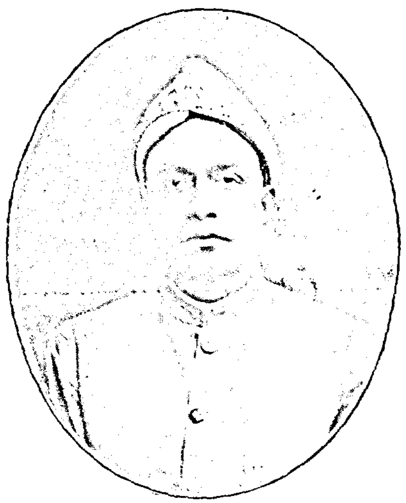
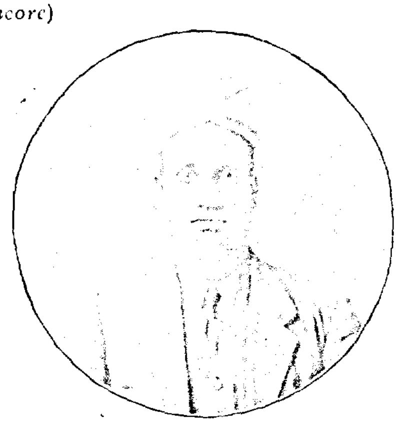
THE VI ALL TRAVANCORE CO-OPERATIVE CONFERENCE.

H. H. THE MAHARAJAH OF TRAVANCORE.

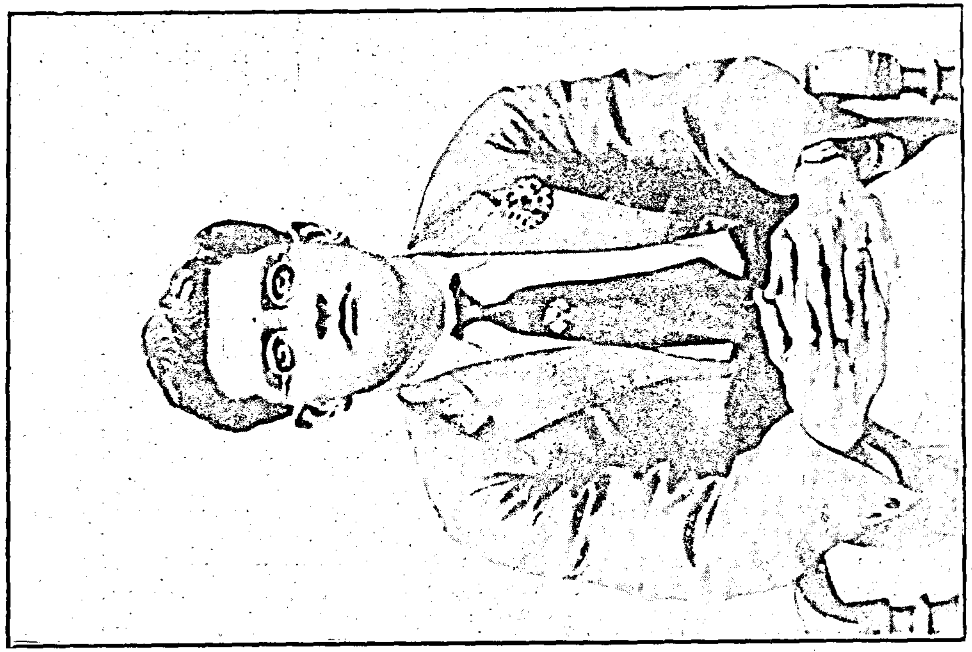


M. R. RY. V. S. SUBRAMANI IYER, AVL.
(Dewan of Travancore)

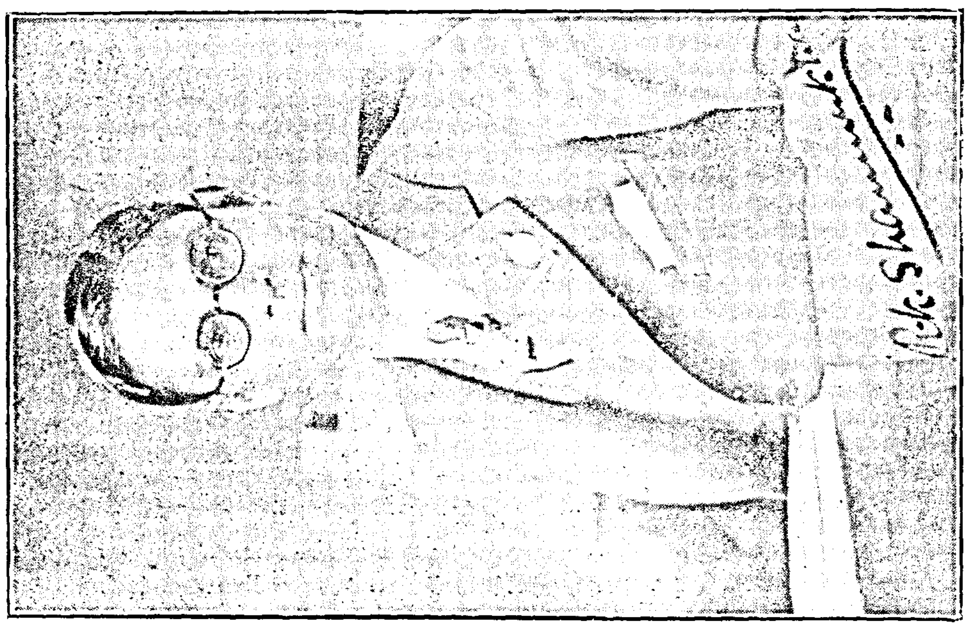
M.R.RY. V. RAMADAS PANTULU GARU.
(President).



M.R.RY. N. NARAYANA PILLAI, AVL.,
(Chairman of the Reception Committee).



M. R. Ry. T. Karia Goundar, Avl.
(Chairman of the Reception Committee).



M.R Ry. R. K. Shanmugam Chettiyar, Avl., M.L.A.
(President).

THE

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Editorial Notes

THEORY AND PRACTICE

There are some co-operators more among the ranks of the officials and those with an official mentality that sometimes cry down theory in co-operative matters. They say, "It is alright in theory but it won't work." They add that what is necessary is not mere theory: but going to the village and doing some work there. While we do not in the least minimise the importance of practical work, we should like to sound a note of warning to those who cry down theory in this way. Theoritical discussions of problems are not less important than practical working. Every method of work, unless it is absolutely revolutionary, is based upon some particular theory, and the discussion of that theory even from a purely apriori point of view is of the utmost importance in as much as a wrong theory put into practice may work great havoc.

We are led to think on these lines because a prominent thinker in the economic sphere who is not a mere book worm, but is every inch of him a business man attributes the present unsatisfactore condition from the economic point of view of the life of the masssy in our country, to wrong theory which has been holding sway with the powers that be.

The British Government both at home and in India have been the upholders of the theory of Free trade as aganist protection and Mr. Birla in his Presidential Address at the Federation of Indian Chambers of Commerce attributes the responsibility for the present unsatisfactory state of affairs to the blind application of this theory to India without previously discussing whether Indian conditions and circumstances would be suitable for such an application.

Our Government sometimes commit the unfortunate mistake of thinking that what is good for England should be good for India. They never commit this mistake in the matter of granting us political rights and privileges. Then they quote their analogy that the furcoat of Canada may not be suited to the hot plains of India. But in economic matters they apply the same theory to England and India whose respective conditions are so dissimilar and the result is that poor India is made to suffer and pay heavily for the mistake of others.

We discuss this matter at some length because we see the danger in our own limited sphere of co-operation of certain theories not being discussed at full length, but being accepted simply because the authority concerned has got the knack of expressing it epigromatically. As a concrete instance, let us take the dictum that is often repeated as if it is an infaliable truth applicable at all times and to all places that finance and supervision should not go together. In economics as in other social sciences there can be no hard and fast rule and certainly no law unalterable as the laws of motion of heavenly bodies. Theories like this which are contemplated and which the rank and file are made to swallow without proper discussion of its truth, have worked great havoc in our own field of activity.

We as business men should not believe in the infalliability of any doctrine. We must test its truth in the everyday affairs of our societies and accept or reject it in the light of actual experience.

Meanwhile, every attempt should be made to tackle the theory itself from various points of view. "It is ideas that rule the world," said Lord Acton. The Sage of Chelsea spoke in his own inimitable way of the thaumaturgy of thought. It is very necessary that the thought that is sent down among the masses should be of the healthy and constructive kind and if it is otherwise, it can be thought only in its own sphere by other thoughts. If we shirk this responsibility of fighting a thought by a counter thought and challenging its bona-fides, if we allow it to be accepted as if it were a Vedic truth beyond all questioning, we may have to pay for it very heavily. Let us therefore, have both thinkers who think out problems and view them from all points of view and actors who would translate these thoughts into action, and let not one section belittle the work of the other. Both are mutually complementary.

THE SAME ILLUSTRATED

Let us not be satisfied with merely condeming a blunt man of action who is incapable of realising the importance of the man of thought. Let us try to find out how slowly events march onward and our very goal is being shifted. If the promoters of the co-operative movement, that were in Imperial Legislature, who usured into existence the Co-operative Act of 1904 were to come to life now and listen to some of the addresses at our District and Provincial Conferences, they would scarcely believe their ears To put the matter briefly, the co-operative movement which was originally intended to relieve the distresses of the heavily indebted agriculturist by getting him comparatively cheap credit, is now looked upon as being engaged with the entire field of the agriculturist's life and co-operators are thinking of nothing short of rural reconstruction. Sanitation, education both of the adult and of the school going children, temperance or other prohibition, agricultural improvement and agricultural marketing and above all even the change in the mentality of the peasant, to make him discontented with the environments and induce him to strive for better life, all these are looked upon as legitimate activities of co-operators, and this radical change has come about not as a revolution, but as a result of a slow process of evolution. We found that the starting of a co-operative society in a village was not attended with all these rapid improvements which we anticipated, and further thinking and further experimentation proved that we took an unduly narrow view of things that like rheumatism if it was driven out of the leg, it found a place in some other part of the body.

We now realise that village life is one undivided and indivisible whole and improvement should be alround and not one sided. This discovery which we owe to our own experience having been made, it is our duty to proclaim it from house tops add see that this proper ideal is kept by all people. It is equally the duty of the so called financing banks to see that this ideal is brought among the masses of co-operators as it is the duty of the professedly propagandist institutes.

We hope, therefore, there will be no fatal divorce between theory and the so called actual business and that businessmen would read books and encourage the formation of libraries and discussion of theories and the theorists would learn to modify their own pet doctrines in the light of actual work.

SOME PROBLEMS OF EMPLOYEES' SOCIETIES

We have received for publication in the Journal a lengthy correspondence between a member and the officers of an employees' society and between the member and the department as well. For lack of space we are not publishing the correspondence, but we draw the attention of our readers to the evil mentioned in the letter It is well known that in the credit societies intended for salaried employees, whether belonging to some Government department or to some non-government institution, very aften a tendency is seen on the part of a member to abuse the facile credit that is offered to him by the society. He borrows to the maximum extent allowed by the by-laws and before the whole amount is repaid and at a time when there is another need, he incurs a second loan. Very often he may borrow a third loan as well and he will have to pay instalments on all these three loans. To complicate the situation more, he may have to take an emergent loan on the pledge of the salary earned by him up to a particular date in a month, so that not unoften his official superior whom he authorised to withhold from the salary the amount indicated in demand made by the society, has to withold the whole pay and drive him into the clutches of the sowcar for his bare expenses. The situation becomes still more complicated in the case of some Government servants who may at such a juncture get transferred, and in their new fields the whole cycle is gone through a second time.

There is a possible solution to this difficulty. We would suggest the formation of small advisory committees which should take up such individual cases and give proper advice and guidance to the members in the matter of curtailing their expenses. The members should fully and frankly discuss their financial position with the advisory committee and loyally carry out their suggestions in the matter of retrenchment of their expenditure. If any one has not got the moral strength to effect drastic retrenchments in his own domestic budget, he should seek the help of such an external agency as the Advisory Committee.

There are two obstacles in the way: one, the well known sentiment which revolts against revealing your true financial condition to outsiders even though they may be bosom friends. The sentiment is wide spread in the country and it finds expression in the well-known rule of the wise men of old that you should not give out your age, your wife's name and your financial position. The second obstacle is a false notion of personal dignity and a tendency to insist upon one's own rights. We have often heard complaints from members that directors are two inquisitive and that their duty was merely to give or not to give and not pray into the details as to why the loan was required. Persons who plead for this kind of non-interference from the Board of Management have to be taught the first lesson of co-operation and brotherhood, of real co-operation whose motto is "Each for all and all for each." And as regards the time honoured sentiment referred to above it is high time that this sentiment is relegated to the region where we have consigned many similar old things.

We hope that members of co-operative societies will feel like brothers and will have great confidence in their Boards of Management and in the advisory bodies, as suggested above. We hope that facile credit would not be abused by those who are morally weak and who are not able to resist the temptation of borrowing, and that the thrift aspect will be more and more emphasised upon and acted up to.

CO-OPERATION IN THE CITY OF MADRAS

While co-operators in the various districts manage to meet almost regularly once a year to discuss their problems and to get the benefit of advice given by a competent co-operator from outside, it is pathetic to contemplate that the city of Madras which is the head quarters both of the official and non-official side of co-operation should be so slack in its efforts as not to hold periodical conferences. The first conference was held in the year 1923 and the second in 1925 after which it took the Madras Co-operators five long years before they could think of the third session. Better late than never The propaganda work done by the Madras Provincial Co-operative Union amongst the Panchayatdars and general members of various societies in the city had its desired effect and some sort of co-operative consciousness has been roused among the city co-operators.

We draw the special attention of our readers to the resolutions * passed at the conference and to the various addresses by Mr. V. Ramadas Pantulu who welcomed the delegates, by the Registrar of C. S. who opened the Conference and Mr. K. T. Paul, the President of the Christian Central Co-operative Bank, who presided over the session.

Mr. V. Ramadas Pantulu drew pointed attention to the immediate needs of the city, namely, a District Bank exclusively to finance the societies of the city, a District Federation with or without Unions (preferably without constituent Unions seeing that the area covered is so small and compact) to carry on educational propaganda and supervision.

He laid great emphasis upon the need of the movement reaching the masses. As a matter of fact most of the flourishing credit societies in the city and the Triplicane Stores have got as members the middle class upper and lower, and a few societies that have been organised to give credit accommodation to the poorer inhabitants of the slums have not been working satisfactorily. Thousands of people who would correspond to the working classes of England are completely outside the pale of co-operation both on its credit side and the non-credit side and Mr. Ramadas pleaded that the message and the benefits of co-operation should be carried to these people. He also pleaded for co-operative housing societies being formed among the working classes and ended as he has done often before, with an eloquent plea for the politicians who are working for the regeneration of the country to come into the co-operative field and work for the uplift of the condition of the masses through the instrumentality of co-operation.

* See page 520 for the resolutions, page 494 for the welcome address, page 501 for the opening address, and page 503 for the presidential address.

The Registrar made a very short speech. He started by confessing that in his official capacity, he sees only the dark side of things. It is when something that is wrong with a society that the matter is reported to him and as he pathetically added, " when a poor ryot is relieved of a burden of debt, he does not sit down and write a letter to me about it." We are glad that inspite of it his confidence in the co-operative movement remains unshaken. A doctor dealing with so many cases of sickness in the hospital, should realise that health is normal state of affairs and disease is abnormal. If he were to lose faith in health, he would be a very poor doctor indeed. So also the Registrar should, inspite of the large number of defalcations, misappropriations, non-payment, etc. coming to his notice should have abiding faith in co-operation as the most competent instrument for the uplift of the masses. He declared the Conference open by appealing to the members to tackle the problems that may come up for discussion in the genuine spirit of co-operation. We echo his sentiment that " forms of institutions do not matter very much, it is the spirit in which they are worked that counts."

Mr. K. T. Paul's address* which is published elsewhere deserves to be carefully read by all co-operators, urban and rural. He shows how the town and the village are organically interconnected and pleads for the urban population repaying its debt to the villager by becoming the village guides and leaders. He too has no belief in bureaucrasy managing a thing efficiently. The bureaucrasy can take the horse to water ; but it cannot make it drink. It may get a number of manure pits dug; but unless there is an internal change in the villagers themselves, and unless their ideas of sanitation radically change, these pits will remain empty and the manure will rot in the streets. As we pointed out in the Journal for the last month, His Excellency the Governor of the Province has also said in unmistakable language that the co-operative movement is entirely a non-official one and the officials are there, till non-officials come and take charge of it. Mr. Paul laid stress upon the need for expansion of the consumers' movement and pleaded for more active participation in the affairs of the Stores by the ladies of the City. He advocated the formation of societies not merely for house building, but for house buying, and coming as he does, from one of the foremost weaving centres of the Presidency, it was quite natural that he should put an eloquent plea to ameliorate the condition of the weavers. We heartily agree with

* See page 503 of this issue.

him in the urgent need for a thorough and reliable economic survey of the city.

We hope that before the next District Conference is held, the Madras co-operators will give a better account of their work and we hope that their resolutions which are few and practical, would be given effect to.

THE REVISION OF THE CO-OPERATIVE ACT

Ever since co-operation became a transferred subject after the reforms of 1919, there has been a talk of revising the Act of 1912 which itself was revision of the famous Act of 1904. Provinces began to feel that the Act should be suitably modified in conformity with the local requirements and suited to their local conditions and Bombay and Burma have already modified the Act. We know that in our own province an important officer of the department was on special duty in connection with the amending of the Act and certain schemes are ready. We hope that we are not far wrong in saying that but for certain radical changes in the political field, revision of the Act would have been taken up by the present legislature itself. As it is, we hope it would be one of the earliest subjects to be taken up by the new legislature that is to be constituted and we want to avail ourselves of this interval to elicit the considered opinion of co-operators all over the province upon the lines along which they want the Act to be modified. We intend reserving a few pages of the Journal every month to give expression of the views of prominent co-operators on this very important subject and we invite them to freely make use of the Journal for this purpose.

CO-OPERATIVE INSURANCE

On a former occasion we laid some stress upon the need for starting co-operative insurance societies if not for the sake of insurance, at least for the sake of financial support which special insurance societies are likely to give to the movement at large.* The need for the starting of insurance societies has become much greater in recent times. For reasons best known to themselves, the Imperial Bank has threatened to cut short its overdraft accommodation to the co-operative movement by a process of gradual withdrawal. It may be due to the fiscal policy of India being pursued not in the best interest of our own industries and commerce, as

* See page 679 to 681 of the Journal for March 1929.

Mr. Birla pointed out;† or it may be due to many other causes. Co-operators have been protesting against this and are agitating not only for the continuance of this credit accommodation, but as recommended by the Townsend Committee, to have it placed upon a statutory basis. How far their well-meant attempts are likely to be crowned with success, time alone can show. It behoves us meanwhile as practical men of business, to look for other avenues of financial supply and as we tried to point out, co-operative insurance is one of the best methods of getting such a perennial ever growing supply. It would be twice blessed. It would be a blessing to the insured and it would also prove a financial "Khamadhenu" for the credit movement. We publish elsewhere the by-laws of the newly started Co-operative Insurance Society of Bengal‡ and we hope that at the next Provincial Conference of Madras steps would be taken for the formation of a society on similar lines for our province. We have received a copy of the by-laws of a similar society organised for the province of Bombay. As the Bengal by-laws are more exhaustive, we publish them only. We sincerely hope that Madras will not lag behind all other major provinces, but would go ahead with this scheme which is sure to benefit us in the long run.

OUR NOTE ON SIR MUHAMMAD OOSMAN'S SPEECH

We have received communications from two leading and esteemed Co-operators taking exception to our comments on Sir Muhammad Oosman's speech at the last Provincial Co-operative Conference. We beg to assure our readers that it was far from our intention to raise any controversy of a communal or political nature. We merely attempted to show that the Co-operative movement is not in the domination of any creed or class or school of Co-operators. It is largely a matter of opinion or inference based on experience and observation. We have resolved not to allow any matter having a political or communal complexion to get into the Journal. We hope this assurance will remove any dissatisfaction that may have been caused by our note.

† His presidential address at the Federation of Indian Chambers of Commerce.

‡ See the Supplement No. II to this issue.

THE COMING CONFERENCE

Co-operators all over the Province would be delighted to hear that the Provincial Co-operative Union has been able to secure the services of Professor V.G. Kale, M.A., Professor of Economics, Furguson College, Poona, and a veteran economist of wide reputation, to preside over the coming XVIII Madras Provincial Co-operative Conference in the Easter Week. He is an authority on Economics in general and Indian Economics in particular and the chapters on Co-operation in his well known work of Indian Economics show the firm grasp he has on the fundamentals of Co-operation. We all look forward with great expectation to his presidential address and the correct guidance he is sure to give to the movement in our province.

His Excellency
THE GOVERNOR OF MADRAS & LADY STANLEY.

His Excellency the Governor on Co-operation.*

GENTLEMEN,

I thank you very much for your invitation to me to come here today and for your kind message of welcome which your President has just expressed.

I have been extremely interested to hear the statement of progress of this Society, a Society which is far-famed not only in this Presidency but throughout India. This ceremony here today is my first introduction to the co-operative movement in India, a movement in which I have the greatest interest and in which I am convinced there are vast possibilities for the economic progress of the poorer people in this great land. I am glad to see that your Society conceives that the co-operative movement should be something more than a movement merely to supply the essentials of life in the cheapest way; this is all to the good, for although the primary object of any co-operative society may simply be that their members should get more for their money than they otherwise would, there are certain obvious lessons which the movement can teach, for example, those of thrift and the efficacy of combined effort. I see from statistics how phenomenal the spread of the movement in this Presidency and indeed throughout India has been and it is my earnest hope that this expansion has been and will always be accompanied by an appreciation of the true principles of co-operation. **It is on such gentlemen as you that we as a Government must rely for although up to the present the officials of the department whose help you have so readily acknowledged have had a large share in management and control the movement is essentially a non-official one, and as it expands the people will more and more have to take charge both of its management and of its direction.**

The construction of this Silver Jubilee Hall of which I have just laid the foundation stone is a sign of the prosperity of your Society and I offer my sincere good wishes for your future well-being and I trust that your Society will continue in its career of well directed effort.

* Speech of His Excellency Lt. Col. The Rt. Hon. Sir George Frederick Stanley, P.C., G.C.I.E., C.M.G., Governor of Madras, on the occasion of laying the Foundation Stone of the Silver Jubilee Hall of the Triplicane Urban Co-operative Society, on 25th January 1930.

Co-operation in Madras.*

BROTHER CO-OPERATORS, LADIES AND GENTLEMEN:

I have very great pleasure in extending to you a hearty welcome to the third session of the Madras District Co-operative Conference on behalf of its Organisation Committee. The first session of the Conference was held in 1923 under the presidency of M.R.Ry. Dewan Bahadur L. D. Swamikannu Pillai Avl., with the Rev. H. A. Popley as the Chairman of the Reception Committee. The second session was held in 1925 at which M.R.Ry. T. V. Seshagiri Iyer Avl., late Judge of the Madras High Court, presided and Rao Bahadur Dr. C. Natesa Mudaliyar acted as the Chairman of the Reception Committee. This is our third session. The co-operators of the City of Madras are to be congratulated on reviving their District Conference. The credit for organising it is, in no small measure, due to the energy and devotion of my young friend and colleague, Mr. G. Sriram Babu Naidu. I hope that, in future, our sessions will be less spasmodic than in the past and the annual conference of the Madras Co-operators will be a regular and important feature of our activities in the City.

Co-operation in the City

There are 165 societies of all kinds in the City, the bulk of them, of course, being credit societies. The limited liability credit societies or Urban Banks as they are called, are showing signs of development. The employees' societies are also making progress. The working capital of all the societies which stood at Rs. 50,02,989 at the end of the year 1927-28, rose to Rs. 72,42,621 at the end of the year 1928-29. The membership also increased from 47,290 to 50,800 during the year. Members' deposits rose from Rs. 12,62,921 to Rs. 29,43,580 and the share capital from Rs. 15,56,612 to Rs. 19,22,144. These figures, coupled with the corresponding decrease in the borrowings from the Financing Bank, afford indications of the tendency of the better class of urban banks and employees' societies to become more and more self-supporting. Government assistance has also increased from Rs. 3,23,463 to

* Welcome Address by Mr. V. Ramadas Pantulu, B.A., B.L., President, P. C. U. and M. C. U. B., at the Third Madras District Co-operative Conference held at Madras on 9th February 1930.

Rs. 5,86,073, chiefly on account of the increase in the number of Building Societies and the expansion of the activities of the existing ones. Having regard to the population of the city and their needs, these figures cannot be claimed to indicate adequate progress even from a quantitative stand-point.

It is difficult to say for what purposes the credit obtained by the co-operators is being used and any one who knows about the working of societies should admit that the purposes mentioned in the loan applications are far from being accurate. Judged, however, by statistics compiled on that basis, their classification is somewhat as follows: 38 per cent is for productive purposes like supply of raw materials and occupational expenses, 39 per cent for payment of prior debts and 23 per cent for unproductive purposes like expenditure on marriages and other ceremonies. Thirty per cent of the loans are secured on mortgages.

A great deal was expected from the new experiment in milk-supply societies, but the results are far from encouraging. The consumers' movement is reflected chiefly in the Triplicane Urban Co-operative Society. It is a disquieting fact that its balance sheets, of late, are not as good as they used to be. Although profit is not a co-operative object, the fact that the usual dividend on purchases is estimated this year to go down to vanishing point is a matter for concern. The other activities have not attained such proportions as to deserve special mention.

It is, however, generally admitted that all is not well with the co-operative movement in the city and that the Madras District is one of the neglected co-operative areas in the province, notwithstanding its being the headquarters of both the official and non-official apex organisations. A qualitative study of the societies will be even less assuring than a quantitative study.

Co-operative needs of the City

The ascertainment of the common economic needs of the people, the satisfaction of which is the chief aim of the Co-operative Movement, presupposes the existence of an agency for making an economic survey of the conditions of the people in the various parts of the city. The unwisdom of starting co-operative institutions without an examination of the suitability of the locality and the existence of the conditions necesssary for organisation is patently reflected in many of the existing societies in the city. I, therefore, beg to suggest that a regular economic survey of ths city should be undertaken either by the Standing Committee of this Conference or by the Madras Provincial Co-operative Union. A few informing reports have lately been compiled regarding the conditions of life and of the economic needs of the people living in some of the cheries round about. But, no attempt has been made to collate the results of these stray investigations, with a view to take action on the recommendations that ought to follow the study. There is a wide field to be covered, specially in the sphere of ascertaining the conditions of small traders and artisans, with a view to see how far these men can be organised on a co-operative basis. I know that there is ample scope for such co-operative enterprise. But, in the absence of accurate information regarding the details of these trades and crafts and the earning power and repaying capacity of those who pursue them, it will be risky to form societies and to finance them. The systematisation of the work of economic-cum-co-operative survey requires technical knowledge and good grounding in Economics. I therefore venture to suggest that two diligent research students in Economics should be employed, one to work in North Madras and the other in South Madras, to carry on the necessary investigations and to present the results of such investigations in a readable form to the co-operators in the city.

Some of the needs of the city are, however, well ascertained and what is needed is concrete action in respect thereof. The utility of a Central Bank to finance and to act as a balancing centre for the credit societies of the city was recently discussed at a meeting of the representatives of the City Societies and the conclusion arrived at was that such a bank was necessary. The conference will, I have no doubt, examine the question. There are, at present, practically no arrangements for the internal supervision of the societies in the City. The four unions that existed have all been wound up and the future plans of the Department are not yet disclosed. If I may venture a suggestion, the proper solution of the question seems to lie in the formation of a District Federation, having operation over the whole city. It must be a purely non-official body and I trust that no attempts will be made to revive the idea which, I know, once existed, of constituting a quasi-non-official District Federation for the City with an official element in it. Such a scheme has great drawbacks which I discussed with the city co-operators on a former occasion and which I do not propose to repeat now. Unions are not of much use. The Federation may have its branches in different localities of the city, if necessary. This scheme will automatically solve the problem

of pooling the Supervision Fund and other resources needed for education and propaganda in a central organisation and of putting the supervising and the inspecting staff of the societies on a Madras District cadre. In a compact area like the city, there seems to be, to my mind, no need for a number of small unions. The relations between the Central Bank and the District Federation to be formed must however be definitely put on a basis which will secure the maximum amount of co-ordination and the least amount of duplication and waste. If, for instance, the Federation is well represented on the Bank, and vice versa, there will be no necessity for each of these organisations to employ their own field staff separately. In effect, the Bank will find the finances necessary for the Federation and the Federation will function as the supervising and inspecting wing of the Bank, in addition to doing the work of education and propaganda. It is for you to consider how far my suggestions are agreeable to the conditions of the city.

There are two spheres of our activities which have hitherto been very much neglected. One is the spread of the co-operative movement among the industrial labourers and the working classes in the city. Co-operative Movement elsewhere is essentially a working class movement and its real potentialities will manifest themselves only when it becomes a living force among the workers. The conditions under which the workers in the city derive their small capital and credit are absolutely ruinous. The daily rate of interest, fixed on each rupee borrowed, often works out to 500 per cent or more per annum. In this connection, Mr. S. Krishnaswamy Iyengar of the Christian Central Bank has some interesting suggestions to offer in his contributions to the Notes and Papers compiled for the use of this Conference. Again, the manner in which they obtain the supply of their occupational and domestic needs greatly reduces their standards of life by their wages not possessing the real purchasing power in the retail shops to which they resort. These shops in the cheries and the labour barracks charge exorbitant prices, dole out very inferior and adulterated stuff and make illicit gain by false weights and measures. In the result, the already slender wage of the worker is materially retrenched by these means. I therefore beg to urge that the benefits of the credit as well as the consumers' societies should be carried to the working classes in the city. The second matter which holds out great prospects of the benefits of the movement to the working classes is a scheme of co-operative housing of labourers. Co-operative house-building has so far been largely limited to middle class men with fairly steady incomes to acquire house property for themselves or to promote the construction of houses to be let to middle class men. The housing needs of industrial workers, consistent with their capacity to pay for them, cannot obviously be met on the existing plan. They can neither put up requisite capital nor repay the loans advanced under the rules in force. It requires a collectivist effort of a different type altogether. A housing society may, in my opinion, be usefully organised on a perfectly co-operative plan for the purpose of constructing a block of buildings consisting of a thousand or twelve hundred apartments and capable of accommodating about 400 or 500 families of workers as tenants on payment of moderate rents. The terms of tenancy may be so arranged as to permit the tenants, if they so desire, to eventually become the owners of the apartments in their occupation, or to merely occupy them as ordinary tenants of the Society, so long as they continue to pay the prescribed rent. I have devoted some time to the details of such a scheme, its cost and the methods of financing it, and I am convinced that it is a perfectly practicable one. If any one interested in promoting the scheme, specially any of the leaders of the Labour Movement and Trade Unionism are anxious to discuss the matter with me, I shall place my services at their disposal.

A scheme of Co-operation must provide its members not only with money and goods, but also with some things which will add to their social amenities. A legitimate source of pride to the British Co-operators comes out of "a conception of co-operative action going beyond its immediate objects and connecting the co-operative movement with the *general social movement for class emancipation.*" Elsewhere, the movement has done a great deal not only to promote thrift, but also to provide education and other blessings of life to the workers who have come under the influence of the movement. By similar action, co-operative societies in the city area can and ought to make provision for some social amenities to their members which will be greatly appreciated and which will make the movement popular. A co-operative night school for the children of the workers in one area and a co-operative medical dispensary for the treatment of the members of the societies in another area may be very well attempted as a start in this direction. It should not be impossible to devise means to wean the labourers from their pernicious drink habit by providing co-operative stalls for them where they could get at a cheap cost light refreshments and harmless drinks. The drink

evil is one of the greatest of the social evils which are responsible for making the worker economically crippled and physically inefficient. The co-operative movement can do something substantial to remedy this crying evil.

The need to popularise the movement.

The Co-operative Movement in India has not as yet drawn into it the masses, nor does it count the intelligentia among its votaries in sufficiently large numbers. So far as I am able to understand, this apathy to the Movement is due to two main causes among others. *Firstly*, programmes of political regeneration of India which engage the attention of the nation do not make sufficient provision for concrete programmes for the economic reconstruction of the urban and the rural life of the people. The politically minded Indians, generally speaking, pay little attention to purely economic movements as contradistinguished from political movements. It is not adequately realised that it is impossible to enthuse the peasant and the labourer who are the backbone of the nation over schemes of nation-building, unless and until such schemes actually begin to react favourably on the conditions of their daily life. *Secondly*, there is an impression that the Movement is an official or a semi-official activity which does not afford scope for non-official initiative, management and control. If the movement is largely in official hands to-day and not sufficiently democratised, it is in a great measure due to the indifference of the people themselves for whom it is intended. But the officials also on their part have not so far shown the proper spirit in the matter of democratisation of the movement. The co-operators of this province should express their gratitude to His Excellency the Governor for the very clear manner in which he defined the sphere of official and non-official activities in the movement in the short but excellent address which he delivered on the occasion of laying the foundation stone of the Silver Jubilee Hall of the T. U. C. S.* If the departmental officials carry out the spirit of His Excellency's advice, the Movement is sure to develop on right lines. The present official tendency is unfortunately to put the non-official organisations in splints and straight jackets and to nourish them by spoon-feeding. Healthy progress under existing conditions is almost impossible. I therefore appeal to official and non-official co-operators to promote conditions where team work between them becomes possible by the exercise of mutual goodwill, trust and co-operation.

* Vide page 493.

I congratulate the city co-operators on their having secured the services of such a distinguished co-operator and social worker of international reputation as Mr. K. T. Paul, to preside over this session. As the President of the Christian Central Bank, he is intimately connected with the movement in this city and his wide experience and knowledge are sure to contribute to the success of this Conference. It is indeed very kind of Mr. Strathie, our new Registrar, to have consented to open the proceedings of this conference. I hope and trust that his tenure of office will usher in a new era in the movement and help co-operators to realise their aspirations. I have now very great pleasure in requesting Mr. Strathie to open this Conference.

The Registrar on Co-operation in Madras City*

Mr. Strathie in opening the Conference made a short speech and said :—

I am very glad to have the opportunity of this friendly meeting with the leaders of the Co-operative Movement in the city. This is supposed to be a day of rest and meditation on higher things and I am very sincerely hoping that this morning's proceedings will do something to counteract the impressions of the week and send us all back to our work with renewed strength and ideals revived. For I must confess that the papers that come before me in the course of my daily duties are beginning to destroy the glowing hopes which my short period of study, before I took over the Registrar's office, had inspired in me. Perhaps this is inevitable. The Registrar is bound to have the black side of things thrust before him constantly. Petitions containing allegations of dishonesty, selfishness and corruption, the work of societies even of central banks reduced to a stand-still by differences and factions founded too often on personal jealousies or private interests, judgments of magistrates convicting societies' office-bearers of gross misappropriation of co-operative funds, or acquitting them on the ground that the subordinates of the department were really to blame—all this is apt to warp one's judgment and to leave the impression that the department and the movement are a mass of intrigue and corruption. But, as I have said, I realise that this exaggeration of the black side is inevitable and that there is another and a brighter side to the picture—a side that does not come before me in my daily work, for if a society is working well I never hear of it, except for the hurried perusal of a satisfactory audit report, and if a poor ryot is relieved of a burden of debt, he does not sit down and write a letter to me about it. So, I still believe in the Co-operative movement and I hope that this day's proceedings will tend to strengthen that belief and that the discussions will be carried on in the true spirit of co-operation with the general good of the movement as the sole determining factor and an entire absence of personal feelings or

*Opening address of Mr. Strathie I.C.S., at the Third Madras District Co-operative Conference held on 9th February 1930.

desire to carry through one's own wishes. The absence of this feeling, one knows, is necessary in all branches of work, public or private. But one is, I think, entitled to expect a particularly high standard of conduct from co-operators for, in associating themselves with the movement, they have deliberately adopted a creed which sets aside all selfish advancement.

Now I wish to say a few words on the particular problems that confront the co-operators of the city and let me preface my remarks by a statement of faith. I believe very strongly that the form of institutions does not matter much : it is the spirit in which they are worked that counts. Anything can be made to work, even the constitution of the Government of England, if the men at the head of affairs approach every problem in a spirit of co-operation with the genuine desire to get things done. I hope that the problems before you at this conference will be tackled by you to-day and by the department and by the Government in the future when your resolutions have been passed, in that spirit of co-operation.

TWO CHIEF PROBLEMS

Your two chief problems are the supervision of the Madras societies and the formation of a separate district bank for the Madras City. These questions which bristle with difficulties, have been pending at least since 1925 and it is to be hoped that a wise and practical decision will soon be reached. As regards the bank, the position is, I understand, this: The societies in the city, so far as they need outside support, are at present financed by the Christian Co-operative Bank. Now, this bank was created originally with the deliberate purpose of financing christian and depressed class societies which required an organisation separate from the provincial apex bank. In 1921-22, the Christian Central Bank was asked by Government to finance all the primary societies in the city and it agreed to do so. The bank now wishes to get back to concentrate on what it considers to be its legitimate duty. the financing of the depressed class societies in the mofussil. One can appreciate the views of the bank, but at the same time there are many practical difficulties: to mention one only, the provision necessary for the depressed class societies in the city itself. I hope you will consider and endeavour to meet all these difficulties in your discussions to-day.

SUPERVISION WORK

As regards supervision, I think it would be a fair summary of the position to say that, since the Unions were held to have failed,

there is nothing to be gained by discussing now whether the decision was or was not correct. Four schemes have been put forth at one time or other for the supervision of the Madras societies:—(1) supervision by an administrative section of the Bank, which then meant the Christian Central Bank: (2) direct supervision by the department; (3) supervision by a combined council of non-officials and officials and (4) supervision by a purely non-official body. I trust that the various advantages and disadvantages of each of these schemes will be duly considered during your discussions to-day and that you will succeed in evolving a scheme acceptable to both the financing bank and the societies. Perhaps I may remind you that the staff of inspectors has recently been increased by Government and that this may possibly result in an improvement in the condition of societies. I can assure you that, when the results of your deliberations are forwarded to us, they will be carefully considered with an absolutely unprejudiced mind. My short experience as one of the Directors of the Central Land Mortgage Bank has not failed to convince me of the mass of intelligence and organising ability that is present in the co-operative movement and I trust that the same good sense and acumen that has been displayed at all the meetings of the Directors will be applied to all the problems discussed to-day.

Urban Uplift—The Place of Co-operation in it*

Rural Reconstruction and Urban Uplift

It is a matter of much gratification that "Rural Reconstruction" has after all secured a place in the conscience and imagination of the people of India. Seventeen years ago, in 1913, when some of us were organising the first Rural Centres in India, ours was a cry in the wilderness. The very term "Rural Reconstruction" was our coinage: to-day it is a slogan across our vast country. Scarcely a morning arrives when the newspaper which one opens has not something to say about Rural Reconstruction. We rejoice at this. For India is really there, in the villages, the foundations of our body

*Presidential Address of K. T. Paul Esq., B.A., L.T., O.B.E., National General Secretary, Y.M.C.A's of India at The Third Madras District Co-operative Conference, Madras, 9th February 1930.

politique and of all its problems, and seven-eighths of the superstructure too. Progress in any field, economic, political or cultural, can only be reckoned in the measure in which it is secured in Rural India.

While this is all true, we cannot forget that there is also a great urban problem in India. If we have thrown ourselves with such extra momentum into the rural problem, it is because there was at that time no realisation of the utter urgency and importance of that problem, and even now there has not yet been secured a really adequate voluntary leadership to carry out rural reconstruction work in a businesslike and creative manner. But we have never really forgotten that the town is also there, and has its own special problems, and has also special resources for the advancement of the whole country, both rural and urban.

Urban Resources for Rural Service

In the forefront, I should place the value of the town to the village. This is nothing exceptional to India. But it is certainly specially true of India that Rural Reconstruction work will be impossible if the leadership and the finance needed for it were not forthcoming from the towns. The reasons are obvious. There is better education available in the town. There is wider knowledge of things, greater access to the experience of similar services elsewhere, and larger number of persons with leisure or inclination to such service. There is also more wealth, proportionately more of it fluid, and a larger margin in the aggregate available for service. For these reasons the country looks to the town to provide the service required for the uplift of the rural people in its neighbourhood. Taking India as a whole, the rural population is an immense multitude whose numbers are as baffling as are their problems. But, amid this vast concourse of 316,000,000, there are located 2,313 towns with 32,500,000 people living in them. If each of these towns could devote some care to the group of villages around it, the herculean task before Mother India will begin to disappear.

The Claims of the Village on the Town

And well might India expect such service from the town. It is only a discharge of its debts. The town of to-day was the village yesterday. It grew into the status of town largely by feeding on the

other villages and hamlets around it. It had probably better conditions, natural and accidental. It might have had a river or tank, or it was situated where roads met, or where a railway was aligned. Extra wealth gathered in it. The other villages began to depend more and more on it for capital, or employment, or for the sale of their produce, or for the industrial equipment subsidiary to their produce, such as rice hulling, cotton ginning or oil pressing. There was nothing dishonourable in the process. Nevertheless, the debt of the town to the villages around is real. The town became town because of them, and in many cases it continues to be town because of them. The village has therefore every right to claim a return of services such as it could not for itself provide.

Like Mercy, Twice Blest

Nor is the claim of the villages a barren demand. The improvement of the village is of direct interest to the town, while a more prosperous countryside implies more business and better business for the town which is amid it. Even the money-lender and the middleman need fear no real loss because of the prosperity of the ryot. On the other hand, it is common knowledge that the result is exactly the reverse.

Wanted—Trained Leadership

But what does the village really want of the town? It does want the money assistance that can come only from the financing bank which is located in the town. But much more valuable to the village is the trained leadership which can come from the town. Cheap capital is not necessarily a blessing. How to use the capital is a matter for which the village needs human assistance from the town. The official agencies which demonstrate and advise as to farming, health and education are not adequate to the needs of the village. Is official assistance adequate to the town? Nor is it adequate to the village. Enterprise, co-ordination, organisation, thrift, self-help, vigilance and above all, open-minded teachableness which alone makes for progress, these come not from officialism. They come not from any outside source, for that matter. You may appoint an army of "village-guides", give them so called "training" and dump them down amid villagers. The result will be like the 40,000 manure pits which were dug in one year in an area which shall be nameless, and which lay, many of them, as empty pits ever afterwards. The help that is required is that kind of human help which will effectively result in self-help. The town has got to furnish that. The great benefit of the Co-operative Movement, in our province at any rate, is that such voluntary service is being released from the towns, in continually increasing number and in improving quality.

Physician, Heal Thyself!

But nobody can give what he has not. The town cannot furnish trained leadership if it is not training leaders for its own needs. The primary duty of the town is to attend to its own problems. In solving its own problems, it shall have drawn out sufficient material, capacity and resources to suffice for itself and also to spare for the countryside on which it depends. The problems are interlocked as the situations are interrelated. If the prosperous village is an asset to the town, the progressive town is equally a great blessing to the villages around it. It is as much to the interest of the town to devote attention to the improvement of the villages as it is to the interest of the villages that the town should strain every nerve to improve itself in every way possible.

As a matter of fact, competent observers like Sir M. Visveswarayya have held that Rural India cannot improve as fast as it should until the urban populations have increased. It does not mean that the rural population should be urbanised in their habits and outlook to make them happy and prosperous. But it does mean that what are peculiarly urban conditions provide for the citizen an environment in which he could acquire certain qualities, such as interdependence, enterprise, capacity for organisation, progressiveness and so forth which give to leadership precisely those factors which the village needs as a supplement to the thrift, simplicity, ingenuousness, and cultural integrity which its conditions and traditions furnish.

Town is Town and Village, Village

Enough has been said to show that if the village is India, the town is India's great asset. There is no conflict of interests, not even divergence of interests. But it is a great mistake not to make the distinction. The conditions are different in many and very important particulars. This is palpably true of economic conditions. But it is also true of many other things, including in my view the problems of education. In the Central Provinces, *e.g.* the Secondary Education Committee has just recommended important differences in the curricula, as between urban and rural schools. Here in

Madras we make a sort of rough and ready differentiation between elementary education and lower secondary education. But it is high time that we do realise very clearly and very seriously that the differences are so great that the programmes in the case of every activity have got to be different if there is to be no wastage at either end.

Wanted—a Survey of Urban Problems

It is therfore imperative that those interested in urban welfare should first secure for themselves very clear ideas as to what are the real fundamental disabilities of the urban citizen. We have to a large extent put the cart before the horse in this line of our work. We have seen in rural areas that co-operative credit is very good; and therefore we have forthwith started co-operative credit banks in the towns. We have not stopped to enquire if indebtedness is that fundamental disability to the urban citizen as it undoubtedly is to the villager. Having first got ourselves entangled in the peculiar involutions of urban credit, we find ourselves hopelessly absorbed in solving what seem to be almost insoluble problems. Far wiser it would have been if we had first studied the field and made our approach in relation to its fundamental needs. It is high time that we called a halt to all credit work and made a business-like survey of our urban fields.

Urban Credit

I am not blind to the suffering entailed by indebtedness in urban areas. But there is an enormous difference from the rural situation. In the village the money-lender is often the landlord or the middleman who advances on the mortgage of the expected produce. In both cases he wields a dominance that is unchallenged. He could hold down the ryot as a serf on the soil, and oftentimes he does so with impunity. In the town there is more than one resource for the borrower. There are the Nidhis, Chitties, and small joint-stock Banks to compete with the Kandhukar, the Sowcar and the Nagaratar. In the town, the money-lender is not able always to close in on the borrower on all sides.

Moreover, while the relief which the co-operative bank brings to the urban citizen is of course very welcome, it is also very easily abused. For the employees of an office or a firm where monthly salaries are received and mutual discipline is easy, it is palpably a rational organisation. As for the nondescript wage-earners the co-operative bank does not command the same discipline in the town as the other banking organisations do. The cheaper loan puts a premium on reckless borrowing, because of the strain which the higher standards of town life impose on the poorest citizen. Easily got, early spent, the moral effect is not a help to thrift and prudence.

In Madras city there are 165 Societies of which 129 do credit work. In my humble view, we should hasten to get away from the illusion that a general credit society without reference to the varying needs of townsmen will somehow help to build up their economic salvation. Co-operative organisations should severely restrict themselves to well-defined economic groups and should be adjusted in a direct way to their specific fundamental needs..

If we study the budget of a townsman, we will probably be led to classify his needs along certain main lines.—

1. as a consumer
2. as a resident
3. as an artisan
4. as an unskilled labourer

Let us rapidly review each of these aspects of the townsman's needs.

The Townsman as a Consumer

Every townsman is a consumer. So is every villager a consumer. But few villagers depend on others to supply what they have to consume, whereas every townsman is utterly dependent for all his articles of consumption. Obviously then, this is a fundamental economic fact. A state of dependence means that somebody has the vantage. As a matter of fact, the vantage in India is with the middleman and the seller on credit. It is the task of the co-operative movement to save this vantage to the consumer himself.

If we tackle the problems of meeting the townsman's needs as a consumer, we should so undergird him that he will no longer need to borrow from anyone for his daily needs. If co-operative purchase means anything at all, it should be possible to any person of ordinary thrifty habits to live within his means, and also to command a margin from which he could save.

In Madras we ought not to be content until there is a branch of the Triplicane Stores or something similar in every street of the city

and every cheri in its suburbs. We may never be able to occupy every stall in the Moore Market or every booth in the Kotwalchavadi with a branch of the Triplicane Stores. But the needs of the city demand insistently for an enormously wider expansion.

Here again we should be warned that the needs of a great city are not the same in every part of it. The particular needs of every locality of the city should be carefully studied and, in addition to wholesale purchase on behalf of the consumers, subsidiary co-operative organisations should be set up for the production of some of the needed materials. Time and thought spent on such service will be a great investment. For, with the habit of cash purchase which goes with it, the co-operative store should take care of the bulk of the ordinary domestic budget of our fellow townsmen. We note with gratification, *e.g.*, that 20 milk supply societies have been so far registered here and that apparently 18 have started work. Cereals, dhal, ghee, oil, cloth, furniture, utensils, kerosine, in regard to everyone of these in their preparation for domestic use as well as in their collection and supply, the co-operative stores should take the place of the wise old housewife of our middle class families. As a matter of fact, we shall not get the needed resourcefulness or imagination for this service until more of our ladies get interested in it.

And yet in India, with all its 32 millions of townsfolk, Consumers' Co-operative Societies are practically unknown. We have in the Triplicane Stores probably the one successful example of it in the whole country. When travelling with the Townsend Committee, I noted how such organisations were few and far between and that, where they existed, the attention given to them was half-hearted and extremely amateurish. The Government Department has practically no knowledge to offer to it and its officers are least fitted to help it on to business-like processes, much less to success.

In England, on the other hand, co-operation began with the stores of the Rochdale pioneers, and in that country where the urban element is 75 per cent of the total population, co-operation has naturally stayed. In Ireland and Germany, though Co-operation started on the Raiffeisen basis and spread far and wide, all co-operation has not stayed there. In Denmark, Co-operation is almost exclusively for marketing, in accordance with the peculiar economic needs of that country, but it has developed also a great chain of Consumers' Societies as the need for them became clear.

In India it was right and natural that we should have started with the Raiffeisen system in our villages. But we have also an urban population as large as a third of the total population of England and eight or nine times the entire population of Denmark. And still we are devoting no serious and scientific attention to the needs of the consumers.

The Townsman as a Resident

One of the biggest single items in the domestic budget of a townsman is usually the house-rent. With the increasing congestion in the towns, the pressure of house-rent becomes very heavy. The proportionate pressure of it increases with the decrease in the salaries. The higher salary earners and the lower wage earning labourers are, for different reasons, in a better situation as regards house-rent than the middle classes of all grades. It is these who form the main bulk of the town's citizenship. And it is they that are brought constantly to the verge of having to borrow and only too often pushed clear over the verge.

Here then is another fundamental economic fact. It is the task of the Co-operative Movement to find relief just at this point. The more enlightened Municipal Corporations in India are alive to this need and are busily engaged in affording various facilities to those who would co-operate in relieving congestion. But the work of the Municipality is greatly handicapped by the sheer wickedness of those, some of them Councillors themselves, who artificially raise the price level of sites by bogus or benami transactions One of the first things which true co-operators can do is to include in their propaganda work a strong condemnation of such acts and a clear exposure of the meanness and treachery to public welfare which it is. We need to educate public opinion on the matter. It should at least be impossible for a person like that to be returned to a Municipal Council. For there he gets inside information in ample time and sets on foot his own nefarious work to add to his ill-gotten wealth. The sufferer ultimately is the middle class person who is far less able to stand the strains of urban life than he who has taken illicit advantage of his position.

Returning from this which, I claim, is not a digression, we note with interest that in this vast city there are 17 house-building societies with a membership of 680. No other fact is needed to expose the fallacy under which we are all working, officials and non-officials. 123 Credit Societies as against 17 house building societies! We do

not want the credit societies to decrease. But there is something radically wrong when the number of building societies is not ten times what it is now.

In every street, houses are constantly changing hands and we should have in every ward at least one house-buying society. The membership should be limited to those who own one single house, their residence, to keep the speculators and middlemen out. The loans should be on long term, repayable at a rate not very much higher than the rental valuation assessed by the Municipal Corporation.

In effect, some of the present Societies which do general credit work will be split up, and business on the mortgage of houses newly purchased, will be taken over by the house-buying societies. The mingling of such business with general credit detracts from both. Particularly, house mortgage business requires a certain amount of specialist knowledge. If those who are specially interested in that kind of need corporately think things out, they will be able to do for themselves precisely what they need. Their bye-laws will not need to be squared into the round hole of a general credit society, or vice versa. In fact a society like that will gradually become an effective house-exchange.

Moreover the man who has borrowed from such a society need not go about with the brand of a debtor. We know only too well how such an odium sits heavily on the man's consciousness and affects public opinion about him. A trader when he borrows capital does not feel so. Neither should one who takes advantage from his own fellows, who have all done likewise, for, the purchase of a house which is his very own, as much or even more than the wares which the trader has in his shop. Were it only for the psychological value of it, I would plead for a separate organisation. House repair and even minor improvement would naturally go to the general credit society, for they do not involve mortgage and they are certainly productive purposes. But I am sure house-purchase should have separate treatment.

So far these 17 Societies of ours have collected a paid up share capital of Rs. 2,52,796 and earned last year the profit of Rs. 11,063. It means that there is already the possibility of a separate union for them, not to keep them merely on the right side of the D. C. B. situation, but mainly for further efficiency of service. Societies for joint purchase of building materials, societies of brick makers, societies of carpenters, societies of tile-makers, and various other subsidiaries should steadily come into being, if we mean real business by starting Building Societies.

It is a matter of common knowledge to us here that in Denmark, Co-operation is specialised in the marketing of eggs, butter and bacon. This is what Danish Co-operation is rightly famous for. And these are all of rural interest. But after the War when the Socialists came into power, labour, as in urban areas, came in for serious attention. These ten post-war years are specially remarkable for a totally new line of the Co-operative Movement in Denmark, which is devoted to the problem of housing labourers and eliminating slums from the towns. But possibly the most remarkable achievement by any modern city in this line is to be found in Amsterdam. The city grew to be so congested that it had to reclaim a big slice of the Zuder Zee and push suburbs on it. The whole housing problem as it pertains to that great city has been very thoroughly studied and solutions provided suitable to the varying possibilities and requirements of the different strata of the population. The result is marvellous. Art has combined with economy, and freedom with standardization. The whole project was led by the Municipal Corporation: but the venue for realising it in the concrete was the co-operative method.

Artisans' Co-operation

Go to any Mofussil town. Omit the Agraharam where the clerks and lawyers live, and the modern shop street which is an excresence, and walk along any of the other streets. The occupation of the citizen is some kind of art or craft. Weaving, dyeing, tailoring, metal work, carpentry, masonary, production of food-stuff, pottery, leather work, these occupy the main bulk of the people. Now, each one of these occupations has a fundamental economic basis. Our task is to get to that, and build our co-operative relief with direct reference to that.

Take weaving, for example. In many of our South Indian towns cottage weaving is the occupation of the largest group. It may be put down as a typical urban fact. The problems around it are, therefore, common knowledge to all of us. The weaver wants to buy yarn and to sell textiles. As an individual artisan, he has not the ghost of a chance of getting a square deal anywhere from any-

body. As soon as he combines, he can begin to command the market. This is the fundamental economic fact about a weaver, which is no profound secret discovered for the first time to-day. Still, where do we stand as regards Weavers' Societies? There is just one society in this city of 9,185 adult weavers. "It purchases yarn to the value of Rs. 900 and sells it to members for Rs. 901-5-0". So says the Report and the confession is pathetic. Madras is not a weavers' city, but it should be realised that Madras city has more cotton weavers than any other city or town in the Province. Then there are towns in our province which may be labelled as weaver towns. In some of them there is not even one Weavers' Society. In those towns there is no lack of interest or faith or experience in co-operation. A strange fear seems to cripple action so far.

I venture to think that the reason is because the fundamental economic fact in the situation has not been singled out for treatment. That the weaver is in chronic indebtedness is also a fact: but that is in the nature of a complication, which must be separately taken into account and properly provided for. Because that is not the root problem, any more than two other stubborn facts, viz (1) that the weaver is proverbially adicted to drink and (2) that he is perversely inclined to be dishonest in his material. The former problem requires separate attention which may be partly remedied in the process of co-operative education and by means of the fiscal lever. The latter is certainly a matter which can be rectified through Co-operation.

The fundamental problem is how to work joint-purchase and joint-sale. To my mind, the way out seems to be to begin by working a Consumers' Society which restricts itself to yarn. Sales should be made to anyone, member or not, at market rate. The dividends will be declared and paid out twice a year, each half year covering as far as possible the Pongal and the Deepavali seasons. The clients will be persuaded to use the dividend, as far as possible, towards purchasing shares and so gradually building up a largely self-acting capital. A very small beginning made like that, gradually eliminating credit transactions and substituting cash transactions or what is virtually equivalent to cash transactions, will be able to teach weavers the value of combined action.

After a year, I would organise those who have really learnt the co-operative habit, into a joint sale society to deal with the disposal of the textiles. The two should be kept separate, the purchases society and the sales society. Only those who graduate in the first, should be promoted to the second. And general credit should be eschewed. For his house purposes he should go to the House Building Society. For his wedding expenses he should go to the general Credit Society. For his necessaries of life he should go to the Co-operative Stores. For his professional needs he should come to his Consumers' Society. We shall then save for him his fundamental means of livelihood intact. Even one who has, *e.g.*, borrowed beyond reasonable solvency elsewhere, will be safeguarded by us, as regards his earning power, which is, when all is said and done, his one hope for recovering his economic stability. Moreover there is the greater chance of such a simple society succeding, when it is kept clear of all complications, which are sure to ensue from an attempt to meet the diverse needs of a weaver through a single organisation. Let one society attend to what he needs to purchase as a weaver and let another society attend to what he needs to sell as a weaver. These two societies are bound to succeed, provided of course, that voluntary leadership is available.

What is said about weavers has, I believe, principles which apply more or less to all kinds of artisans. Take each group separately. Study it until you get to the fundamental economic problem. Restrict yourself severely to a solution of that. Let the co-operative organisation you devise be as simple as possible. Then you are on right lines towards success.

The Townsman as an Unskilled Labourer

The problems of the unskilled labourer who forms such a large, important and in fact indispensable element in the population, are so difficult that the Government has constituted a separate department for it. Our question is, has the Co-operative Movement anything to contribute. The record in the city of Madras is a lamentable negative. From the administration report, it looks as if there is only one Labour Society. And that is my old friend, the Salt Loaders' Society, with which I personally had something to do some 15 years ago. Apparently no service has been available to the labourer and qualabourer from the Co-operative Movement in the last fifteen years. It is one more evidence to the fact that we have not yet really begun to serve the urban population.

Labour has begun to organise itself, as in other parts of the world. It has begun to school itself in the art of combination. It

should not therefore be very difficult for the co-operative method to be learnt and practised by labour.

The fundamental economic problem peculiar to the unskilled labourer is continuity of employment. Even the contractor or middleman, he could withstand and wrest from him his elementary right of a living wage, if he could be sure of tomorrow's work. On the other hand, any Co-operative Insurance against unemployment seems to be on the face of it too complicated an undertaking. On one proviso however, it could be undertaken to a limited extent. If the Labour Insurance Society is prepared to take contracts, limit its membership to a definite small area, and if all liability is unlimited so as to secure in full measure the weight of the soliditarity of the group, then such an insurance might be undertaken. The conditions sound formidable. But when carefully scrutinised, they are not different from what is really expected of an unlimited liability Credit Society in a depressed class village, which has practically no property credit. We do find success there, whenever there is adequate supervision. In the city, however, there is lacking one psychological asset, the implicit acceptance of the authority of the whole group. But the matter certainly calls for thorough investigation and if possible, of experimentation.

An Opportune Occasion for Survey

It were idle to imagine that I have done anything more than open up the subject. May I venture to hope that it will be followed up by a systematic study? I am reminded of the survey of the City of Pekin which came out about seven years ago and is absolutely a classic. A study such as that is a silent appeal to service which is more insistent than the loudest clarion call.

The time to plan for it is very opportune just now. The District Bank for the city, which we are to establish now, cannot signalise the beginning of its life more worthily or more scientifically than by leading off in such a survey. The other important co-operative organisations in the city, the social service organisations such as the Servants of India Society, the Ramakrishna Mission, the Theosophical Society and the Y. M. C. A., and also the Municipal Corporation and the Provincial Government should all be invited to join hands.

The purpose of the study should be definite and practical.

(1) It should secure a definite knowledge of the real economic problems of the peoples inhabiting the city. That

is, it should eschew other problems, such as Social and Educational.

(2) It should lead to a discovery of the co-operative and other economic solutions for those problems. That is, it should provide the programme of service which the District Bank is to finance.

(3) It should be effective in releasing an increasing number of voluntary workers.

(4) It should be useful in the training of workers, voluntary and others.

I respectfully submit this practical suggestion to the District Bank which is imminent, and to all other agencies interested in the uplift of this city. I submit that without some such survey, there will be much wastage of power, overlapping of work and amateurishness of action. When such a survey is available, our programme could be clear cut, the open doors of opportunity will draw volunteers and there could be scientific specialisation and training, the two things which alone can make the amateur into an expert.

Conclusion

In conclusion, I feel justified in striking the note of optimism for which we have every reason to be filled with the zest of success. I say this in full knowledge of the many deficiencies and disappointments in the working of the Co-operative Movement in our Country. I am clear in my judgment that, compared with the Movement as it was in its early stages in other countries, we have done very well. We should be particularly gratified in the number and quality of voluntary leadership that it has called out. Next to political work, which is in large measure only fitful and not continuous, the Co-operative Movement has drawn on the human resources of the country as no other Movement has so far done.

But our success has been mainly in rural co-operation, though the leadership for it has been contributed by the towns. The time is now ripe for a worthy forward move in all our towns and cities. Our programme should be precisely suited to the city and it should really be adequate to worthily cover the varied needs of the urban population. We shall then approach measurably the ideal of the Co-operative Commonwealth where competition shall be finally outlawed.

District News

I

THE THIRD MADRAS DISTRICT CO-OPERATIVE CONFERENCE

PROCEEDINGS

The third session of the Madras District Co-operative Conference was held at the Pachiappa's College Hall on the 9th February 1930 under the distinguished presidency of Mr. K. T. Paul, B.A.,L.T., O.B.E., National General Secretary of the Y.M.C.A., and president of the Christian Central Co-operative Bank, Madras. There was a large gathering of representatives of the city co-operative societies and distinguished co-operators. Prominent among those present were Messrs. V. Ramadas Pantulu, D. N. Strathie, Registrar of C. S., Madras, Dewan Bahadurs R. Ramachandra Rao and M. Ramachandra Rao, Rao Bahadur K. Devasikamani Mudaliar, Joint Registrar of C.S., Madras, Rao Sahib O. N. Ramaswami Iyer, Special Deputy Registrar in charge of the Central Land Mortgage Bank, Madras, T. Audinarayana Chettiar, M.L.C., N. Sivaraj, Professors S. K. Yegnanarayana Iyer and C. S. Sreenivasachariar, M. S. Sabesan, G. Sriram Babu Naidu, N. Satyanarayana of Alamuru, K. L. Narasimha Rao, A. Sivarama Menon, P. Ramanathan, K. C. Ramakrishnan, D. M. Amalsad, Assistant Director of Industries (Textiles), N. R. Balakrishna Mudaliar, Superintendent, School of Arts and Crafts, M. Govinda Kidavu, Deputy Director of Agriculture, Madras, S. P. Perumal Pillai, Deputy Registrar of C.S., Madras, C. Narayana Nair, Personal Assistant to the Registrar of C. S., Madras, V. Manicka Mudaliar, C. Thyagaraja Mudaliar, Rao Sahib V. Dharmalingam Pillai, Honorary Assistant Registrar of C. S. and T. N. Thangavelu Mudaliar.

The proceedings began at 8 A.M. with music by Mr. Dharmalingam Pillai, President of the Kalimancheri C. S. with accompaniments and the melodious recital of a Sanskrit verse by Mr. S. Sthanukrishnan, Manager of the Madras Provincial Co-operative Union.

Then Mr. V. Ramadas Pantulu delivered his welcome address* and Mr. Strathie, his opening address.†

*See page 494 of this Journal for the Welcome Address.
† See page 501 of this Journal for the Opening Address.

Election of the President:—Mr. A. Sivarama Menon, President of the T.U.C.S. proposed that Mr. K. T. Paul do take the chair. Prof. S. K. Yegnanarayana Iyer seconded and Rao Sahib V. Dharmalingam Pillai supported the motion. Mr. A. Sivarama Menon in a short and lucid speech expressed great satisfaction in that the City Co-operators were fortunate to have such an eminent worker as Mr. K. T. Paul, with his vast knowledge of the economic and social problems in Europe and other foreign lands and his unabating enthusiasm to work for the cause of co-operation in this country. He also congratulated the co-operators assembled, for their having secured the services of Mr. D. N. Strathie, our new Registrar, to open the Conference and Mr. V. Ramadas Pantulu, the President of both the non-official financing and propagandist co-operative apex organisations in the province to be the chairman of the Reception Committee.

Mr. K. T. Paul then took the Chair and delivered his Presidential Address.*

Mr. G. Sriram Babu Naidu, Honorary Joint Secretary of the P.C.U. was then called upon to read the messages and greetings received from various prominent co-operators and co-operative institutions in different partsof the country.

The Conference was then adjourned till 2 P.M., when it met again and discussed and passed various resolutions.†

In bringing the proceedings to a close, the President laid stress on the point that such conferences should be held more frequently than it was done now and hoped that the Madras Provincial Co-operative Union would make the necessary arrangements for holding the Conference once a year. He also laid special emphasis on the point that steps should be taken to get into the Movement as many women as possible. In other countries the Movement derived its strength from the interest evinced by women and he hoped that it would be an accomplished fact here also. He also suggested that social dinners should be arranged so as to facilitate co-operators to place their different points of view among their brother co-operators.

With a vote of thanks to the Chair and to the Pachiappa's Trustees, who were kind enough to let the hall on that day, the Conference dissolved. The delegates and visitors were then entertained at a delightful tea party.

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*See page 503 of this Journal for the Presidential Address.

† See page 520 of this Journal for the Resolutions.

II

THE MADRAS POSTS AND TELEGRAPHS CO-OPERATIVE CREDIT SOCIETY

The Fifteenth Annual General Meeting of the above society was held on the 18th January 1930 in the General Post Office Buildings, Madras, under the presidency of M.R.Ry. G. Narasimhulu Naidu Garu, Superintendent of Post Offices, Madras City. About 600 members were present.

The proceedings of the meeting began at 6-15 P.M. Mr. M. Somasundaram, Hon. Joint Secretary, spoke briefly, deploring the premature and sudden demise of Mr. C. H. Malan, O.B.E., I.C.S., the President of the Society on the 13th January 1930, and observed that he had been taking genuine interest in the welfare of the society during the last 3 years as the President of the Society and that in his death, the Society had lost a true friend and valuable guide. The President, Mr. Narasimhulu Naidu also spoke touchingly on the death of Mr C. H. Malan and moved the following resolution of condolence, which was passed unanimously, all the members standing for a couple of minutes and praying to the All Merciful God for the peace of the departed soul.

"Resolved that this meeting of the members of the Madras Postal and Telegraph Co-operative Credit Society, Ltd., do place on record their sense of seep sorrow at the sad and sudden demise of Mr. C. H. Malan, O.B.E., I.C.S., the President of this Society, who was helping and guiding the Society for the past three years and offer their condolences to Mrs. Malan in her bereavement."

The next item was the reading of the messages, after which, on the motion of the Secretary duly seconded by Mr. P. Nataraja Mudaliyar, the Annual Report was taken as read and adopted.

After the election of members to the Board of Directors which came up next, the meeting came to a close at about 9 P. M.

III

AN 'AT HOME'

A very pleasant function was got up by the staff of the Deputy Registrar of Co-operative societies, Madras on 5-2-30 on the eve of the departure of Mr. Hayat Sahib B.A., B.L., to Salem on promotion as Deputy Registrar of Co-operative Societies. Messrs. C. Narayana Nair, Personal Assistant to the Registrar, T. S. Kunjithapatham and A. Hirudayaswamy Sub-Deputy Registrars also were present on the occasion. After garlanding a group photo was taken. Light refreshments were then served on a lavish scale. With a Musical entertainment by Mr. K. Kalidas the function came to a close.

Resolutions* passed at
The Third Madras District Co-operative Conference

I. This Conference expresses its profound sorrow at the demise of Dr. S. Swaminadhan and desires to place on record its sense of irreparable loss sustained by the Movement in the City.

II. This Conference is of opinon that the Department erred in liquidating the Unions, without providing any other agency for intensive supervision, and requests the Government to take prompt steps to constitute a District Federation for the City to serve the interests of all the societies. It shall be a non-official body.

III. (*a*) The District Federation to be formed be vested with powers to arrange for the audit of co-operative societies in the City.

(*b*) In the meantime, the Registrar be requested to give relief under Rule 8(*d*) (5) to societies which are unable to pay the audit fees charged under the existing scale on account of the small profits they make.

IV. (*a*) This Conference, while thanking the Madras Provincial Co-operative Union for its past services, requests it to continue, till the District Federation is formed, the work of co-operative propaganda and education of the members of Co-operative Societies in the city.

(*b*) In view of the fact that education and propaganda among the members of the co-operative societies involves an annual expenditure of Rs. 6,000, this Conference requests the Government to increase the annual grant from Rs. 1,200 to Rs. 2,000 and requests the M.C U.B., the T.U.C.S., the Christian Central Co-operative Bank and other co-operative institutions and co-operators in the City to make liberal grants.

(*c*) Resolved that the city societies be requested to set apart a large portion of their common good funds for co-operative education to be made over to the agency that may undertake this item of work.

(*d*) This Conference requests the P. C. U., until the District Federation begins working, to again conduct training classes for employees and members of co-operative societies and others seeking advanced knowledge of the principles and practice of Co-operation.

V. (*a*). Resolved to request the Registrar to register a separate Central Co-operative Bank for the city at a very early date.

(*b*) This Conference is of opinion that the credit needs of co-operators in this city for (i) repayment of prior debts and (ii) purchases of and repairs to houses are not now adequately met and therefore, recommends to the Registrar to permit the employees' credit societies to (i) increase the maximum borrowing power of members to six times their salary in case of personal surety loans and (ii) to grant larger loans for longer periods, fixing the maximum borrowing power of individuals at Rs. 2,000 in case of personal surety loans and to Rs. 5,000 in case of mortgage loans.

(*c*) Resolved that, with a view to effect improvements in the working of depressed class societies, provision be made in the by-laws thereof for permitting individuals, who are not members, to be co-opted to the panchayats.

VI. Resolved that in case of appeals from societies in the city against the orders of the Registrar, the Government be requested to consult the District Federation, before passing final orders.

VII. Resolved that the P. C. U. be requested to undertake an economic survey in detail of the urban conditions with a view to have non-credit co-operative societies organised for the benefit of the urban population.

VIII. This Conference understands that the Department of Industries has made a survey of Cottage Industries in the city of Madras and requests the Government to publish the report and make it available to the public.

IX. Resolved that, considering the importance of the development of non- credit work, this Conference urges on the Government the need for appointing a well-qualified Industrial Organiser to assist in this work in the city and also to promote the formation and development of societies for artisans and labourers.

X. Resolved that co-operative societies for Cottage industries be started, especially those suitable for women.

XI. (*a*). This Conference regrets that the Government declined to give effect to the recommendation of the Townsend Committee in the matter of acquisition of land for roads and laying them out, in order to help co-operative building societies and urges on the Government the necessity for giving effect to it.

*All the resolutions were carried unanimously, except V (b) which was carried by a majority.

(*b*). Resolved to request the Corporation of Madras to relieve the co-operative building societies in the city from the burden of acquiring land for the purposes of laying out roads etc., in their localities and to provide all facilities necessary for purposes of colonisation.

XII. The Co-operative Department not having brought out anything in respect of co-operative life-insurance beyond what has been stated that the question is being examined as a reply to the resolution of the Second Madras District Co-operative Conference held in July 1925, this Conference requests the Registrar to register life insurance societies under the Co-operative Societies Act, whenever proposals for such registration are submitted to him, as is done in other provinces.

XIII. Resolved to request the P. C. U. to do, in co-operation with the T. U. C. S., more vigorous propaganda in the city, regarding the benefits of the Store Movement.

XIV. Resolved that the Government of Madras be requested not to introduce the Co-operative Societies' Bill into the Local Legislative Council without previously eliciting public opinion on the same and giving adequate opportunity to co-operators and co-operative organisations to place their views before the Government.

XV. Resolved to request the P. C. U. and the M. C. U. B. to take immediate steps for providing a Co-operators' Hall in the City.

XVI. Resolved that the P. C. U. be requested to take the necessary action on the resolutions passed at this Conference.

Correspondence

I

Sir,

Sub : D. C. B. Statements

"The Registrar has issued a Circular that Societies should send the D. C. B. of members at the end of every month to their respective Unions, and that unions should send a consolidated. D. C. B. to the Federation, Central Bank, and Sub-Deputy Registrar.

There are at present about 350 societies under this Federation, affiliated to unions, and there are 16 Supervisors attached to them. Each Supervisor has been entrusted with 22 societies on the average. Of the societies, nearly half the number have worked at a loss last year. Nearly half the number of societies have not been taking loans for the past two or three years for some reason or other. These societies do not maintain accounts properly. The Supervisor writes them in his visits. Such societies, cannot be expected to send monthly D. C. B. The Supervisor will have to visit all the 22 societies every month to get their D. C. B. He generally visits six or seven societies in the month To visit 22 societies in 20 days is impossible.

Most of the societies are agricultural societies and their members are mainly agriculturists. They get their income only at the time of harvest and they make repayments only in harvest season and not monthly. Practically there will not be any transactions in seasons other than harvests. The supervisor will have to visit each society every month only to bring a nil return of their collections.

It is only possible to get the return from societies which have got establishments.

C. Venkata Rao,
15-1-1930,
Secretary, District Federation, Guntur.

Copy to the Registrar of Co-operative Societies, Madras.
" " Deputy Registrar " " Bezwada.
" " Sub-Deputy Registrar, Guntur.

II

Sir,

Sub : Overdrafts—Imperial Bank

It is well-known that in the opinion of the Townsend Committee the Imperial Bank is not merely a commercial Bank, but the financing agent to the Government in regard to the Co-operative Movement in this country. They suggest that the continuance of the facilities hitherto granted by the bank should be made obligatory by 'Some Statutory provision, contractual guarantee or other suitable method'. It is much to be regretted that instead of widening its scope of useful activity, it has even withdrawn the facilities till now enjoyed by the Co-operative Banks. In this connection, I refer to the West Godavari District Co-operative Bank Ltd., Ellore. Besides cutting short cash credit allowed by it, the Imperial Bank discontinued the concession of free encashment of bills and cheques and is claiming discount on these transactions. It is very much to be regretted that the Imperial Bank has adopted such a hostile attitude to the co-operative movement. I hope the President of the Provincial Co-operative Union will advise the Registrar to interfere in the matter.

Yours Sincerely,
G. S. GIRI RAO,
2-2-30.
Director, West Godavery District Co-operative Central Bank Ltd., Ellore.

III
GROUP CLERKS FOR CO-OPERATIVE SOCIETIES.

I read with interest in the January issue of the Madras Journal of Co-operation an article on the above subject by Mr. Sivananda Mudaliyar of the South Arcot District Co-operative Federation. With all due deference to that veteran Co-operator, I may at once say that the system he suggests is unworkable; let alone the fact that it is unco-operative. This system was given a fair trial in some of the Co-operative Credit Societies in Malabar and it was proved to be a thorough failure. At one of our Panchayat Conferences this question was raised and after prolonged and lively discussions, the resolution on the group system was thrown out by a narrow majority.

It is borne out by experience that when in any institution a paid clerk is appointed, the tendency is to make him do all the writing business; and this is but natural. Nobody would like to do part of a clerk's work after one is appointed and the tendency would grow to throw all the blame on the clerk for any irregularity or omission in the writing work. So it is necessary that the clerk should be available whenever any writing has to be done. And a group clerk can be made available to a society at the most for one week in the month, for he will have to attend to other societies as well.

Mr. Mudaliyar concedes and rightly too, that a society should maintain the receipt book, the cash book, the minute book and the admission register among others. I would add that not only is it necessary to "write up" these books, but it is also necessary to write them up regularly. Receipts will have to be written up and granted as each payment is made. Nobody would be willing to pay up his dues

without receiving in return a proper voucher on the spot. During busy seasons, which may be, by the way, busy seasons for all societies in the group, moneys willl be coming in every day, almost every minute, for some days together and it is a dangerous practice to defer granting of receipts to a future date, even if the party making the payment is willing to wait. There is the possibility of the man receiving the money omitting to make some entries. And if the member who has come ready to pay will not part with his money until receipts are obtained, the only remedy would be either for the Secretary to do all the writing or to ask him to come with his money on some future occasion, when the clerk will be available. The former course, the Secretary may not be willing to adopt and to adopt the latter course would be positively ruinous—the money may be utilised for some other purpose and it may be only the next year that the Society will see anything of the man. Cash book—if it should be a properly kept document—ought to be written up as each receipt or as each disbursement is made and the President has to sign it at the end of each day on which there have been transactions. If these things are not done daily, there is the danger of a large number of transactions accumulating and pending entry in the cash book and it is not uncommon that in such circumstance serious omissions are made. The minute book, to be of any practical value should be written up as soon as each meeting is held, or the term "minute book" will be a misnomer.

As I understand it, a clerk is appointed for the convenience of the Society authorities. As the latter are honorary workers we cannot insist on their keeping regular office hours. To day the Secretary may find it convenient to attend to his society's work at 10 P.M. For three or four days succeeding he may not be in station all; then on the 4th or 5th day he returns, takes a bath, dines and after an after-dinner nap, at 3 P.M., thinks he could spare some time to his Society's business. Can we expect a group clerk to be able to adjust his work to suit the convenience of the Secretary? He has other Societies as well to attend to and it may be that much the same conditions prevail in these also. He may be deputed to one Society for one particular week in the month and his hands may be full for the remaining three weeks with the work of the other Societies of the group. So, either this honorary Secretary will have to do most of the writing by himself or await the convenience of the clerk, in which case, the books may not be written up at all for two or three months together.

As the President or the Secretary, as the case may be, is writing up the books regularly he comes into very close touch with the business affairs of the Society, so much so, that most of them are now able to give us details off-hand regarding the said affairs. But once writing business is made to be done by clerks, there will naturally be a tendency "to cease to bother" about details so that, by and by, the society authorities will have always to refer to their clerks for any information regarding their society. And now that they have a paid clerk they would leave the entire writing work to be done by him and as days go by, their checking will relax and if afterwards anything goes amiss they would be ready with the excuse—"we are only honorary workers. There is a paid clerk and he is responsible for the short-comings. We have our own affairs to attend to. Why can't the Departmental Inspectors or Federation Supervisors exercise a more vigorous check."? The excuse would not be put forward if they are doing the work themselves. Honorary though they are, as they are writing up each item in their own handwriting, their sense of decency will not permit them to make wilful omissions.

Another evil arising out of the system may also be noted. A group clerk's house may be very near the Societies forming the group. On particular days a large amount of work may have to be done and some times it may not be possible to finish it by the evening and it would be inconvenient to complete the unfinished part of the work after the lapse of some days. On the next morning the clerk may have to go to another Society and may not be able to return to this Society for some days. So he would suggest "I will take the books home and finish the work by the night. May I take them?" And in all innocence, the Secretary would allow. This practice once begun, will grow, so much so, that in the long run, apparently for the sake of convenience and expediency, all the Society's books will be in the clerk's house. The clerk could, if he is dishonest, tamper with the records and the President and the Secretary, being thus out of touch with the Society's books may know little or nothing about its affairs. The clerk will be the master of the situation so far as the group Societies are concerned. To quote concrete instances may not be polite; but instances of clerks controlling two or three Societies are not wanting.

Again, a clerk may have played some humbug in one Society and the authorities for the reason or for any other valid reason, want to dismiss him. But the clerk is so clever that he is very popular in the other Societies of the group or very probably he may be related to the authorities of these Societies. Now, what is the Society that has a grievance to do? If it moves for the dismissal of the clerk the other Societies will not consent. The Union also would be powerless because of the 4 Societies 3 speak in high terms about the clerk. Is this Society then to retain the clerk? Then there will be constant rub between the authorities and the clerk and they would non-co-operate with each other, there will be a lot of confusion in the management of the Society and there may even be a dead-lock.

What then, it may be asked, is the solution in the case of Societies that cannot afford to maintain one clerk each? Societies having large

amount of transactions can very well afford to have clerks. In the case of Societies whose transactions are few, the Secretary may be entrusted with the clerical work drawing the usual allowance from the Society's funds. Where transactions are few, routine work is not considerable. And if the writing up of Loan Ledger, D. C. B. Register and Property Statement Register etc., be considered too much of a strain by the Secretary, I would suggest that for one month at the end of the Co-operarive year, one man may be appointed on pay of Rs. 15 or 20 to assist the Secretary. This, I believe, will be a safe course and by far cheaper course to adopt.

S. K. NAIR,
Secretary, the Malabar District,
Co-operative Federation, Calicut.

IV

LETTER* FROM THE REGISTRAR OF C. S., MADRAS TO M. R. RY. A. VEDACHALA IYER AVL.

(L. Dis. No. F. 4881/29, dated 3rd October 1929)

SUB:—Arbitration proceedings—Immoveable properties—prior encumbrances

You suggest in your latter that rule XIV of the rules framed under the Co-operative Societies Act II of 1912 should be so modified as to empower the arbitrator to bring on record non-member alienees as persons having interest in the property mortgaged to the Society. I think there is no chance of doing this. Non-members will never agree to being made subject to the jurisdiction of the Registrar. The safest course to be adopted, when a property mortgaged to the society is alienated to a third property, is not to submit such cases to arbitration, but to file suits in the civil Courts.

(By Order)
(Sd) T. R. RANGANATHAN
Ag. Manager.

* This is reply to a communication of M.R.Ry Rao Bahadur A. Vedachala Iyer Avl. in which he cites a particular instance of a deliberate fraud committed by a member of a co-operative society in the matter of selling away to a third party some immoveable properties already mortgaged to the society for loans obtained by him without mentioning the previous encumbrances on them. With a view to put a stop to such malpractices Mr. Iyer suggests in his communication a modification the rule XIV of the rules framed under the Act and also the chalking out of a clear programme to be adopted in arbitration courts by societies in recovering loans lent on the security of immoveable property.

V

LETTER* FROM THE SECRETARY TO THE GOVERNMENT OF MADRAS DEVELOPMENT DEPARTMENT TO THE P. C. U.

(No. 1517—III/29-3, Dated the 9th January 1930)

SUB:—Cultivation of Tapioca

With reference to your letter dated 26th October 1929 regarding the cultivation of tapioca, I am directed to inform you that the Director of Industries who was consulted states that before any experiment is conducted in the matter of the manufacture of starch from tapioca, it would be necessary to find out whether there is a local demand for the tapioca starch and whether it would be suitable for use in the manufacture of biscuits in place of the imported material. He has promised to render the President of the Malabar District Federation further assistance in the matter and to discuss the matter with him, when he next visits Calicut.

(Sd) S. V. RAMAMURTHY.
Secretary to Govt.

VI

CO-OPERATIVE TRAINING INSTITUTES FOR EACH PROVINCE†

DEAR MR. RAMADAS PANTULU,

I have just got your letter asking me to preside at the Madras Provincial Conference in April next, and I should have been glad to do so, but for the fact that we leave for England about the middle of this month, and will not be in India in April.

I have been doing what I can, while here, to push on the Co-operative Movement, and I saw H. E. the Viceroy and Sir George Schuster in Delhi on the subject, and both were very friendly. Sir George Schuster asked me to send him a scheme embodying my ideas, and that I am doing. What I am suggesting is that large training institutions should be established in each province for the thorough training of co-operative workers, so that all India may be covered at an early date. Attached to the scheme, and with a view to wiping out unemployment among the classes, I am recommending also the training of doctors and primary school teachers. There is plenty of credit lying idle in the Reserves from which a scheme of this kind can be financed, and as both the

* This is a reply to the P. C. U. with reference to its communication forwarding a copy of the letter of the Malabar District Federation on the subject which is published on page 312 of the Madras Journal of Co-operation for the month of December 1929.

† A letter from Sir Daniel Hamilton to Mr. V. Ramadas Pantulu.

Viceroy and Sir George Schuster promised to do what they could to help on the movement, I am hopeful that something big will be done. If you, as representing Madras, will give it your blessing and all the help you can, it ought to go through.

With kindest regards, I am,
Yours sincerely,
SIR DANIEL HAMILTON.

Results of Sir D. Hamilton Essay Competition*

In October 1928 an announcement was made that four prizes will be awarded to the best Essays on the undermentioned subject :—

"How the Co-operative Movement, combined with the issue of a sound paper currency based not on gold and silver, but on organised reliable labour and the assets which that labour will create, will provide plenty and employment for all, and unify India."

The value of the prizes were to be as follows :—

1st Prize	...	...	...	Rs. 500
2nd Prize	...	...	...	,, 300
3rd and 4th Prizes	...	...	...	,, 100 each.

These prizes were due to the generosity of Sir D. M. Hamilton, whose interest in India, especially in the poor of India, has been so admirable through a long life of much useful service to our country.

The undersigned were appointed as the judges for the awards.

Altogether 35 competitors sent in their essays. The subject was abstruse and very uncommon. Not all have sustained Sir Daniel's thesis. Several have. But it has certainly been a challenge to original thinking. And it is our pleasure to record that a great deal of very commendable work was put in, generally speaking, by all the competitors. Since there was no instruction as to the size, some of the competitors wrote quite voluminously, a great deal of which is valuable material. While we regret that the prizes have to be limited to only four of them, we are satisfied to feel that this competition has stimulated considerable thinking and some original investigation which are bound to bear fruit in new directions.

The last day for the receipt of the Essays was the 1st of March 1929. We regret that it has taken all these 10 months to make the award. This was due in the main, because two of our number are frequently on tour and one of them has had to be away from India for seven months.

* This has been sent to us for publication by Mr. K. T. Paul of the Y. M. C. A.

Out of the 35 competitors we made a first selection and picked out 12 for detailed consideration. From among them we have selected four and have decided that the prizes should be awarded in the following order.

1st Prize Mr. K. Krishnamoorthy, B.A., Amalapuram, East Godavari District.

2nd Prize Mr. K. Srinivasan, B.A., Inspector of Co-operative Societies Namakkal, Salem District.

3rd Prize Mr. K. P. Narayanan, The Kolar Rice Mills, Mulagunnathukavu, Cochin State.

4th Prize M. K. Munuswamy Iyer, M.A., B.L., Poonamallee, Chengleput District.

T. K. DORAISWAMY IYER,
V. RAMADAS,
K. T. PAUL.

All-India Co-operative Institutes' Association

(Proceedings of the meeting of the Standing Committee.)

A meeting of the Standing Committee of the All-India Co-operative Institutes' Association was held at Nagpur at the office of the C. P. and Berar Provincial Co-operative Bank at 1 P. M on Sunday, the 15th December 1929. The following members were present:—

1. Rao Bahadur N. K. Kelkar, Vice-President (C. P. & Berar)
2. Rao Bahadur R. M. Khare. (Berar)
3. Rai Bahadur Mathura Prasad Mehrotra, (U. P.)
4. Rai Saheb Raj Prakash Narain (Behar & Orissa).
5. Mr. S. Nagaswamier (Madras).
6. Professor H. L. Kaji, Hon. Secretary, (Bombay).
7. Mr. S. K. Lahiri, Hon. Secretary, (Bengal).

The following gentlemen were also present at the meeting on invitation:—

1. Mr. R. N. Bannerjee, I. C. S., Registrar, Co-operative Societies C. P. & Berar.
2. Mr. K. P. Pande, Governor, C. P. & Berar Co-operative Federation.
3. Rao Bahadur M. G. Deshpande, President, C. P. & Berar Provincial Co-operative Bank.
4. Mr. S. K. Yegnanarayana Iyer of Madras.

In the absence of the President, Rao Bahadur N. K. Kelkar, the Vice-President of the Association was voted to the chair.

The minutes of the last meeting, held at Bombay on the 15th September 1929, printed copies of which were circulated previously and also at the meeting, were read and confirmed.

RESOLUTIONS.

I. All-India Co-operative Year Book.

A note by Professor S. K. Yegnanarayana Iyer of Madras on the proposed year Book was placed before the meeting for consideration. After detailed discussion, the scheme as modified and amended was accepted.

It was resolved that Professors H. L. Kaji and S. K. Yegnanarayana Iyear be appointed General Editors and that an Editorial Board be constituted as under:—

1. Professor H. L. Kaji, I. E. S., (Bombay) General Editor
2. Professor S. K. Yegnanarayana Iyer (Madras) do
3. Mr. V. L. Mehta (Bombay).
4. Professor B. B. Mukherji or Mr. V. M. Thakore, (Behar).
5. Rao Bahadur Bhrahma, C. I. E. (C. P. & Berar)

6. Rai Bahadur Mathura Prasad Mohrotra (U. P.).
7. Mr. C. Hayavadana Rao or some other representative from Mysore.

It was suggested that the Registrars, and the President and Vice-Presidents of the Association be requested to suggest names of likely contributors or informants for the Year-Book.

It was resolved further that the office-bearers be authorised to settle all matters relating to the cost of publication, and its preparation, and that arrangements for publication be made later on.

It was decided that the All-India Provincial Co-operative Banks' Association and the individual Provincial Co-operative Banks as also the Institutes, Federations and Unions be approached for contributions towards the cost of the Year-Book.

It was further decided that the Year-Book be published in April 1931 and that information for the last year of each province or State be incorporated in it.

II. Registration of the Association.

Prof. Kaji, the Secretary informed the Committee that the Government of India had already been addressed on the subject.

It was agreed that the decision of the Government of India on the matter be awaited.

III. Membership of the International Co-operative Alliance.

It was resolved that steps be taken to get the Association enlisted as a member of the International Association.

IV. Sale Depots and Marketing.

It was resolved that Prof. Mukerji's notes on the subject were not full enough and that Prof. Mukherji be required to submit a fuller note on the subject which might be circulated to the members.

V. All-India Co-operative Thrift Day.

It was resolved that Professor H. L. Kaji be asked to draw up a note on the subject which should be circulated for opinion and considered at the next meeting.

VI. Evidence before the Central Banking Enquiry Committee.

It was resolved that the President, Sir Lallubhai Samaldas and the Vice-President, Rao Bahadur N. K. Kelkar be requested to prepare a draft memorandum, which should be circulated and placed before the next committee for consideration.

VII. Co-operative Year.

It was decided that the Standing Committee should take step for the introduction of a uniform co-operative year all over India.*

*The Association has sent round a Circular to the various Institutes on this subject which is published at page 533 of this issue.

VIII. Representation on the Registrars' Conferences.

It was decided that the question of the representation of the Association on the conference of Registrars of Co-operative Societies be considered at the next meeting.

IX. Right of voting for elections to legislatures.

It was resolved to obtain information from Registrars and Institutes as to what office-bearers of co-operative societies in the different provinces were entitled to vote for elections to the provincial legislative councils, the Legislative Assembly, and the Council of State.

X. Local Taxation and Co-operative Societies.

It was also decided that detailed information should be obtained regarding the existing system of local taxation so far as co-operative societies were affected.

CIRCULARS ISSUED BY THE ASSOCIATION

I

The Co-operative Year (Circular Dated 1-2-'30).

Sir,

I have the honour to invite your attention to Resolution No. VII passed by the Standing Committee of the All-India Co-operative Association at its meeting at Nagpur on the 15th December 1929. The resolution runs thus :—

"It was decided that the Standing Committee should take steps for the introduction of a uniform co-operative year all over India".

I understand, the present position is that there are seven co-operative years in India as under :—

31st March :—Bombay, Assam, Baroda.
30th June :—Madras, Bengal, United Provinces, Burma, Central Provinces and Berar, Coorg, Ajmer-Merwara, Mysore, Gwalior, Indore, Bhopal.
31st July :—Punjab, Delhi, North-West Frontier provinces.
7th July :—Hyderabad (Deccan).
16th August :—Travancore, Cochin.
1st September :—Kashmir.
31st December :—Behar & Orissa.

The great desirability of a uniform co-operative year all over India is obvious. Of these seven years, the first has the merit of being the Financial Year of the Government of India, and the last has the merit of being the Calendar Year. The year ending 30th June has the merit of taking into account the sale of agricultural produce and the repayment of loans, thus avoiding an appearance of huge amount of overdue loans. I do not quite understand the point in closing the year on the 31st July, unless it be the desire to give the agriculturist more time to sell his produce. If this be so, it may be argued and that too with reason, that in view of the tendency now growing to wait for better prices, still more time should be given, and that the year should close on the 31st December. The other dates have been chosen purely for local reasons of convenience, probably.

I have the honour to request that you will kindly favour the Association with your views on the subject, as to the need for uniformity and the date that would suit co-operative conditions best all over the country.

H. L. KAJI,
Hon. Secretary.

II

International Co-operators' Day (Circular Dated 2-2-'30).

Sir,

For the last few years, we in India, at the instance of the International Co-operative Alliance, London, been observing the first Saturday in July as the Co-operators' Day. The desirability of observing a co-operators' day is indeed recognised by all workers in the Cause ; and the international aspect of the Movement with its high moral background, with its spirit of Distributive Justice and the Brotherhood of Man is well emphasised in its observance on a particular day of the year throughout the world. But, the first Saturday of July, while it has considerable significance in western Europe has but little significance in other parts of the world, where climatic and agricultural conditions naturally do differ considerably. In consequence, national organisations affiliated to the International Co-operative Alliance in several countries do observe different days better suited to their conditions as their Co-operators' Days.

In India, Saturday conveys no particular meaning, except as a week-end in urban areas and that too for the salariat. To the agriculturist, it means nothing indeed. Early July has however a profound significance, in as much as the S. W. Monsoon is usually established definitely throughout India by the end of June. Nothing therefore, could be more unsuitable than early July for the observance of the All-India Co-operators' Day.

The Standing Committee of the All-India Co-operative Institutes' Association is of opinion that a more suitable day should be selected for the purpose and the possible days that suggest themselves as likely to suit India generally are :—(i) the first of Kartika-the Hindu New Year-Vikrama Samvat. (ii) the first of Chaitra-the Hindu New Year Day-Shaliwahan era. (iii) the Dassera or the Buddha Jayanti.

Usually in recent years the observance of the Co-operators' Day has meant holding of meetings, and arranging of addreses and lectures. It is suggested that in our land, where Rural Credit Co-operation is the dominant form of co-operative effort, whatever else may be done on the

Day? The supreme need for agriculturists and no less for small salary and wage-earners in urban areas being Thrift, propaganda for inculcating habits of Thrift should be a prominent feature. One Rupee, Two rupees eight annas and Five Rupees Thrift Co-operative Certificates may be issued by the Provincial Co-operative Banks or Institutes at Rs. 0-12-0, Rs. 1-14-0, and Rs. 3-12-0 respectively, repayable at par after five years but discountable at any stage, like the Postal Cash Certificates, at the counter of the Rural Co-operative Society and the Central Financing Agency. Bands of volunteers may be organised to go round from house to house in as many villages and towns as possible and sell as many of these Thrift Certificates as possible. The amounts thus collected would be well invested within the Co-operative Movement in various profitable ways. The propaganda for Thrift would be propaganda for the Movement also and should stimulate public interest in the Movement among the intelligentsia in towns and among the village population. The Institutes would be well able to organise this work through their District Branches, the Supervising Unions and the Primary Societies. Besides, this, it is very desirable that the Day should not be devoted to mere platform addresses, lectures and talks. The Day is meant not so much for Stock-Taking as for giving an occasion to all votaries of the Faith to join together socially. Processions, athletic sports, matches, tournaments socials, concerts and variety entertainments for co-operators and their families—these are essential for the proper observance of the Co-operators' Day.

I have the honour therefore to request that you will kindly favour the Standing Committee with your views on the matter at an early date.

H. L. KAJI,
Honorary Secretary.

Special Types of Societies

I

THE VIZIANAGARAM CO-OPERATIVE KHADAR STORES

The accounts of the Vizianagaram Khaddar Spinning and Weaving Co-operative Society Ltd. No. M. 98, affiliated to the Union in the Vizianagaram taluk of Vizagapatam District for the year 1928-29 as audited by the Acting Senior Inspecter M.R.Ry. A. Kameswara Rao are passed. The statements of receipts and disbursements, assets and liabilities and profit and loss are appended.

2. The year of audit is the 2nd year of the society's working. There were 117 members on the rolls on the last day of the year.

3. The demand and overdue balances under several heads were as shown below :—

Due by the Society	Demand. Rs. A.	Due to the Society	Demand. Rs. A.	Overdue Rs. A.
For Central Bank Shares	10 0			
„ Borrowing : -				
(i) Principal ...	3,483 0	Members' Share		
(ii) Interest ...	1 8	Capital ...	482 8	7 15

4. The society earned for the year a net profit of Rs. 536-13-0. Under by-law No. 48 the profits should be distributed as follows :—

(i) One fourth (i.e.) Rs. 134-4-0 should be carried to Reserve Fund and the balance of Rs. 402-9-0 is available for distribution as contemplated by the By-laws.

5. The amount to be remitted to the Vizagapatam District Co-operative Banking Union on account of Reserve Fund amounts to Rs. 133-1.

(Sd.) M. MOHIUDDUN,
Deputy Registrar

Statement showing the progress of the Society since its starting

Date	Number of Total members	A Class Members: Number of members	A Class Members: Number of shares	A Class Members: Share capital	B Class members: Number of members	B Class members: Number of shares	B Class members: Share capital paid	Total share capital and total share: Number of total shares	Total share capital and total share: Total paid up Share capital
1	2	3	4	5	6	7	8	9	10
				Rs.			Rs. A.		Rs. A.
22—7—27	20	15	69	345	5	60	33 12	129	378 12
30—6—28	34	26	96	480	8	63	57 12	159	537 12
30—6—99	117	47	176	880	70	138	106 9	314	986 9

Description of various B. Class working members: Spinners	Weavers	Dobies	Printers	Dyers	Comber	Description of various B. Class working non-members: Spinners	Weavers	Dobies	Printers	Dyers	Comber	Total workmen
11	12	13	14	15	16	17	18	19	20	21	22	23
5	...	...	...	...	...	...	...	...	...	...	...	5
5	3	...	...	...	...	78	16	1	...	...	...	113
53	11	3	1	1	1	183	27	...	...	...	...	280

Statement showing the details of work (from purchase of Cotton to selling of finished Products) of the Society.

Date	Cotton purchased: Raw-Cotton	Cotton purchased: Jinned Cotton	Cotton utilised for spinning	Produced Yarn	Purchased Yarn	Yarn utilised for Weaving	Cloth Woven & sold in square yards: Woven	Cloth Woven & sold in square yards: Sold
	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Sq. Yards.	Sq. Yards.
1927—28	10,977	...	1,028	306	1,434	1,238	3,880	2,485
1928—29	19,966	1,808	23,633	7,905	55	7,041	21,518	19,529

Statement showing the Disbursements in the years 1927-28 and 1928-29 as shown below

S. No.	DESCRIPTION	1927—1928 Rs. A. P.	1928—1929 Rs. A. P.
1.	Purchase of cotton ...	1,417 7 0	3,398 3 0
2.	Purchase of yarn ...	1,173 8 0	55 0 0
3.	Spinning charges ...	115 0 0	2,790 11 0
4.	Weaving charges ...	362 6 9	1,983 13 5
5.	Bleaching charges ...	10 11 9	205 9 4
6.	Printing and Dying charges	30 5 0	159 2 8

S. No.	Description		1927—1928 Rs. A. P.	1928--1929 Rs. A. P.
7.	Cost of colours	...	...	131 5 6
8.	Hawking commission	...	11 5 6	68 1 8
9.	Impliments	...	59 4 0	69 1 9
10.	Loans taken	...	1,800 0 0	3,318 0 0
11.	Loans liquidated	...	112 6 0	1,643 0 0
12.	Establishment charges	...	50 0 0	240 0 0
13.	House rents	...	...	134 1 0
14.	Contingent charges	...	...	144 2 0
15.	Net Profit	...	153 11 0	536 13 0
16.	Reserve Fund	...	44 12 0	134 4 0
17.	Dividend	...	37 15 0	...
18.	Bonus (to B class members).		21 0 0	...

II

THE GUDLAVALLURU LAND MORTGAGE BANK, LTD. No. H. 700.

Extracts from the Audit Certificate on its accounts for the year 1928-29.

The authorised share capital of the bank is Rs. 40,000 divided into 4000 shares of Rs. 10 each payable in full on allotment. The amount of share capital on the last day of the year amounted to Rs. 31,700 involving 3,170 shares as against Rs. 23,050 involving 2,305 shares in the previous year. The number of members rose from 212 at the beginning of the year to 275 at its end.

The bank raised debenture money during the year to the extent of Rs. 49,500 out of which debentures have been actually issued by the bank for Rs. 25,000. The total borrowings at the end of the year were Rs. 2,47,500 as against Rs. 1,98,000 at the begining of the year. Out of these borrowings the bank issued 50 debentures to the value of Rs. 50,000 taken up by Government and 173 debentures to the value of Rs. 1,73,000 taken up by the public. The bank has yet to issue debentures for the balance of Rs. 24,500.

73 loans amounting to Rs. 89,413 were disbursed to members during the year. The repayments of the members during the year amounted to Rs. 35,230. 17 loans were fully repaid during the year. The outstandings against members on 30-6-29 amounted to Rs. 2,71,979 involving 254 loans as against 198 loans involving Rs. 2,17,796 at the end of the previous year. There were no overdues from members at the end of the year though there were belated payments of instalments in a few cases.

The bank worked at a net profit of Rs. 4,490-12-0 during the year. As per by-law 64 (1) of the bank one-fourth of this *i.e.* Rs. 1,122-11-0 shall be carried to the reserve fund and the balance of Rs. 3,368-1-0 may be distributed among members as dividend at a rate not exceeding 8 per cent per annum on their paid up share capital and according to the other provisions of the same by-law as may be decided by the general body. The bank is requested to remit Rs. 1,063-6-0 to the Krishna Co-operative Bank Ltd. towards reserve fund after adjusting a sum of Rs. 59-5-0 being the interest earned by it for the year 1928-29 on the reserve fund already invested therein. The bank will also remit another sum of Rs. 0-13-0 being the indivisible profits of previous years to the reserve fund. Including this year's contribution, the reserve fund of the bank will amount to Rs. 2,569-14-0. All undisbursable and indivisible profits should be carried to reserve fund.

(Sd.) N. Ranganathachariar,
Deputy Registrar.

Joint Memorandum of Answers to the Questionnaire*

OF THE

PROVINCIAL BANKING ENQUIRY COMMITTEE

BY THE

MADRAS CENTRAL URBAN BANK, LTD., AND THE MADRAS PROVINCIAL CO-OPERATIVE UNION

I Agricultural Finance

Q. 1. There is nothing that can be called a system of agricultural finance in the province. The money lender is the chief source of finance and the cultivator makes no distinction between expenses of cultivation, permanent capital and emergency needs. The chief defect of agricultural finance is that there is no economic background for the loans and in no case, is the source from which the repayment should come, demarcated either by the borrower or the lender.

The rate of interest is usually between 9 to 24 per cent, but there are violent variations from district to district and even in the same district. As a rule, in the deltaic tracts it is less than in the dry tracts; but nine and three-eighths per cent at which the co-operative societies lend, is not available to any appreciable section of the agriculturists outside the Co-operative Movement.

Regarding the period and the security, the loans most commonly begin as loans on personal security on account, or on pro-notes. They develop into mortgages as interest accumulates, and the loan swells. In the case of the short term loans repayable after harvest, the loans sometimes carry heavy interest in the shape of grain and when coupled with forward contracts, the produce is sold to the money lender at rates very much below the market rate.

The Government's part in agricultural finance is played under the provisions of the Agriculturists' Loans Act and the Land Improvement Loans Act; but it is sad to note that the amount advanced to the ryots under these Acts in the Province is absolutely negligible. The difficulties connected with the obtaining of these loans such as the leakage in the process, the delay and the inquisitorial scrutiny which precede the loans, make the loans unpopular.

Recently since 1925, the Government have lent about 4 lakhs by the purchase of debentures in the Land Mortgage Banks and they have now come forward to guarantee interest for 25 years on the debentures floated

* See page 103 of the Journal for August 1929 for the Questionnaire.

by the Central Land Mortgage Bank within the first five years of its life, to the aggregate value of fifty lakhs.

The Imperial Bank of India does not directly finance Agriculture but advances largely on produce. Some money lenders are known to borrow from the Imperial Bank; it may be on approved trade bills, to lend out the money to agriculturists at rates varying between 12 and 24 per cent. Hitherto, the Imperial Bank of India has been accommodating Co-operative Central Banks on the security of co-operative paper, the extent of such accommodation being about 50 to 60 lakhs. It is a matter for regret that recently, the Imperial Bank of India has notified its intention to withdraw this accommodation completely within five years, reducing it by 20 per cent each year. The Townsend Committee recommended that this accommodation should not only be enhanced, but also fixed on a statutory or contractual basis.

The Joint Stock Banks finance loans on produce chiefly to merchants who are middlemen. Co-operative Banks are the only class of Banks which finance agriculture. The amount advanced to the members of the Agricultural Credit Societies is between six and seven crores in this province.

The bulk of agricultural finance undoubtedly comes from professional money lenders or sowcars in the villages and in the neighbouring towns. Indigenous Banks and Bankers, as distinguished from money lenders or sowcars directly finance Agriculture only to a small extent.

There are certain localities where these indigenous Bankers do finance the ryots of neighbouring villages, but mostly they collect capital and send it to places outside the province like Burma and Straits Settlements. They also finance internal movement of crops.

The merchants and dealers who finance agriculture are mostly foreign export houses. There is practically a ring formed and except through this agency, it is not found possible either to market the crops profitably or even to ship them to foreign countries. The growers of some commercial crops have now been reduced to the position of indentured labourers on their own fields.

One example may be given with regard to the growing of tobacco. The Imperial Tobacco Company has planted its offices and its factories in various parts of the Guntur district in order to stock and export the tobacco grown round about the area. They have tempted the ryots with fabulously high prices in the earlier years in order to induce them to grow tobacco to the exclusion of other crops, especially food crops, such as maize, chillies, jawar etc., and having once brought them under, they begin to dictate their own prices to the cultivators. What happens is this. All the carts bringing the crop are impounded in a compound and kept there by some mysterious process. The European merchant presiding over the office, selects half a dozen of them and gives them his high water mark price and compels every other person to go down to

the lowest price, on pain of his goods not selling at all elsewhere, if the producers do not part with them at the dictated price. Having waited the whole day and all day long, they have no alternative but to give. Thus, the whole trade has reduced itself to a lottery in which a few get prizes and all the rest blanks.

The estimate of total capital required for cultivation expenses and emergency needs mentioned in Parts (a) and (b) of Question I, cannot be calculated with accuracy. At present, out of the six crores lent out to rural credit societies, more than three crores are locked up in discharge of prior debts and the like. Assuming that the other three crores are circulating to finance agricultural industry, the needs of the villagers not served by Co-operative Societies and of all the inhabitants of a village who are not members of co-operative societies, even where they exist, may be easily put at ten times that amount of three crores. This figure, when tested with reference to the estimates of cultivation expenses on dry and wet lands by the Settlement Officers will be found to be an under-estimate. According to any calculation, the capital required for agricultural seasonal expenses cannot be less than 30 crores for those cultivators who are outside the co-operative movement or roughly forty crores for the entire ryot population of the province. It is probably much more.

The permanent capital required for improvements, in purchase of lands and the like, is not capable of determination, because there are no data or statistics in the Agricultural Department; such statistical information as is maintained in some countries is totally absent in India.

The main defect of the present system is that there is no organised agency to advance capital and credit to the agriculturist. The whole aim of each of the money lending agencies, except Co-operative Societies, is to make larger profits; there are no effective checks on the rates of interest charged on loans to cultivators or on oppressive bargains, except the general machinery of the law courts to relieve against penalties and unconscionable contracts and the relief that is given by this machinery is absolutely negligible and does not avail those who do not resort to Courts. Litigation even when it ends successfully is more ruinous than the fulfilment of an usurious contract.

An organised system of rural credit now obtains in most self-governing countries, especially in the Dominions like South Africa, Australia and New Zealand, whose main function is to find money for agriculture and discount agricultural paper. The Federal Banks in U. S. A. and the Agricultural Credits Act of 1928 in England provide rural credit. In India, the whole banking system is confined to commercial banking, very often to the detriment of agriculturists. So, the defect of the system can be summed up in one word—the absence of a rural credit agency in the banking system of the country.

There is no co-ordination among the various credit agencies including the Government. There should be co-ordination between the State Bank and the Co-operative Societies. Without a Central Reserve Bank for India, it is not possible to co-ordinate the existing banking agencies and correlate circulation of capital to promote agricultural industries.

Q. 2. Marketing. The small producer sells his produce at deflated prices, parting with some portion of it to the local money lender and the rest to the middlemen in the nearest marketing centre. In the case of commercial crops, in many instances, they are sold through forward contracts to foreign houses who advance capital, even before the crop is up. In a small number of cases, the produce is stored in godowns locally and advances are taken from the Banks and held up for a favourable market. There is no organised system of marketing anywhere in this province. Co-operative marketing is not tried anywhere to any extent worth mentioning. There is great scope for co-operative effort generally in marketing produce, specially of the commercial crops. There are no pools and the possibilities of forming pools are very great. The grading of crops and their preparation for the market develop with the forming of pools and the system of auction which is tried in some places has been found beneficial to the producer in the way of fetching better prices. For instance in the cardamom societies in Madura, auctioning is tried with advantage. The formation of pools for the marketing of commercial crops on a co-operative basis is very desirable and should be encouraged.

Credit facilities for marketing. This question must be answered from the stand-point of weather the trade is export trade or internal trade. Most of the export trade is chiefly financed by the Exchange Banks and commercial houses. These houses have their own finances or depend on Exchange Banks and to a certain extent on the Imperial Banks of India, in an indirect way. Really, what suffers is the internal trade and the export trade of the Indian producers and the Indian merchants who are not linked to export houses.

The Exchange Banks mostly finance European mercantile export houses. The Imperial Bank practically possesses a monopoly having branches all over India, and therefore facilities for mobilising money from district to district through the various branches in the country. The joint stock banks that exist are detached bodies linked in no way to each other and therefore cannot mobilise money except through the Imperial Bank. If all these Banks are orginised in such a way as to work together, they could facilitate the remittance of money from one end of the country to another. There are fortunately Central Co-operative Banks almost in every district in India now and all these could be linked together through their provincial organisations to mobilise their resources through the aid of the State Bank. If they are permitted to discount bills and advance monies on documentary bills, then the facilities for marketing would undoubtedly be improved and made cheaper.

The facilities existing in the case of foreign trade are those created by the Exchange Banks discounting bills drawn against goods that are shipped to foreign countries. The facilities for internal trade are very few. For example: If "A" dealing in piece goods sends goods from Madras to a village in the interior or vice versa and draws upon the ocal merchant, those bills are not discounted by Exchange Banks, because there are no banking facilities. On the other hand if the same 'A" ships goods to a foreign country and draws upon the foreign merchant, he readily gets them discounted.

Existing facilities for internal remittances are: Post Office, Demand drafts, Cheques, Hundies, R. T. Rs., Supply bills, Telegraphic transfers and Cash remittances. The Co-operative Banks have not developed facilities for effecting internal remittances. Such facilities should be given to Co-operative Banks for cashing their cheques at the Government Treasuries at a reasonable charge, if sufficient securities are lodged with them. It will go a long way if at least the provincial co-operative banks are allowed to do this, for the Central Banks can operate through the provincial banks. It will expedite loans to agriculturists and make rural societies more serviceable.

The Hundi is the most important inland bill of exchange for internal remittances. The Co-operative Banks should be allowed to do Hundi business for remittances. The claim of the Co-operative Urban Banks is even stronger, as they function mainly as the small traders' banks.

Negotiable instruments: The Hundi, the chief inland Bill of Exchange, as is well-known, is either to bearer or to the order of the drawee; and either of them may be demand or usance bills. The Co-operative Banks not having been encouraged to deal in these bills, this Bank is not at present in a position to give any further information; but the necessity for the Co-operative Banks developing such business is strongly urged.

With regard to the encouragement of the use of these bills, the suggestions which we have to make are: *firstly* that the stamp duty upon the usance bills should be reduced, the scheduled rates in article 13 of the 1st Schedule to the Indian Stamp Act being in our opinion high and *secondly* negotiation of bills drawn in the vernacular languages of the province must be made far more easy and banks should employ competent officers knowing the vernaculars. The insistence on a vernacular signature being attested before a magistrate and other restrictions discourages in practice bills drawn in the vernacular. To popularise bills of exchange and extend their use, the insistence upon their being in the English language should be relaxed, as the percentage of English-knowing population is infinitesimal and encouragement of banking habit among the people cannot be achieved through English.

The legal position of the Bills of Exchange in the vernacular languages in use and the well-recognised incidence attached to them by local custom and usage which are invariably acted upon, are clearly explained in their treatise on the Negotiable Instruments Act by Messrs. Bhashyam and Adiga, pages 19 to 24 (Fourth edition).

Q. 3. Value of land: The Bank has no information on the subject and moreover, the values vary from district to district and even a single district from locality to locality. It is a matter of common knowledge, however, that land fetches much better price when sold by private negotiation than when sold by government and the courts, for non-payment of revenue and in execution of decrees respectively.

Q. 4. Land Mortgages: There are no legal impediments to mortgage of land or agricultural holdings in this province, except those created by tenures in Malabar and South Kanara. There are 21 primary land mortgage banks registered in this province under the Co-operative Societies' Act. But only six of them are working. The Banks raise capital by share money, which is fixed at one-tenth of the borrowing power and by debentures floated on the security of mortgages obtained by them.

In the initial stages, the Government agreed to buy debentures at $6\frac{1}{2}$ per cent up to a maximum of Rs. 50,000/- in the case of each Bank, provided the Bank is able to raise locally debentures to the same value. The amount of money so lent by Government is about Rs. 4 lakhs. The Banks have raised the rest of their capital. Recently, a Central Land Mortgage Bank has been registered with a view to centralise the debenture issue and to provide ample funds for the primary banks.

The Co-operative Land Mortgage Banks are supplied by the Registration Department encumbrance certificates free of cost for 24 years. The record of rights in this province is fairly satisfactory, because the Land Records Department and the Registration Department help the mutation of names in the records as ownership changes. Under the laws of inheritance among the Hindus and Moslems in this province, the parcelment of land by partitions and alienations and sales through courts and public auction, proceed so rapidly that it is impossible for any system of land records to keep pace with it and it is not possible to secure absolute immunity from possibilities of disputes and claims by parties other than those who are the clients of the Bank. This no doubt acts as impediment to extensive banking credit.

The remedy merely lies in the careful investigation of title in each case by a qualified staff assisted by legal advice. The purpose of loaning should be chiefly confined to liquidation of prior debts. In due course, improvement of land and methods of cultivation may also be tackled.

The funds of the Land Mortgage Banks should be derived chiefly from debenture bonds. Deposits do not, and ought not to, ordinarily play an important part in land mortgage banks. They are intended to

tide over temporary needs for short periods. Advance payments by prospective debenture holders are treated as deposits by the primary land mortgage banks till debentures are actually issued. It is a question whether this is regular. Any extensive resort to this doubtful method by the Central Bank will involve the Bank and the Government in loss and will lend itself to abuses.

The guarantee of interest by the Government on the debenture bonds will suffice. Guarantee of principal is not necessary. The debenture bonds will possess a high degree of safety and liquidity if they are also made Trustee Securities.

If the land mortgage banks are worked efficiently, and the mistake of mixing up their business with deposit banking is avoided, the Government are not likely to lose on their guarantee. The sound management of the Bank can be secured more by reliance on a good directorate with local knowledge and efficient staff than upon departmental control and interference at every stage. In this connection, we beg to draw the attention of the Committee to the observations of the Burma Government on the inadvisability of departmental interference in the financial management of co-operative banks—(vide page 6 of the Report of the Committee on Co-operation in Burma).

Debentures with Government guarantee can, in due course of time, be successfully floated at 5 to $5\frac{1}{2}$ per cent, but in no case should land mortgage banks offer more than six per cent. at present. The debenture holders, except co-operatives societies, who buy debentures are investors of surplus wealth and are in no better position than depositors in co-operative central banks. We, therefore, do not find any reason for debentures of the Central Land Mortgage Bank being made income-tax free to the prejudice of the general tax-payer. The lowest rate at which it may be lent out to the ryots is $7\frac{1}{2}$ per cent or 8 per cent, in order to leave adequate margins for the working expenses of central and primary banks. Each district should have two or three to begin with and a bank for a whole taluk must be the goal. When the central bank works properly, it will conduce to economy and efficiency to have larger primary banks with adequate indoor and outdoor staff for promoting loans and effecting recoveries.

Facilities for foreclosure and sale under adequate safeguards should be given to the land mortgage banks to make recoveries easy and the debentures popular; but there must be specific provisions for the banks compulsorily re-selling the properties purchased or foreclosed by them and they should not own them beyond a certain period except under specific safeguards in exceptional circumstances.

Q. 5. The indebtedness of the agriculturists: This can be ascertained by collecting data in typical areas and collating the results to arrive at the total indebtedness. The results so arrived at may be tested with reference to the inferences to be drawn from the statistics of income-tax returns, registration returns, property statements of Co-operative Societies, settlement officers' reports and the like. The Provincial Banking Enquiry Committee's special staff of investigators will have collected information regarding the indebtedness in select areas and if the areas chosen are typical, a generalisation from the data collected will, we believe, yield a roughly correct estimate. If a good attempt has not been made in this direction already, we have no doubt it will be made through a sub-committee of the Committee. The estimate of the indebtedness of this province at a 100 crores is very near the true figure. The general belief that indebtednesss is 20 times the land revenue corroborates this estimate. Mortgage debt is roughly 50 per cent. of the total. So far as the co-operative societies are concerned, the classifications required in clauses (a) to (i) in question 5 are found in the administration reports of the Registrar, and no further information is available in the provincial bank. This classification may be taken to be fairly typical of the family budgets of the lower middle classes.

The money is mostly due to professional money lenders. The money due to the Co-operative Societies in this province is about 6 crores. There are no figures to show the amount of the indebtedness of agriculturists to the indigenous banks and joint stock banks. The indibtedness due to the Government is a figure which can be correctly ascertained from the Government records. Expropriation is going on, though not to an alarming extent. The process of transfer of land from the farmer to the professional money lending classes and lawyers, teachers, medical men and others who invest their savings in land is on the increase, and the farmers are being turned out of the land in many cases. They are not admitted even as tenants into the land from which they are expropriated. If a rich ryot purchases the indebted ryot's land, the farmer himself cultivates the land; other investing classes lease them at competitive rents. This process undoubtedly takes away the incentive of the cultivator to invest money on improvement of land and methods of cultivation and to produce more.

Q. 6. *Subsidiary industries.* The report of the Special Officer for survey of cottage industries, Mr. Narayana Rao, who made a survey of such industries, contains the latest available information and the bank has no further information. With regard to the financing of these industries, special Co-operative Societies must be started and not be left in the hands of the ordinary officers in the department, but committed to the care of officers possessing special technical knowledge and sympathy. The State Aid to Industries Act shoud be suitably amended to promote cottage industries on co-operative basis. We will also suggest that the primary societies in the various villages should be encouraged to stock these products to the extent to which they may find them necessary for the daily needs, finding the money from their own general funds and thus creating marketing facilities.

(*a*) To the industries mentioned in this question, may be added Aluminium Sheet Metal Workers' Industry which is being carried on in some centres. It is found in the East Godavari District among others.

Q. 7. The relations between the Co-operative Bank and the Imperial Bank of India merely consist in the latter giving accommodation to the former on co-operative paper and on Government Securities. The limit of credit of co-operative bodies against Government and other authorised securities and against the borrowers' demand promissory notes and promissory notes of local credit societies is set forth on page 89 of the Townsend Committee's report. Co-operative Banks have at present practically no relations with Joint Stock Banks and indigenous banks. The money available in the Provincial and the Central Co-operative Banks for short term capital is ample for the present needs and as a matter of fact an appreciable portion of it is not absorbed by the Societies with tha result the both the Central and the Provincial Banks are surplussing.

There is really no long term capital in the co-operative banks; but without endangering the safety of these Banks, it has been found possible to lend the money raised by deposits for periods extending to ten years to rural credit societies. The latter, in their turn, lend them to their members for similarly long periods, but in all cases, the long term loans are secured by mortgages.

The purposes for which these long term loans are lent to rural credit societies are such that, in many cases, a repayment within ten years has not been found practicable. The result has been larger over-dues in the case of long term loans. The Co-operative Land Mortgage Banks ought to tackle the liquidation of prior debts. The chief difficulty which Co-operative Banks at present experience is the absence of facilities to raise money on the borrowers' demand promissory notes or on the societies' promissory notes when there is heavy pressure for money, because this paper is not freely discounted by the Imperial Bank and Joint Stock Banks. So, the chief obstacle for raising the necessary co-operative capital is the absence of discounting facility for co-operative paper.

There is competition, but the competition does not come from co-operative banks offering higher rates of interest. The highest rate offered by the provincial bank is $4\frac{1}{2}$ per cent for deposits of two years and over and 4 per cent for deposits of one year's duration. The Central Co-operative Banks in the districts are not permitted to borrow at more than $5\frac{1}{2}$ per cent. The rural credit societies themselves are not permitted to borrow local capital at more than 7 p. c. The complaint sometimes heard from Joint Stock Banks about Co-operative Banks competing with them is absolutely unfounded. The comparatively low rates offered by the Co-opertative Banks are also not due to State concessions to these Banks as is sometimes asserted. The nature of the co-operative security and the confidence which these Banks have gained in the money market are responsible.

The advent of Co-operative Banks has brought down the level of interest and encouraged the depositing habit. The figures given above clearly indicate that Co-operative Banks are not competing with the Joint Stock Banks by putting up their rates of interest to draw away any capital from the Joint Stock Banks.

Concessions which Co-operative Banks require to place agricultural finance on a sound and sure basis, and to realise the aims mentioned by the Government in setting on foot the Banking Enquiry, may be thus summarised.

(i) Place on a footing of statutory or contractual guarantee the financial facilities at present enjoyed by the co-operative banks at the hands of the Imperial Bank, and the enlargement of the scope of those facilities by the provision of finance on favourable terms on a longer term basis and at reduced rates of interest for periods of twelve months and under. Loans for periods of over twelve months, but not exceeding twenty-four months, should be granted at bank rate on pro-notes or on bonds of provincial banks with fixed instalments, and short term loans for periods of 12 months and under, on pro-notes at 1 per cent below the bank rate.

(ii) The grant for co-operative banks of cash credit for agricultural operation and the discounting of their bills of exchange.

(iii) The recognition of approved co-operative central banks in areas where the Imperial Bank has no branches, as agencies for the management of Government sub-treasuries.

(iv) The recognition of inland exchange business as a legitimate part of the operations of the co-operative banks and the grant of further facilities for transmission of funds through the treasuries, particularly in taluka towns, with a view to encourage the opening of urban banks and branches of Provincial or Central Banks at those centres.

(v) Provision for cheap capital for the acquisition or construction of godowns in rural areas in order to encourage the marketing of agricultural crops financed on co-operative basis.

(vi) Exemption to co-operative societies from payment of income-tax on earnings from investments in public securities or land mortgage debentures.

II. INDIGENOUS BANKING.

Q. 1 & 2. The Indigenous Bankers in this province are to be found among the Nattukottai Chetties, the Multanese, Marwadis and Gujarathis. The Nattukottai Chetties, as already stated, send most of their funds outside the province. The amount advanced by them to finance

local industries is very small. The hundies discounted by them are generally limited to their own community firms. The amount of financial help advanced to agriculturists is fairly large, but this amount cannot be ascertained with any accuracy.

The Multanese are really the class of indigenous Bankers who finance trade, movement of crops, help the movement of funds and exchanges. Their operations cover several crores of Rupees. The Imperial Bank has apparently greater confidence in the Multanese, because we understand that the rate of dicount to them is less than that charged to Nattukottai Chetties.

The Marwaris are all over the province. Just as the Nattukottai Chetties send money outside the province, the Marwaris bring it into the province from outside—from Marwar. The deposits they receive from the public in the province constitute a very small portion of their funds. They lend money on a large scale. Certain local trades are financed by them almost exclusively e.g., the Japanese Camphor Trade, Glass Bangle Trade, the Drug Trade, the ghee trade and the like. Piece goods trade is financed by them but not to the same extent as in other provinces.

In the Telugu districts they finance agriculturists largely, accepting gold, silver and jewellery as security. The usance of their hundies rarely exceeds three months.

The Gujarathis are centered in the cities and do not finance Agriculture. They are traders generally and do Banking incidentally to their business.

There is a class called the Hundi merchants in the Tinnevelly district, their headquarters being Kalladaikurichi. They specialise in hundi business. They have spread out to Travancore and Cochin States. There have not been, we are told, cases of business failure reported among this class of merchants.

Q. 3. The information asked for in question 3 is not available to the public, because indigenous Bankers and the indigenous Banks do not publish their balance sheets, nor any periodical statements of accounts.

Indigenous Bankers have no relations with the Co-operative Banks. They have got relations with the Imperial Bank and the Joint Stock Banks. In Madras, the Imperial Bank and the Indian Bank seem to be actually competing for the business of the Multanese.

Q. 4. Reference may be made to Bhashyam and Adiga's Negotiable Instruments Act, pages 19 to 24, for an enumeration of the Inland Bills of Exchange and their legal and customary incidents.

Q. 5. The Chetties are known to allow a higher rate of interest on deposits to members of their own community (Nadapu Vaddi) and to specially-favoured customers. The general rate to others is stated to be between $7\frac{1}{2}$ to 9 per cent. It is not usual with them to take long term deposits.

Q. 6. The agriculturists do not generally get accommodation from the indigenous bankers at less than 12 to 15 per cent. If the amount borrowed is large, there may be some reduction in the rate. In order to ensure a reduction in the rate of interest and just terms to the borrower, due publicity of the operations will go a long way. Further, if the State Bank and other Joint Stock Banks finance the indigenous Bankers for the purpose of money being transmitted to the agriculturist, a restraint may have to be placed upon the liberty of the indigenous Banker to charge excessive rates of interest.

In co-operative finance, the provincial banks, the central banks and the primary societies are all subject to such limitations in the interests of the agriculturists.

The reduction in the rate of interest to the agricultural community will undoubtedly result in the improvement of their standard of living and in the methods of cultivation.

Q. 7-8. There is a good deal of prejudice, but most of it is unjustifiable. They do not, however, require any special protection apart from what other bankers enjoy. The majority of the indigenous bankers deal on sound lines with their clientele.

The question of affording special financial facilities to make them more serviceable to the community is worth considering. But, in order to justify such facilities, indigenous Bankers should agree to bring themselves under regulations similar to those imposed upon joint stock banks in the matter of publishing their balance sheets, methods of keeping their accounts and so forth.

The better class of indigenous Bankers will surely welcome measures for the better regulation of their own operations and for giving publicity to the same. The Usurious Loans Act has not yielded beneficial results. While it is possible by legislation to declare that certain rates of interest and terms of contract are invalid, it is not possible to prevent people from paying and receiving those rates or from entering into such contracts. We are not in favour of any drastic legislation like Money Lenders' Act and the Regulation of Accounts Act attempted in the Punjab. Approaching the question from the point of view of the borrowers, we are equally opposed to legislative measures like the Deccan Agricultural Reliefs Act or the Land Alienation Acts in the Punjab, Bombay and Bundlekhand and Burma. Mr. Darling's account of the working of the Punjab Act shows that the non-agricultural money lender is replaced by the agricultural money lender who seems to be if at all less relenting and more harmful than the non-agricultural money lender. It is no more possible to legislate peasants to thrift than to legislate bankers into morality. We are in agreement with the following observations of a recent writer on Indian Indigenous Banking: "If the cultivator

or agriculturist has still to contract loans, if he must still sell his plot of land to get or redeem the loans, and there is nothing in the Acts to alter these conditions in favour of the cultivator, and, on the other hand, if by the Acts, the freedom of the sale of the land is restricted to certain classes which are declared agricultural, the question admits of only one answer. The causes for securing loans being still in operation, the necessity of selling land being still there, and the number of likely purchasers being reduced, the cultivator gets for his land a lower price than he would otherwise have done, and the burden of debt, so far from being reduced, is thereby increased." The remedy, in our opinion, therefore, lies in improving and organising the banking system, in the rapid development of the co-operative credit movement, and in linking up rural credit with the banking system of the country.

Q. 10. We are not aware of any impression that the indigenous Bankers are unable to meet demands for accommodation owing to insufficiency of their working capital. But, of late, there has been a reluctance on their part to resort freely for deposits from the public and sometimes even to borrow from the Imperial Bank to increase their working capital and to rely more on their own resources. This tendency will lead to two undesirable results. The indigenous Banker who has been an agency for encouraging banking habit and thrift among the population, in his neighbourhood, will cease to discharge a very useful function in a country where banking facilities are very few, and the incentive to save and to make the national savings available for the developments of the country needs to be fostered. Secondly, when once the indigenous Banker degenerates into an ordinary money lender, who lends out his own money, he attracts to himself all the evils associated with money lending, leading to "misery and helplessness of his debtors and abuse and calumny of creditors." So, the tendency should be checked by encouraging the indigenous banker to do real banking and taking steps to connect him with the general organisation of the money market.

Q. 11. It is possible and highly desirable to link indigenous banks and bankers with the central money market and provincial capitals. The existing branches of joint stock institutions and co-operative central banks can be utilised to facilitate the business of indigenous bankers. These institutions can be made use of for collection of the Hundies that an indigenous Banker might have discounted or by special arrangements to get his bills discounted by them on business terms. In this way, it is possible to open up areas which are now suffering from want of banking facilities. At every District Headquarters, there is a central co-operative bank whose services also may be utilised for this purpose with advantage. Such local joint stock and co-operative banks will inspire great confidence among the indigenous bankers, if the services of the latter are utilised for the purpose of opening and giving credits to members of the public that may deal with the banks through them. Such an arrangement would, to an extent, benefit the indigenous banker and he will feel attached to a joint stock bank for pushing business through him. Further, the local knowledge of the indigenous bankers will be of great help to the banking institutions to fix the credit-worthiness of various parties.

The indigenous banker usually does not deposit his surpluses in slack season in the joint stock banks, but retains in his chest portions of them after reducing part of his liabilities; but, when there is stress for money, he resorts to joint stock banks for borrowing. So, these bankers have idle resources at certain seasons, while they are maintaining practically no resources at other times. The joint stock banks, on their part, are compelled to continuously maintain large resources owing to the absence of a Central Reserve Bank. The result is that such needless and idle portion of the reserves scattered among the numerous indigenous and joint stock bankers do not play their part in developing the resources of the country, by being profitably empoyed. If there are proper arrangements to enable both indigenous bankers and joint stock bankers to rely upon each other and upon a central reserve institution in times of need, the resources that are idle at present can be more profitably employed.

Undue emphasis is laid upon the risks involved in connecting co-operative banks with this kind of business. There is no ground for such fear, as many of these co-operative institutions have run a life of 20 to 25 years and are found capable of handling business with due care and caution. They are also getting to be manned by well-paid, qualified and trained staff, and in the interests of improving the banking facilities, these institutions must take up courage in their hands and connect themselves with the business world.

12. The general impression is that there is not any large amount of capital with the indigenous bankers which, owing to want of investment locally, is flowing to the provincial capitals, either for long or for short periods.

III. INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

The existing resources of banking have not been fully developed. At the same time, we feel that the extent of the rural capital which can be developed is a little exaggerated. We readily admit that the small savings of certain classes can be mobilised and brought into the realm of banking with greater banking facilities and profitable modes of investment. But, multiplication of banking agencies will not, by itself, create wealth which is not already there, even in potential forms. Most people live from hand to mouth and many more barely have a single full meal a day. There is a certain amount of shy capital and hoarded wealth, but the idea that there is a huge quantity of it is not substantiated, to say the least. Even if the poor people who form the vast bulk of the population, can be made to earn and save a little more, there is a great need to improve their present miserable standards of living and the increase in

their earnings and savings ought to be legitimately absorbed in the interests of national good in improved standard of living, and much will not be left to be banked.

The joint stock banks, the co-operative banks and the indigenous bankers, apart from the Government, are the main institutions which provide facilities for investment. Nidhis and Chit Funds are also useful for small investors. Their working should be carefully examined to remove existing defects and abuses. But, of late, there has been an alarming increase in loan companies, whose prospectuses do not bear scrutiny for a minute. They offer attractive rates to depositors and promise free loans to borrowers. The ideas of rural reconstruction and economic organisation of the ryots are exploited by these companies. They are sure to adversely affect genuine co-operative and agricultural financial agencies. A thorough enquiry into them is urgently called for in public interests. But facilities for collecting the savings of the small man in the interior are badly lacking. Propaganda and methods of small collections resorted to in Germany and other countries will help to collect the small savings. With regard to the large investments in the cities, we are not prepared to say that the public are provided with full facilities of investment. There are no expert agencies such as Investment Trusts to advise them as to the most profitable means of investments. The Banks and the brokers must help the investing public in a more systematic manner.

People in India do invest a portion of their earnings in silver and gold. It is sometimes due to the desire for personal adornment and sometimes such investment is looked upon, even at the inception, as a mode of creating reserves for future needs; but there is not much hoarded wealth which can be extricated from this form of investment to be diverted unto Banks.

The problem of investment and attraction of capital should be therefore tackled from two stand-points viz. the mobilising of available resources and the creation of facilities for the increased earnings and saving capacity and adding new capital.

Q. 2. The investments of small savings in postal cash certificates and Savings Banks do not result in the development of trade, industry and agriculture in the country as, like other Government loans, they are spent on capital expenditure or on administration. They deplete the money market and, except in times of great State need, should not be encouraged among rural population.

We are of opinion that the small investors, especially in rural areas, should be encouraged to deposit their surplus wealth and savings in ordinary Co-operative Banks and land mortgage bank debentures or in joint stock banks where they exist, for this mode of investment is more beneficial to the rural population.

The post office cash certificates yield about $5\frac{1}{4}$ per cent. and the Treasury Bills now yield $6\frac{1}{4}$ per cent according to last week's transactions. The Co-operative Banks, as we have already pointed out, have not been offering more than $4\frac{1}{2}$ per cent. and 5 per cent. There can therefore be no possible doubt that the government are competing with the Banking institutions. We cannot say that the present financial policy of the Government in this matter is conducive to the encouragement of Banking Institutions.

Q. 3. We are not in favour of small agriculturists and small investors in the country taking up some form of Government security. As we have already stated, they should invest their money in organisations whose resources will be available to finance agriculture and small traders.

In areas where land is considered as a coveted form of investment, the ryots invest monies which come into their hands in the purchase of land, when they are not spent on marriages and other social and domestic demands. If they do not purchase land, they lend to fellow agriculturists, but rarely send to the Bank.

Farmers do lend to their fellow agriculturists and their terms are not more humane than those of non-agricultural money lenders. In prosperous years the surplus in the case of most cultivators goes in discharge of prior obligations which have been left unfulfilled owing to adversity of seasons in the former years.

Q. 4. How far exactly the reduction of stamp duty on cheques has promoted the cheque habit can only be ascertained by reference to the figures available in the Clearing House. It has had, generally speaking, a beneficial effect in encouraging the habit, though the effects are not yet perceptible.

We are in favour of paying government servants and employees whose salary is above Rs. 100 by cheques. It will initiate them into the habit of opening a bank account. Salary cheques on Imperial Bank should be made cashable at government treasuries and those on other banks similarly cashable by arrangement. Cheques drawn by co-operative banks on the Imperial Bank also should be made cashable by the treasuries by arrangement under adequate safeguards as to securities.

We have already indicated that the use of vernacular scripts in banking should be encouraged instead of being discouraged as at present.

Q. 5. The result of opening new branches of the Imperial Bank has been and will be to hit the business of the Joint Stock Banks by exposing them to unequal competition in almost all areas in the province, and to discourage other joint stock banks to develop their branch banking business. Indian enterprise in banking should be encouraged. The funds obtained by foreign Insurance Companies and the surplus deposits of Foreign Exchange Banks, over and above the funds needed to finance foreign trade, should be made investable in India.

T. RAGHAVENDRA RAU,
for Secretary,
Madras Central Urban Bank.

MADRAS,
28th Dec. 1929.

N. SATYANARAYANA.
Secretary.
Madras Provincial Co-operative Union.

BYE LAWS

OF THE

Bengal Co-operative Provident Insurance Society, Ltd.

(Society limited by shares, under the Co-operative Societies' Act.)

PRELIMINARY

1. In these bye-laws, unless there is anything repugnant in the subject or context.

(*a*) " Act " means the Co-operative Societies' Act II of 1912, or any amendment thereof.

(*b*) " Rules " means the rules for the time being in force under the Act.

(*c*) The " Society " means the Bengal Provident Insurance Society, Ltd.

(*d*) The " Central Board " means the governing body to whom the management of the affairs of the Society is entrusted.

(*e*) " Member " means an individual who, or a society which, for the time being, is a member of the Society.

(*f*) " Registrar " means an officer appointed to perform the duties of Registrar of Co-operative Societies under the Act.

(*g*) A " Registered Society " means a society registered under the Act.

(*h*) A " Central Bank " means a " Registered Society " the principal object of which is to control and finance other registered societies which are its members.

2. The name of the Society is " The Bengal Co-operative Provident Insurance Society Ltd. "

3. Its Registered Office shall be in Calcutta.

The operation of the Society may extend to the whole of the Province of Bengal

4. The object of the Society is to popularise insurance among the members by issuing insurance policies with risk not exceeding Rs. 500/- on a single life or annuities not exceeding Rs. 50/- per annum with or without medical examination.

5. In furtherance of the above object the Society shall be at liberty :—

(1) To enter into contract with individuals to receive premiums or contributions for insurance, money to be paid on death of any person, or on the happening of such other contingency as may be prescribed.

(2) To receive premiums, instalments of premiums, contributions on policy contracts or advance payments thereof as also fin interest on late or deferred payments.

(3) To pay claims, death claims, surrender values on policies annuities temporary or deferred, to declare bonus immediate deferred, on expert valuation, to modify the duration and val of policy contracts, to renew or revive the policies, to issue pai up policies of equal or lesser value, and to forfeit or cancel the policy contracts in case of fraud, false personification or wilful misrepresentation.

(4) To advance money or give loans to policy-holders on the securit of insurance policies.

(5) To appoint local boards of management, representatives agent and agencies to carry on the business of the Society from amon the members of the registered societies.

(6) To invest its funds, moneys etc., ordinarily with the Centr Co-operative Banks ; to acquire land, property, interest, lease and mortgages of moveable and immoveable properties, to recei interest, to grant lease, to obtain mortgages, to borrow fro individuals, registered societies or companies and to secure th repayment of such charges by mortgages or otherwise upon su terms and conditions as may be thought fit, provided that i total liabilities (apart from the liabilities under the policies issue shall not exceed ten times the sun of the paid-up capital and th reserve fund for the time being separately invested outside th the Society.

(7) With the sanction of the Registrar previously obtained, to start in future any other kinds of insurance, which may seem desirable, and to do all such things as are incidental or conducive to the attainment of the above objects.

CAPITAL.

6. The nominal capital of the Society shall be ten lakhs of rupees which shall be divided into ten lakh shares of the value of Rupee one only each. The capital of the Society may be increased by a resolution of an extraordinary general meeting specially convened for the purpose and with the written approval of the Registrar.

MEMBERSHIP.

7. Membership of the Society shall be open to :—

(a) Individual members of registered societies
(b) Registered societies
(c) Policy-holders of the Society

(1)	(2)	(1)	(2)