult education where suitable trained teachers are available in consultation with district boards and in particular with the Deputy Inspector of Schools.

XI. Resolved that this Conference recommends that attempts should be made to improve sanitation in societies in co-operation with Health Department.

XII. Resolved that this Conference recommends that societies should be encouraged to make provision for the promotion of thrift by curtailing ceremonial expenses and by combating extravagant customs.

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## SPECIAL TYPE SOCIETIES.

*(Reviews of audit orders of the Department for 1926-27.)*

24. THE TADALANKOIL LAND RECLAMATION C. S. LTD., (TANJORE DT.,). It is gratifying to note that though the society did no work during the year which is the third year of its existence, the society got a net profit of Rs. 86-5-0. At the same time we cannot but regret to note that the



President of the society was the one defaulter of a paltry sum of Rs. 27-13-4. This could have been avoided if he had felt his responsibility as a member, more so as the chief office-bearer of the society. We hope that the amount would have been paid during the present year and that this sort of indifference on the part of an office-bearer will not recur in future.

25. KUMBAKONAM CO-OPERATIVE STORES LTD., The year under review was the ninth year of its working and the society seems to have been for a long time past eating its own vitals. This would be clear to the readers when we point out from the audit review of the Department that the society incurred a loss of Rs. 84-7-0 for the year and Rs 431-13-0 is its total loss taken for a number of years past. The Deputy Registrar has recommended for its early liquidation and though it is now nearly six months since he made the recommendation, we are surprised not to find its name among the liquidated societies, a list of which has been published in the Bulletin till the end of February last. Perhaps the society has been revived. If so, we thank the persons who may be responsible for its revival.

26. KOTHANGUDI CO-OPERATION IRRIGATION SOCIETY, (TANJORE DT.,) The society has had a very slow growth for the last four years but seems to have been doing some useful work for the members it serves. Though it had earned a net profit of Rs. 2-7-0 during the year under review, the amount has become merged in the net loss of the previous year, viz., Rs. 6-13-0, thus leaving a net loss of Rs. 4-6-0 for both the years. The society has spent Rs. 206-8-0 towards charges for silt clearance, watch establishment and contingencies while the irrigation tax collected and due from members amounted to Rs. 170-4-8. It would be advisable if the society cuts its coat according to the cloth.

27. MELATTUR 1ST SETTI CO-OPERATIVE IRRIGATION SOCIETY LTD., It is said in the audit order that Rs. 203-4-0 remained uncollected at the end of the year from the members towards irrigation tax and that individual details for the amount are not available. This state of things is bad and it is hoped that the Deputy Registrar's suggestion to maintain a D.C.B. register in the form given by him in the report. Then alone it would facilitate collection of dues by members. If the office-bearers had been a little more careful with regard to the maintenance of accounts and collection of dues, the loss the society had sustained during the year, viz., Rs. 74-15-0, could have been avoided.

28. JAYANKONDACHOLAPURAM CO-OPERATIVE LABOUR UNION, TRICHY DT., Individuals as well as societies are allowed as members. It is said in the audit order that a sum of Rs. 179 remained uncollected towards share capital at the end of the year under review. We hope steps would have by now been taken to collect the amount and that members and office-bearers of the society would feel it their duty to see that share capital, the primary source of strength to the society, is collected fully and new members admitted into the

society. However it is satisfactory to note that the society has earned a net profit of Rs 129-12-0 for the year. It is hoped that immense improvement will be shown at the end of the present year.

29. VALLAM CO-OPERATIVE LOAN AND SALE SOCIETY (TRICHY DT.) The society seems to have had a slow but steady growth during the last four years of its existence. It has earned a net profit of Rs 234-14-0 for the year under review and we hope that in future years it will develop into a bigger and more useful organisation, as more individuals, in fact all the ryots in the village, and as many more societies round about the village, could join and get themselves benefited.

30. VADAPATHI CO-OPERATIVE IRRIGATION SOCIETY. There appears to be the same state of things in this society as in its sister institution at Melattur. Though the society has earned a net profit of Rs. 270-14-0 for the year, its management does not seem to be regular. The Deputy Registrar repeats the same remark as in the case of the other society that individualwar details of irrigation fees still remaining uncollected are not available. Thus, Rs 1,400 is reported to have remained uncollected at the close of the year under review. We hope the management would have by this time not only maintained accurately the register suggested by the Deputy Registrar in his audit order but also collected the whole amount up-to-date.

31. MOOLANGUDI AGRICULTURAL SOCIETY. (TANJORE DT)., It is said that there was stock of manure and seeds to the value of Rs. 901-15-0 at the close of the year. We are unable to understand why the society should have purchased a far larger quantity of the articles than was required by the members. Perhaps this was due to excessive speculation which is far from the ideal of co-operation. It is hoped that the society would in future take a good lesson from its past experience and avoid such unhealthy speculation. The best course to be adopted would be to get an indent from every member of his approximate requirement for the year and make a collective indent for the articles on behalf of all the members.

32. SIDHAMALLI LAND RECLAMATION CO-OPERATIVE SOCIETY. (TANJORE DT) It is said that the society failed to remit Rs. 24-9-0 to Government towards interest due. But we are unable to understand why the society sought this blame for itself though it had Rs. 151-11-0 cash on hand and in Bank on the closing day of the year. Further a sum of Rs. 232-8-0 remained uncollected towards share calls till the end of the year. We hope the society would have by now made itself correct and up-to-date in all its transactions and would continue to be so in future.

33. REDDIPALAYAM CO-OPERATIVE LABOUR SOCIETY LTD, (TANJORE DT)., A cursory glance through the audit order issued by the Deputy Registrar, Trichinopoly Circle, and the inspection notes of the Special Senior Inspector, Tanjore, on the working of the socioty for the year ending March '28 shows many irregularities in the conduct of the society which may, if not rectified in time, prove very dangerous to the well-being of the institution. The following among the many irregularities pointed out by the Inspector would, we hope, have been by this time rectified :—



(1) Collection of share capital :—Signatures of members have not been obtained in the admission book and a sum of Rs. 235-4-0 remained uncollected from members towards share capital calls on the last day of the year under review. The Secretary himself has defaulted and this is merely setting a rather bad example to other members.

(2) Issue of receipts for loans :—The society has not been in the habit of issuing printed receipts for loans taken from the Central Bank then and there and it seems the Central Bank also never insisted upon the same.

(3) Advances :—Giving heavy advances for works conducted by the society without the sanction of the Directors is not allowed in the bye-laws. Such heavy advances should never be given without getting the necessary documents executed by the parties getting the advances with one or two sureties as suggested by the Inspector, as then alone recovery of the advances would be easy

(4) In a contract work which cost about Rs. 787-6-0, it is said that detailed vouchers are not available for items of expenditure and that consolidated amounts have been debited largely. It is highly objectionable that the person who spends on behalf of the society should himself sign in the various vouchers presented for audit. It is only proper that the executive of any institution should get the necessary vouchers from the parties to whom disbursements are made then and there, however small the amounts may be.

Other defects, such as that maintenance of the necessary ledgers and account books, submitting monthly progress reports etc., fixing of specified rates of T. A. to the Secretary and the reduction of the staff in keeping with the volume of work turned out by the society have been pointed out by the Inspector and we hope that the management would have seen its way to rectify them.

## DISTRICT NEWS

RURAL RECONSTRUCTION AT ALAMURU :—The Executive Committee of the Ramachandrapuram Co-operative Central Bank met on the 1st May and resolved to conduct a rural reconstruction centre at Alamuru in accordance with the wishes of the General body of the Bank which has empowered and placed at the disposal of the Board of Management a sum of Rs. 1,000 out of the Bank's Common Good Fund for the cause. Alamuru Village has been fixed as the centre for the work. Mr. and Mrs. G. Veerabhadra Rao have been appointed as propagandists for imparting physical and moral training to boys and girls in the area. Mr. P. Narasimhamurthy, a supervisor of the Alamuru

Co-operative Union, has been appointed as a propagandist to work up panchayats and libraries and organise cottage industries. It was also resolved to purchase a stud bull for the propagation of good breed of cattle and Rs. 100 allotted for pamphleteering work. The propagandists will have to work under the directions of Mr. M. Satyanarayana, Honorary Rural Worker, Alamuru.

* * *

ALAMURU, AN ALL-ROUND PROGRESSIVE CENTRE :—Prof. Radhakamal Mukerjee of the Lucknow University and the President of the XVI Madras Provincial Co-operative Conference held in April last at Rajahmundry visited Alamuru on 8th of that month. He met a number of houses of the labourers and cultivators of the village and made enquiries of their economic condition. He inspected the records of Alamuru Co-operative Society and noted the following remarks in the visitors' book :—

" I spent a few hours in the village, and was surprised to see the all-round progress made in every direction for which this Primary Society is so much responsible. This is, indeed, one of the best managed co-operative institutions seen by me in the country".

* * *

THE CITY CO-OPERATIVE BUILDING SOCIETY, MADRAS :—The third annnal meeting of the Society was held recently in the premises of the C. R. C. Branch School, Purasawalkam with Mr. S. Rajagopalaswami Mudaliar, President of the Society in the chair. The large audience present included Sir K. V. Reddi and a few ladies. Mr. G. Sriram Babu Naidu, the Honorary Secretary, presented the annual report of the society for the last year for adoption. A cursory glance through the report reveals a slight increase in share capital over the previous year's and the net profit Rs. 564 as against Rs. 330 of the previous year. The society has been keeping up its obligations to Government well and its work has been satisfactory during the year. Seven new dwelling houses have been completed within the year valued at Rs 26,400. The society was started in January 1925. It lends to members at $7\frac{1}{2}$ % and out of the profits, it keeps apart 25 % to Reserve Fund as per its bye laws and out of the remainder it has declared $6\frac{1}{4}$ % as dividend for the year under report owing to its economic management.

Important among the resolutions passed by the meeting were the following :—(1) To extend the area of operations of the society to the whole city and to include among its objects the redemption of mortgages on house sites and buildings by the grant of long terms loans and to help the city tenants to acquire lands under the City Tenants' Protection Act. (2) To enable members to hold shares up to the value of Rs. 1,250 and permit them to withdraw their share capital in accordance with the Department circulars ; and to extend the time for repayment of loans to 30 years in suitable cases. (3) Urging upon the Government the necessity to reduce its lending rate half per cent above the rate at which they borrow and also informingt hem that the penal interest charged by them at present, viz., 10 %, on overdue amounts in addition to the



$6\frac{1}{4}$ % ordinary interest on loans is a great hardship and the penal interest should in no case exceed 4%.

The following were elected as Directors for the ensuing year :—Messrs. S. Rajagopalaswami Mudaliar (President), S. Govindarajulu Naidu (Vice-President), G. Sriram Babu Naidu (Honorary Secretary), Rao Sahib C. Gnanaprakasam Pillai, C N. Vidyanatha Mudaliar, C. V. Jayaram Mudaliar, Dr. E. M. Doraiswami, S. S. Solomon and P. S. Sundara Mudaliar.

The meeting closed with an "At Home" to the members and a vote ol thanks to the Chair.

* * *

P. C. U. NON CREDIT PROPAGANDA : —Mr. K. L. Narasimha Rao, Convenor, Non-Credit Committee, the Provincial Co-operative Union, writes :— Non-credit Co-operation is not much understood and hence little practised in India. So the Non-credit Committee of the Madras Provincial Co-operative Union has undertaken the work of propagating the principles of Non-credit Co-operation, on a wide scale, so as to popularise this side of the Movement and evoke sufficient enthusiasm to work it. No movement can progress unless its ideas are made to permeate among the people by means of propaganda ; and no amount of money spent on propaganda will be too much if a movement is to thrive and grow. And so it is with the Co-operative Movement. I hope and trust the Madras Provincial Co-opertive Union, under the regime of its new executive and its worthy President, the Hon'ble Mr. V. Ramadas, will devote a good portion of its income for propaganda in the coming year, and allot a decently good part of it specially for propaganda on Non-credit Co-operation, so as to enable it to develop as rapidly as Credit Co-operation. I also earnestly request the members of the Dt. Federations and directors of the Central Banks who are running training classes in several parts of our country to give to students some course of training in Non-credit Co-operation as well. The Non-credit Committee of the P. C. U. will do all that is possible, by way of arranging lectures to speak about Non-credit Co-operation to students of the training classes if the authorities in charge of the training classes inform the Convener of the Committee previously.

Prof. S. K. Yegnanarayana Iyer and myself visited in April last several places in the Andhra Desa (Gudivada, Tenali, Rajahmundry, Cocanada, Vizianagaram, Palasa and Nellore) and addressed public meetings at each of those places. The Hon'ble Mr. V. Ramadas was also with us during the major part of our tour. We saw the working of the various institutions in the several localities and exchanged views with regard to efficient working of societies with local co-operators there. Of all the Non-credit societies in the Andhra Desa, the Students' Co-operative Store at Cocanada and the Co-operative Provision Store at Vizagapatam need special mention (about which I will write in detail in the next issue of the Bulletin). We have also visited the rural centre run by the Y. M. C. A at Indukurpeta, Nellore District, under the able superintendence of Mr. Swamidas who was kind enough to explain to us the scheme as is being worked there. Our thanks are due to the co-operators in various localities who received us right royally, making us feel proud of the unity and strength and above all love of co-operative brotherhood, for the promotion of which we are all striving.

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# GOVERNMENT ORDERS.

## Copy of G. O. No. 568 Mis, Development, dated the 28th March 1928.

ABSTRACT :—*Co-operative Societies—Examinations—Co-operation and Auditing—Instituted.*

The Government approve the proposals of the Registrar of Co-operative Societies that Inspectors in the Co-operative department should be required to pass an examination in the following subjects :—

Book-keeping
Banking
Co-operation
Auditing.

As the Registrar considers that the syllabuses for the Government Technical Examinations in Book-keeping and Banking are sufficient, no separate tests in those subjects will be instituted.

2. In regard to 'Co-operation' and 'Auditing', the Government approve the syllabuses for these examinations submitted by the Registrar in consultation with the Chairman of the Board of Commerce. These examinations will be included in the scheme of Government Technical Examinations conducted by the Commissioner for Government Examinations. The examination on 'Co-operation' will be divided into two papers 'Historical and General' and 'Law and Practice in India', while that on 'Auditing' will consist of one paper. Candidates who obtain not less than 55 per cent of marks will be treated as having passed in the First Class and those who obtain less than 55 per cent but not less than 35 per cent as having passed in the Second Class, but the latter will be allowed to appear again for the examination to gain a pass in the First Class. Candidates will not be allowed the use of books in answering the papers. A fee of Rs. 12 will be levied from the candidates who appear for the examinations.

3. Senior Inspectors should pass the tests on Book-keeping and Banking in the Higher Grade and on Co-operation and Auditing in the First Class and Junior Inspectors in the Lower Grade or in the Second class.

4. In the case of candidates for employment and promotion in the Co-operative Department, preference will be given to those who have passed the above tests. Candidates without these qualifications, if appointed, will be required to pass the examinations within two years of their appointment and they will not be confirmed till they pass the tests.



II

## Copy of G. O. No. Misc 778 (Development) dated 28th April 1928

ABSTRACT :—*Co-operative Societies Audit reports—Primary Societies—supply of copies to Central Banks etc., on payment of cost—account—maintenance—orders passed.*

The Government approve the proposals of the Registrar of Co-operative Societies to supply co operative institutions with copies of audit reports of primary societies at 4 annas each, and to have such fees remitted into the Treasury and drawn whenever required for meeting the pay of the copyists employed on copying work and other charges. The Accountant - General is requested to issue instructions to all Treasury officers to open an account for the purpose. The Registrar should maintain *pro forma* account for watching expenditure, so that the cost of the copying establishment does not exceed the fees recovered for furnishing copies of the reports.

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# Registrar's Circulars and Proceedings.

XV

SUBJECT :—*Primary Societies—duties and responsibilities of Presidents and Secretaries in regard to cash balance (Circular No. B. 244/28, dated 18th May 1928.)*

The Registrar has reasons to believe that the procedure adopted by many rural societies in the matter of collecting money and accounting for it is unsatisfactory and irregular. Sometimes moneys are collected and left with persons who have no authority to keep them with the result in such cases it is frequently very difficult to find out exactly who is in possession of the cash balance. The by-laws of societies and the instructions printed at the foot of the Day Book form in Mr. Hemingway's Manual on page 280 indicate clearly who should maintain accounts and who should keep the cash. These instructions were intended to be copied or printed and pasted in the front pages of the Day Book and as a matter of fact many societies had this done until recently. District Federations are advised to get slips printed containing instructions as to how to maintain each account book (these instructions are found printed at the foot of each account form in Mr. Hemingway's Manual) and supply them to societies

2. As it now seems desirable to indicate to societies in detail the procedure contemplated in the by-laws in the matter of collecting money from their members or others and accounting for it, the following instructions are issued :—

By-law 25 of the model by-laws of rural credit societies prescribes that 'for moneys paid by members the receipt shall be signed by the President or

The effort to supply its members at the lowest prices has forced on the Consumers' movement back to successively earlier stages in the industrial process—from retail to wholesale distribution, from distribution to production and attempts to control raw materials, from production to finance.

the Secretary or the Assistant Secretary whoever is selected by the Panchayat to discharge this function.' This means that there should be a resolution of the Panchayat selecting the person to sign receipt. Under by-law 23 of the same model, the President is the Treasurer of the society and shall have the custody of all its properties. This means that all moneys collected shall be left with the President. The actual collection work will, however, be in the hands of the Secretary, who according to clause (b) of by-law 23 is the executive officer of the society and who also writes up the accounts of the society. The procedure to be adopted will, according to the above by-laws, be as follows :—

When a member comes to pay his dues to the society, the Secretary will look into the account books, make the calculations and tell him the amount to be paid. If he (the Secretary) is authorised under by-law 25 to issue receipts, he will at once receive the money, issue a receipt and make the necessary entries in the account books. At the close of the day, he will total up the Day Book and strike the cash balance and hand it over to the President and obtain his signature in token of having received the amount which shall be expressed also in words and also himself sign the Day Book certifying to the correctness of the cash balance. Where, however, the Secretary is not authorised to issue receipts, he should not receive the cash but cause it to be paid to the President and get the receipt signed by him then and there. In practice this will mean that both the President and the Secretary should be present at the time when the money is collected At the close of the day both the President and the Secretary should sign the Day Book, the former acknowledging the possession of the cash and the latter certifying to the correctness of the account

3. It is necessary that every society should enact a subsidiary by-law prescribing the procedure described above so that it may be authoritative and conclusive. The by-law may also prescribe the amount of cash that the Treasurer may keep with him taking into consideration the circumstance of each society. A society which is working entirely on borrowings from Central Banks need not in ordinary circumstances keep more than Rs 5 as cash balance, as all collections have to be remitted to the Bank without being reloaned. A society which works entirely on deposits will have to arrange to keep a certain amount with the Treasurer. This figure the Panchayat will be able to fix with reference to previous experience. In any case, the subsidiary by-law should prescribe the maximum cash balance that the Treasurer may keep on any day, suitable arrangements being made to keep the excess cash elsewhere or to remit it to the Central Bank in liquidation of its debts.

The subsidiary by-law may take the following form :—

Subsidiary by-law No. dated framed by the Panchayat in virtue of powers conferred on them by by-law 29.

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The essence of profit-making is the retaining by one party of a surplus paid by another party to the transactions; the co-operative dividend, on the other hand, is a restoration of that surplus to the party by whom it was paid.



(1) Where the President is authorised to sign receipts.

"With reference to by-law 25, the President shall be the person to sign receipts for moneys paid by members. When a person wants to pay money into the society, he shall go to the Secretary who after referring to the books tell him the exact amount to be paid by him. The party shall then tender the money to the President and the Secretary shall make the necessary entries in the Day Book and the Counterfoil Receipt Book. The President shall sign the receipt and issue it to the party. At the close of the day, the Secretary shall total up the Day Book, strike the cash balance and write the amount in words. Both the President and the Secretary shall then sign the Day Book, the former in token of having the possession of the balance and the latter certifying of the correctness of the cash balance. The cash balance with the President shall on no date exceed Rs. ".

(2) Where the Secretary or the Assistant Secretary is authorised to sign receipts.

"With reference to by-law 25 the Secretary/Assistant Secretary shall be the person to sign receipts. When a person wants to pay money into the society, he shall go to the Secretary/Assistant Secretary who after referring to his books tell him the exact amount to be paid by him. The party shall then tender the money to the Secretary/Assistant Secretary who shall immediately make the necessary entries in the Day Book and the Counterfoil Receipt Book and issue a receipt. At the close of the day, the Secretary/Assistant Secretary shall total up the Day Book, strike the cash balance and write the amount in words. The amount should then be handed over to the President whose signature should be obtained in the Day Book acknowledging the possession of the cash balance. The Secretary/Assistant Secretary should also sign the Day Book certifying to the correctness of the cash balance. The cash with the Secretary shall not on any day exceed Rs. ".

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## XVI.

SUB :—*Mutual Benefit Fund Schemes—financially unsound—registration on a co-operative basis not permitted. (Proceedings No. Dis. B. 2691/28, dated 24th May 1928.)*

The General outline of Mutual Benefit Funds registered and proposed for membership is that a number of persons join and agree to contribute to a fund to make a contribution to a member on his withdrawing from the fund. The withdrawal may be voluntary, or consequent to retirement from service, or by the death of the member.

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The earnings of the General Motors Co., for the past year wa £2,54,000,000 i.e., over 330 crores of rupees i.e., nearly 3 times the annua revenue of British India!

In order that the fund may be a material one, the membership must be considerable but in order that it may not be too unwieldy, it is usually limited to a membership of 2,000.

The usual contribution is 1- per head on death or retirement after a considerable period. In other cases it is limited to Rs. 0-8-0 per head and $\frac{9}{10}$ of the proceeds is usually paid to the beneficiary $\frac{1}{10}$ going to the Reserve Fund or other funds of the society.

In some of the bylaws, the number of calls is limited to 3 per month, any excess beyond that lying over to future months. In other cases there is no such limit.

The whole membership of 2000 must either die or retire from service within 35 years, that is to say the average number of calls must be 57 or approximately 5 per month. With any fund started now, only death benefits will be paid during the first 5 years, retirement calls are not paid within 5 years of joining the fund and consequently to start with retirements are few at first with the result that later on the average of 5 calls must be greatly exceeded.

These benefit funds are intended for the benefit of clerks and others drawing a low salary. Obviously a fund can only carry on for a short time if calls are limited to 3 a month while if they are not so limited the calls must inevitably on occasions come as a heavy burden on the members.

The limitation of calls to 3 per month must inevitably therefore lead ultimately to the indefinite deference to the payment of benefits while the abolition of the limit must result in an increasing number of calls monthly.

Assuming that the rules provide that a member may continue his membership of the fund after his retirement, an actuarial valuation shows that when the fund becomes stable the number of death calls to be anticipated is 55 per annum and members can expect to have to pay on an average Rs. 5 a month This is a very high insurance rate for a life policy for a man of 25 to insure his life and though at the start of the fund there are older men in it—Government servants joining must do so on confirmation—it is expected that the bulk of new entrants will be young men. For Rs. 4 a month a man can insure his life for Rs. 2,000 with any sound commercial insurance company. But under this scheme a man insures his life for Rs. 1,800 paying a fluctuating amount on demand averaging about Rs. 5 a month.

This Mutual Benefit Scheme combines life insurance with a provident fund providing a definite amount to be paid on retirement. If he is to live and draw the amount on retirement, he must pay about Rs. 5 a month and get Rs 900 or Rs 1,800 according to the rules on retirement after 30 years since he has





paid Rs. 1,800 at least and received no interest on it. Rs. 2 a month invested in a provident fund with interest at 5 per cent will produce as much.

In all the rules that I have so far seen in use or drafted, the middle-aged man gets very good terms and benefits at the expense of the younger men. The younger men could get far better terms by

(a) insuring their lives with a first class insurance company, and

(b) contributing to a provident fund.

In these schemes the benefits are disproportionate to the contributors, the contributions are fortuitous and demands may easily go beyond the power of the junior members to meet them and for the younger men the prospective benefit is inadequate. I therefore consider these schemes unsound.

## XVII.

SUB :—*Overdue and time-barred loans where both borrower and surety are dead—collection.* (*Circular No. 10 Spl. /28, dated 25th May 1928.*)

The Registrar has reason to believe that in many cases prompt steps are not taken by panchayatdars to recover overdue loans when both the borrower and surety are dead.

2. Under by-law No. 10(1) of the Model by-laws for primary societies the membership of a deceased person shall *ipso facto* cease. When a surety dies the panchayat are required under by-law No 51 to close the loan account if proper arrangements are not made by the principal borrower either to repay the loan within the time fixed by the panchayat or to produce a fresh surety and recover the loan amount in full. The responsibility of the panchayat to take immediate steps for recovering a loan is greater when both the borrower and the surety are dead. Panchayatdars of the primary societies are therefore requested invariably to take immediate steps for the recovery of such loans. Panchayatdars are personally responsible for any neglect on their part which results in overdue loans becoming time-barred.

3. Members of the governing body of the union should impress on the panchayatdars of affiliated societies the importance of the recovery of overdue debts.

XVIII.

SUBJECT :—*The Malabar District Co-operative Union—Inspection by the Registrar of Co-operative Societies. (Proceedings No. Dis. B. 2464/28, dated 26th May 1928.)*

* * *

II. The Registrar considers the Federation should have complete control over the supervision fund of the District and it is also essential that supervisors should be in a District cadre controlled by the Federation.

III. The supervision of the District should be in the hands of a cadre of supervisors at 1 for each union or 25 sccieties plus a small reserve for leave arrangements and for doing any special work. These ordinary supervisors should be paid at least Rs. 30 plus a fixed Travelling Allowance of Rs. 10. There should also be at least four on a higher grade on 50 plus 10, to attend to rectification of societies which could not be done by and are beyond the powers of the ordinary supervisors. At the head of all this staff, there should be a District Supervisor for technical control The ordinary supervisors should work under unions and the higher grade supervisors under the Federation dealing with bigger societies which may be disaffiliated from unions if necessary.

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# CORRESPONDENCE.

## Stamp duty on Arbitration awards in Co-operative Societies

I

Copy of letter, dated 15-2-1928, from the President, The Nilgiris Public Servants' Co-operative Society Ltd., Ootacamund, to the Registrar of Co-operative Societies, Madras.

Sir,—I have the honour to invite a reference to the Notification of the Governor-General in Council, No. 2781 F, dated 23rd October 1919, (Finance Department—Separate Revenue—stamp), under which the Government have remitted the stamp duty leviable on instruments executed by or on behalf of any Co-operative Scciety for the time being, registered or deemed to be registered under the Co-operative Societies Act, or instruments executed by an officer or member or any such Society and relating to the business of the Scciety. The question has been raised if the notification applies to awards of arbitrators in disputes to which Co-operative societies are parties. It is obvious that, even by implication, the notification cannot be deemed to exempt such awards from the stamp duty (which may amount to Rs. 5) due under Article 12, Schedule I of the Stamp Act. That this is the correct interpretation to be put on the notification has been recognised by the Governments of Bombay and Punjab, at whose instance the Government of India have issued special notifications exempting the awards in cases to which Co-operative Societies in those Presidencies are parties, from the duty leviable under the Stamp Act. (*Vide* Notification No 6401 ; dated 27-6-1916, at page 1372 of the Bombay Government Gazette dated 29—6—1916 Part, I, quoted at page 324 of Mr. Eubank s Manual for Co-operative Societies in the Bombay Presidency and the footnote at page 130 of Calvert's Law of Co-operation.) I have been unable to find any Notification of the Government exempting the awards in proceedings to which the co-operative societies in the Madras Presidency are parties from the duty leviable under the law At page 88 of Mr. Hemingway's Manual, I however find it stated that these awards are exempt from the duty leviable under the Indian Stamp Act and may be written on plain unstamped paper. I shall be much obliged if you will kindly refer me to any Notification of either the Government of India or of the Local Government on which Mr Hemingway's statement is based. You will readily recognise that, in the absence of a notification, the statement in Mr. Hemingway's Manual can have no legal force. If, however, there is no such notification, may I request you kindly to consider the desirability of moving the Local Government for the issue of such a Notification

2. I need hardly say that by issuing such a notification, Government will be only extending a concession already granted to the societies in the Presidencies of Bombay and Punjab. There appears to be no reason why the societies in this Presidency should be treated separately in regard to this matter from those in the two sister Presidencies mentioned above.

I have etc.,

(Sd) M G. PUNNIACOTTY,

*President, 15-2-1928*

II. Copy of letter No. F. 9 92/28, dated 13-3-1928, from the Registrar of Co-operative Societies, Madras, to the President, the Nilgiris Public Servants' Co-operative Society, Ltd., Ootacamund.

*Subject* :—Arbitration awards—stamp duty—exemption.

Reference :—Your letter dated 15-2-1928 and 29-2-1928.

There is no notification exempting the awards of arbitration from stamp duty.

(Sd) K. SIVASUBRAMANIAM, 19-3,

*Personal Assistant for Registrar.*

III. Copy of letter, No. 274/28, dated 25-3-1928, from the President, the Nilgiris Public Servants' Co-operative Society, Ltd., Ootacamund, to the Registrar of Co-operative Societies, Madras.

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Friend : " There wasn't a very big account of your daughter's wedding in this morning's paper. "

Parent (Sadly) : " No ; the big account was sent to me, "

" See that man, Johnny. Well, he's six feet in his boots. "

" Go on ! You don't expect me to believe that ! You might as well say he's six heads in his hat. "

Sir —Arbitration awards—stamp duty—exemption.

Your letter No. F 992/28, dated 13-3-1928.

I am much obliged to you for the information furnished.

May I take the liberty of enquiring whether you have moved the Government to exempt the awards in arbitration proceedings to which the co-operative societies in the Madras Presidency are parties from the stamp duty payable under Article 11 of Schedule I A of the Stamp Act, as requested by me in my letter of the 15th February last? If, for any reason, you are unable to do so, will you kindly write and tell me so?

I have etc,

(Sd) M. G. PUNNIACOTTY

*President, 22-3-1928*

IV. Copy of letter, No. F. 992/28, dated 31-3-1928, from the Registrar of Co-operative Societies, Madras, to the President, The Nilgiris Public Servants' Co-operative Society, Ootacamund.

Sir, Sub: Arbitration awards—stamp duty—exemption.

Ref :— Your letter No. D. 274/28, dated 24-3-1928.

I have the honour to inform you that Government have been addreseed in the matter.

I have etc

(Sd) T. R. RANGANATHAM, 3/4

*Ag. Manager.*

## Earthquake Disaster in Bulgaria.

*The Hon. Secretary, The Provincial Co-operative Institute, Bombay, has kindly sent to us a copy of the following appeal for publication :—*

INTERNATIONAL CO-OPERATIVE ALLIANCE

ORCHARD HOUSE,

*14, Great Smith Street, London S.W.I.*

*Appeal.*

DEAR CO-OPERATORS,

The great disaster which has overtaken the population of Bulgaria and adjacent States, as the result of the recent earthquakes, has caused immense loss and suffering to co-operators and their organisations.

Several cities and many villages have been almost completely destroyed, and hundreds of thousands of families are without shelter and hundreds of thousands of people are suffering from misery and hunger.

Bobbie: "Dad, we learnt at school today that the animals have a new fur coat every winter."

Father: "Be quiet, your mother is in the next room."



The Bulgarian Government and all sections of the population are putting forth their utmost efforts to secure and afford all possible help.

We have received from the Central Co-operative Organisation at Sofia, "Napred," the following particulars of the destruction and damage to the Co-operative Movement of the country :—

"THE BUILDINGS OF 237 CO-OPERATIVE SOCIETIES have been demolished, their machinery, records and goods are practically destroyed.

Their material losses amount to 200 MILLION LEVAS.

The fine Co-operative Bank of six storeys facing the station at TCHIRPAN has been razed to the ground.

The largest Co-operative Consumers' Societies at the PHILIPPOPOLIS and HASKOVO have sustained heavy losses.

FIFTY THOUSAND CO-OPERATORS and their families are without shelter and the personal losses of Co-operators amount to 700 MILLION LEVAS".

The mere recital of these facts staggers the imagination and excites the instant sympathy and fraternity of co-operators throughout the world.

THE INTERNATIONAL CO-OPERATIVE MOVEMENT HAS NEVER HESITATED NOR DELAYED ITS GENEROSITY IN SUCH A CAUSE. We, therefore, appeal with confidence to every member of the Alliance to forward without delay its generous aid to relieve the sufferings of the Co-operators who are suffering from this catastrophe.

Contributions should be sent to the Office of the Alliance at the above address, clearly marked "EARTHQUAKE RELIEF FUND".

Yours faithfully,

(Sd.) HENRY J. MAY,

*General Secretary.*

## Extracts from Foreign Periodicals.

**Education of women Rural Life.** The practical Education of Women for Rural Life is the subject of a report, just issued, of a Sub-committee of the Inter-Departmental Committee of the Ministry of Agriculture and Fisheries and the Board of Education. In the report the general findings of which are now under consideration by the Departments, the Sub-committee points out that, owing to concentration on the education of men and youths, such provision as exists for women has been made in somewhat haphazard and subsidiary fashion. It is claimed that, through her hold on the present and the rising generation, the woman can do much to promote or to retard agricultural development. In particular, the absence of facilities for instruction in rural domestic economy is regarded as a serious deficiency.

Recommendations relating to the practical education of adult women include the provision of more itinerant instruction in dairying, poultry-keeping and horticulture, of instruction at residential farm institutes, and at an Institute of Rural Domestic Economy. The addition to the Ministry's grant list of a college for women, capable of providing training in agriculture, is also suggested.

The report recommends that steps should also be taken as far as possible to increase the employment of women on county educational staffs, and to improve the representation of women on educational bodies.

The outstanding feature of the report is, perhaps, the very thorough and careful examination given to the question of educating for rural life the girls who leave school at 14 years of age. The absence of further educational facilities for girls at this period is considered to constitute a grave defect. It is suggested, therefore, that organised courses (on the lines of the day courses for farmers' daughters in Derbyshire), giving combined instruction in agricultural, domestic and general subjects, should be provided by county authorities; that corresponding residential courses should be arranged at Farm Institutes and at Secondary Schools in counties not possessing Farm Institutes; and that additional scholarships should be provided to enable suitable girls to take advantage of such instruction.

The final section of the report deals with the education of still younger girls in County, Elementary and Secondary Schools. It is pointed out that, while, in general, the curriculum is satisfactory, the instruction is not always sufficiently related to environment, with the result that girls are not interested enough in their surroundings. As compared with the town girl, the county girl is handicapped by the excessive range of age dealt with by one teacher. It is computed that 60 per cent of the girls in rural schools are eligible for instruction in housecraft and are not receiving it It is further considered that gardening for girls requires considerable development.

It is recommended that further encouragement should be given to teachers to attend courses in rural science, economics, and housecraft, and that, in appointments to headships of rural central schools, preference should be given to teachers with country experience.

(*The Journal of the Ministry of Agriculture, April.*)

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# NOTES AND NEWS.

**A Central Land Mortgage Bank for Madras**

Our readers would have read with great interest an illuminating article on the above subject by the Hon'ble Mr. V.Ramadas which appeared in our Bulletin for May. We are glad to publish as a supplement to this issue another illuminating contribution by him on the whole question of Land Mortgage Banks including a scheme of a Central Land Mortgage Bank. The article is a contribution made to the current issue of the Triveni whose editor kindly supplied us with reprints. These articles deal with the reasons why primary Land Mortgage Banks have not been flourishing and examine how far ordinary rural societies with unlimited liability can be expected to handle mortgage credit as well on a large seale. The informing article in the May issue was followed by a report of the Committee appointed at the Madura Conference, a report which made definite recommendations about the starting of a Central Institution and a set of model bye-laws was also given.

The need for long term credit accommodation to the needy farmer has been accepted by all, but there has not been unanimity of opinion about the means of getting him that credit. Like the proverbial ass, the unlimited liability was made to bear all burden and it was believed that it could serve to get the members of rural societies long term credit as well, and in this Province at any rate (as contrasted with Bombay) rural societies began to lend sums on the security of the property of members for a period up to 10 years and thus incidentally to lose their genuine co-operative nature; but the discouragement of such long term loans made many an honest man dishonest and thus was brought about a situation which has been graphically described as our heading, if not for a disaster at least for a danger.

The real fact seems to be that in no case the starting of a rural credit society seems to have been preceded by an exhaustive economic enquiry, an attempt to find out accurately the assets, liabilities and the repaying capacity of prospective members. If such an enquiry had been conducted, we would have known what has taken us nearly a quarter of a century to find out, that the average peasant requires 3 kinds of credit, short, intermediate, and long. Now that the correct diagnosis has been effected and that what we sincerely hope to be the real cure has also been found out, thanks to our mistakes in the past, we hope no time would be lost in starting the Central Land Mortgage Bank to finance primary land mortgage banks. We invite criticism on the whole scheme. We hope the Government will recognise its duty to the tax-payer and encourage the scheme in all possible ways instead of throwing cold water on it. The scheme adumbrated expects the Government to guarantee interest for a period of five years and to purchase debentures floated at ½ per cent less.

**A New Step Forward.**

The proceedings of the meeting of the Board of Management of the M. C. U. B and of the Bankers' Conference held the next day, published in our last Bulletin, contain among other things the resolution which the financing institutions have accepted about the starting of an Administrative Section in the Central Banks. 'So long as the Co-operative Movement is intact, so long should supervision and finance go together', says the champion of one school of thought. 'Where the federation is doing inspection, there is no need for an inspectional staff in the Central Bank', say the leaders of the opposite school.

Some years back when supervising unions were started, there was a slogan 'Finance and supervision should be separate.' It was based upon an apprehension that banks wherein there was a predominance of individuals would work for their financial security only and give the go-by to all co-operative principles and in their dealings with the primaries would be so many shylocks bereft of all human element. They were therefore asked merely to lend money to primaries and the task of finding out whether the money which they lent was properly utilised and whether the general credit of their clientele was sound, was assigned to the Unions which in due course were federated into Dt. Federations.

Times have altered and almost all the Dt. Banks have for practical purposes converted themselves into Union Banks and the society representatives are not only on the Board of Management in preponderance with few exceptions but also in the Executive Committees of Banks though not in the same proportion as in the Board of Management. Any conflict of interest between the lender and the borrower has substantially vanished because the primaries in combination are the lending central bank and hence it is quite in the fitness of things that they must start administrative sections with a view to discharge their legitimate functions of inspection. The subtle distinction which the Townsend Committee makes between inspection and supervision may not be altogether clear or defensible but in the light of the unanimous resolutions passed



at the Rajahmundry Conference, it is open to the banks to avail themselves of the new opportunities offered for further service to the movement.

Federations have still plenty of work to do. Organisation of new societies is entirely to be done by them. Banks are ill-fitted for the task as the experience of U. P. has shown. Training classes have to be conducted to inculcate correct principles of co-operation among the workers in the districts, new lines of advance have to be chalked out and all these together with the co-ordinating of the work of the various agencies engaged in propaganda will keep the hands of the Federation quite full.

We hope the two institutions with their interlinked constitutions will, as recommended by the Townsend Committee, work in the true spirit of co-operation for the spread of the Movement and of its beneficial influence throughout the length and breadth of their common sphere of activity.

**Some Correctives to Ourselves.**

The biggest co-operative store we have in India is the famous T. U. C. S. of Madras with its 21 branches and over 4,000 members and turnover coming up to about 12 lakhs of rupees a year or something less than £ 1,00,000. It is not a wholesale society but only a big primary society and hence it is obviously unfair to compare it with the C. W. S. Still it would do good to some of us who are never tired of singing praises of this achievement of ours to know that the C. W. S. does business amounting to over £ 86,000,000 a year or about Rs. 120 crores which is roughly the annual revenue of the British Empire in India. At their half-yearly meetings held in Manchester towards the end of April last, the report submitted showed an increase of sales to the extent of £ 5,807,832 during the last half year and if the current half year keeps up the rate (though it is likely to exceed it), the annual *increase* in business alone would be about 16 crores of rupees or the revenue of our Province. Let us calmly ponder over the fact. An organisation consisting mostly of working men does business to the extent of 120 crores a year and goes on increasing at the rate of 16 crores! Yet their business seems to have been transacted with more quickness and calmness than we are accustomed to see in the meetings of the T. U. C. S. Let us realise we have still much to learn.

Another bit of information we should like to present to the self-satisfied members of the T. U. C. S. In one Section of London (East Ham), the co-operators thought of pursuing an aggressive policy. Four years ago, a tiny shop was opened and "from that day to this

(Wednesday 25th of April) 100 new shops had been opened and 150,000 new members had been enrolled" and one of the new shops was an experimental one in which everything sold was of the C. W. S. production. Madras is not London, we admit; but are we anywhere near it and do we try to emulate it? We hope we do, at least some of us.

Now that Madras has started its co-operative milk supply, let us see what London has been doing in the matter. In the first year when the C. W. S. opened its milk department in London in 1919, they sold over 800,000 gallons which works out only about 2,400 gallons a day; but in 1927 it increased to ten times the first figure. It is over 8 millions of gallons. The supply of water to Madras from the Redhills tank is roughly from 12 to 16 millions gallons a day.

**Co-operative Training.**

The attention of our readers is drawn to a G. O. published elsewhere* about the institution of examinations in Co-operation and Auditing, the passing of which together with the already existing examinations in Book-keeping and Banking is made obligatory for employment and promotion in the Co-operative Department. The need for such a preliminary training on the part of those employed in Government service has often been urged by experienced officers. The Townsend Committee observe with regard to the general training undergone by Government staff as follows:—"Even the official staff is, we consider, in many respects insufficiently trained for the proper discharge of its duties. Too much importance cannot be attached to the necessity for adequate education in co-operative principles of all concerned in the movement."**

Hitherto it has been a case of the blind leading the blind. A few months' training in office and fieldwork was considered to be a good enough preliminary training for a recruit to the Co-operative Department whether he be an Inspector, an Assistant Registrar or even Deputy Registrar. The present G. O. refers only to the qualifications necessary for Inspectors. But we hope the underlying principle will be borne in mind even with regard to the recruitment of the higher officers.

We are glad to learn that the Government have already started training classes in 3 areas, Bezwada, Tanjore and Anantapur, and that these classes are very popular. Not only have the young recruits in the Department been asked to undergo training in these classes but many who aspire to get into the service of the Department are also undergoing training in these centres.

*See page 588 of this Bulletin.

**See pages 94 of the Report.



In this connection, we should also like to draw the attention of our readers to an extract published elsewhere* from Janmabhumi, a paper conducted by Dr. Pattabhisitaramayya. While agreeing in general with the ideas expressed therein, we should like to state that if the Co-operative College contemplated by the writer be located in Madras, and if the M. C. U. B., realising that it is not only a money-making machine but should also make men, were to offer a handsome donation of 15 or 20 thousand rupees, the question would arise as to who should run the institution. So far as we are concerned, we believe that there will be no two opinions in the matter. The P. C U. and the P. C. U. alone is competent to run an institution like that, the P.C.U. strongly supported financially by banking institutions and by Government.

We are constrained to observe that there are many disjointed agencies now engaged in Co-operative Education and a co-ordination of their activities and concentration, if possible, in some central place, is highly desirable. Leaving aside the University which has got an advanced course of Economics Honours which includes Co-operation and a less difficult course of Diploma in Economics, we see that not only is the P. C. U. training co-operative workers but also the 3 centres referred to above and also some districts like Chingleput and S. Kanara that receive Government subsidy for this purpose. It is highly desirable that all available talent and resources should be pooled together so that maximum advantage may be taken of existing facilities. We would suggest that the P. C. U. be made solely responsible for an advanced training in Co-operation which should be open ordinarily to graduates and in special cases to "intermediates" also. Government Inspectors and Dt. Supervisors and Secretaries of Dt. Banks and large Urban Banks may be recruited from those who get their training here. Each linguistic area may have a training institution which would take up the S. S. L. C. candidates and give them easier courses to enable them to become effective supervisors of unions. In these classes, greater emphasis will have to be laid upon agricultural co-operation and a study of village conditions and needs. Each district may also conduct a training class in the vernacular of the district for the members and the panchayatdars of the village societies, a short and simple course dealing with the essential principles of co-operation, the ignorance of which, the Townsend Committee remarks, is the prime cause of many of the unsatisfactory features in the present condition of the movement. A graded scheme of training and institutions like this without mutual conflict and competition, if accepted and worked in the proper spirit both by officials and non-officials, is bound to raise the tone of the movement within a short time. We hope the leading non-officials of the Province and the Government will give this matter the serious attention it deserves.

The legitimacy of the premier position of the Madras P. C. U. in this scheme of education has been recognised by the Townsend

*See page 576 of this Bulletin.

Committee itself, and will commend itself to all impartial observers and we hope that no obsession by any partiality for our own institution will be attiributed to us.

**Education of Women for Rural Life.**

'Back to the land' is the cry of the day. As the Townsend Committee report puts it, 'Rural Reconstruction is the new slogan.' But we men have always a partial view of things; we view all questions only from the male point of view. Our schemes of educations are suited for males chiefly and when there arose a demand for female education, the same scheme was made to answer the purpose. Similarly when we are all talking of Rural Reconstruction, we don't think of the woman's side of the problem at all. We think that if we send our young men trained for rural service to villages, the young women whom they would be taking as companions will have to follow suit. The idea of a woman having a strong individuality of her own, an individuality strengthened by the studies she has gone through and the view of life presented to her in schools, scarcely troubles us. But in forward countries where women are not slaves but companions, genuine attempts are made to give to women's education also a rural bias. We draw the attention of our readers to an extract on the topic published in this number. * The employment of lady workers in rural reconstruction work is an absolute necessity and the experiment is being tried at Alamuru in East Godavary Dt. with success.

**The XIV U. P. Co-operative Conference.**

The proceedings of the XIV Session of the U. P. Co-operative Conference held at Aligarh on the 3rd, 4th and 5th of February last, a copy of which the Registrar has kindly sent to us affords very interesting reading. For want of space we have published only the resolutions as finally passed.** They are thinking of starting a Provincial Committee which would be the apex institution in charge of all activities except Banking and we hope the experience of other provinces like Madras and Bombay in this matter would be fully availed of. It is interesting to note that the conference passed a resolution about the restriction of expenditure on religious ceremonies showing that co-operation is not a *mere limited field of man's activity but is a general principle permeating his life as a whole.* We hope that side by side with rectification and consolidation the movement will also be allowed to expand on safe and healthy lines.

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* Vide page 597 of this Bulletin.

** Please see page 581 of this Bulletin.

# Land Mortgage Banks

BY THE HON'BLE V. RAMADAS PANTULU

A well-organised system of rural credit is the greatest economic need of India. The central problem of our rural economics may be summed up in one word. The chronic indebtedness and poverty of the ryot leads to low agricultural production, and low agricultural production in its turn leads to increased indebtedness and poverty. It is indeed moving in a vicious circle. Low agricultural production carries with it three economic implications. *First* of all, it means that the quantity of the produce raised by the nation, per head of the population, is less than what is required for the economic needs of the people. It is an admitted fact that vast masses of our people are under-fed and meagerly-clad, that many of them go without a full-meal a day and many others without two meals. *Secondly*, tow producionl means that the unit of produce got from land in India is less than the unit of produce obtained from an equal area of land in other countries.[1] *Thirdly*, low production also signifies inferior quality of the products and the consequent disadvantages they suffer from in the world's markets in competition with those of other countries. Indian products not only fetch unremunerative prices but are sometimes driven out of those markets. The extent of rural indebtednes. and peasants' poverty have been the subjects of numerous piece-meal investigations by official and non-official agens cies, but so far as I know, no comprehensive survey of it was conducted by any agency. On a rough estimate it is believed that the rural indebtedness of British India (excluding the States) is six hundred crores of rupees and that of Madras Presidency ninety crores. As for the causes of indebtedness, the enquiry made by the Committee appointed to investigate into

[1] I quoted some telling figures comparing the production of staple and commercial crops in India with that in other countries in my article on Rural Reconstruction at page 100 of *Triveni.* The figures were taken from the International Year Book of Agricultural Statistics for 1909 to 1921 which may be usefully consulted in this connection.

the causes of the agrarian riots which occurred in the Deccan in 1875 is, I believe, fuller and more reliable than other enquiries. The findings of the Committee were not merely confined to the immediate causes of the riots but covered a wide economic ground. Sir Frederic Nicholson who examined the causes of agricultural indebtedness in Madras Presidency pointed out that the findings of the Deccan Committee were of general applicability to India, notwithstanding the fact that the inquiries of the Committee were confined to a comparatively small area. It may be that the causes enumerated by the Committee will not be found to operate in the same measure and to the same degree in all Provinces but will be found to be at work more or less all over India, some more predominantly in some Provinces, and others in some other Provinces. The findings of the Committee regarding rural indebtedness are thus summarised by Sir Nicholson himself: (1) Poverty with unproductive soil, precarious climate, and irregularity of income (2) ignorance and improvidence (3) extravagance (4) ancestral debt (5) expansion of credit (6) increase of population without corresponding increase of returns (7) facilities for borrowing owing to influence of money-lenders (8) the Limitation Laws, as leading to renewals on usurious terms including compound interest (9) revenue system of fixed demand. It seems to me that the findings of the Committee are defective at least in one material particular in so far as they omit to mention a very potent cause which appears to have contributed in no small measure to the reduction in the peasants' resources; it is the destruction of Cottage Industries and the consequent loss of income to the ryot by a subsidiary occupation in the off season. Excessive fragmentation of holdings which renders agricultural industry uneconomic and certain other factors are also not mentioned in the findings of the Commission but they may perhaps be brought under one or other of the heads summarised above.

It is true that the indebtedness of the ryot is not a recent evil. It has been an age-long problem. But there are two recent features of it which are causing alarm and anxiety. It is growing in *volume* rapidly. It is also becoming more and more *unproductive.* That rural indebtedness has grown considerably in the last 4 or 5 decades is conceded by no less an official authority than Sir Edward Maclagan. In his brief but illuminating conspectus of the situation as it stood in 1911, he observed as follows :—" It has long been recognised that indebtedness is no new thing in India. The writings of Murno, Elphinstone and others make it clear that there was much debt even at the beginning of our rule. But it is also acknowledged that the indebtedness has risen considerably during our rule and more especially in the last half a century. The reports recorded from time to time and the evidence of annual sale and mortgage data show clearly there has been a very considerable increase of debt during the last half a century." Indebtedness may not in itself be an evil. Debt when productive is as helpful to an agriculturist as capital advanced is to an industrialist. If the growing debt is also becomig increasingly unproductive, as it unquestionably is, then there is real cause for grave anxiety. The agriculturist himself cannot be wholly acquitted of blame for this unfortunate position. It is useless to deny that the agricultural population have had their share of the benefits which have accrued to the country at large by the improvement of communications, by big irrigation schemes, by the opening up of trade and other facilities which developed in the last fifty years. These factors have contributed to impart enhanced values to land as well as to agricultural raw products. The system of land settlement and record of rights, defective as it is, has invested individual ownership in land with an authoritative estimate of value and therefore agricultural land has become a coveted security and in consequence enhanced the borrowing power of the ryot. So the increase in the volume of debt is partly to be accounted for by the facilities these factors have contributed to the borrowing capacity of the ryot. But the tragedy of the situation is that these advantages are not availed of by the ryot to improve his economic condition ; on the other hand he is saddled with a heavier load of unproductive debt. At present the ryot is actually weighed down and is groaning under the burden which he carries on his either shoulder, chronic indebtedness and traditional illiterary. The consequence is that the rural population now lives in an atmosphere of utter depression. Unless the vicious course of rural unproductive indebtedness is arrested, it is bound to lead to economic paralysis if not to economic death.

## HOW TO REDEEM AGRICULTURAL DEBT

What are the remedies for this grave evil? Several have been suggested and some are being tried. Leaving aside such drastic remedies as the overhauling of the land revenue system, radically altering the laws of inheritance and partition, emigration and birth-control to relieve pressure on the soil and the like, the remedies which can be attempted and are likely to be fruitful may be grouped under five heads; (1) removing from the peasant, as far as possible, all causes for uneconomic borrowings and inducing him to confine his wants, within practicable limits, to legitimate objects; (2) adoption of measures to ensure for the peasant fair treatment in the determination and recovery of debts claimed against him, by the improvement in the provisions of the processual and contractual laws (3) adoption of measures calculated to prevent the peasant from experiencing the more serious consequences of indebtedness such as the loss of land or the permanent impairment of capital by restricting the power of alienation over the land (4) relieving pressure on the land by promoting schemes for the reclamation of fresh land and creation of subsidiary occupation; and (5) devising means by which the peasant may obtain such money as he really wants for economic objects on easier terms than are now available and with less disastrous results; in other words, measures undertaken with the object of providing and maintaining credit or redeeming debt. When further analysed, all these remedies centre themselves round one essential factor, the supply of capital and credit on a judicious, controlled and regulated system to the agriculturist. Without providing for capital and credit it is perfectly useless to talk of improved methods of agriculture, making agriculture a paying industry, organising the peasants, and so forth. It is a mistake to suppose that agriculture yields a quick annual return and is therefore a self-supporting industry which can finance itself. Mr. Wolff is absolutely right when he says that "under pressure of advancing times, agriculture has long since become far from the easy, self-rewarding, occupation which it is understood to have once been, a business of money and enterprise like all other business, having the same tasks set to it but not the same means at its disposal wherewith to accomplish the task." This statement is equally true of India, although Mr. Wolff was speaking about other countries.



## RURAL CREDIT AND AGENCIES TO DISPENSE IT: LAND MORTGAGE BANKS

Credit granted for the promotion of any line of agriculture is called Rural Credit and is of two varieties, the short term credit and the long term credit. Of late, intermediate credit, in between those two varieties, is coming into great prominence, specially since the passing of the Intermediate Farm Loan Act of 1923 to supplant the Federal Farm Loan Act of 1916 in America. For our present purposes intermediate loans may be classed with short term credit. Short term credit is, generally speaking, working capital of agricultural industry to meet the current needs of the husbandman, such as cultivation expenses, cost of small repairs, purchase of seeds and manures and so forth. This form of credit should be supplied to him on the security of his current and future income from land over a short period of 2 or 3 years and on personal guarantee and surety-ship. The Co-operative Credit Societies which are established on the German model of Raiffeison type with mutual guarantee and unlimited liability of the members are the best agencies for liberating this form of financial accommodation to the agriculturist. This variety of short term credit and the village primary societies which dispense them are not suited for satisfying the larger needs of the cultivator for purchasing land, effecting permanent improvements to his holding, converting uneconomic holdings into more economic ones by sinking costly wells or installing valuable machinery, discharging prior debts and so forth. Needs of this kind could be satisfied only by long term credit. This form of credit is advanced on the security of the ryots' permanent wealth, namely, his lands and houses, contra-distinguished from his temporary wealth, his annual harvest. So in every country two types of institutions are installed to work side by side to satisfy both kinds of credit needs of the ryot. In some parts of India, especially in Madras, the slogan of the rural credit society being utilised to serve all the credit needs of a member has gained currency and the 10 or 12 year land mortgage loans have become a feature of these Madras societies. They are encouraged. In some districts they form 90 % of the total loans and on the average 50 % of the loans are on land mortgages. This combination of the short term (personal security) finance with long term (real security) finance, in which some orthodox co-operators in Madras have pathetic faith, is responsible for a great deal of dislocation in the financial adjustments of the movement. The indisputable fact is that the long term credit cannot be rationally dispensed on business principles by the rural credit societies[1].

The essential features of this variety of loan are, *firstly*, the sum advanced to the ryot should be sufficiently large to effectively start him on his business by placing in his hands funds required not only to lift his old debts but also to leave a surplus to serve as capital wherewith to improve the land so as to ensure increased returns. Persons who are mostly benefitted by this form of credit are those who absorb comparatively large loans and who can offer substantial security. Persons with small uneconomic holdings and slender security to offer, and landless tenants, cannot be helped with this kind of accommodation. In countries whose holdings are large and yield large returns and profits, even joint-stock banks finance land-holding classes on security of land and therefore Co-operative credit has no hold on countries like England and the United States of America. But in countries like India with small and scattered holdings which leave precarious margins of profit, joint-stock banks will not advance money on the security of land. The obstacles to such lending are the meagre value of the collateral securities offered, the dissipation of the banks' resources over a wide area among numerous borrowers, and the need to establish close control and watch over the activities of the borrower, without which the loans and their recovery will not be safe. *Secondly*, the loan should be made repayable from the margin of profits on his holdings, without putting the ryot to the necessity of borrowing from another source to discharge it, or selling his holding to raise the money to meet the creditors' demand. In other words, the long

[1]The reasons for it are summarised thus by the Baroda Committee (1) The overshadowing of personal credit by mortgage may entail a neglect of co-operative principles. (2) The combination of short term business financed out of deposits of short dated credits with long term loans financed out of funds raised on specific security is unsound and risky. (3) The inquiry and valuation preliminary to grant of loans have to be entrusted to a trained agency controlled by and responsible to some central organisation. (4) The maintenance of valuable documents, title deeds, etc., cannot be entrusted to ordinary village societies.



term loan has to be spread over a long term of years and recovered in small driblets. The maximum time allowed for repaying such loans is 30 years in Finland, 33 years in Chille, 36½ years in Newzealand, 42 years in Australia, 50 years in Italy and Japan, 54½ years in Austria, 55½ years in Switzerland, 60 years in Denmark, 63 years in Hungary, 68½ years in Ireland and 75 years in France. No individual money-lender or joint-stock companies can afford to "tie up their capital and take it back in driblets as it is refunded bit by bit out of the earnings or savings from the soil during a long series of years." It is therefore only a special type of institutions known as Land Credit Institutions or Land Mortgage Banks, that can embark upon this kind of Banking.

## TYPES OF LAND MORTGAGE BANKS

The right way to study the charasteristic features of Land Mortgage Banks is to study the institutions themselves as they are now functioning in various countries all over the world. How far any particular type of Land Bank can be adapted to the conditions of India can be accurately judged only by that process. Full and accurate accounts of their working are available[1]. When we deal with Co-operative organisations or Land Credit Associations it is well to remember one fact, namely, that the organisations have sprung up more as practical solutions of peculiar local difficulties and were not conceived at their inception as embodiments of any definite theory of economic organisation. But, for facility of study, the process is often reversed and the common aspects and principles which may be extracted from the institutional features are first expounded and the institutions themselves are cited as illustrations of those principles. However helpful this method might be for purposes of academic study, it should not lead us into the mistaken path of selecting one or other type of such institutions on *a priori*

[1]J. R. Cahill's report to the Board of Agriculture and Fisheries in England as a result of his inquiry into Agricultural Credit and Agricultural Co-operation in Germany; the report of the American Commission appointed to investigate the Co-operative agricultural finances, production and rural life; and the report of the National Monetary Commission may be profitably consulted. The report of the Baroda Land Mortgage Committee 1924-25 also contains an account of Land Mortgage Banks in Germany, Hungary, Austria, Russia, Italy, France, United States and Egypt. Mr. Strickland's Studies in European Co-operation, Vol. II also contains a brief but a clear description of Land Mortgage Banks in various countries.

grounds of its inherent merits without regard to the peculiar needs of Indian rural economy and social and political conditions. A detailed description of the various kinds of Land Mortgage Banks cannot be attempted here. They may be classified in different ways on different principles. For instance, they may be divided into *public*, *semi-public* and *private*. Public Land Banks are owned and operated by the State. They are practically Departments of Government. They own no share capital. They obtain the funds required for granting loans either by appropriation (budget grants) or by issue of debentures guaranteed by the State. The profits are either devoted to some public purpose or utilised for extension of business. Semi-public Land Credit associations are those in which the State is a part owner and participates in the management or control or assumes a responsibility of some sort. Private Land Banks (so also semi-public ones) may be associations of borrowers or of lenders (that is, Joint Stock Companies) who carry on land mortgage credit operations with the minimum of State interference. When they are Joint Stock Companies, their aim is to make profits and declare as large a dividend as possible. When they are associations of borrowers, "they have no capital stock or lucrative object, and if they happen to accumulate a surplus from earnings or savings, it belongs to the members and is distributed in rebates of principal and interest in proportion to the amounts paid up on their loans." Another basis on which Land Credit Associations may be classified is this : they may be co-operative, non-co-operative, or quasi-co-operative. The co-operative type is represented by the Prussian Farm Mortgage Mutual Credit Associations, which are associations of borrowers. They have no capital. They aim at keeping interest low and do not aim at profit. Each member pays a small entrance fee to meet the necessary expenses, initial cost of land valuations and other incidental charges. Credit is created by the issue of mortgage bonds bearing interest and made payable to bearer and these bonds are regarded as perfect types of secure investment and are quoted on the Exchanges throughout the German Empire. The attempt to co-ordinate the activities of the local *landschaftens* through a central *landschaften* made in 1873 did not prove successful.[1]

[1]For a description of the features of typical co-operative Farm Mortgage Mutual Associations, see pages 76 to 96 of Morman's excellent book on Rural Credits.



The Federal Farm Loan Banks of the United States of America are also illustrative of the co-operative type.[1] The non-co-operative type is represented by the numerous commercial and Joint Stock Land Mortgage Banks working all over the Continent of Europe. They work for profits and declare dividends, but the State exercises control over their operations in order to ensure that they do not work hardship to borrowers and that they fulfil their obligations to their investers or debenture holders. They are mostly based on the French model of *Credit Foncier de France*. The Agricultural Bank of Egypt is also illustrative of the non-co-operative commercial type.

In between these two types, there are institutions which combine co-operative and commercial ideals in varying proportions and so quasi-co-operative in character. Associations with membership of borrowers and non-borrowers, operating over fairly large areas and formed with share capital and on limited liability basis, but in which each member has a single vote irrespective of his share capital and the dividend on share capital is fixed at a low minimum, may be taken as illustrations of quasi-co-operative type. The Hungarian Land Mortgage Institute for large land owners and the National Small Holdings Land Mortgage Institutes are examples of quasi-co-operative land banks.

## LAND MORTGAGE BANK THAT SUITS INDIA

The question which merits our serious consideration is, what is the form of Land Mortgage Bank which suits India best? So far as relief to small agriculturists and owners of small holdings is concerned, it is, I believe, now fairly well accepted

[1]The Federal Farm Loan Act of 1916 is intended to strengthen Farmers' Associations with State help. At the top is the Federal Loan Board. There are 12 Land Banks operating under the management of Directors appointed by the Loan Board. The Secretary or Treasurer is authorised to make deposits in these banks till they themselves own 50 million dollars. The Farmers' Loan Associations subscribe to the share capital in the Federal Banks. The Farmers' Associations consist of 10 or more farmers and each association is empowered to send a loan application for an amount of not less than 20,000 dollars. The association is the co-operative agency through which loans are initiated, the application of their proceeds is supervised, collections are made and local interests of borrowers are reserved. Each member should subscribe 5% of his loan as share capital. The value of a single share is 5 dollars. The Federal Banks issue loans equal to the value of the mortgages held, on the approval of the Federal Farm Loan Board.

that land mortgage banks on a quasi-co-operative basis will be most efficacious. I call them quasi-co-operative, because no scheme which has yet been propounded, puts them on a fully co-operative basis, although there are substantial elements of the co-operative ideals in all of them.[1] They are conceved as limited liability associations of borrowers with a few non-borrowing individuals thrown in for attracting the talent and organising capacity needed to make the management efficient. The number of shares owned by the members are limited, the rule of 'one man, one vote' irrespective of the share capital subscribed by them is generally observed, dividends are restricted to a low figure and the goal of gradual elimination of non-borrowers is kept in view to import a co-operative spirit into them. The fact however remains that the work of a Mortgage Bank "is recognised on all hands to be extremely impersonal and as devoid of the human element as possible", and that the human and personal elements which are the chief characteristics of the Raifiesson type of societies cannot be infused into them in any appreciable measure. While mutual knowledge of, and control over, each other among members is the insistent feature of the unlimited liability credit society, the insistence in the case of a land mortgage credit limited liability society is on the capacity and business habits of the directorate in order to ensure sound valuation of security, careful investigation of titles, and correct assessment of borrowers' credit and efficient management of affairs[2].

[1]The first Land mortgage Bank for financing agriculture in India was registered in London in 1863 with Mr. Samuel Laing, Finance Member of the India Government from 1860-62, as its first Chairman. It had agencies in the cities of Calcutta, Bombay and Madras and sub-agents in all principal towns and districts in Bengal, Madras, Bombay, Sindh, United provinces and Oudh. It financed the larger landlords. It was wound up in 1885. If commercial Land Mortgage Banks are to be revived, they will be useful to finance bigger landlords and zamindars.

[2]*Punjab.* The Jhang Co-operative Mortgage Bank in the Punjab was started in 1920. The working capital of the Bank is obtained by the issue of shares, debentures and deposits from members and non-members. Members who borrow from the bank must hold one share of Rs 10 for every Rs. 500 borrowed. The Bank is on an *unlimited* liability basis. The maximum limit of the loan is 15 times the estimated annual net income of the land mortgaged *minus* the land revenue thereon. The rate of interest on loans is 8% and their maximum is 20 years. The profits of the bank are indivisible and are credited to the reserve fund which is invested outisde the bank and maintained as security for the debenture holders. But there are various conditions attached to the loan which are harsh and do not conduce to the popularity of the scheme.



So far as I know, the conditions of the various provinces in India do not so materially vary as to require distinct types of Land Mortgage Banks for the several provinces. At one time I was of that view. But I find on further investigation that a single model will suit the whole of India—of course with variations in details of management and working dictated by local conditions. In the matter of supply of long term credit, the needs and economic conditions of agriculturists in the different provinces are almost the same. There are no doubt complications arising from the incidents of land tenures prevailing in the different provinces; in some parts, as in the ryotwari and permanently settled tracts of the Madras Presidency, ryots have heritable and transferable rights in their occupancy holdings, while the *varum-pattadars* of Malabar have no rights whatever in the land. In between these two extremes, there are various tenancies with qualified occupancy and limited rights of transfer subject to certain charges as in Bengal and United Provinces. But these complications only affect the nature and value of the security that is offered, but do not affect the features of the long term credit or the kind of institution that is required to dispense it. The poor ryots with small holdings cannot afford to secure credit except through organisations based on mutual association and guarantee, and the Co-operative Land Mortgage Bank is a

*Madras.* In 1924-25, a scheme for special Land Mortgage Banks was sanctioned and two were registered in that year. Ten such banks were constituted by the end of June 1927, operating over very restricted areas of compact groups of villages. These are formed on a limited liability basis with share capital, the borrowing power being limited to a multiple of the paid up capital (ordinarily 8 times). The banks raise credit by issuing debentures on the strength of the agricultural lands which the borrowing members hypothecate to it; debentures carry interest at 7% when sold to the public. The Government have agreed to purchase at 6½% debentures equal in value to those which the Banks are able to sell in the market, subject to a limit of Rs. 50,000 to any one bank and Rs. 2½ lakhs for the whole Presidency. The banks lend at 9% and the maximum amount of the loan does not exceed Rs.2,000. The scheme is not popular and little progress is recorded. Apart from the high proportion of share capital, low maximum individual borrowing power, limited area of operations, and the high rate of 9% interest on loans, the circumstance that these small banks are unable to command sufficient confidence to sell debentures, stands in the way of the further progress of the working of these banks. Only two of these banks, the one at Gudalavalleru near Masulipatam and the one at Conjeevaram are doing any business worth the name. Recently the Madras Central Urban Bank floated uncovered debentures of 20 years' period at 5% to raise long term money to buy the debentures of some of these banks and give a lifting hand to those which are able to enlist a certain amount of local support. One bank was already helped in this manner and the others will be, if necessary.

legitimate application of that principle. The funds of such a bank can best be raised only on the collective guarantee of the properties mortgaged by the members. It follows that the members who thus created the credit should have a voice in the management of their bank on well-recognised principles of democratically controlled credit of co-operative institutions. As a productive organisation, agriculture will remain for a long time to come in India an individual effort or a family effort at best. But for specific purposes, associated efforts of agriculturists can be, and ought to be, organised. Credit is unquestionably one of those special purposes which will be productive of the best results, and results so far achieved are encouraging. Perhaps purchase of agricultural requirements and marketing are other special purposes where agricultural organisations on co-operative basis will help the economic uplift of the ryots. The schemes recommended for the Punjab, Madras and Bombay, and the States of Baroda and Mysore are of the co-operative type. In other provinces, there is little activity in the field of Land Mortgage Banking.

The XV Madras Provincial Co-operative Conference approved the establishment of a Central Land Mortgage Bank to float debentures and to finance these primary Land Mortgage Banks and appointed a Committee to prepare a scheme for the purpose. The Committee has just reported suggesting a Central Land Mortgage Bank with a share capital of 10 lakhs and a borrowing power of 25 times the paid-up share capital and reserve fund. The Bank may admit non-mortgage credit societies and individuals also as members, but shall lend only to primary Land Mortgage Banks holding shares. The debentures shall not carry interest exceeding 6%, the loans to primary Land Mortgage Banks not more than 7%, and the loans to members of the primary banks not more than 8%. The scheme is a far-reaching one and if given effect to, willhearld a new era in Co-operative land mortgage credit in Madras.

*Bombay.* A committee known as the Guzarat Committee—so called because it was appointed by the Guzarat Divisional Co-operative Conference—recommended a scheme for adoption in Bombay. It contemplated a Mortgage Bank for a 'district' which signified not a revenue division known as a district, but a tract with more or less similar agricultural and economic conditions. Borrowers should be members and should contribute share capital up to one-twentieth of their borrowings. Dividends on shares are restricted to the rate of interest payable on the mortgage bonds to be issued by the Bank. These bonds may be issued periodically up to the limit of the loans outstanding in societies for ten to fifty years at 5%. Loan should not exceed 33⅓% of the value of the mortgaged land and the rate of interest on it should not exceed 6 to 7%. The recovery of the loans is to be facilitated by power of foreclosure by speedy procedure being given to the Bank. It is understood that the Bombay Provincial Co-operative Bank will finance these banks and that Government agreed to buy debentures to the value of 5 lakhs from the Provincial Bank.



## DEFECT OF THE SCHEMES—WANT OF CENTRAL ORGANISATION

The chief defect of the schemes hitherto set on foot consists in the weak position which the small primary Mortgage Banks occupy in relation to the outside money-market. They are unable to attract money by the sale of their debentures. The causes which operate against ordinary rural credit societies attracting deposits operate also in the case of these primary mortgage credit associations. The depositors in the one case and investors in the other, look to the efficiency of the management of the society and to the certainty of the punctual payment of interest and the repayment of the deposit or investment on due dates. The way in which existing credit societies are managed does not tend to instil confidence into the minds of the would-be purchasers of debentures to be floated by the primary Mortgage Banks. It is therefore perfectly useless to persist in the present schmes, for

*Baroda.* The Baroda scheme is an interesting one. The Bank's constitution provided for the supply of initial capital and working expenses by the Government for a temporary period and for the ultimate devolution of control, management and ownership from the Government to the members of the institution. The borrowers should become members of the bank, taking shares of the face value of 10% of their borrowings. The bulk of the working capital of the bank is to be raised by issuing bonds. These are exempted from income-tax and stamp duty. The Baroda Government is to underwrite the issue of the bank's bonds up to ten lakhs of rupees. The loans will be up to 50% of the value of the property offered as mortgage and the rate of interest is not to exceed the rate charged on the bonds by more than 1%. As links between the bank and the borrowers, Taluka Land Mortgage Associations should be started. They will be advisory bodies to begin with and will eventually develop into branch associations of the bank for transacting its business partially.

*Mysore.* The Co-operative Committee appointed by the Mysore Government under the presidency of Mr. (Now Sir) Lallubhai Samaldas, recommended the establishment of a Land Mortgage Bank with a share capital of 10 lakhs and with authority to issue debentures of not more than 50 laks of rupees, payable at the end of 25 years, but redeemable by the bank after the lapse of ten years on 6 months' previous notice and carrying interest at 6½%, payment of which should be guaranteed by the Mysore Government. The loans to borrowers should bear interest not exceeding 8% and the period is not to exceed 25 years. The maximum of the loan amount should be Rs. 5,000, but may be raised to Rs. 10,000 in exceptional cases. The bank is to be invested with powers to recall the loan not used for the purpose specified in the application and also to foreclose the mortgage on default by the borrower. No action was taken by the Mysore Government for a long time and it appears that very recently some cautious legislation was passed to instal a Land Mortgage Bank with State aid in one district, where conditions are supposed to be favourable for the experiment.

they will not make any headway in the near future. I still adhere to the view I expressed in my evidence before the Royal Commission on Agriculture that the so-called Land Mortgage Banks now started are a mere eyewash or apology for a real scheme of Land Mortgage Banking. The solution of the problem lies in the same direction that we took to promote ordinary rural credit, namely, the founding of the Central Mortgage Associations to finance these primary Land Banks, just as we started Central Banks to finance rural credit societies which were unable to finance themselves. Whether there should be more than one such central institution in a province is a matter of detail. Nevertheless here also we may profit by our past history. The Central Bank at Madras (the Madras Central Urban Bank) was first started to finance rural societies directly, and as business grew in volume, Central Banks were multiplied in the districts and the one at Madras became the apex bank, so to speak. Similarly we may start with establishing central financing institutions at the headquarters of the provinces to float debentures and finance the primary Land Mortgage Banks. It is gratifying to note that this scheme found favour with the All-India Conference of Registrars of Co-operative Societies held at Bombay in 1926. A portion of the resolution passed by that conference is reproduced below :—

(1) Mortgage banks based on co-operative principles are desirable in many parts of India. No transaction should be undertaken which is not economically profitable to the borrower.

*United Provinces.* In his evidence before the Agricultural Commission, Mr. Oakland, the Chairman of the U.P. Co-operative Committee, adhered to the view that there was no need for Land Mortgage Banks and it is no wonder that there is no move in the matter in that province.

*Bengal.* So far as my information goes, the Naogoar Ganja Mahal Co-operative Bank is the only co-operative organisation in Bengal providing land mortgage credit. It also grants cash credit advances to its members. For over half a century, however, loans on land mortgages have been dispensed by what are called Loan Offices operating in several districts. These offices finance mainly landlords on the security of their landed estates. (Patni and Zamindary.) One of the earliest of such offices was the Faridpur Loan Office, Ltd. founded in 1865. There followed in the next decade, the Mymensingh, Barisal, and Jessore Loan Offices. Some of them advance money also on houses, jewellery and gold. But they do not lend to either the agriculturist or for land improvement. So they do not serve the purpose of affording long term accommodation to ryots.

*Burma.* In Burma there was much activity and a Bill providing for a Land Mortgage Bank practically owned and managed by the Government was introduced, but the scheme did not ultimately materialise.



(2) *Objects :* The principal objects should be :

(*a*) The redemption of the land and houses of agriculturists.

(*b*) The improvement of lands and methods of cultivation and the building of houses of agriculturists.

(*c*) The liquidation of old debts, and,

(*d*) The purchase of land in *special* cases to be prescribed in the bye-laws. (The caution is evidently to prevent land speculation and indiscriminate borrowing to buy land).

(3) *Area and management.* The area of operations should be the smallest unit consistent with competent management. The imposition of liability on village credit societies or the confinement of mortgage loans to members of such societies are not recommended, but the Bank should consult the village societies in the case of all loans to members of such a society. Punctuality in repayment should be rigidly enforced in Mortgage Banks.

(4) *Finance.* A reasonable total of share money should be held by each Bank in order to reassuring the investing public.

In provinces in which the property can be sold on foreclosure, no loan should exceed half the value of the mortgaged properties.

No excess liability is required beyond the amount actually borrowed by a member *plus* his share money. If no excess liability is imposed, the share money of a borrower should not be less than 1/20 of his loan.

The minimum loan should be such as to repay the costs of the transaction to the Bank. Each Bank should prescribe in its bye-laws a maximum loan from time to time according to its financial position.

*Debentures should be issued by a central financing body in each province rather than by separate Mortgage Banks.*

The resolution proceeds to state the help which the Government and the Imperial Bank should render.

The Committee appointed by the XV Madras Provincial Co-operative Conference and the Townsend Committee have both advocated a Central Land Mortgage Bank. Mr. Wolff[1] in

[1] I fail to see why Mr. Wolff tries to absolve the Government of India altogether from the responsibility of placing the Land Mortgage Bank's debentures on a methodical and marketable basis. He is not unaware that the State shoulders the responsibility in almost all the western countries. What is not only possible but successful in other

reviewing the Townsend Committee's Report in a recent communication to the Madras Registrar expressed his concurrence in that proposal. He says, "I see that, the same as elsewhere, you are busy on schemes for introducing co-operative mortgage credit, unquestionably a great desideratum. Strickland's scheme will not do at all. None of the schemes thus far put to the test appear to have proved successful. I myself know too little about practical conditions in India to be able to judge at all with confidence. Lallubhai Samaladas writes to me that my difficulty about title does not really stand seriously in the way. Unquestionably you will have to begin with some fairy assisting at the outset with a guarantee and I should say an organisation for placing the bonds methodically. But, so far as I can judge, I should prefer to see that good fairy taking the shape of some well-meaning association or company other than the Government, some society that could take up the matter in a business-like way and qualified to organise the sale of bonds according to business us ages. The matter is of distinct importance and I hope that in the attempt to square the circle you may be successful."

The substance of these schemes is that a Central Land Mortgage Bank with primary Land Mortgage Banks, other co-operative societies, and individuals as shareholding members, should be formed to raise credit by floating debentures to finance the primary Land Mortgage Banks. Individuals and the other co-operative societies cannot borrow. The Central Land Mortgage Bank alone should float debentures. If more than one agency were to float debentures, then there will be conflict between them. The rates of interest on debentures, their market quotations and their negotiability will vary with the agency floating them and the local conditions prevailing in the neighbourhood of such agency. It will also lead to competition among the several banks in marketing their bonds. The debentures will be floated on the strength of the mortgages taken by the primary Land Mortgage Banks from their members and transferred to the Central Land Mortgage Bank. The value of such debentures shall not exceed 50% of the value of the properties mortgaged by the members of the primary banks or the amount

countries—co-operative mortgage credit—becomes in India a scheme "to square the circle". Why? Because the State is content to look on.



of the total loans advanced by the primary banks, whichever is less. Interest on debentures should not exceed 6%, that on loans to primary banks 7%, and that on loans to members of the primary banks 8%. The Central Mortgage Bank's borrowing power would be 25 times the paid-up share capital and reserve fund. The duration of the debentures will be 30 years and they will be redeemable on 6 months' notice.

The Provincial Co-operative Bank might perhaps be able to do this work and save us the trouble and expense and risks involved in evolving a new institution which will take time to establish its credit and whose success will depend upon the kind of management it secures. Official opinion is however against this idea. Three considerations weighed with me in yielding to the objections raised against the Provincial Bank doing it. *Firstly*, the Provincial Co-operative Bank, (the Madras Central Urban Bank) does not by its very constitution possess any control and is not in a position to exercise any regulating authority over the primary Land Mortgage Banks: without such control and regulation the finance will not be safe. *Secondly*, the Provincial Bank has by a process of evolution become an apex bank so far as the existing credit institutions are concerned, and deals only with Central Banks. The establishment of direct relations between it and the primary Land Mortgage Banks will involve a radical revision of its constitution. *Thirdly*, there are certain risks involved in mixing up in the Provincial Bank the two kinds of credit, ordinary credit and land mortgage credit, which are to be ultimately dispensed by two types of institutions which differ widely in their constitution, tradition, outlook and resources. But none of these objections can weigh against the Provincial Bank carrying on the work as the Managing Agents of the Central Land Mortgage Bank and the arrangement has undoubted advantages to the Land Mortgage Banks, for it will not only reduce the cost of working the central agency and release greater margin of working expenses for the primary banks, but will also give greater credit and liquidity to the debentures than if they were floated by a new agency not known to the money market.

## MANAGEMENT AND COST OF WORKING OF A LAND MORTGAGE BANK

The success of the land credit institutions depends largely upon the efficiency with which land is valuated, titles are investigated and the credit of borrowers is assessed. Valuation and inspection involve payment for expert services and legal advice. Inefficient management is beset with risks and dangers not only to the members but also to investors. If debentures are issued without care and except under proper control, the farmers' credit would be ruined very soon and the investing public will be exposed to grave risks. If a bank issues debentures of the value of a lakh of rupees backed by security of land worth Rs. 50,000, the position is, we have a real value of Rs. 50,000 and a paper value of Rs. 50,000 which is worthless. The one problem connected with bonds and debentures is to make them more and more liquid that is, create the greatest possible facilities to convert them into cash assets in cases of urgency. This aim is secured mainly by creating confidence in the *value* and *stability* of the real wealth or security on which they are based. All these objects cannot be secured without due provision for efficient internal management and strict supervision. At the same time the management should not be made very costly, for the cost will ultimately fall on the borrower, and any system of levying commission or other incidental expenses for contracting the loans or for renewing them should be discountenanced. The duty of the office establishment mainly relates to the duty of issuing loans and effecting recoveries and maintenance of accounts. The working cost will depend upon the volume of transactions and other circumstances. Mr. Strickland fixed it at 1 to 2% of the total transactions. A Committee of the Madras Provincial Co-operative Union fixed it at 3%. This is clearly an excessive estimate. It must be kept down below 2%, so as not to raise the lending rate above 8%. On this basis, I calculate that primary banks with less than 4 lakhs annual transactions cannot make both ends meet if properly staffed.

## SUMMARY OF THE SCHEME

From the foregoing discussions of principles and precedents, I believe the following essential features of the scheme emerge and hope that they will be accepted, to put an end to an interminable controversy which resulted in procrastination and prevented definite action being taken hitherto :—

(i) A scheme of land mortgage banks based on co-



operative principles is required for many parts of India and can be made to conform to a single type, with modifications in details of working according to local conditions.

(ii) The existing rural credit societies should not be utilised to dispense long term land mortgage credit, nor should such credit through Land Mortgage Banks be restricted to members of rural societies.

(iii) There should be a central financing Land Mortgage Bank for each province to raise credit by debentures and to finance the primary Land Mortgage Banks.

(iv) The Primary Land Mortgage Banks should be constituted with share capital proportioned to borrowings and on a limited liability basis[1].

(v) Loans should not exceed 50% of the value of the property mortgaged[2]. The minimum loan should be such as to repay the costs of the transaction and the maximum must be fixed by each bank in its bye-laws from time to time according to its financial position.

(vi) The cost of management should be kept, below 2% so that the loans may not carry interest exceeding 8% as far as

[1] The reasons for insisting on share capital are thus summarised by the Baroda Committee. The first and the most important consideration is that the small share capital amounting to 5 % of the loan held in cash and 5% as a reserve liability of the shareholders form a very good guarantee for the bonds issued by the Bank. It is an additional attraction for the bond-holder. The second reason why we recommend this feature is that it enables the Bank first to give loans up to the amount of its share capital and thus makes for economy. In the absence of such funds in the hands of the bank, it would have either to issue bonds every time a loan is required, or to issue bonds for a good round sum and hold the proceeds in its hands till the loans are made. The third reason why we have recommended the capital feature is that the shareholder has a sort of tangible interest in the Bank.

[2] It is true that the loan advanced usually bears a definite ratio to the market value of the security, one-third, half, or two-thirds. But this circumstance has no bearing on the arrangement for admitting the mortgage. The market value is sometimes determined by peculiar standards. Speculations, competitions, fancy and even sentiment may account for abnormal values. The true standpoint therefore from which the maximum of the loan should in practice be fixed, should be with reference to the net returns from the land which remain after deducting cultivation expenses, value of necessary repairs, taxes and the farmers' subsistence. If a further allowance is made to compensate the ryot for his personal labour which he renders free, than the returns are still further reduced and approximately corrrespond to fair rent on the land. It will be impossible to effectively improve the economic condition of the indebted ryot if he is permitted to oblige himself to pay a larger annuity than the revenue of the mortgaged properties. It is on these lines that in France and in certain other countries, limitations are imposed on the licensed land credit companies regarding maximum instalments demandable by them.

possible. The area of operation should not be too small where a costly establishment is maintained.

(vii) The maximum period for repayment of loan must be 20 to 30 years according to local conditions, according to a convenient system of instalents[1].

(viii) The State should help the scheme by subscribing for debentures, guaranteeing interest on them for some time, contributing in the initial stages towards the cost of valuation of lands, by making land mortgage debentures trustee securities, by exempting the Land Mortgage Banks from income tax, super tax, stamp duty, registration fees and the like, and by investing these banks with power to foreclose.

## GOVERNMENT'S ATTITUDE TOWARDS LAND MORTGAGE BANKS

It has to be painfully admitted that the attitude of the Government of India as well as of the local Governments has hitherto been one of indifference, if not of apathy, to Land Mortgage Banks. The Government of India takes convenient shelter under the plea that the subject is a provincial one in the transferred departments. All that Sir Mahammad Habibulla could say in the debate raised by me in the Council of State regarding Land Mortgage Banks was that he referred the resolution passed by the ninth Conference of Registrars on the subject in 1926 to the local Governments and all that could be

[1]Various modes of repayment of the loan are in use in different localities. The two most commonly adopted are these:—(1) By equal instalments of a specified portion of the principal, with interest annually or semi-annually. For example, if a sum of Rs. 1,000 is borrowed repayable in 25 years, the borrower makes 25 annual payments of Rs. 40 each, together with interest on the balance of the principal remaining unpaid in each year. This is the most common method. (2) By *amortization* proper, that is, by paying off a debt by regular instalments within a time fixed in advance. The annuity to be paid to amortize the debt is determined by the length of the credit and the agreed rate of interest and remaining level during the entire period. Suppose a borrower gives, a mortgage for Rs. 1,000 with 5% interest. In addition to interest he agrees to pay 2% per year of the principal. This makes a total of 7% a year, in other words, the annual payment will be Rs. 70. It remains the same throughout, while the annual payments are the same, the amount of payment towards principal steadily increases. This is the model adopted by the French Land Mortgage Banks and has many advantages. Amortization tables for various rates and periods are hung up for borrowers' information on the Banks' walls, so that the borrower may determine his own rate of interest and period of repayment, as they suit him best. This method is sometimes called the system of equated payments.



done with any resolution that the Council might pass, was a mere repetition of the same process. I do not complain in the least of want of either sympathy or understanding on Sir Muhammed Habibullah's part. He is a genuine friend of the agriculturist. But I do complain of indifference, nay even of apathy, on the part of the Government of India and Local Governments to the problem of Land Mortgage Banks. I cannot but regret also the lack of enthusiasm in the matter on the part of co-operators in the province. I have not read a single full-dress debate in any Provincial Council on the straight issue of establishing Land Mortgage Banks to relieve unproductive agricultural indebtedness, especially having regard to the fact that the Government of India definitely shifted the burden on to the shoulders of the Provincial Governments. The time has perhaps come for co-operators to run their own candidates to the several ligislatures in the country to constantly keep the co-operative problems before the executive and the Councils. In any country the State's responsibility to safeguard the economic interests of the agriculturist is obvious; in India it is more imperative where land is the chief national asset, agriculture the predominant industry, and land revenue the main source of the State's income. The State is bound to preserve land which is the national asset in an efficient condition of economic productivtiy for the benefit of future generations. There are grave dangers which the State will incur if the condition of the peasantry becomes intolerable and by the growth of a landless proletariat. I cannot do better than quote the note of warning sounded by Sir Edward Maclagan in this connection.

"It is necessary for Government, not only in the interests of the people but also in its own interests, to see that the evil does not spread too far and that its consequences are mitigated as much as possible. It must, in the first place, be remembered that if a large body of people is oppressed by a load of debt, they must necessarily become dispirited and discontented not only with the load of the debt itself, but also with the classes to whom the severity of the debt is attributed. It is further impossible for the Government to view with equanimity any large increase in wasteful and unnecessary expenditure by which the balance at the disposal of the peasant for improving agriculture is seriously reduced. There are also certain consequences of indebtedness such as mortgage or sale of land which lead directly to class discontent, and occasions will arise when the intervention of Government is necessary to prevent the growth of a large body of discontented agriculturists who have lost possession of their ancestral properties."

He proceeds to illustrate these dangers thus :

" The Sonthal rebellion of 1855 was due to an outburst of the peasant debtors against their creditors and there was a good deal of the same sort of thing in the United Provinces during the course of the Mutiny in 1857. The same cause was the origin of the Deccan riots of 1875 and of the riots at Ajmere in 1891. It was therefore held by many competent authorities that the constant transfer of lands from the peasants to the creditor-class entailed a political danger and that the Government could not afford to wait till the danger came to a crisis." Apart from these risks, I hope that the Government will realise the great benefits that will accrue from the early establishment of Land Mortgage Banks to the Indian peasant. Mr. Herrick thus summarises these benefits. "The chief if not the only lesson to be learnt by the study of European Land Credit systems are the wonderful benefits to the farmers, of unrecallable long term reducible loans, and the ease and abundance in which money may be obtained for them by the issue of debentures or mortgage bonds, secured either by the solidarity of the group of landowners or by the assets of a company officially supervised and properly managed." To finance the farmer adequately and satisfactorily is to usher in an era of prosperous rural life and to lay the foundation of economic Swaraj. It is the right way to set about in reconstructing New India.



### THE SEVENTH

# Satur-Srivilliputtur Tqs. Co-operative Conference.

### TIRUTHANGAL, RAMNAD DT.

***24th June 1928.***

## PRESIDENTIAL ADDRESS

BY THE HON'BLE V. RAMADAS PANTULU.

BROTHER CO-OPERATORS :

It has given me genuine pleasure to accept your kind invitation to preside over this Conference and I feel honoured by your choice. The propagandistic value of conferences like this especially when they are held in rural areas is not a negligible factor in the spread of the movement. When it is realised that the average peasant is still as far away from the village co-operative society as from the village school and that the movement has not touched even the fringe of our rural population, no more than 9 per cent of the population of the presidency having been *nominally* brought under its influence, the necessity for vigorous propaganda for the spread of co-operative ideals on a more intensive and extensive scale among the masses will become evident to all friends of Co-operation. If we organise and conduct our conferences in a more systematic and business-like manner than at present, their utility will be greatly enhanced. I hope you will set the much-needed example to conferences of concentrating their attention on, and confining their deliberations to, the most pressing problems and dealing with them in a thorough and methodical manner.

Condition of the Movement in the Conference Area.

I desire to follow the advice I have given you and confine my observations to such aspects of co-operative finance and supervision as, in my opinion, demand your immediate attention. If, in the discharge of this duty, I am constrained to indulge in some plain speaking, I may be pardoned. A study of the observations and figures contained in the official reports discloses the uncomfortable fact that the organisations in your area have been functioning very indifferently and that there is cause for anxiety about your future, unless the dangerous tendencies which are acting as disintegrating factors are arrested promptly. The two taluqs of Satur and

Srivilliputtur are served on the financial side by the Central Banking Union at Srivilliputtur to which 226 primary societies are affiliated and, on the supervision side, by seven local unions. The rest of the Ramnad District, which is attached to the Madura section and comprising the 7 revenue taluks of Ramnad, Paramakudi, Mudukalathur, Aruppukkottah, Sivaganga, Tirupathur and Tiruvadanai, is, *co-operatively speaking*, less developed, for it had on 30th June 1927 only 183 societies including 7 Unions. So your Conference area covers the more compact and more intensively developed co-operative portion of the district which is served by an independent financing bank possessing ample facilities to keep itself in close touch with the affairs of its constituent societies which are manageable in number and to serve them to the desired extent. The societies are also numerically well-served on the supervision side, for seven local unions for about 200 societies in an area of two taluqs ought to be able to maintain intimate supervisory relations with the societies committed to their charge. Thus, many of the conditions for the proper nursing and sound development of the rural credit societies exist in your area and outsiders like me have good reasons to expect the state of affairs to be satisfactory. Nevertheless, it cannot be denied that they are as a matter of fact unsatisfactory and disappointing. Unpunctuality in repayment by the members of the primary societies and the mounting up of large overdues year after year is unquestionably a sign of weakness if not of decay in the progress of the movement in any locality. The percentage of overdues of members to societies, under principal, in your area for 1926-27 was 42·32 as against 37·21 in 1925-26. Under interest, it was 65·61 for 1926-27 as against 64·63 for 1925-26. * Out of the amount of loans outstanding from societies to your Banking Union, a sum of Rs. 1¾ lakhs was overdue on 31st May 1928 besides Rs. 10,000 under interest. These figures, depressing as they are, do not disclose the full gravity of the actual position. There are no materials at our disposal

* In the matter of collection, the percentage of balance to demand in the seven unions is as follows :—

| Name of the Union. | Percentage of balance to demand. |
|---|---|
| 1. Edirkottah ... ... ... | 36·20 |
| 2. Mangalam ... ... ... | 59·16 |
| 3. Tiruthangal ... ... ... | 61·46 |
| 4. Vachakarapatty ... ... ... | 27·18 |
| 5. Srivilliputtur ... ... ... | 30.60 |
| 6. Rajapalayam ... ... ... | 45·05 |
| 7. Sundarapandiyam ... ... ... | 55·43 |



to-day to ascertain with any tolerable amount of accuracy how much of this overdue debt (roughly 2¼ lakhs of rupees) from the members of the primary societies is secured by documents which will be forthcoming, how much of it is legally alive and recoverable even by coercive processes of law from the defaulters, to what extent the contributory unlimited liability has to be invoked to the prejudice of non-defaulting members, and the extent of the soundness of title and reliability of valuation of the hypothea in cases where the loans are secured by the mortgage of properties and so forth. These are by no means imaginary fears. I had recently to do detailed examination of the assets and liabilities of some societies in connection with some rectification work entrusted to me and if what I found in these societies should be normal —I hope and trust it is not—then the call for scrutiny is not a minute too early. Moreover a portion of your overdue debt is covered by decrees of arbitrators and civil courts. On 30th June 1927, as many as 1175 decrees of arbitrators and 43 decrees of civil courts were awaiting execution besides pending references and suits*. The optimism of those who imagine that all the money covered by these decrees could be readily recovered with ease does not seem to be well-founded. Let me quote a sentence from the latest report of your Assistant Registrar regarding recoveries in your area. " The pendency (of execution proceedings) is due to the following causes : (1) Reluctance or indifference on the part of panchayatdars in taking prompt execution proceedings, (2) delay in the execution proceedings taken in the revenue and civil courts. Collections in the liquidated societies are found to be *extremely difficult*. Even in the Revenue sales, people are not coming to bid for the lands sold in auction." In enumerating these disquieting features of the movement in your area, I am not trying to raise any alarm, nor am I overlooking the progress you are making. I am fully alive to the fact that during the last year you have made considerable progress in many directions. It is certainly a matter for gratification that the year 1926-27 was one of expansion on the whole. The total working capital of all your agricultural credit societies rose from Rs. 7,79,669 to Rs. 11,46,670 and their paid-up share capital from Rs. 61,035 to Rs. 79,717. There has also been an increase in membership and reserve fund of the societies. These facts show that there is vitality in some of the societies and that many more could be revivified. Nevertheless the case for an examination into the causes of decay and symptoms of

* 25 per cent of the overdue debt in the presidency, that is about Rs. 40 lakhs out of Rs. 160 lakhs overdue, are covered by decrees. There are no published data to ascertain how much of it is secured by mortgage and how much is on personal security.

deterioration set forth by me is irresistible and my purpose is to incite you to embark on that examination and to take prompt and effective remedial steps.

Causes of default and Overdues.

I am prepared to concede that a protion of your overdue debt may possibly be assigned to non-payment due to legitimate causes such as failure of seasons. A major portion of your two taluqs consists of dry tracts yielding chiefly cotton. It is said that on account of insufficiency of rainfall and untimely rains, the yield of the cotton crop has been poor and to add to this, the market for cotton has also been unfavourable and fetched low prices. Some ryots seem to have held up their produce in the hope of the market taking a better turn, a hope which was not ultimately realised. The economic factors have their undoubted reaction on the repaying capacity of the borrowing ryots and if things were properly managed, would have furnished valid grounds for extensions and postponements of repayment dates of loans. If such extensions were as a matter of fact given and defaults arising from legitimate economic causes, over which borrowers had no control, were removed from the category of overdues, then the vicissitude of the seasons cannot be pressed into service to account in any appreciable degree for the overdues. Even if such a procedure was not followed and extensions in all proper cases were not given, there stlll remains a large proportion of overdues which should be accounted for by causes other than seasonal difficulties. I desire to single out two such causes for specific mention and to suggest measures for their removal. The first and foremost of them is undoubtedly the failure or the obstacles in the way of the supervisory unions and the financing bank to discharging their legitimate and indispensable functions. I shall say nothing about the neglect of duty by the audit and inspection staff of the Department, for it in no way helps us to set our houses in order. The second cause is the faulty system on which the agriculturists are financed and the period and method of repayments are fixed. Both these causes deserve the serious attention of all co-operators in this Province, for they are more or less of general applicability and unless and until they are remedied, the prospect of credit co-operation making further headway on sound and safe lines is very very remote indeed.

The Unions and the Banking Union.

Weak as the Unions and the Banking Union are in their own spheres, their utility to the movement seems to have been further impaired by absence of harmony and spirit of collaboration between them. The official statement in this connection occurring in para 12 of the administration report of your district for 1926-27 cannot but cause genuine distress to all co-operators who have the prosperity of the movement at heart. Your Assistant Registrar reports as follows: "The Bank appointed Supervisors for the formation and inspection of societies. Some work was done by them. But owing to *disagreement* between the Unions and the Bank over the question of the Bank's exercise of supervisory functions, much progress could not be achieved." Such disagreement may not be the peculiar feature of your district, but it is certainly no consolation that it is more widespread. Before I proceed to examine the Bank's right or duty to exercise any so-called "supervisory functions", I should like to ascertain how far the unions which claim autonomy and resent interference, if interference there really was, have justified that claim by safeguarding the financial interests of the Banking Union which are identical with the interests of the movement itself? Let me quote again from the Ramnad District Report for 1926-27. It says: "None of the Unions is up to the mark. The Unions maintain a supervisor each. The supervision exercised by them over the societies is very inadequate. There are only one or two men in each Union, competent to administer its affairs and these men do not find time to go into the villages and attend to collection work or propaganda. They depend solely upon the supervisors for all executive work and the supervisors are not efficient on the whole. This is one reason for the heavy overdues in societies of this district. Whether the unions are efficient or not, organisation of new societies and recommendation of loans have been left entirely to them and the financing bank disburses loans to societies on the strength of their recommendations. There is reason to apprehend that some of the unions are not making a judicious use of these powers."* The Registrar himself in his Annual Report for 1926-27 puts the position of the unions in these plain terms. "It does not appear that the supervising unions on whom rests the responsibility for the upkeep of the societies' credit have generally made any serious attempts to check the increasing overdues in spite of the advice tendered in the previous year's report, that if this tendency is allowed to go unchecked, it might lead to financial chaos." The claims of the unions to autonomy and freedom from interference by the Central Bank, assuming they are



* In another place in the same report the Assistant Registrar says that "the inadequate supervision exercised by Unions over the affiliated societies and want of systematic arrangements for collection of arrears are also responsible for such accumulation of overdues. Collection work is entirely left to supervisors and they do little in this direction." The tenor of the report shows that these observations are equally applicable to both portions of the Ramnad district, the Madura and Srivilliputur sections.

tenable, must necessarily rest upon their capacity to sustain the societies' credit or in other words to safeguard the financial interest of the financing bank which, as I have above said, are identical with the true financial interest of the societies. If the claim of the unions is based on any other test, it is un-understandable and irrational. But what is the position to-day as disclosed by the District Report and the Presidency Report? A large number of the unions—the honourable exceptions being few—are unable to discharge supervisory functions, to do collection work, to keep up societies' credit and to safeguard the financing bank's interest. But at the same time they resent the Bank's attempt to intervene and protect the interests of the investing public and the borrowing societies. Can we imagine any position more intolerable and indefensible than this? Even the majority of the Townsend Committee recommended that when and where the unions failed to protect the financial interest of the Bank, the Registrar should intervene and get the supervisory functions discharged by some agency which may be the central bank if he so chooses. I dissented from that view in so far as the intervention of the Registrar was concerned and my view found favour with the XVI Madras Provincial Co-operative Conference which passed the following resolution practically unanimously: "This Conference disagrees with the recommendation of the Townsend Committee that a Central Bank should obtain the previous sanction of the Registrar to take steps to safeguard its financial interests and resolves that it should be at liberty to take all such steps on its own initiative when and where Unions and Federations have failed in this behalf." I have therefore no doubt that in view of these foregoing circumstances, your unions will not only equip themselves for the due discharge of their duties, but will co-operate with the financing bank in the pursuit of their common aim, namely, the rectification and consolidation of the village societies.

No antagonism between Supervision and Finance.

With the final acceptance of the position that the "co-operative supervising union is the body which is best fitted to conduct supervision at close quarters", our path is clear. The central idea of this proposition is that supervisory and financing functions should be allocated to separate but intrinsically interrelated organisations. Whether by direct election as in unions or by indirect election as in federations and central banks, it is the self-same societies that are represented on the management of those bodies. It is up to the supervising bodies to avail themselves of the help of the financing agencies to strengthen the business side, and it is up to the financing bodies to avail themselves of the help of the supervising institutions to strengthen the moral side, of co-operation in the societies. Then the *lender sense* and the *borrower sense* will both be developed simultaneously. It is the duty of both the sets of organisations to act in unison for the attainment of the goal. To exploit either the lender instinct or the borrower instinct in the rural co-operator, for ulterior purposes or personal ends, is to do incalculable disservice to the movement. Such exploitation will be impossible if the society member realises the effects of antagonism between the various bodies which he himself set up. Who suffered in the past and who will suffer in future by disagreement between the unions and the Bank? Is it not their common master and elector, the society member, that was hit? Is it not the old story of the man being starved to death in the quarrel between the mouth and the hands? In putting forth this plea for mutual trust and united effort on the part of the several non-official agencies, I am not unmindful of the disturbing influences and difficulties resulting from official attitude. The agency which has frequent access to rural societies, organised staff, material resources, power and prestige, is the Department. It can either make or mar the movement according to the manner in which it uses those advantages. I regret to record the fact that my experience has been that the average co-operative official is enveloped in the mist of distrust and suspicion of non-official workers and easily assumes an attitude of hostility to non-official endeavour, the moment such endeavour conflicts with the official policy. I know that this statement will be denied and repudiated. But if such denial and repudiation manifest themselves in action, no one will be more pleased to own up the mistake than myself. I hope that our official guides will realise that the movement is essentially one for the people and that the Department does not possess the monopoly of the knowledge of the rural conditions or of co-operative ideals or of wisdom in general and will not allow false notions of privilege to stand in the way of its recognising the value of the peoples' standpoint.

Controversy must cease.

It is easy to suggest various methods for the proper regulation of our supervising and financing activities in the attempt to avoid possible clash of functions and supposed conflict of interests and to debate interminably on their relative merits. But this process of divided counsels must cease at some point, if we are earnest about achieving something practical and setting our house in order promptly and before it becomes too late. I believe the controversial stages have ended and conclusions are reached by the concerned agencies. The Madras Central Urban Bank, the Central Banks' Conference, the Provincial Co-operative Conference and the Townsend Committee have all bestowed their thought over the complex and delicate questions and have given their verdicts. It is a matter for gratification that on fundamentals, there is practical unanimity of opinion. Those who try to discover differences where they do not really exist, are merely animated by a spirit of controversy with a view to claim infallibility for their own pet theories. Assuming that the conclusions reached by so many independent bodies are as a matter of fact not the very best that can be suggested, is it a reason for their not being accepted as guides to action, on mere *a priori* grounds? Even Empires are governed on principles and policies over which there is maximum agreement, notwithstanding their defects. So let non-official agencies give the quietus to controversies and forget differences in the joy of working together. Whatever may be the idiosyncrasies of the departmental officials, the least that may be expected of them also is that they will respect in action the recommendations of the Townsend Committee as modified by the concerned non-official agencies.

Reform the Unions.

The first and foremost thing to be attended to is the strengthening of the unions. It is conceded on all hands that the personnel, pay and prospects of the Union Supervisors should be so improved as to remove the present reproach. In addition to aiding and stimulating collection, the responsibility of unions according to the Townsend Committee include the following :—

(1) To check all cash books, ledgers etc. entries, verify vouchers, and check interest calculations ;

(2) To ascertain that loans are granted for proper purposes and on adequate security, and are paid to the proper parties : and that the time for repayment is fixed with reference to the ability and convenience of the borrower ;

(3) To examine repayments to see that there are no book adjustments ;

(4) To see that extensions are given when necessary, and only when necessary ;

(5) To see that panchayatdars do not take advantage of their position by benami loans or otherwise ;

(6) To see that general body meetings are duly held ;

(7) To see that office-bearers and members understand their rights and responsibilities, and take a proper interest in their society ;

(8) To rectify any irregularities brought to light in the audit reports ; and

(9) To prepare the statistical returns, if necessary.



It does not require much argument to persuade one to the view that the discharge of these responsibilities requires an efficient, trained and devoted worker as a supervisor. Unless and until this reform is introduced, no improvement is possible. In this connection, I may be permitted to appeal to unions to consider whether they feel confident that they are fully competent to discharge all these responsibilities. If they feel that even with better supervisors, they are not equal to the task, let them decide whether they wish to be relieved of any and if so what duties and to which agency such duties they desire to entrust.

Supervision Fund.

In this connection there is one matter which requires serious handling. The complaint is that the inefficiency of the unions is due to their financial handicap. It is to some extent undoubtedly true, although the handicap in the matter of human material is the more potent cause of their present inefficiency. To strengthen the finances of unions the Townsend Committee made very definite proposals which will secure a clear 1 % rebate on every Rs. 100 transaction, the societies contributing not lesss than 8 annas and the Central Bank another 8 annas. I hope this scheme will be given effect to. The Madras Central Urban Bank is also endeavouring to assist the central banks and unions to augment their resources for inspection and supervision. When the lending rate of interest was reduced progressively from $7\frac{1}{2}$ to 7 per cent and to 6 per cent by the Madras Central Urban Bank, the Bank made it clear that the maximum benefit of the reduction to the movement will be derived and the best interests of the societies will be served not by carrying the reduction to the societies and ultimate borrowers at this stage but by feeding the weak and anæmic nurses who suckle these societies—the unions and the central banks. Here again misplaced enthusiasm and false economy have led to dissensions and a rural school of immediate reduction to societies and no d-d nonsense has sprung up. Permit me in all sincerity to plead that that policy is a suicidal one. There can be no doubt about our aim. The Madras Central Urban Bank and the Central Banks are collaborating to bring down rates of interest in the Province with the sole purpose of making money ultimately available to the agriculturists at as low a rate as is consistent with the condition of the money market and safety. Did the Madras Central Urban Bank reduce its lending rate to 6 per cent and insisted on the Central Banks reducing their borrowing rate to $5\frac{1}{2}$ per cent to benefit individual shareholders or for illicit gain ? I hope no one has yet said so. The aim is to pool together as much money as possible to strengthen the supervising and inspecting activities of the non-official agencies engaged in the task, to bring about by that method the much needed rectification and consolidation, to increase the volume of transactions and profits in the village societies and generally to put the movement on a sound and safe pedestal. When and where these ideals are gradually realised, the inevitable use to which the margin of profits arising from the reduction of the lending rate by the Madras Central Urban Bank will be put, is to reduce the lending rates to the societies and the members. Patience, sound economic policy and desire to make the best use of the available money according to the needs of the hour in the march of the movement, ought to be our guiding principles. We have arrived at a working compromise that the reduction of 1 per cent by the Madras Central Urban Bank should be shared equally by the Central Banks and the societies, that the rate charged to societies should not be below 7½ per cent, that the central bank should utilise its own ½ per cent. additional margin in increasing the rebate to unions and making contributions to federations and in improving its own administrative and field staff. The arrangement is unexceptionable and benefits every one concerned. I pray that it may be adhered to and worked up.

The Central Bank's responsibility.

Simultaneously with improving the efficiency of the unions, the central bank must shoulder its responsibility for inspection of societies financed by it. A careful scrutiny of two or three central banks recently made by the Madras Central Urban Bank disclosed the fact that the means of knowledge available to the lending banks about the financial condition and activities of the borrowing societies are of the thinnest kind. It is unwise to forget that the safety of the money deposited in the central bank by the public depends entirely upon the soundness of the loans advanced to the ultimate borrower through the medium of the societies. Any central bank which acts as the intermediary between the lending public and the borrowing society members without a sense of responsibility for ensuring the safety of the monies passing through its hands will be guilty of the most unpardonable breach of confidence reposed in it by those who entrust it with monies. This is obvious common sense. Nevertheless it is astonishing to find that central banks continue to discharge the financing functions in a mechanical and irresponsible manner without being in possession of the fullest and most accurate information regarding the condition of their constituent societies. The seriousness of the consequence of the continuance of such a state of affairs is manifest and it is unnecessary to labour the point any further. The Townsend Committee therefore stated in the most explicit terms that the power and the responsibility for the



inspection of societies rests on the central banks. The Board of Management of the Madras Central Urban Bank and the Central Banks' Conference which met in April last, laid down the following definite courses of action for immediate adoption by the central banks.

(*i*) That every Central Bank should immediately organise an administrative section in its office, maintaining a sustained history of the societies in its jurisdiction, by collating the inspection and audit reports received from time to time and recording the progress of rectification and consolidation work within its jurisdiction.

(*ii*) That the Central Banks should appoint a field staff of inspectors at the rate of one inspector to 100 or 150 societies for the purpose of inspection of affiliated societies.

(*iii*) That, in order to make the administrative section of Central Banks effective and efficient, whole-timed or paid secretaries are necessary and that all Central Banks are desired to take immediate steps in this behalf.

I hope that the Central Banks will carry out these instructions in spite of likely obstacles, for I am convinced that the future of the progress of Credit Co-operation in the Province will depend upon successfully carrying out this scheme.

System of Finance.

Our present troubles are also in a large measure traceable to the system of financing the agriculturist that has grown up in this Province during the last two decades. From my firsthand knowledge of the rural co-operator, I am in a position to state that the fault is not entirely his, if he is not enthused over the co-operative movement and does not feel that he is benefited by it. Unless we are able to give him real relief and make him cheerful, the movement must be pronounced to be a failure for causes for which the village society member is not responsible. In dealing with co-operative credit, we are all agreed on one fundamental matter, but on another equally fundamental matter we are divided. This is the source of the trouble. We are agreed that co-operative credit fails of its purposes if all the credit needs of the member are not satisfied by his being accommodated to the desired and deserved extent. If we finance him inadequately or only for certain purposes, he will have to go to the ordinary money-lender for his unsatisfied needs and his economic position instead of being improved may easily become worse. Some co-operators say that the agriculturist suffers for lack of sufficient and prompt short term credit while others say that he suffers for want of real long term accommodation. The fact is that both are right. An agriculturist requires three kinds of credit: a short term self-liquidating loan for current operations of husbandry which is repayable out of the annual harvest, an intermediate loan for captial outlay on his agricultural industry or for domestic expenditure which is repayable out of the profits in a small number of years, say 5 or 6, and a real long term loan for redemption of prior debts, permanent improvement of his holding, acquisition of property and the like, which is repayable in a large number of annual instalments in small driblets out of the enhanced margin of profits resulting from the investment. This has been the recent experience of all countries which have embarked on co-operative credit. So far there is no room for doubt or dispute. When we however come to the means wherewith to satisfy these different kinds of needs and the agencies through the medium of which they should be dispensed, we are not agreed. I remain absolutely unshaken in my conviction that the village society founded on the Raiffeisen model is suited only to dispense the short and intermediate credit and not the long term mortgage credit. The financial chaos which we find in the rural societies is due in a great measure to the intermixing of this so-called long term mortgage credit with the personal credit. No one is to blame for this mixing up. We drifted into it in the belief that 10 year loans would save the ryot and we felt that it was unsafe to lend for 10 years without real mortgage security. We have been experimenting in the genuine belief in the efficacy of these 10 year mortgage loans. But an examination of the results of the experiment will disclose many unpalatable facts; the ten-year loan has not proved an economic success, for it turned out to be inconveniently long for the society's financial capacity and inconveniently short for the borrower's financial needs. Any attempt to justify these mortgage loans through the rural societies will not stand a moment's scrutiny. The real solution of the problem lies in finding a more suitable agency for the long term credit, namely, the universally acknowledged institution of Land Mortgage Bank. Every effort should be made to promote schemes for the establishment of land mortgage banks by all true advocates of rural credit.

Scrutiny of Mortgage loans and extensions.

Temporary relief can however be given on a modest scale pending the establishment of land mortgage banks. A thorough investigation should be undertaken in selected areas about the volume of mortgage credit in village societies, the title of the mortgagor to the properties mortgaged, the soundness of their valuation and the repaying capacity of



the mortgagor. I do not know how far it is correct, but it was practically conceded by all the witnesses before the Townsend Committee that the repayment was more prompt in the case of personal loans than in the case of mortgage loans. I find on some cursory investigation that in a large number of cases the accumulated interest on overdue mortgage debts has come up to the level of the principal and in some cases has even exceeded. So some mortgage loans have doubled themselves. I am afraid that on scrutiny you cannot allow more than 50 per cent of the mortgage loans to continue. The rest will have to be recalled and steps taken to recover them as promptly as possible. This prompt recovery will involve the sale of a large number of holdings which may not fetch adequate prices. But it is a choice of the lesser of two evils between losing the entire loan or effecting unsatisfactory recovery. If however I am wrong in this calculation and if as a matter of fact a large proportion of mortgage loans is found to be sound, then my proposal will only be more fruitful of results. Re-assess the repaying capacity of the mortgagor in every case. Suppose a sum of Rs. 15,000 was advanced for 10 years through a village society on mortgages and Rs. 1,500 are recoverable each year from the borrowers and also suppose that the repaying capacity of the borrowers does not permit of more than Rs. 1,000 being repaid every year, then how shall we proceed? Recover Rs. 1,000 each year and give an extension for the remaining sum of Rs. 500. In other words the debt will be recoverable in 15 and not 10 years. No one needs be sorry to recover ⅔ of the debt in the original period of 10 years and the remaining ⅓ in an extra period of 5 years. Some such scheme must be set on foot to extricate the societies and the central banks from the financial muddle into which they have been led, unconsciously and with the best of intentions it may be. This will pave the way for the estalishment of land mortgage banks in due course and when established they must take up the mortgage debt from off the societies' shoulders. The scheme of short and long term loans recommended by the Townsend Committee was conceived along these lines and I hope and pray that co-operators will not pronounce a hasty opinion on that scheme but will give it a calm and deliberate thought.

I have many more things to say but I have resisted the temptation to appear learned by confining myself only to a few problems of urgency, lest I should be lost in the wilderness and fail to focuss your attention on matters needing your immediate consideration. Before I close I desire to sound a note of warning against some dangers ahead. I beg of my fellow-co-operators not to allow communal or political differences to invade the co-operative organisations. Of all forms of associated effort, Co-operation is not only the most equitable but also the most sacred and let it not be made profane by the touch of factious spirit. Let us remember that we are building a co-operative commonwealth to the benefit of not only ourselves but also of our posterity. Let not the future generation say that the young plant of Co-operation was killed by their short-sighted forefathers acting in an unco-operative spirit. Let us therefore proceed along the right path.

" When people are once in the wrong
Each line they add is much too long;
Who fastest walks but walks astray
Is only farthest from the way. "

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CENTRAL CO-OPERATIVE PRINTING WORKS, LTD., MADRAS.



## CO-OPERATION IN INDIA.

I

*Madras (1926—27.)*

The publication of the administration report by the Registrar of C. S., Madras, about the progress of the movement in the Presidency as a whole, is a matter of great importance to co-operators of this Province. We intend therefore devoting some attention to the study of the report for the year 1926-27.

### 1. The Policy of Expansion.

We see that there has been general expansion in spite of the cry of the Government for consolidation only—a cry which they repeat again in the G. O. reviewing the Registrar's report.

The following table will enable the reader to envisage the expansion effected :—

| | No. of Societies. | No. of Members. | Working capital in lakhs. | Reserve Fund in lakhs. |
|---|---|---|---|---|
| 1925-26 ... | 11,973 | 7,48,783 | 1,132·80 | 56·50 |
| 1926-27 ... | 13,357 | 8,30,522 | 1,334·34 | 68·54 |

We are sorry to observe that the Registrar's report does not enable us to catch at a glance the state of affairs at present and the improvements effected during, say, the past 5 years. In spite of this expansion, we see that 1·94 per cent of the population alone has come within the co-operative movement. Even supposing that all members are heads of families and taking 5 members to each family, we see that only 9·7 per cent of the population can be said to be affected by the movement directly or indirectly. Even with regard to the small percentage, we have to remember further that all their financial transactions are not with co-operative societies and that all their loans have not been liquidated and hence the need for further expansion, cautious no doubt and well-regulated but still never ceasing expansion, is clear to any impartial observer.

### 2. Overdues.

The skeleton in the cupboard is brought out in the sections dealing with overdues. The following table giving only the percentage of balance to demand extracted from appendix No. 1 will enable the reader to judge for himself the real state of affairs :—

*Percentage of uncollected balance to demand.*

| | | Provincial and Central Banks. | Agricultural Societies. | Non-agricultural Societies. |
|---|---|---|---|---|
| Principal including arrears. | 1925-26 | 16·76 | 44·11 | 17·79 |
| | 1926-27 | 20·18 | 43·57 | 17·89 |
| Interest due in previous years | 1925-26 | 24·84 | 53·87 | 43·14 |
| | 1926-27 | 31·80 | 53·90 | 48·23 |
| Interest due in | 1925-26 | 2·93 | 37·81 | 17·40 |
| | 1926-27 | 4·32 | 41·14 | 17·85 |

The Registrar's remarks about the increase in overdues is much to the point and we quote it below :—

" It will be idle to throw the blame solely on the adverse season during the year under review as well as in the several years past, as it cannot be said that such lapses on the part of nature had gone so far as to have resulted in conditions amounting to drought. A great deal of work still remains to be done to make co-operators realise the necessity and advantage to themselves of prompt repayment and to induce them not only to act on this realisation but also so to arrange loans that repayment is easily possible on the due date. It does not appear that the supervising unions on whom rests the responsibility for the upkeep of the societies' credit have generally made any serious attempts to check the increasing overdues in spite of the advice tendered in the previous year's report that if this tendency is allowed to go unchecked it might lead to financial chaos . "

We are sorry in this connection to be told that some central banks gave extension to societies even unasked. " It is to be regretted " remarks the Registrar, " that a few central banks, for example the Anantapur District Bank, have got into the habit of giving extensions for the dues or to raise the original period for which loans were granted wholesale without any demand from the primary societies. The effect of such extension is to show a fictitious figure of overdue loans and to weaken the sense of moral obligation on the part of societies to repay loans promptly. " The Townsend Committee has gone fully into the question of overdues and have come out with their panacea of short and long term loans. It is a matter upon which there is a good deal of controversy going on and as Government have not committed themselves to any line of action, we desist from making any further comment



upon it. We would, however, add that whatever be the means adopted, the ultimate goal should be to give to all members (all co-operators are honourable men) the fullest credit accommodation they require, long term, short term and intermediate loans call them by whatever name we please.

### 3. The Departmental Staff.

While dealing with this topic, we would like to advert to a matter mentioned by the Registrar in this connection and elsewhere and that is, increase of the staff. The report contains a table showing how even though within the past 6 years, the number of unions and of societies affiliated to them and the total number of members in affiliated societies have doubled themselves and the total working captial in the affiliated societies, the expenditure incurred by them and the number of supervisory staff maintained by the unions have more than doubled themselves, the number of senior inspectors and of junior inspectors remain almost the same—18 and 201 in 1921-22 and 24 and 208 in 1926-27. The Registrar seems to say " look at this picture and that. While the non-official agency has more than doubled itself, the official agency remains stationary ."

While agreeing in general with the complaint of the Registrar, we beg leave to point out that there is no inevitable law that official agency should increase *pari pasu* with the non-official agency, and that officials have steadily withdrawn from organisation, supervision, and collection and have practically confined themselves to the statutory duties of registration, audit, liquidation and inquiry. Moreover, de-officialisation being the recognised policy of Goverment with regard to this movement, the disparity between the officials and the non-officials in point of number is no alarming signal, provided however devolution of powers into the hands of non-officials has been effected in pursuance of a definite policy.

The Registrar has already submitted proposals to Government for increasing the circles of Deputy Registrars from 8 to 12 and the Townsend Committee has gone further and recommended one Deputy Registrar for each district. If federations be properly formed, manned and encouraged, we believe there will be no justification for the remark of the Registrar that " non-official effort does not provide any material initiative in non-credit work to which the Deputy Registrar is required to pay special attention and if any material progress is to be made in this direction, it is essential to increase the cadre of Deputy Registrars and ultimately there must be one such officer for every district. "

### 4. Surpluses in District Banks.

Section 15 of the Registrar's report has some very interesting remarks about surpluses in District Banks and how they were disposed of. Though a good deal of the surpluses at the beginning of the year had been absorbed, the Registrar adds that "the agitation which produced this result has given greater prominence to this question of surplus than to the problem of arrears and the central banks which participated seemed more concerned with immediate results than with sound investments." Later on, he puts in an elaborate plea in defence of his own action against the enhancement of the maximum borrowing power and quotes statutory Rule VIII (B)* in support thereof. The only way out of the difficulty seems to be to start land mortagage banks in many places more and see that the agriculturist does get the credit that he stands in need of. This very useful institution, we are afraid, has not been given an opportunity of proving its usefulness. The Registrar's remark on them is very cautious:— "It is too soon to say," he says, "whether the response from the public in the matter of taking debentures floated by the Land Mortgage Bank is satisfactory or not but it is observed that the bulk of the debentures so far sold have been taken up by a very few individuals."

### 5. Agricultural Marketing.

Loans advanced against the pledge of agricultural produce which are intended to enable the agriculturist to get the maximum benefit to himself have not become as popular as they deserve to be. Only a few societies have availed themselves of Government loans for constructing godowns. Here again the Registrar's remedy is "appoint more Inspectors", because he is of opinion that for a long time to come these societies, if they are to be a success, must receive the closest attention of the Department. We would add on the other hand "educate the people, create in them a genuine desire to improve themselves, show them the way and then retire leaving the management of their business in their own hands, keeping yourself ready to go to their assistance whenever wanted." The existing staff, if it consists of a proper kind of persons, would do very well for this work but if it is to be a case of spoon-feeding, every little item of work elating to the society to be done by the Department, no increase in the staff could be deemed sufficient.

*Rule VIII B. runs as follows:—A Society may receive deposits and loans from persons (or institutions) who are not members provided that the total borrowings from non-members together with the borrowings from members do not exceed the limit fixed from time to time by the Registrar for a particular society or for a particular class of societies.



### 6. Labour, Agricultural Demonstration and Building Co-operative Societies.

These societies seem to have done well during the year. One important point in the report we should like to draw the special attention of our readers to. Insurance is an aspect of co-operation which has not been given the attention it deserves. Cattle Insurance Societies started a few years ago seem to have done very poorly.* And the Registrar has set his face very sternly against Mutual Benefit Societies. The report says, "The main object of these institutions is to provide the wage-earners on their retirement or their heirs, in the event of their death, with lump sum gratuities out of calls made on the members. Of late there has been a large demand for such societies from Government servants, Local Board employees and the employees of firms, etc., but I do not consider that they are sound business concerns and have therefore declined to register any more." This resolution on the part of the head of the Department is thoroughly reactionary. We shall deal with the subject of Co-operative Insurance at greater length on another occasion and show how in England the C. I. S. (the Co-operative Insurance Society) has become equally famous as the C. W. S.

### 7. Conclusion.

In conclusion, we would appeal to the Government that in reviewing the Townsend Committee report which they are bound to do ere long, they would do well to definitely enunciate their policy. They cannot go back upon the declared goal of the movement, viz., De-officialisation, and if the Government are not satisfied with the agency that is available to take charge of the movement, they have themselves to blame. They have not been taking as much interest in getting their substitutes trained as they should have done. Obsessed by their ideal of bureaucratic efficiency, they have been going on increasing their staff on the plea that non-official agency is inefficient. It is time we turn over a new leaf. The Registrar adds in an oracular way that there is no change in the attitude of the public. We wish there had been change, a rapid and ever increasing change for a better state of affairs, a change of mentality which would enable them to see that the movement is ultimately theirs, a change of attitude which would result in their self-examination and better equipment for the discharge of their duty. The ultimate responsibility for bringing about a change in the attitude lies with the Government who started the movement and whose moral duty it is to see that the movement thrives and prospers and does not

* See Sec. 51 of the Report.

languish and die, so that our adverse critic may not point his finger of scorn at us. In this connection, we would suggest that a definite programme of work for the coming year be settled between the officers of the Department and non-official workers, that occasional conferences be held to take stock of the situation and to see how far progress has been achieved towards the limited but definite goal fixed before the beginning of the year, so that at the end of the year, the two ranks of workers may turn with some satisfaction to "something achieved, something done".

S. K. Y.

II

### Mysore ('25—'26).

The Report on the working of Co-operative Societies in the Mysore State for the year 1925-26 forms interesting reading. The work of consolidation and reconstruction undertaken some years ago was proceeded with resulting in the winding up of some 27 societies; while the work of expansion, undertaken in right earnest, resulted in the registration of 156 societies. Membership, working capital, deposits and reserve fund showed an upward trend. The banking operations of the societies were centralised in the Provincial Bank. There are of course a number of Central Banks in the Districts. But most of them have done very little business; and, in the new arrangements most of them have been asked to be wound up while some are to be created as agencies of the Apex Bank entrusted with the task of recommending loans after investigation. There will thus be one Financing Bank for the State. As the number of societies increases, the number of society members and the complexity of transactions will increase. The agency idea is good; but one is led to think that they are likely to be entrusted with very little work. They are probably going to do part of the work that supervising unions in the Madras Province are now doing—investigate and scrutinise loan applications without the responsibility of collecting dues, or otherwise serving as branches of the parent bank carrying on the business of banking. If such is the case, the work entrusted to these banks is too narrow in scope; and, if the Provincial Bank is to keep itself in touch purely through its officers—two Inspectors lent by the Department have in this year inspected 45 societies in the Bank's interest—it will be trying a hazardous experiment. That is the sort of supervision banks have been exercising elsewhere as in C. P. and U. P. They have not been pronounced successes by the Registrars in those provinces, in spite of the fact that there the unit of co-operative Finance is the District Bank and the number of societies under their



control is, comparatively, very much smaller. In fact, it is a moot question if supervision by the Financing Bank is good for the movement and will conduce to the progress of societies in the long run.

Land mortgage banks seem to have been organised in the province. Three, in the year under consideration, have been asked to be established in the Malnad. The Registrar hopes they will solve the problem of chronic indebtedness there, provided sufficient working capital is forthcoming. From where? The Government expect them to function as suitable agencies for providing the ryots with long term credit. In the absence of further information as to their constitution and working, it is impossible to say anything about them. But, if land mortgage banks are to be a success, they will have to be greatly helped by the Government, financially and otherwise, so that, in the words of Sir F. A. Nicholson, it may be 'evidence of the belief by the Government in the credit of the Bank, of the connection of Government with it, of its interest in its success, and of its approval of its operations, as an advertisement to the public that the Government desires the success of the Bank and believes in it and its usefulness." And there ought to be one bank for the State; such banks as are contemplated being primary land mortgage societies financed by the Central Land Mortgage Bank from funds obtained by debentures, State Loans, etc.

C. S. R.

### Mysore. (1926-27)

The report on the working of co-operative societies in Mysore for the year 1926-27 is as usual a record of good progress achieved all along the line. The number of societies, number of members, working capital, total transactions, net profits and reserve fund—all these show signs of development and increase during the year under review compared with the previous year. It is particularly gratifying to note that the Apex Bank has been able to attract considerable deposits in spite of its having reduced the rate of interest. Equally gratifying is it to be told that "loans granted on the security of the borrower alone or on the joint security of himself and other members has considerably increased." That is the true spirit of co-operation and not relying entirely upon the unlimited liability of members and securing loans more and more on the pledge of property. They are also feeling, as we have come to realise, that unless long term loans are given to the agriculturist so as to enable him to repay out of his annual savings, his position cannot effectively be improved and Government therefore have decided to start land mortgage banks especially in the Malnad Dt. It is a matter of regret the Dt. Banks of the State as contrasted with those of our Presidency are not able "to collect capital locally to the extent required by the societies and that therefore they have to be merely intermediaries between the Apex Bank and the primary societies." Another discouraging feature of the movement is that Sale Societies have not been working properly "owing to the apathy of members." The future of non-credit co-operation is entirely along the line of agricultural marketing. That is the line of progress pursued by the farmers of the West and that is the only way of making the peasants realise the fullest benefit from his industry. But it is gratifying to note that weavers' co-operative societies and house-building societies have been doing useful work. We published in the Bulletin for the last month an extract from the Registrar's report about what the movement has done for the Adi-Karnatakas.* Our readers would have noted with special interest the interesting experiment of Co-operative Colony Scheme described in that extract. The Bangalore Stores also seems to have done good work. The sentence in the report about this institution that it did transactions amounting to 22·5 lakhs is somewhat misleading. We see from a previous sentence that its total purchase was only 1,60,000 and odd and its total sale about the same. In a store, the total sale is the criterion and the premier society in the State which was able to win the newly instituted Co-operative Shield for the best co-operative stores had its sale only to the extent of a lakh, an amount which is often reached by some of the important branches of the T. U. C. S. We are glad to note that the Central Institute conducted training classes and thus did its best to popularise correct principles of co-operation. We note in the Government review their advice to the Registrar and the Apex Bank about the need "for keeping in close touch with the affairs of the affiliated primary societies," a matter which in our presidency the District Banks are attempting to do. We endorse the sentiments of the Government that no efforts would be spared for further developing the movement and "making it an effective instrument for good in the social and economic uplift, especially of the middle and poorer classes of people in the State." The Registrar deserves to be congratulated for the enthusiasm he brings to bear upon his work and we would invite the attention of our Registrar to one interesting feature of this report, viz., a brief outline of the programme of work for the next year with which the report closes.

S. K. Y.

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*See pages 512—514 of May Bulletin



## III

## Travancore (1925—26.)

Travancore has seen great progress in Co-operation especially in the last two years. In 1100 and 1101, the number of societies has increased greatly and share capital, loan amounts, repayments, and consequently working capital have all gone up. Every taluk except Devikolam has been penetrated and even this exception will cease to be soon, since the agricultural inspector is learning Co-operation! But almost every society is a credit society, other forms of co-operation not having made any headway.

There are 19 supervising unions—non-official bodies—for 1325 societies, to which the Government hopes in course of time to make over the functions of organisation, supervision and propaganda, reserving to itself the bare statutory functions of registration and liquidation, audit and inspection. A land mortgage bank is to be registered soon, neither the Government nor the Registrar saying what their idea of one is. One can take it to be on the discredited model of the banks in the Madras Province since Travancore Co-operation seems to be a pale copy of the movement there. One could wish they did better, seeing how the Madras Presidency Land Mortgage Banks are sorry failures. A large bank for the State with land mortgage primary societies each for a group of 5 or 6 villages would be the right thing, the Government guaranteeing a sufficiently large share-capital as the foundation of the Bank and calling on primaries to contribute further share capital at the rate of 5 per cent on amounts borrowed. The State should be substantially represented in the management of the Bank, an officer of high standing being made the trustee. Debentures issued by such a Bank and supported by such guarantees will bring in moneys sufficient not only for freeing the agricultural population of its heavy burden, but also to encourage its intelligent sons and daughters, now crowding the Government job markets and setting up an intense competition in it, to hark back to land, and, with the capital made available, make the extensive tracts of uncultivated territory a veritable land of wealth and health! Large tracts need not, in such a case, be offered to foreign companies for exploitation even in the interests of our countrymen.

Our west coast strip is no doubt terribly caste-ridden; but I was not prepared for 569 co-operative societies established for the convenience of nineteen different communities. It is an evil day for our country and for co-operation if all the people in a village or commune should not make up their minds to form one community for the rehabilitation of their economic, and incidentally their social, life.

The report, in spite of the map and the statistical graphs, was rather dull reading. A little bit of imagination could have brightened it. There was some co-operation with the Agricultural Department; but what of the Industrial and Educational Departments?

C. S. R.

## Travancore. (1926-27)

The Administration Report of the Co-operative Department of Travancore for 1102 of the Malayalam Era (1926-27) is a report of progress all along the line. The following table gives the main features at a glance:—

| | No of Societies | No. of members | Working Capital | Reserve Fund |
|---|---|---|---|---|
| 1101 | 1260 | 115,303 | 2,389,392 | 1,56,770 |
| 1102 | 1630 | 150,932 | 3,363,200 | 2,27,816 |

It is very refreshing to know, as the subjoined table will show, that the percentage of balance uncollected to demand has during the year under review decreased in the case of the Central Bank and of agricultural societies and there was only a small increase in the case of non-agricultural societies for which one bank in particular was mainly responsible.

*Percentage of balance to demand.*

| | | Principal | Interest |
|---|---|---|---|
| Central Bank. | 1101 | 29.1 | 19.1 |
| | 1102 | 21.7 | 14.2 |
| Agricultural Societies. | 1101 | 24·9 | 33·7 |
| | 1102 | 23·1 | 27·8 |
| Non-agricultural Societies. | 1101 | 21·3 | 31·3 |
| | 1102 | 25·2 | 32·7 |

A few of the other features of the movement call for some observations.

1. *The Starting of a Land Mortgage Bank*:—The literature we have been publishing in recent times would convince any reader that to combine ordinary short term credit with land mortgage credit is not quite advisable. The Central Bank which is said to be considering the question would be well advised therefore to act only as agents of a Central Land Mortgage Bank, if necessary, just to inspire confidence in the investing public.*

2. *Chits*:—It is well known that this institution is very popular with the people of Travancore; but in other parts of the country, the tendency is to discourage it as members are generally tempted to bid away chits and spend the money long before they have saved enough and this becomes another form of loan instead of an effective means of thrift as it appears to be.

*See Mr. Ramadas' article on the subject in the May Bulletin.



3. *Co-operation with other Departments*:—While we are pleased to be told that there was hearty co-operation between the Department and those of Agriculture, Industries, Public Works and Maramath etc., it is surprising that co-operation with the Education Department is not even thought of. In a country like Travancore where you have more than 50 complete secondary schools and 6 colleges and where the Government is spending Rs. 40 lacs on education, it is to be regretted that the vast army of teachers has not yet been converted into a mighty force for propaganda as it can easily be done. It is to be hoped that not only would co-operation be a subject taught in schools in theory and in practice by the starting of students' co-operative societies in all educational institutions, but that full advantage would be taken of the existence of a very large number of highly educated teachers who could easily be made zealous missionaries in the cause of this great movement for the uplift of the people, a movement that appeals alike to the instinct of business and that of self-sacrifice.

4. *The Central Bank and the Scheme of Financing in general.*—As contrasted with the general line of development in British India, the individual members of the Bank increased from 278 to 524 whereas society members increased from 448 to 519 only *i.e.*, while the individuals increased by 88 per cent, the society members increased only by about 15 per cent. This is partly due to the fact that the Central Bank at the Capital acts as the Urban Bank for the City of Trivandrum. It is to be hoped that a separate Urban Bank would be started for the town, that taluk banks would be started in all taluks, that they would give more and more loans to the societies and that the Central Bank would finance these Taluk Banks only and Urban Banks doing business on a large scale and lessen its dealings with the individuals.

5. *Urban Banks*:—It is a pity there are only 6 Urban Banks. We are told that all the 13 Taluk Banks have dealings with individuals and hence practically serve as Urban Banks for the towns where they are located. When we see that a flourishing commercial centre like Alleppey where all the important Joint Stock Banks of South India have their branches could boast only of an Urban Bank with Rs. 18,145 as its working capital, we are constrained to observe that there is considerable scope for expansion of Urban Banks in the country as a whole and in commercial centres like Alleppey, Kayankulam etc., in particular.

6. *The Travancore Co-operative Institute*:—Like many other useful institutions we see that this good institution was not able to translate into action all its ideals and ambitions. It is painful to note that it

was not able to hold the training class it wanted to conduct and to regularly bring out the Malayalam Journal it is publishing. We hope the Government will be pleased to liberally subsidise the institution so that it may be permanently placed above want and may be able to devote its attention for chalking out new lines of advance, which we are very glad to note it has been doing in spite of its crippled resources.

7. *Auditing*:—We are really surprised to be told that with regard to 292 societies out of 1527 i. e., for about 20 per cent., auditing was done by honorary workers. We may enlist the services of honorary workers for supervision, for rectification and consolidation, and for propaganda and similar lines of activities; but auditing is to be done only by the properly qualified officers of the Department or by certified auditors and the present system of amateur auditing is to be condemned.

8. *General*:—We can sympathise with the Registrar when he complains of lack of funds. The movement has spread so far as to require some officers of intermediate grade like assistant registrars. At least 3 of them should be appointed at once, each to be in charge of a Revenue Division of the State. Then the Registrar will have ampler opportunities for developing the movement. Co-operative Marketing has practically not been attempted at all. Travancore produces pepper, ginger and many other commercial products which, if marketed co-operatively, would put more money into the pockets of the poor ryot. House-building and other forms of non-credit activities have not yet been started. While congratulating the Registrar on one successful year of useful work done, we would recommend to him the practice of his Mysore brother who concludes his report with a brief outline of work for the next year. Such an outline would enable us to judge of our work and tell us how far we fell short of our aspirations.

S. K. Y.

IV

**Pudukottah (1925-26).**

This state is doing good work. There has been progress. New societies have been started, old ones visited and good amount of work done. Deposits have increased. And the report mentions these; and nothing else. Reading between the lines, one can see that repayments have not been punctual. Except in one case, no society has been pointed out as bad. Non-official supervision is exceedingly meagre. Official inspection does not say what work was done in addition to audit. There is a central institute on an ambitious model. It published four leaflets. What else did it do? There was a Union in Vallanad with 14 affiliated societies. Why were not more societies induced to join the union? What was its financial condition? Rs. 100 was given to it as a grant by the Government. What was the contribution by the societies? All these interesting information does not find a place in the Report.



The statistical information is meagre and one is no able to arrive at independent conclusions. The starting of more unions should help to decentralise the movement and add considerably to the number of non-official workers.

C. S. R.

V

**Nizam's Dominions (1923-24)**

Every state and province has methods of managing co-operation in its own way. Indeed, a very interesting and instructive book can be written on the subject of the working of co-operation in the several parts of this great country of ours by comparing the ideals and methods obtaining in several places. Such a work awaits the master who will not be satisfied with mere comparison, but will go further and elaborate principles based on the success or failure of experiments and point the way for progress.

The working of co-operation in this premier State for the year 1923-24 can be said to be 'fair.' The thing seems to be almost entirely a Government business. Little or no non-official co-operation seems to be forthcoming as the Registrar constantly complains in his report. But his remedy for such listlessness does not commend itself. Encouragement of the few workers is certainly necessary; much more than they would possibly get elsewhere in the shape of recognition—titles, honourable mention, anything that would bring more, can to a certain extent be tried. But it is always well to remember that unselfish workers alone will be steady and should form the mainstay of the movement. Great co-operators elsewhere were men who were moved to action purely by sympathy for their fellowmen. A Schulze, a Raiffeisen, a Luzzati, a Wollemborg, a Longuinine, a Plunkett, were all men of immense energies and absolute selflessness. The German philantthropists did not only not care for State recognition, but they did not even count State help and went on with their work in spite of State obstruction.

One is sure that the Dominions of His Exalted Highness contain many good men who would prove quite as good co-operators as any mentioned above; but they should be brought into the movement by education and propaganda. The Report does not mention any steps taken to bring co-operative education to the doors of the people—no leaflets or pamphlets issued, no classes for the co-operative officials or officers of co-operative societies, nothing in fact that would invite the would be worker to do his bit. If the Registrar should bring about the starting of a Dominions Co-operative Union, on the model of similar institutions in Bombay and Madras, give them facilities for propaganda, and encourage them to publish Co-operative journals, arrange for Conferences and do propaganda work, much could be achieved in these directions.

One notable feature in Co-operative finance in the State is the proportion that owned capital bears to working capital. Thus the Hyderabad Central Bank had a share capital of 4·80 lakhs as against 20 lakhs of working capital—nearly 20 per cent. In the Parbhani sub-division, the owned capital increased from 60 to 75 per cent of the working capital. In other places, praise was distributed in proportion to the percentage of working capital.

One wonders if this accumulation of share capital is good or even safe. The dangers of over-capitalisation are well known. A co-operative society that collects so much share capital cannot want much. If I have Rs. 75, I should find it easy to borrow Rs. 25 more for my needs, if I have no more demand for money. Why should I invest this seventy-five Rupees (or more, in many cases) in order that I may get Rs. 100? In most agricultural societies in Europe, they managed otherwise. There was no share capital (so it is in Punjab) to pay. Raiffeisen even affirmed that share capital was not only useless but mischievous, since it kept money out of the land, members out of the Society and induced a habit of looking for dividends, retarding, to that extent, the accumulation of reserve which is a prime necessity; and only yielded on the German Law insisting on share capital when he put it at a nominal figure. With such huge share capital, as in the Dominions, there is no necessity even for capitalisation of honesty.

But, if, encouragement of thrift is one of the objects of co-operation, and members save, one may ask, should it not go back into the coffers of a co-operative society, helping it to extend the scope of its beneficence? It should, indeed it ought to do so. But it should go in as deposits and not as share capital. The difference between the two are great. A village society that depends entirely on its deposits for financing its members induces the spare cash in the village to be vested in it so that it may be useful for the poor but honest member of the community as capital for his industry, agricultural and otherwise; while the thrifty man is rewarded by payment of interest. But to require a member to pay 12 annas on the average as share capital to enable him to borrow Rupees one, would drive out of membership many a poor but honest fellow.

There are other items in this Report that call for remarks. The absolute necessity for very careful audit does not seem to be realised.



If this is not insisted on in every case, it may be found, one fine day, that co-operation has been ruined.

This report, printed in 1927, is for the year 1923-24. The extraordinary delay in its appearance is likely to make generally any notice of it worthless.

C. S. R.

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## VI

### The Tanuku Co-operative Production and Sale of Khaddar Cloth Society Ltd., No. H. 523.

The Registration of this society should bring happiness to the heart of every Indian who feels for the lot of his fellowmen. The production of Khaddar as a panacea for the ills from which the majority of our countrymen is suffering has been almost universally accepted. The names of the greatest among us have been associated with the movement. Great attempts are made by A. I. S. A. to put Khaddar production on a business footing and success is being attained.

But it is only co-operation that can put the movement for all time on its legs. The agency that produces and sells an article is the best fitted for supervising its production and sale. Co-operation is the poor man's method of conducting business. And if he can get, on a footing of equality, the help of his more fortunate brother, so much the better for the business.

But, let not the fortunate brother think he serves or even sacrifices his time or money in the job. If he does so, he errs egregiously. Khaddar is an article of daily use. Its beauty, its naturalness as an article of dress for the Indian man and woman, nay, its spirituality, has been proclaimed by the greatest Indian living. As a consumer, the well-to-do Indian has, an interest in khaddar production; and self-interest, in the case of this society, is nearly equivalent to other interest. Citizens of Tanuku have great reason to make this society a success.

There are Co-operative Khaddar Societies elewhere. There is one, to my knowledge, at Kallakurichi in S. Arcot Dt. It has received encouragement, among others, from the enlightened S. Arcot Dt. Co-operative Bank.

But I think that the A. I. S. A. have their own shop in the place. If so, there is an unnecessary duplication of agency for production or sale. India is sufficiently large for the work of the Association without its setting up competition in centres of production through co-operation unless the work of co-operators is faulty or slack.

C. S. R.

VII

## Central Provinces and Berar 26—27.

This province was one of the first in India, of late to think of setting the Co-operative Department in order. A Committee met in 1923 and reported on the movement, making a number of recommendations for radical reform. The effect of those recommendations is seen in this report. The Provincial Bank, which then came in for the worst strictures, has been set again on its legs. The primary societies are undergoing rectification or reorganisation as it is called in the Report. Rotten institutions primaries or Central Banks, are eliminated : new registrations are made with great caution, and supervision is arranged for on a suitable scale. Societies are now divided into convenient groups and each group is under the charge of an Assistant Manager or other officer who is required to visit societies in his charge at least twice a year. The work done is the examination of societies particularly in regard to 'overdues', unrealised interest and bad and doubtful debts and the action taken in each case.

Nor is Co-operative Education forgotten. Co-operative *Rallies* were arranged in every district—299 for the year for the whole province. A rally is the bringing together of the members of 7 to 10 societies at a time. Non-members are also induced to attend. As many as 11, 967 of them attended these rallies with 14,664 members. The condition of the societies concerned are analysed ; methods of improving them are explained. Lectures are delivered on the principles and practice of co-operation, on thrift and the necessity to cut down unproductive expenditure on ceremonial occasions. Officers of the Revenue, Agricultural and Veterinary Departments attend and urge the importance of manure, good seeds, and improved implements for better cultivation and the care of cattle.

There were also courses of instruction to co-operative officials—refreshers for auditors and superior bank staff, classes for training bank accountants, members of societies, ete.

Where weeding out of tares is carried on, numerical progress cannot be achieved ; and one is not alarmed at the reduction in the number of societies, while progress is visible in other directions. The department seems to be wide awake. There is no attempt at gloss. The report abounds in the earnest pronouncement of the requisites of success. And the Government Order recognises the good work done.

Guaranteeing unions, so badly denounced by the veteran co-operator, Mr. Wolff, have, after all, been pronounced in this report to be a failure. They can never be a success.

C. S. R.



VIII.

## Bihar and Orissa. (1926)

This year has seen good work done in the province in point of Co-operation. The increase in the number of societies is as much as 1,043, (the total is 8,263), or 12 % over the previous one and this increase is recorded after a very respectable increase of 793 societies in the year 1925. But the Registrar is already seeing the necessity for taking stock before further progress is attempted. No new societies are to be started unless there is careful organisation and a promise of genuine Co-operation is assured. 'Mere quantitative progress at the expense of well being' is to be discouraged. This is necessary.

Taking the numerical increase, one finds that in the two years, 1925 and 1926, societies have gone up as much as 31 %. Membership has also gone up by 48,250 or 26 % and working capital by 36 %. But many central banks are said to be dumping money on primary societies and it is said that several central banks have gone on receiving deposits at a high rate of interest with the result that the problem of disposal of surpluses presents great difficulties. Even the Provincial Bank has had, as a consequence, to invest a good portion of its working capital in Government Paper and lend more to the Apex Banks in other provinces. In fact, out of 51·50 lakhs of working capital, only 27·40 lakhs and 40 thousands are given out as loans and advances to Co-operative Societies, while investments come up to 15·10 lakhs. Concentration on rectification of bad societies of which there seems to be a good number, the closing down of hopeless ones, and strengthening those that come under the designation of 'fair' is appreciably good work urgently needed and it is well that it is attended to.

Co-operation other than credit has beeen successful, although there are some societies of every kind that can show a decent record. Failure in most cases has been assigned to want of workers or dishonesty in the management. But it is in these directions that co-operation should advance in our land. The store movement, agricultural co-operation, co-operative marketing, co-operative housing are some of the means by which the poor Indian can be made to lift his head and these are more potent instruments in his uplift than credit can at any time be. But for general improvement, education is necessary and it is to the credit of the movement in the province that co-operators are interesting themselves in educational uplift.

C. S. R.

## IX.

### Assam (26-27).

The administrative Report of the Co-operative Department in this province for the year 26-27 reports progress. The Registrar, who, after nine years' association with the department, is about to retire, is able to look upon with satisfaction on his work. In 1918 he found little non-official support and less monetary help to extend the operations. In 1927, he is able to acknowledge ungrudging help from officials and non-officials and an inflow of money into the movement 'beyond our expectations.' The Governor and his Minister congratulate the Registrar on the success that attended his efforts. During his trusteeship, the number of societies has more than trebled while the number of members and the working capital have increased fourfold!

The outstanding feature of Co-operation in the province is the extent to which members and non-members deposit their savings in rural primary societies. It shows that the residents of villages are already realising that the village bank is theirs, and that, to the extent that it prospers, their prosperity is also assured.

There is a slight allusion to signs of impatience, forwardness and intolerance of control on the part of non-officials. The report recommends that 'the Registrar's control should be effective' and in the same breath says that it is not the intention of the authorities to officialise the movement. One wonders if the author of the Report realises that the two are incompatible. If co-operation is to be a peoples' movement, official control should be reduced to a minimum. The powers vested in the Registrar by the Act of 1912 are quite large enough.

C. S. R.

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## X

### The United Provinces of Agra and Oudh. (1925-26 and 26-27.)

Mr. P. M. Kharegat, the new Registrar of Co-operative Societies in this province, deserves to be congratulated on his courage in producing an Administration Report (26-27) of the working of Co-operation therein which spares nobody and no institution, in the castigation it deals all round. Compared to it, the usual platitudes contained in the report of the year previous, for which the then Registrar, Mr. S. B. Misra, was responsible, resemble stale water placed before good strong wine.



"The movement on the whole continues to maintain a record of slow but steady progress, so far at least as figures go...Some improvement has also been effected in certain other respects...There is no cause for pessimism" says Misra.

"The majority of Inspectors understand little of co-operation and care less for it...Some of our auditors have become the laughing stock of those whose work they are supposed to audit...Supervisors have been neglecting the educative part of their work...they are failing even as loan collectors. The co-operative knowledge of both the Bank Manager and the Supervisor is very vague.

"...A sinking ship...the old ones (societies) are going to pieces—there are unfortunately too many that cannot be reclaimed—the heavy increase in overdues can only point to general deterioration...

"Some banks have large idle balances while many others need money. Broadly speaking, co-operative banks have not been successful in the larger cities and in the small outlying villages. Most of the representatives of societies (in Central Banks) are dummies...Unless the management bestir themselves, one fine day they may discover that their society is bankrupt.

"Membership (in certain primary agricultural societies) is secured by retaining the names of those that are dead or have left the village and on the other by persuading undesirable people to join, even persons who are actually in jail.........Supervisors or Secretaries enter *farzi* names as members...Zemindars (members in a society) get loans at 15% and lend it out to tenants at $37\frac{1}{2}$%! Irrecoverable items are often included as assets...The goal at which our co-operative societies are aiming at is liquidation!

"The quality of audit work leaves much to be desired...It has been, on the whole, mechanical and superficial; the auditor often fails to detect embezzlements. Banks and societies treat these audit notes for what they are worth—as something only slightly better than waste paper.

"Steady increase in liquidation is one of the worst features of co-operation in the province. Banks should realise that it is to their interest not to let societies which are really hopeless to drag on a nominal existence—they constitute the worst possible advertisement for the bank and only serve to spread the contagion all round.

"At present, apart from Government publications and reports, the (Registrar's) library boasts of no more than 85 books on co-operation."

And socially, "the task in front of co-operators in this province is not merely the capitalisation of honesty, but, in many cases, even its creation."

I do not apologise for quoting so largely from this interesting report. A good many of these remarks apply quite as much to other provinces as to the U. P. They must cause an all round searching of the heart throughout. What other people' feel, Mr. Kharegat puts boldly in print. And he goes further. He proposes to reform this state of things and bring in an era of real development.

He asks for a larger staff, part of which is to be recruited on the result of a competitive examination. He is arranging not only for the training of new and more competent staff but also for the gradual re-training of almost the whole of the existing staff by holding refresher classes from time to time. The training given to the staff is to be not only in co-operation but also in agricultural and industrial matters, in Hygiene and Sanitation. Co-operation is but a way of conducting certain parts of the business of life. The true Co-operator has to understand the business life in order that he may adapt his methods to it.

He is concentrating on the improvement of existing societies, on revivifying them and making them truly Co-operative. He intends to close hopeless societies and proceeds apace with liquidation. He is no pessimist and does not subscribe to the cry that credit co-operation is a failure, but is not prepared to say that cheap credit is an end in itself and is ready for experiments in co-operation other than credit. He is directing attention to central banks and whipping them into activity. He recognises the value of education and is working in selected areas, for rural reconstruction.

His success should inspire Co-operators all over India.

C. S. R.

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## XI

### The Federated Malay States, (1925 - 26).

Co-operation is rather young in this Peninsula. The reason has been given clearly by Mr. Cavendish, Director of Co-operation, in this report. As early as 1911, a committee, appointed to inquire into the causes of the failure of a system of small loans to Malay agriculturists in Perak, tried to put the blame on their national characteristics. It said that they were 'in little haste to get rich,' 'distrustful of neighbours', 'still suffered from the recollection of the past evil rule.' It added that the "Co-operative Bank system on the lines of rural credits ocieties...... *can never be promulgated* among the Malays. It is entirely againstt he tenets of the true believer of Islam to take interest on money lent out." This report has been responsible for the prejudice against the movement. The department had to struggle and fight hard against it and the four years ending 1926 have seen splendid progress. In the words of the Director, 'Co-operation is now firmly established in the country: the days of mere experiment are passed. Credit societies are moving along on a flowing tide."



This reminds one of what happened in Madras thirty yearse arlier. When Mr. (now Sir) F. A. Nicholson produced his ever memorable report pointing out the great opportunity for the spread of Co-operation in the province and pathetically urging the introduction of the necessary law, the Board of Revenue, or the Secretariat came (dogmatically) to the conclusion that Co-operation would never take root in the land and shelved the whole business. It was left to the Government of Lord Curzon to move in the matter on behalf of the whole country.

The Malaya peninsula is a favourite of Nature. "Land and water in this trophical region are so intermingled that a hot, moist climate is invariable, tempered by sea-breezes and altitude of the mountain slopes. This region is rich in all the products of the tropical forests, and the volcanic soil is very fertile. Rain falls throughout the year." "The staple cultivations are cocoanuts, rice, rubber, sugar,tapioca, pepper, gambier and nipah palms. The industrial enterprises are the cultivation of rubber and the mining of tin." The area of the territory is 27,500 sq. miles, a little larger than that of Mysore. This knowledge of the geography of the place is necessary in order that one may assess the growth of Co-operation in this place. Moreover the proximity to Singapore, an entrepot of the world's commerce, gives these countries an unique importance.

Agriculture, industries and trade provide an unique opportunity for team work and, if poor men could be brought together, ought to make Co-operation highly successful. This has been proved even in the four years' time that has elapsed since the inception of the movement in the peninsula. The volume of work is already so great that the official staff has had "to struggle with the increasing mass of work created by the constant and steady public pressure to form more societies."

And much has been accomplished. There have come into existence (by October 1926) one hundred agricultural societies and they are all doing good work. "The members are as a rule keen and greatly interested in the movement." One society has built its own smoke shed and another has applied for 200 acres of State land "for cultivation on co-operative lines as an estate." Many co-operators are most anxious to take up and develop more land. In Krian, paddy grower members have freed themselves from the clutch of millers, dealers and professional money lenders to whom they used to sell their crops at absurdly low prices. The result is they are able to command better prices and the average increased earnings come to Dols. 150 each. Societies for Indian labourers in estates—they are mostly Tamils—are being started. Non-agricultural credit has grown enormously and non-credit work has already a promising outlook. A Co-operative Life Insurance concern may soon be started. There is a Central Bank for the State of Perak while the Co-operative Bank for Malaya, first propounded in 1921 and often discredited, has just a chance to come into the realm of possibilities.

The report is the best that has fallen to me to review. The Director has a correct outlook. He insists on high qualifications for his subordinates. He is not carried away by sentiment. And his summary of the progress of Co-operation in the States is exhilarating reading.

The Director is also in charge of Co-operation in the Straits Settlements. The salary-earner's thrift and loan societies have done very well indeed. The five rural societies have been in existence only for a short time and present no aspect worth noting.

C. S. R.

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## Annual Report of the Department of Agriculture, Bengal, for the year 1926-27.

The administration Report of the Bengal Agricultural Department is a much bulkier document than that of the Madras Agricultural Department, as it includes detailed reports of experts and Deputy Directors of Agriculture and of the various experimental (including agricultural) Stations in the Presidency. It is noteworthy, by the way, that sericulture is a section under the Agricultural Department in Bengal as it ought to be, while in Madras it has been under the Industries Department administered by a quick succession of lay Directors. The common feature of all Provincial Reports, however, is their unintelligibility to the educated lay public not to speak of their inutility to the farmer. There may be need for a purely administrative or scientific report for official use; but what is more needed is a clear and up-to-date account in vernacular on the lines of the Popular Account of the Madras Agricultural Department published in 1922.



Compared with Madras, the Bengal Department would seem to be even more understaffed both on the research and administrative sides. One wonders whether this is due to Bengal being a permanently settled Province in which the Government feels its obligations and scope for direct dealing with the actual cultivators far less than in ryotwari areas. The need, however, for more men in future, seems to be keenly felt, for it is stated that 'the work of the department in the districts is continually expanding and if a check is to be avoided', more men should be trained and kept in reserve.

The most interesting part of the report is the one dealing with agricultural education in Bengal and this deserves more than a passing notice. Strangely enough in a very big agricultural Province like Bengal there has been no agricultural institution of University standard since 1912 when Sabour where a college had been working went over to Bihar which could not supply enough students and so the institution had to be closed in 1922—leaving indeed no agricultural college not only for Bengal but for also the whole of North-East India *i.e.*, Bengal, Bihar, Orissa and Assam. A scheme for opening up an Institute of Agriculture at Dacca has been drawn up, and that provides for agricultural education based upon the Intermediate Science Standard. There is already a Secondary Agricultural School at Dacca which is now the only institution in Bengal teaching agriculture.

The old complaint is repeated that the agricultural schools and colleges have attracted young men, not of the landowning class but the *bhadralog* with a passion for Government service and a fear of or contempt for private enterprise on land. This is said to account for the fluctuations in the strength of classes corresponding with the expansion or retrenchment of the Departmental staff. The inference is drawn that the intelligentia think that agriculture is not a profession for gentlemen. There is a substratum of truth in these complaints and impressions which are becoming all too familiar in all Provinces in India. But evidently our agricultural experts are not aware of, or forget, the fact—and had to be informed or reminded by the Chairman of the Royal Commission on Agriculture in India—that this complaint is fairly universal and that every European country after a long period of trial and error has given up the cry of higher agricultural education for farmers' sons alone and realised that advanced institutions were even more necessary for the training of future teachers and research workers and administrative officers than for training managers of farms owned or rented. In India, it is our firm opinion that for some decades to come there is ample scope and great need for the training of the former set of workers in higher institutions as the country is now ridiculously underserved by the department as it is so understaffed.

As for the practical training that the sons of substantial farmers require, secondary institutions may do quite well, while for the sons of the smaller farmers and the less educated lads, middle agricultural schools of the Loni type in Bombay will do great good. The unpopularity of the former in Bengal and the latter in Madras is a fact that cannot be ignored; but the subject cannot be dismissed with the remark that there is genuine demand for agricultural education. Other possible causes of failure have to be looked into: the location of the schools, the equipment of the staff, the media and methods of instruction, and above all the preliminary demonstration work done in the area by the administrative staff.

Bengal not only recognises the need for such specialised schools—both secondary and middle grades—but seems actually to succeed more in providing vocational education in agriculture in some ot the ordinary high schools; and even in the middle schools bias towards agricultural pursuits is sought to be created by the practical work demanded of the boys in farms attached to the schools. There is no illusion however that introduction of agriculture into school curricula means an attempt to convert the school into a factory for turning out finished farmers." "The idea is really mainly to introduce a nucleus of practical training into the present purely literary curriculum, in order to get over the almost universal objection on the part of school boys to any form of manual work and to give a bias towards agriculture. There is a widespread and well-justified conviction in Bengal that such a change is necessary." In Madras, however, the Director of Agriculture has no faith in such vocational treatment of agriculture in high schools for several reasons, which cannot be discussed in this review.

Apprenticeship at Government farms and sericultural nurseries for cultivators' sons has also been introduced as an experimental measure. The boys are paid ordinary wages for work turned out and are given a certain amount of tuition. It is stated that in the case of agricultural farms the response has been only moderate. But oddly enough it has had too much of success in the sericultural nurseries where boys after a year of stay show a disinclination to return to their home—perhaps because of the harder lot that awaits them, or they were used to, at home in that sweated cottage industry.

Night schools for adults on departmental demonstration farms, where, in addition to simple literary instruction, elementary lectures on sericulture and modern agriculture will be given, and the stimulation of nature study in primary schools are yet in the formative stage but are expected in the course of a few years to mature, thus providing a complete system of agricultural and rural education for Bengal.

K. C. R.

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# REVIEWS OF BOOKS.

1. CO-OPERATION IN INDIA BY HENRY W. WOLFF, SECOND EDITION—THACKER & CO., LONDON:--Henry W. Wolff is a familar person to co-operators all the world over. He is the doyen of English co-operators and an authority on Indian Co-peration. He has brought out a second edition of his book, 'Co-operation in India', which will be welcomed by all students of Co-operation. He has thoroughly revised his first edition, rewriting most of the matter, so as to bring it up to date. He has practically rewritten the 6th chapter on 'Forms and Precedents' and has given a new name "Distinctive Features of the Movement" and added a new chapter on "Mortgage Credit."

As usual, the book mostly deals with 'Co-operative Credit', which is a little well known in India and to which about 200 pages are devoted. The rest of the book, about 80 pages, deals with 'Non-agricultural Credit', 'Grain Banks', and various other forms of non-credit activities such as 'Distributive Societies', 'Labour Societies', Irrigation Societies', 'Land Reclamation Societies' etc., which are crowded into the chapter, 'The Wider Outlook'. Agricultural Co-operation which can easily form a separate subject by itself is thrust, along with minor aspects of Non-credit Co-operation, into the same chapter 'The Wider Outlook'. The last chapter which appropriately deals with 'The Future', is well written and warns both the people and the Government against the dangers of leaving the masses ignorant and illiterate. He quotes the American Author, Senator Benjamin Hill, who said 'there is nothing so costly as Ignorance' and 'Education is the one thing for which no people ever paid too much', and comments "India has saved its 'pence' (on Education); and it now laments the absence of its 'pounds' (or business)." And with regard to Government's responsibility in the matter of educating the people, he says, 'The late Lord Curzon has paid me the compliment, when approving the Act of 1904, of stating that the financial sacrifices of the State in aid of Co-operation were narrowly curtailed. That is perfectly correct. I did plead for that. But my pleading applied to State assistance in money for *business*, not to assistance for *teaching* that business'. As unquestionably the greatest need of India is elementary education with a distinct rural bias, he exhorts the people to promote rural education and thus 'catch our co-operators young'. And lastly he tells us that "Co-operation is a modern substitute, appropriate to the times for the defunct and worn-out old Indian village community", and so it is the greatest boon that India has yet received.

So far as regards the scheme and general scope of the book. To come to specific problems and his views thereon, they are really interesting and instructive. Mr. Wolff is connected with the development of the Co-operative Movement in India, from the very inception of the Co-operative Societies' Act of 1904. From that time since, his advice is sought not infrequently, both by Government and the Registrars of Co-operative Societies. And one who reads the book through cannot but be left impressed with the great and subtle influence which Mr. Wolff could exercise, from his distant country, England, without ever coming to India, in shaping the policy of Government in working the Co-operative Movement here. His two theories underlying the discourse on Credit Co-operation are firstly that Government should render as much less financial assistance as possible, in the business of Co-operation, while at the same time it should render all assistance for teaching that business, and secondly the great desideratum is that, cost what it will, members must be taught to do things themselves, avoiding all suggestion of *Sarkari* action, for according to him, "You cannot have genuine co-operation with a Government officer—other than a Registrar, whose position is peculiar—invested with official prestige at the head of it for practical work."

"Mr. Wolff rightly considers the village society as the basic structure for the edifice of the Co-operative Pyramid. He thinks that "Central Banks" and "District Banks" are temporary devices which in course of time should be absorbed into the Apex Bank which would in future lend to primary societies directly and through its various branches. For the growth of credit co-operation, the greatest essential principle is "centralise finance and decentralise distribution". 'Every one can see', says he, 'that a Provincial Bank with a crore of rupees at its command, acting through Central Banks as distributing agencies—together with other not unimportant functions to discharge —will for financial purposes be worth more than ten independent Central Banks operating with ten lakhs each."

About the formation and functions of Central Banks, his opinions are really interesting and instructive, though one may not be able to agree with them. Of the three types of Central Banks, "pure," "mixed" and "capitalist", he prefers the "mixed" type at present, for according to him, "the local societies do not yet appear in a condition to furnish a sufficient contingent of competent directors. It is for this reason that those who actually direct the movement will do well to bestir themselves to enlist and train up capable men for the position." And he believes that even in "pure type" institutions which may come in at a later stage, there is absolutely no necessity for private capital being wholly excluded. Thus according to him as well as the Townsend Committee, there is still place for the individual shareholders in the Central Bank. Mr. Wolff thinks that Central Banks should not



undertake supervision and inspection, which must be left to well-organised unions like those in Germany, and should merely act as financial institutions. He admits however that it is the ideal to which the Movement should progress. But in no case is he willing to entrust supervision and inspection to the Government, which reveals extreme eagerness to grasp the reins and claim the sole right of inspection for itself, which tendency in Germany and Austria had to be resolutely fought against. He agrees with Luzatti that no supervision is better than Government supervision. And he says that one may be thankful that in India there is no danger of such an attempt being made. So the Townsend Committee which has recommended Government supervision, where and when there is no union supervision, has done a distinct disservice to the cause of the movement*. The rights and duties of the State on this matter Wolff forcibly puts thus :—" the State has a right and a duty to see that precepts of the law are carried out and that balance sheets are issued which are correct."

With regard to land mortgage credit, Mr. Wolff strongly holds that it should never be tacked on to ordinary co-operative credit. It is further unco-operative to do so, for in co-operative credit there should be no security other than personal security and surety. He graphically sums up thus :—" Different things want to be dealt with in a different manner. And here is an essential difference. Taking a pledge, you want to see that your pledge is good and sufficient and to be therewith content. Co-operative credit, as we have hitherto known it was, and as all known authorities on the subject have taken trouble to explain, resorted to expressly provide credit for those *who cannot provide a pledge*. Hence it is purely personal. Its personal character gives it its peculiar elasticity, its availablity for a large number of purposes, its utility as not placing pledgeable articles out of use—besides its high educational value. Let us keep it to its personal character and avoid spoiling both it and the other form of credit by attempting to blend them. Here it may be useful to observe that Madras Presidency has taken the right lead in trying to form separate Land Mortgage Banks with an Apex Bank of their own.

When it comes to the question of application of principles to India, Mr. Wolff is sometimes very queer. He draws a great distinction between Government and " Registrar and staff as such". He condemns Government interference in unqualified terms, and yet supports every action of the Registrar and his staff. For us, the Government and the

*In this connection the Hon'ble Mr. V Ramadas, note of dissent to the Cammittee's Report consulted with advantage).

Registrar are one, for the Government never interferes except through the Registrar, in matters of Co-operation. Again, Mr. Wolff draws another subtle distinction between " Registrar and staff as such" and Registrar and staff "as guardians and tutors" of the non-official co-operators who according to him are still infants in the year of Grace 1928. So while indicating correct principles of Co-operation, he says at one place (dealing with village societies) in their application, "under such conditions, it is evident that for a long time to come local societies in India will have to be kept in a position of tutelage under official " guardians." And desirable as emancipation is, better in all cases is a long tutelage with good results than premature manumission in a state of immaturity." At another place (in dealing with the question of supervision aad inspection of primary societies by State officials which he has condemned outright on principle) he observes " In India, Registrars necessarily have to exceed such limits by a great deal, because there is no one else to do the work required. They direct, guide and restrain, not in all instances as officers of State, but as guardians and tutors appointed to educate beginners in Co-operation in their new craft." This is just the view one would ask the Registrars to avoid. If they assume the role of servants of the people, who have come to work with a true spirit of service, people would welcome them with both arms ; but if they, on the other hand, come as dictators or even beneficent patrons, one would like to avoid them however useful they might be, for it demoralises both the patron and the beneficiary. Mr. Wolff cannot but take that view, as his information is mostly derived from one side and that too from the official side, either directly through the Government or through its officers, the Registrars, and he has not much scope to learn the view-point of non-officials. Except for this one defect, Mr. Wolff's book is a truly good book which deserves to be read and digested by every ardent student of Co-operation.

K. L. N.

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2. " WHAT IS CO-OPERATION ? BY JAMES PETER WARBASSE ". The " literature" on Co-operation is not at all keeping pace with the rapid progress which Co-operation as a world-movement is making. Hence the few good books that appear now and then are all the more welcome. Of the writers who have dealt with the subject of Co-operation, namely from the *consumer's* or *social* point of view, we may point to the following outstanding names :—Miss Potter, Mr. and Mrs. Sidney Webb, Charles Gide, E. P. Harris, and Sonnichsen. To this not very ambitious list we have a welcome addition in J. P. Warbasse (President of the Co-operative League, America,) the author of a handy little volume, "*What is Co-operation* ?", published by the Van-Guard Press of New York.



The author who is already well known as the author of a larger work—"Co-operative Democracy" (Macmillan Company 1923—1927) is something more than an academic student of Co-operation. Of Danish ancestry, the race that has astonished the world with its efficiency in this field, he first saw Co-operative Societies in operation in Northern Europe in his student days. He has visited over twenty countries to study this movement, and for the past ten years has been occupied with the practical problems of Co-operative Societies. He has paid much attention to the study of their weaknesses and difficulties. Besides making an examination of Societies in trouble, he has endeavoured to get the criticisms of experienced Co-operators and students of economic problems upon this subject. He has lectured on Co-operation in Denmark, Russia, Switzerland, England, Germany, Czecho-Slovakia, and in most of the important Colleges and Universities in the United States, " always with the view of getting back the reaction of his auditors." Besides, Dr. Warbasse has been a delegate to the last three International Co-operative Congresses and a member of the Central Committee of the International Co-operative Alliance since 1921. He has visited every State in the United States where Co-operative Societies exist, often "*to sit by their bedsides and diagnose their ills*, or *to observe their expiring gasps and perform the autopsy*".

The result of his experience in this direction has been fully given to the readers of his book in Chapter VI dealing with the *Deficiencies and Difficulties of Co-operation*. We shall quote a few sentences to indicate his views.

i. " Their (Consumer's Co-operative Societies) success is guaranteed only in countries where the members are educated to understand Co-operation ; where there exists a central union which audits the accounts regularly ; where it is impossible for a manager to be dishonest without prompt discovery ; where there is a Co-operative Wholesale Society to supply the goods ; and where the Central Union can meet the needs of a weak Society, either with advice, trained employees, goods or capital ——These conditions exist in twenty European countries, where it may be said, practically, that failures do not occur." p. 131.

ii. "Indifference on the part of the members is one of the great difficulties. The majority of members in most Co-operative Societies take little or no interest in its affairs, and usually leave the control to a small minority". p. 131.

iii. When a Society has 200,000 members, as is the case with the London Society, no hall will hold these people. They cannot come together to transact their business. *It is an unfortunate fact that the English Societies are moving just in this direction—large size with both* *centralised management and control.* A very small minority of the membership dominate. Bureaucracy is naturally desired by many officials; they promote it for their personal advantage."

iv. The ideal of Co-operation is centralised administration, and *decentralised control e. g.* the Society of Berlin with 1,50,000 members. p. 132. (We commend this portion of the book to those who are interested in the affairs of the Triplicane Urban Co-operative Society.)

v. The "Intellectuals" who have an academic interest in Co-operation prefer to patronise profit business, while they occupy themselves with talking and writing about *other* schemes of social betterment which are not in operation, which are future Utopias, and which call for nothing but talk. To go into Co-operation means to be concerned practically for goods on the shelves, delivering the milk bottle at the kitchen-door, weighing and wrapping commodities etc., and actually carrying on *business*. They are all (to our intellectuals) vulgar and material duties.

vi. The average tenant pays enough rent in 10 years to equal the value of the house. This means that every 10 years, he buys the house from his landlord, and then makes a present of it to the landlord.

The paragraph on "Omissions in Educational and Social work" (page 145) is very suggestive.——A Society succeeds best that has a membership of people who understand Co-operation. To quote more will be to rewrite the book, and we commend the book as one of the best of its kind, and it deserves to be in the shelves of every Co-operative Society's library, and in the hands of every Co-operative propagandist. To a student of economics and politics, there is ample material in this book to enable them to weigh Co-operation in their own balances. The writer has immense faith in the potentialities of Co-operation in the direction of leading the world to the Brotherhood of man, and Federation of mankind.

T. K. H.

3. THE PEOPLES' YEAR BOOK, AN ANNUAL OF FACTS AND FIGURES ON CO-OPERATION, LABOUR AND ALLIED SUBJECTS, PUBLISHED BY THE CO-OPERATIVE WHOLESALE SOCIETY, LTD., 1, BALLOON ST., MANCHESTER AND THE SCOTTISH C. W. S., 95, MORRISON ST., GLASGOW. PRICE 3.—This useful volome of information on Co-operation in general and on the English and Scottish Wholesale Societies in particular has been published by the C. W. S. authorities these 11 years and every year its usefulness increases. This 'spacious annual survey' of Co-operation in a world disturbed with trade depression and other evils afflicting especially the poor in all lands makes us realise how "for the promotion of world peace and an equitable social order, we have to rely on the organised movements imbued with social principles, and international as well as national aims, and amongst these the world movement of Co-operation, by reason of its actual and potential strength, occupies a conspicuous place."



It gives as usual not only exhaustive statistics with regard to the progress of the movement in Great Britain with its ever increasing ramifications, but a brief account of the movement in the broad world outside. We are pained to see however that the account given of India is so meagre and almost misleading. We would ask the learned editor to get the help of some Indian Co-operator to write this section failing which he would do well at least to summarise the account given of the co-operative movement in Coatman's India.

Of the many other interesting features like general surveys of Art, Science, and Literature in 1927 and many useful articles on current topics, we would specially commend the learned article on 'Banking Concentration at Home and Abroad.'

The book is a mine of information and is as usual beautifully printed and profusely illustrated. The price 3—is a marvel of cheapness.

S. K. Y.

4. THE WOMAN WITH THE BASKET, THE STORY OF THE WOMEN'S CO-OPERATIVE GUILD BY CATHARINE WEBB PUBLISHED BY THE WOMEN'S CO-OPERATIYE GUILD, 29, WINCHESTER ROAD, HAMPSTEAD, LONDON, N. W. 3. It is the story of the Women's Co-operative Guild by one who has been in it from its very beginning and tells its story stage by stage from the humble beginnings when the spark was laid in 1883 by Mrs. A. D. Acland who "saw in co-operation an open door to wider opportunities for women" to the present time when it has become 'a vigorous organisation, endowed with a faith which binds and a hope which inspires to action' through all its struggles, growth an final triumph. Through its agency, the married working woman has emerged' from national obscurity into a position of national importance', and thus 'a great and untapped source of strength' has been added to national life. Through its instrumentality, 'women have been transformed from buyers ignorant of the economic results of their acts, into intelligent Co-operators, conscious that they can undermine Capitalism, and making good their right to share in the control of the Movement.' We share with them the hope that 'the Guild will remain a pioneer force, pregnant with possibilities, proof

against stagnation, capable of rising to the work before it', and that through the Guild, 'Co-operative women can take their place as an organised force in the whole Labour Movement, thus helping to establish the Co-operative Commonwealth' where there will be 'equal fellowship for women and men in the Home, the Store, the Workshop, and the State.' It is a heroic story attractively told and we commend the book to all social reformers and specially to our sisters in our land who are making slow attempts to take their legitimate place in the task of National Reconstruction.

S. K.Y.

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5. "THE COUNTRYMAN" FOR APRIL 1928—A QUARTERLY NON-PARTY REVIEW AND MISCELLANY OF RURAL LIFE AND PROGRESS—EDITED AND PUBLISHED BY MR. F. W. ROBERTSON SCOTT AT IDBURY, HINGHAM, OXFORD. SUBSCRIPTION HALF A CROWN A QUARTER:—We are thankful to the authorities of the magazine mentioned and described above for sending us a number of it containing much useful information. The cry 'Back to the land' just now feebly heard in the academic circles of our country was started long ago in England and this magazine is the embodiment of that longing. It is "not only a non-party organ of the best rural thought and feeling," but a new type of rural periodical. The message of the journal is contained in the following sentence which we extract from the editorial notes:—

"The British people, who rested their hopes on mines and mills and have now realized that most other countries can have mines and mills too, are coming to understand that in an efficient, self-respecting rural industry and a high level of rural civilization lies the strength of the Commonwealth."

There is an additional point of interest in this particular number. The Headmaster of the Westminister School in the course of his address at a Conference delivered himself as follows:—

"In order to live your life well, play in the country, but work in the town. It is in the great vitality of the great town's life that the individual is stimulated and compelled to think."

With a view to focuss some 'informed comment' on this opinion of the learned Headmaster, the Countryman circularised about 30 men and women, Authors, Scientists, Politicians and intellectual workers of various sorts, and their views are collected together and published.

The journal has much stimulating matter and is worth reading.

S. K. Y.

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6. "LABOUR AND CAPITAL IN ALLIANCE" BY W. HOWARD HAZELL, PUBLISHED BY JOHN MURRAY, ALBEMARLE ST., W., LONDON. 1927.—The author, himself the Chairman of a Company of long standing, has asumed the role of a friend equally of the labourer as of the capitalist and has, according to the Rt. Hon. J. R. Clynes, M. P., "approached the subject with a real concern to help in its solution." The terrible effects of the Great war on the several industries of the United Kingdom the consequent increase in numbers of the unemployed, the effects of strikes and lockouts generally and of the Coal and the General Strikes in particular on the people as a whole, and the lack of patience and mutual understanding on the part of the employer and the employee which chiefly led to the strikes, all these have been very vividly portrayed. The prevailing conviction that the growing unemployment problem is due to the introduction of labour-saving machinery is conclusively proved to be fallacious and the author quotes figures to show how machinery increases employment.

Among the various suggestions made for promoting conciliation between the employer and the employee, the "Whitley Council" system whereby the representatives of both Capital and Labour meet, discuss all important problems connected with the respective industries and arrive at statisfactory conclusions, thus preventing strikes and lockouts, and the Co-partnership and Profit-sharing methods may be commended, as the best suited under the miserable circumstances in which the several industries are placed. The author gives instances to show how these methods adopted by a few business concerns in America and in England also among which the author's own Company is one have proved very beneficial to all concerned in Commerce and Industry.

The business world should feel immensely thankful to the learned author for his fair and impartial treatment of the subject and for the useful suggestions he has made to bring Captial and Labour into closer touch with each other so that all misunderstandings may be easily brushed aside, greater efficiency secured for the industry concerned, the cost of production lessened in consequence and prosperity assured to the employer, the worker, and the consumer alike.

G. S.

7. "THE ROAD TO PLENTY" BY WILLIAM TRUFANT FOSTER AND WADDILL CATCHINGS, PUBLISHED BY HOUGHTON MIFFLIN COMPANY, BOSTON AND NEW YORK, 1928.—In the "Road to Plenty", the authors have made a searching criticism of the economic order and have arrived at striking conclusions. It is a candid, simple, interesting explanation of the biggest problems, their cause and their cure. The happy and

engaging way in which the plain facts of the present economic disorder are put forth is so simple an enunciation of the biggest economic theory as to enable even the Salesman to exclaim "Straight goods, one hundred per cent silk. Nothing but everyday business. When does the Economics come in?"

The Businessman's survey of the Road to Plenty in order to catch at the possibility of attaining "full employment, higher real wages, better standards of living for the workers" is not a dry-as-dust treatise but practical, enjoyable and equally instructive. The advocation of a collective leadership to control the right flow of money to the consumers, to keep business going steadily forward, to act by measuring more accurately than ever before, changes in the price level of consumers' goods, changes in unemployment and various other factors, is of absorbing interest. It is an "argument, construction and conclusion" in itself. Not only the easy flow of the language arrests the attention and compels the willing admiration of the reader but also the dramatic interest carries him right through to the very end. We can very well say with Henry A. Wallace that the book is "intensely interesting for the average man, yet sufficient to provoke the deepest thought of our best statesman.'.

G. S.

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The Central Co-operative Printing Works, Ltd., Madras.