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Editorial Notes

THE M. C. U. B. SUBVENTION SCHEME.

On a former occasion we dealt with the importance of ideas and the study of the theoretical aspect of co-operative problems as contrasted with the practical working of co-operative societies and instanced the sad consequences of practically divorcing finance from supervision owing to the extraordinory importance attached to the slogan "finance and supervision ought to be kept apart". The Townsend Committee realising the seriousness of the situation gave permission in a half-hearted manner to the financing banks to inspect their constituent societies, though in their enthusiasm for Federation, they strictly warned the financing banks not to take up the task of supervision. The present day cry everywhere is Rectification and Consolidation. Everyone is feeling that things have gone wrong and unless something is done and that immediately and effectively, worse might happen. The responsibility for this work which requires patient investigation and persistent application rests ultimately with the financing banks, and we are glad to see that the apex bank has come forward to play its legitimate part in this very important matter of Rectification and Consolidation.

The M.C.U.B. has set apart Rs. 50,000 to be spent this year by way of grants to Central Banks to the extent of Rs 2,500 each provided the bank in its turn is prepared to spend an equal amount. The whole scheme has been entrusted to M. R. Ry. Rao Sahib T. Srinivasa Rao Avargal, the Vice-President of the M.C.U.B. whose two memoranda on the subject are appended as a supplement to this number. We see how he has tackled the problem, how circulars were issued to District Banks to ascertain the lines of work they intend to follow, the staff they are going to employ and the machinery for co-ordinating the work of new staff to be employed and that of existing staff of supervisors and about many other details connected with this work. Recognising the existence of District Federations, the M.C.U.B. has left it to the District Banks themselves to do the work either by a special staff to be appointed by them or to entrust this work to the District Federation; but so for as the M.C U.B. is concerned, it will hold the Central Bank responsible for the periodical submission of progress reports. Also a suggestion has been made that a small *ad hoc* Committees may be formed of the Board of Directors of Central Banks to be in charge of this work, though ultimately responsibility will rest with the Executive Committees of the Bank. We are glad to note that many banks have availed themselves of this offer and it is hoped that even the few that remain outside will also join at a very early date.

In dealing with the stability of the Provincial Co-operative Finance in the concluding paragraphs of the first memorandum, Mr. Srinivasa Rao has invited pointed attention to two matters, namely (1) vest sums involved in decrees, suits and references and (2) the unrecouped loss in as many as 4750 societies to the tune of almost Rs. 12 lakhs. It is urged that effective measures should be taken for speedy realisation of the former. As regards the latter, the situation would appear to be even more serious. Unrecouped loss is explained to mean that the principal assets of the societies concerned fall short of the principal liabilities to the extent thereof. In other words, the working capital (principal)—whether owned or borrowed—has been utilised to the extent of unrecouped loss, in payment mostly of interest charges and possibly of expenses of management etc., both of which kinds of expenditure will have to be met from income (i.e. interest) realised and not from capital owned or borrowed. And out of interest payments made in this manner to central banks from the principal realisations in societies, dividends are paid and

gladly accepted by shareholders, the latter hardly realising that their capital is gradually deteriorating. For years past, interest arrears in societies are growing, having risen from Rs 8.49 lakhs in 1925-26 to Rs. 35.08 lakhs in 1928-29. So also the unrecouped loss, which has risen from Rs. 8.24 lakhs in 1925-26 to Rs. 11.77 lakhs in 1928--29. There is no prospect in sight of the unrecouped loss being ever overtaken, not to speak of its being gradually wiped out. We trust the board of management of the M. C. U. B. and the Central Banks' Conference and the Registrar will bestow their attention to this matter, *first*, with a view to arrest further growth of the unrecouped loss and, *next* eventually to restore equillibrium in the societies concerned.

The work to be done is of a colossal magnitude and it is only by pooling all the resources available in men and money in the movement as a whole, that it can be effectively done. Unions, Federations, District Banks and the M.C.U.B. should all work with a real team spirit and then only tangible results can be achieved; and what is more important, the work has to be carried on for some years to come before matters can be set right. It is hoped, that in the light of experience gathered in this work, a machinery would be devised which will automatically carry on the work of effective supervision, so that there will be no need for periodical work on a large scale for rectification and consolidation.

RECENT UTTERANCES.

Our readers will peruse with great interest the extracts we publish in this number from the speeches of eminent co operators who have given expression to their views based upon their long experience, on many an important problem that is engaging our attention. Everyone deals with the appalling condition of the villager at the present time, everyone appeals for his upliftment, though Mr. Srinivasachariar, the President of the South Arcot District Conference is rather pessimistic about the possibilities of Rural Reconstruction, taking the villagers as they are with their petty jealousies and factious spirit. The second point of universal agreement is the immediate need for doing vigorous work in the matter of rectification and consolidation. Mr. V, Ramadas refers in some detail to the Subvention Scheme of the M.C.U.B. and Mr. Srinivasachariar gives some specific suggestions regarding this matter. Another point upon which every one seems to agree upon is, that village societies should not have anything

ing and closer collaboration among the local, central and apex co-operative organisations"; for as he truly adds "there is no room for indiscipline, sectarianism, monopoly or faction in co-operative society," and it is only by keeping ourselves loyal to the high ideals of self-help, self-reliance and true team spirit deriving its inspiration from real democratic ideals that we can reach "the promised land of co-operative commonwealth."

THE CENTRAL LAND MORTGAGE BANK, MADRAS.

We draw the special attention of our readers to extracts from the report of the Directors of the Central Land Mortgage Bank, Madras and of the Audit Order of the same issued by the Registrar.* We also publish proceedings of the Conference which was held with the representatives of constituent Primary Land Mortgage Banks, at which many questions were discussed and certain practical methods of work were unanimously agreed upon.† All these indicate that the authorities of the Central Land Mortgage Bank are very much alive to the existence of pit-falls, which they are trying their best to avoid and to the need for a policy of cautious advancement, which in the very nature of things, is bound to be slow.

It is easy to indulge in spectacular display by starting a net work of banks all over the land; but if proper precautions are not taken, we are likely to land ourselves in the sorry plight in which our bretheren in the Punjab have landed themselves.‡ While congratulating the authorities of the Central Land Mortgage Bank on its successful working for the year and wishing them all suceess in years to come, we are not blind to the fact, that there are critics of the present administration, critics of ripe experience and posted with facts and figures, and in the best interests of the Central Land Mortgage Bank as well as Primary Land Mortgage Banks, we shall publish from time to time well informed criticism on the working of

*See page 195 of this number.
† do. 186 do.
‡ do. 117 of August number.

the new institution, as well as replies if there be any to such criticism by the authorities of the Bank.

COOPERATION PURE- AND SIMPLE.

At a public meeting in Madras where 'Co-operatisn as a means of National Uplift' was discussed, one astute remark was made that the so-called co-operation in India is not permeated by true co-operative spirit, but it is "co-operation for competition." The fundamental idea of human society living in peace on a principle of 'give and take' which was the basis of social organisation in ancient India and medieval Europe has been given a rude shock to and an individualistic outlook upon life with its gospel of relentless competition has been introduced in its stead; and the present co operative movement does not tackle this vicious principle of social organisation, but enables its members to organise themselves into small units to strengthen themselves economically for competition against other units.

Even taking the advanced countries of the west, where co-operation is not an exotic growth, but sprang from the soil and has been flourishing for the past 90 years and more, we have either co-operation amongst consumers to get the articles at the cheapest price, or, co-operation among the producers to hold up their produce against a more favourable price. Ultimately therefore, taking for granted there is perfect organisation on co-operative lines and all middlemen are eliminated, society will find itself divided into two camps of producers and cousumers. That is why vigorous attempts are being made to bridge the gulf between these two and before co-operation gets vitiated by degenerating into a mere tool in the hands of competition, we in India will do well to place before the masses the significence of the old ideal of living together. We should make them realise the danger of adulterated co-operation sufficiently early and should harp upon the fact that co-operation is not merely an economic device of the weak, but compared with its rival competition, is a noble and life giving gospel.

It is very necessary to lay emphasis upon this aspect, because signs are not wanting that the producer will organise himself at no

Banking in South India.

BY C. GOPAL MENON,

Certificated Associate of the Institute of Bankers, (London).

A country derives from a widespread system of banking, facilities for the collection and distribution of capital according to the requirements of different localities. And this is a supreme service that is rendered by the banking community to the economic development of a nation. It is only the capital commanded by the banks in Europe and America that enormous commercial and industrial enterprises have been rendered possible in those countries. For the man in the street, banking has very little to do with the production of wealth: but when the economic effects of Bankers' advances in Western countries are examined, it will be seen how much their enterprise and their efforts owe their success to the circulating capital provided by banks for industry and commerce. It is chiefly by the development of banking that the systematic lending of capital by one man or body of men to another can be provided. An examination of the growth and development of the industrial progress of the European countries and America would reveal the fact that much of these during the last one or two generations, is due to their banking systems. A very large part of the capital which in the modern organisation of trade is loaned through the agency of banks will, without the agency of the banks, not be loaned at all, while the endeavour of individual lenders to deal with individual borrowers without the agency of a professional intermediary, such as a bank, would result in loses leading to the detriment of the thrift and industry of the community. If it is estimated to day the deposits and the note circulation of the banks in the United Kingdom and of this sum an estimate is made as to how much is lent to facilitate the trade and industry of the country by way of advances and the discounting of bills, it will be observed that, but for this help rendered by banks, it would not have been possible for men, who have practically started with infinitesmally small capitals to be now conducting huge business with enormous capitals and become the wealthiest men in the world. In India, an attempt is being made to build up capitalist industry; and if it is to achieve eminence and success, it is necessary to ascertain the secret of Western methods of production. The economic life of India is still in a dormant condition chiefly due to want of mutual confidence and it is only by corporate and co-operative enterprise that can bring about greater credit facilities and thus give a democratic structure for business concerns.

BANKING PROMOTES MATERIAL WEALTH.

A. K. Fisk, a writer on modern Banking, Says:—

> " The bank is the most important instrumentality in the modern system of commerce, industry and trade. Without it this system could never have been developed, and could not now be maintained without it. It makes possible the immense scale upon which labour is divided and applied to a multitude of processes upon which mechanical appliances for saving labour, or increasing its effect, can be used ; upon which the work of transportation and distribution can be carried on ; and upon which the interchange of commodities for the satisfaction of the wants of man can be effected. The scale of Co-operative activity results in obtaining from the natural resources of the earth a volume of products far beyond that would be conceivable without it ; and this abundance of production from human effort raises immeasurably the level of human well-being. It has been the chief motive power in the advance of material civilisation in the last century, and it has been made possible by the device of banking. "

Here, in a nutshell is described the part played by banks in the promotion of wealth. It is the increased banking facilities that promote enterprise in the business world and thereby aid industrial development. That there is ample room for the development of banking in India on Western lines may be seen from the fact that with the growth of commerce and industry within recent years there has sprung up a number of banking institutions solely controlled by Indian capital, yet the progress has not been keeping pace with the rapid growth of India's trade and industry. With the development of railways in India which has brought into existence something like 45,000 miles in the last 50 years, and the development in postal traffic which had raised the number of articles dealt with by the department from 500 millions 25 years ago to 1,300 millions in the year 1927—1928, the progress in the development of banking has not correspondingly increased. Viewed from the point of foreign trade the average annual exports in the five years 1909—14 prior to the war, were valued at Rs. 210 crores, while in the year 1928—29 they amounted to 338 crores and imports, similarily compared show an increase from 150 crores to 263 crores.

EXPANSION OF BANKING NOT COMMENSURATE WITH THE GROWTH OF TRADE AND INDUSTRY.

It was in 1906 that an impetus was given for the establishment of Indian Banks controlled entirely by Indian management. That year inaugurated an era of new Swadeshi industries and there began to be established banks large and small all over India. The Bank of India and the Indian Specie Bank were established in 1906 and the Bengal National Bank and the Indian Bank in Madras came into existence in 1907. The Bombay Merchants Bank and the Credit Bank of India in 1909, the Kathiawar and Ahmedabad Banking Corporation in 1910 and the Central Bank of India in 1911. Since 1911 eleven important banks were established, but, owing to the financial crisis which affected the whole of India during 1913—14, some six Banks suspended payment. One of these, that failed in 1913 was the People's Bank of India, which at the time of its failure had nearly one hundred branches in different parts of India. Out of the banks that came into existence for which Indian enterprise alone was responsible, some six banks failed during 1913—14.

There is yet a great development awaiting the progress of national banking. There is organised banking only in bigger towns. A large number of towns are yet without banking facilities—the total number of banks in India is only about 500, while there are 30,000 banks in the United States, 9500 in Britain, 3500 in Canada, 2500 in Australia and about 1,400 in Japan.

Reference must also be made in this connection with regard to the Co-operative Banks These institutions were started to extricate the Indian producer from the meshes of the rural financier. To cope with this evil in 1904, the Co-operative Credit Societies Act was passed to encourage thrift, self-help and co-operation amongst agriculturists, artisans and persons of limited means.

Although we have.

(1) Indigenous Bankers.
(2) The Imperial Bank of India with about 100 branches.
(3) Local Banks of Deposit.
(4) English Exchange Banks.
(5) Co-operative Banks.
(6) Nidhis and Chit Associations,

the expansion of banking has not kept pace with the progress of trade and industry. The " habit of Banking " has not been created in the minds of the people. There is yet great deal of development awaiting for commercial Banks. The trading community is badly in need of cheap loanable capital and the banking institutions that are in existence in the country have not yet been able to meet the entire demand.

MADRAS BANKING COMMITTEE.

It is to explore new avenues of development in banking that the Government of India have appointed a Banking Committee. The Provincial Banking Committees and the Central Committee have entered upon a difficult task in so far as the survey covered not only the banking field, but the general economic framework of society, because, finance is the life-blood of the country's existence.

I may make a passing reference to the work of the Madras Provincial Committee. The Committee rightly gave a deal of prominence to the rural economy because, that is the foundation on which the whole edifice of internal trade, industries, urban economy and foreign trade rests. It is a matter for congratulation that the Committee had the advantage of the services of a Chairman, who took deep interest in the ryots and the co-operative movement and had a great deal of district experience. It might appear that undue prominence in the Report has been given to the Co-operative organisation but none can deny that rural advancement cannot better be done than on co-operative lines.

CO-OPERATION AND RURAL DEVELOPMENT.

The Committee examined the prospects of improving and extending the operations of credit societies, loans and sale societies, land mortgage banks, Central banks and an All-India apex bank. Considerable attention was also given to extending the activities of societies and banks for the establishment and control of local markets, establishment of public godowns and warehouses, dessimination of market information, distribution of Government loans and so on. In the opinion of the Committee, the Co-operative movement has a great future in this country of great distances and poor uneducated masses. Co-operative Societies had the great advantage of being thoroughly democratic in organisation and spirit, and quite suited to educate the people in the habits of thrift, self-confidence and mutual trust and goodwill, besides assisting to collect the driblets of savings of this poverbially poor people for the needs of capital expenditure of themselves in turn.

FURTHER ECONOMIC ENQUIRY.

Though the report cannot claim to give a thorough survey of the economic condition of the people, which the Committee thought rather too complicated to be examined within the time allotted to them and, therefore, left to be investigated in due course by an Economic Enquiry Committee, which may be on the lines recommended by the Viswesarayya Committee, the problem was probed as deeply as was physically possible. The agricultural problem was given more than a hasty analytical survey; an estimate of area, production, irrigation, valuation of land and crops, indebtedness and causes thereof, fragmentation and remedies, all these have received close and careful attention. What was done in typical groups of villages in selected districts is what requires to be done by the Economic Enquiry Committee on a large scale throughout the Presidency. The Banking Committees' findings does serve a very useful purpose in throwing light in a dark region by enabling at least approximate estimates being formed of the economic conditions of the rural classes, the production of the various cereals and staples, and the needs of the people for improving their potentialities. In this respect it must be admitted that the Banking Committees' Report should serve only as an imperfect index of the poverty of the people.

OTHER AGRICULTURAL INCOMES.

For the improvement of the agricultural classes, the need of financing cottage industries as subsidiary occupation was fully examined and there is unanimity of opinion that what improvement is to be expected is mainly on Co-operative lines, by organising societies for production and distribution. Though it is true that non-credit societies have been anything but popular hitherto, there is no doubt that salvation of the cottage industries is inseperably, bound up with the fortunes of successful sales and producers' societies. The question of extending consumers' organisations like stores was also duly considered, as otherwise the profits of the middlemen would not be fully eliminated from the domestic life of the poor classes. The Report will further serve the useful purpose of drawing the attention of reformers to the danger of disintegration of holdings caused by a multiplicity of circumstances, such as laws of inheritance, variety of land tenures, unchecked growth of indebtedness and so on. The Committee left this problem for deeper study and solution, instead of pretending to prescribe a ready remedy for the evil of fragmentation which has been going on for centuries together. Measures recommended by the Committee for increasing Land Mortgage Banks, easier proceedure for government loans, and better marketing conditions, would slowly and surely counteract the advance of fragmentation. The committee recognised the vastness of the problem and its variations from province to province and even from district to districts so that no All-India Co-operative apex bank could successfully operate against provincial jealousies and bickerings. Opinions may differ on this point, as also on the recommendation not to negotiate loans through the Co-operative Societies under the Agriculturists Loans Act and Land Improvements Act, but the Committee has given reasons for taking the stand they did.

FINANCING OF TRADE.

Coming to the Banking proper the Committee have traversed the whole ground left to them by the Central Banking Committee. This arrangement had shut out from their purview the subjects of the Imperial Bank, the Exchange banks, Industrial banks and Reserve banks and this naturally left a serious gap in the economic review which the Committee could give. This restriction had further the serious effect of precluding the Committee from making suggestions and recommendations for a thorough consolidation of the various banking elements in the country to form a homogeneous money market. This is the more pitiable, since the incorporation of the indigenous banker in the regular money market is a problem on which each Provincial Committee will be faced with new difficulties and will therefore have sound suggestions from different points of view to offer, so that the Central Committee would then be in a position to lay out a comprehensive plan for the Indian money market. However, the Committee have given a full picture of the operations of the indigenous banker in this Presidency. It will also be observed that the Committee have given a definite place in rural economy in South India to the peculiar institutions of Chits and Nidhis making suggestions for bringing the latter into conformity with the Indian Companies Act without losing their identity, and the former into some uniformity of regulation by a system of licensing and registration, which work the Committee have thrown for want of a better department on the Revenue Department.

MARKETING.

The Committee have given a very careful attention to the question of internal and external trade and marketing conditions and

pointed out the grave defects in the financial system. The Governments and the trades have a very serious problem suggested to them in respect of organising specially controlled markets which is a necessary condition for the guarantee of a reasonable price to the ryots and of reasonable qualities and guarantees to the purchaser. It is hardly necessary to labour the point of the importance of this question to the Indian agricultural and mercantile classes who are year in and year out losing lakhs and lakhs of money due to them in respect of their produce, such as skins and hides, tea and all hill produce, which are all consigned to the London market to be put up at the auction sales after grading and standardising. This country stands to profit to a very considerable extent by the organisation of markets in India under proper regulations for the sale of several products whose qualities and packing are to be graded and standardised and guaranteed. Co-operative organisations can do a great deal to help ryots in this direction. The Government and the Public have to turn serious attention to the problem of making more funds available in the market.

BANKING—A NOBLE PROFESSION.

Capital, the article he deals in, and which he creates out of credit, is in universal demand, and requires the most careful handling. Upon the wisdom of the bankers' choice of investments and his selection of risks a great deal depends. In this connection let me close, with a quotation from Sir Felix Schuster's inaugural address as President of the Bankers' Institute in 1917:

> "I have a high opinion of our profession, and hold that amongst all commercial pursuits it is the one that affords the greatest scope and the widest interests, and involves also the greatest responsibilities, for on sound and prudent banking depends not only the welfare of our world-wide commerce, but even the national credit. The banker ought not to specialise in one line only, he ought to know something about every business in the country. He has to decide when credit is legitimate and justified, and when it becomes excessive and ought to be withheld. He is bound to watch with care the movements of trade, both internal and international, he must watch political events, the development of new inventions and industries, he must know enough about law to judge whether new legislation affects him, in fact, he must know something about the movements of the world in general and above all, he must be a student of human nature. These are requirements which demand study, thought and care, and they afford full scope for the exertion and development of the faculties of the young men, who enter the profession, which they need not find so dull and humdrum as it is sometimes assumed to be, but full of interest if they will only know, how to take an interest in it."

Co-operation and the Bombay Banking Enquiry Committee.

By J. C. Ryan, M.A.,

Superintendent, Co-operative Institute, Coimbatore.

As an elaborate enquiry, like the one conducted in Madras by the Townsend Committee, was not made into the working of the co-operative movement in Bombay since the days of the Maclagan Committee, the Bombay Banking Enquiry Committee have made a rather close scrutiny into it and suggested certain improvements. We shall consider these in brief.

AGRICULTURAL CREDIT SOCIETIES.

1. *Need for a comprehensive policy of rural finance.* The Committee have diagnosed the disease affecting the agricultural credit societies as being one of inelastic, dilatory and inadequate finance. To obviate delays, they recommend that loan application from societies need not be held over until the current year's demand is paid, but that they may be sanctioned subject to the condition that the amount will not be disbursed unless substantial progress is shown in the matter of recoveries. To remedy inadequate finance, they recommend that special limits may be fixed in the by-laws for ryots with large holdings once in three years. To remedy inelasticity, they advocate the extension of the "normal-credit system" to all societies. This system corresponds to the "forecast system" of our presidency; but it probably excels it in the fact that the Central Banks themselves pay attention to the preparation of the normal-credit statements. If forecast loans are not very popular with us, it is because, most village societies have not the necessary foresight or the requisite energy to forecast. Where the Bank Inspectors estimate for each society its credit needs in advance, rural credit will become less rigid. To facilitate this work, the Committee further recommend that Central Banks should open branches in the different talukas. They emphasise the duty of the Central Banks in this matter in the following forcible words;

> "It is, we hold, incumbent on every central financing agency to make a systematic study of the financial requirements for agriculture and other necessary purposes and to evolve a policy of finance suited to the varying demands of different tracts served by them."

How many of our central banks have endeavoured to inquire into the needs of the members of their affiliated societies and evolve a

comprehensive policy of rural finance? Has not their attitude been rather that the societies should ask and they should either agree or decline to accommodate? If they take a different attitude, is it not, only during those seasons when they are confronted with surpluses? The adoption of the Bombay Committee's suggestion of opening branches of central banks in the talukas would obviously involve the central banks in additional expenditure. But is not the additional expenditure worth in curring, since the central banks exist only for the societies? And will not the expenditure itself be more than recouped by the increased business that will result in due course? Will not even financial security increase, and overdues diminish? The Madras Banking Enquiry Committee does not recommend the opening of branches of central banks. They desire that advantage should be taken of urban banks of standing and that credits sanctioned to societies should be passed on to them by the Central Banks so as to be drawn upon by the societies as occasion arises. But does not this amount to setting up "middlemen" in a movement whose first object is to eliminate intermediaries and their commisions? Moreover, will it help in the evolution of a comprehensive policy of rural finance, or in collection work?

2. *Need for wide-spread co-operative education.* The problem of overdues is another defect to which the Committee draw attention. They indicate the remedy to lie (1) in careful selection of members, (2) in close mutual control exercised by the members over one another's dealings, (3) in the character and ability of the managing committee, and (4) in the control which the general body of members is able to exercise over the committee. They agree that these essential characteristics can be secured only by educating the members in the principles of co-operation and reiterate the recommendation of the Royal Commission on Agriculture that the co-operative movement has a claim on the resources of Government for expenditure on such education. But they fail to devise any suitable scheme of imparting this education to the members of societies. They merely suggest that the Bombay Co-operative Institute should undertake this work assisted by the trained staff of the co-operative department. It is doubtful if the Institute can reach the village society members with its education to any large extent; and, even if it does, what agency is there to sustain the education it has imparted?

In Madras, the attempt to impart co-operative education to rural co-operators by means of Panchayat Training Classes organised at suitable centres was not very successful. In the judgment of our Banking Enquiry Committee, the funds spent for the conduct of these classes were wasted in feeding the rural co-operators, and not much educative result was secured. The alternative method that has been recently adopted, of employing one or two propagandists for each district seems to be more promising. But two propagandists for a district are like a drop in the ocean. The magnitude of the work calls for at least one propagandist for every group of five or six societies. For the present, cannot at least one propagandist per union be made the rule? Several capable young men have been trained in co-operation, co-operative accounts and co-operative law at the six Co-operative Institues of the presidency at considerable government expense. As most of them now seek employment outside the co-operative movement, the time, labour and money spent on equipping them with co-operative knowledge are lost to the movement. Cannot their services be harnessed for the supervising unions as Propagandists? If it is the State's duty to provide co-operative education, can they not be expected to bear at least half the cost of each propagandist, the other half being borne by the supervising union or Federation? It is not possible to bring rural co-operators into the Co-operative Training Institutes for training. On the other hand, to merely educate young man in co-operation and let them run adrift is not to educate members of agricultural societies.

3. *Rectification of societies* With regard to defaulting societies, the Committee admit that, theoretically, it is true that, for the good working of a society, corporate responsibility has to be enforced. But they hold that, in the present state of development of the movement, this principle need not be enforced too rigidly. They discourage hasty liquidation in the interests of good members who should not suffer with the bad. They think " that the supervising union as the local controlling authority should have the power, with the consent of the Registrar, to suspend a society when it is not working properly and to entrust the management to a suitable person or persons for a definite period not exceeding two years. If the desired improvement takes place during that period, the society may be ordered to be reinstated. Otherwise, it may be ordered to be wound up." By-law 62 of our rural societies provides for the suspension of a society; but the mangement of a suspended society is to be entrusted to a member of that society. It is scarcely possible to find a member in the society competent or willing to assume such responsibility. Hence

it is that this by-law has been very rarely availed of. If the by-law could be so amended as to admit of the appointment of a District Supervisor to undertake the work several societies which now seem fit to be liquidated can be mended and reinstated. The District Supervisor is certainly more competent to undertake this work than the governing body member of a Union, who cannot be a whole-time officer, or a Union Supervisor, who has the normal duties of the Union to attend to. One District Supervisor can very well be in charge of five or six suspended societies that lie in a group.

4. *Thrift and savings.* The Bombay Committee has done a distinct service to co-operation by indicating that the utility of a co-operative sceiety should not lie merely in providing credit facilities to members but also in giving opportunities for savings and investments. The Co-operative Societies Act of 1912, no doubt, makes it clear that the object of the co-operative movement is the " promotion of thrift". But, in actual working, co-operative credit societies have confined themselves to dispensing credit, and taken very few efforts to promote thrift. In Bombay, some societies collect deposits by compulsorily deducting 5 to 10 per cent of the loans advanced to each member. The Committee has rightly deemed this system as resembling the system of discount deduction followed by the ordinary money-lender and as discouraging voluntary deposits. They have suggested in its place the share system under which money is collected at the harvest time. We in Madras, however, who have worked the share-system, cannot help confessing that, in practice, instalments of share capital are never collected in most societies. The Committee also recommended that savings deposits should be encouraged. But the difficulty in this matter is, that it involves village societies in keeping more cash that is desirable. The Madras Banking Enquiry Committee consider that " every possible effort should be made by the Co-operative Department to provide cash facilities for village societies and then to encourage the development of savings banks acounts." A branch of the central bank in each taluk is probably the best method of providing these cash facilities. But, in addition, it is necessary to conduct a campaign in favour of thrift like the campaign that was sought to be launched in favour of swadeshi cloth. Improvident habits and customary expenditure have a strong grip over most villagers, and the co-operative society is not regarded by them as anything better than a lending agency. Nothing but a dynamic and sustained campaign in favour of thrift will bear fruit. It is time that agriculturists are got to realise that thrift is the basis of co-operative credit.

[*To be continued.*]

Recent Utterances

CO-OPERATION IN THE MADURA-RAMNAD DISTRICT BANKING AREA*

BY

MR. V. RAMADAS PANTULU

The Problem of the Hour.

How to put our house in order.

Co-operators all over the province have not started the process of self-examination a day too soon and almost everywhere it is recognised that the planning and execution of a vigorous programme of rectification and consolidation cannot be delayed any longer. Madura *Cum* Ramnad area is co-operatively a large one. It has 1,047 primary societies affecting 1,703 revenue villages with a membership of 66,135 and having a working capital of Rs. 55,57,417.† The districts are served by two central banks of which the one at Madura caters to the financial needs of 524 societies and had on 30-6-'30 a working capital of Rs. 30,73,695 while that at Srivilliputtur caters to 224 societies and had on 30-6-'30 a working capital of Rs. 10,18,904. There are 28 local supervising unions equally divided between the two districts, but very unequally divided among the societies, for their membership varies from about 15 to 50, an arrangement which, in my opinion, militates against efficient supervision being vouchsafed to all societies alike. This quantitative tale which gives to some extent, rightly enough, an idea of the hold which the movement has on the people of the two districts, does not reveal the real state of efficiency of these several organisations or the extent of the co-operation of the members with their institutions. In the credit movement the two essential tests of success are the financial soundness and stability of the societies and the spread of the virtues of thrift and punctuality among their members. Judged by these tests, it must be conceded that things are not in order and that the situation undoubtedly calls for greater vigilence. To substantiate my position,

* Extracts from the presidential address at the Madura-Ramnad District VII Co-operative Conference held at Periyakulam on the 23rd and 24th August 1930.

† These figures are as on 30-6-1929 and exclude the working capital of the central banks at Madura and Srivilliputtur.

it is enough to merely refer to the financial operations of your agricultural societies. Taking such societies in the area of the Madura-Ramnad Central Bank, the percentage of balance of principal to demand under short term loans works at 33·47 and under long term loans at 62·34. Balance to demand under arrear interest works at 57·56 per cent and current interest at 52·53 per cent. In some union areas, these figures run up to 70 per cent and over. Taking the agricultural societies in the Srivilliputtur Banking area, the percentage of overdues to demand under principal works to 62·32 ; arrears interest to 61·48 ; and current interest to 49·71. The short-term business is negligible being about 10 per cent in Madura-Ramnad Banking area and even less in Srivilliputtur Banking area.* The bulk of the overdues is locked up in long-term loans. The precentage of overdues from societies to the Madura-Ramnad Central Bank is as high as 33. The proportion of societies working at a loss in your area must be large, although I have not got actual figures. In my address to the last Provincial Co-operative Conference, I have drawn attention to the gravity of the situation created by such abnormal growth of overdues and the increase in the number of loss societies. Some of the Central Banks have already begun to commit defaults in their payments to the M. C. U. B. The facts I have adduced, you will agree with me, testify to the need for a thorough and vigorous overhaul work, spread out over a number of years.

I do not propose to refer in any detail to the nature of the work that awaits you. The question of providing the special staff employed by the central banks and federations with detailed instructions and the collection of periodical information about the work turned out by them is being attended to by the Madras Central Urban Bank, through its Vice-President. I, however, desire to emphasise on one essential aspect of the work. The work of rectification and consolidation, which involves the laborious, nevertheless indispensable, process of *an individual examination of all overdue debts and valuation of securities for all outstanding loans*, at its very threshold, should not be looked upon as a painful, sporadic effort, much the same as the treatment of a disease at its accute or critical stage. By a co-ordination of the activities of the special rectification staff with those of the permanent staff of the unions, federations and central banks, we must aim at ensuring, in Rao Sahib Mr. T. Srinivasa Rao's words, that "when once corrected and pulled up, the societies will, in future, be maintained in a fairly efficient

* These figures are for 1928-'29 the latest available to me.

condition, the mistakes arising from time to time thereafter being simultaneously rectified."

There is one other matter intimately connected with the rectification work, to which I may also perhaps usefully refer. In dealing with uncollectible loans, long overdue, no single method will answer. Some may have to be written off; some recovered by immediate recourse to legal steps; and some given a new lease of life under fresh securities, where the nature of the assets on which the loans may be secured warrants such a course. Where the last category of loans are of the long term variety going over 5 years and upto ten years, the present policy of central banks not lending for periods over 5 years might cause some embarrassment. But it need not, as a matter of fact, cause any. I consider it perfectly legitimate to give long term extensions for loans which cannot be otherwise recovered with due regard to the repaying capacity of the debtors, who borrowed under the old system. No fresh loans of that character should however be encouraged.

There are two suggestions which the Bombay Provincial Banking Enquiry Committee has made for the guidance of those who are tackling the defaulting societies, which I consider are worth mentioning. One is that the theory of corporate responsibility should not be too rigidly enforced, so as to cut off all loans to good members of a society, where the majority defaulted. The Committee, however, adds that the banks may make advances even to good members only if the banks are satisfied that due action has been taken by the society against the defaulters. The committee finally observes that "it is true that such finance if unregulated may prove to be a danger; but as part of a policy of rectification and consolidation, it has everything to recommend it." The other suggestion of the Bombay Committee is that in the treatment of bad societies, there should be some intermediate stage before liquidation. The Committee make the following definite proposal: "We think that the supervising union as the local controlling authority should have the power, with the consent of the Registrar, to suspend a society, when it is not working properly and to entrust the management to a suitable person or persons for a definite period not exceeding two years. If the desired improvement takes place during that period, the society may be ordered to be reinstated, otherwise it may be ordered to be wound up." If the bye-laws in our province, as they stand, do not

permit this course, they may be suitably amended or a statutory power may be created.

Land Mortgage Banks.

The rationalisation of co-operative finance by a clear differentiation between short, intermediate and long term loans, and the development of sound agricultural paper which is eventually to form the basis of rural credit, ought to follow in the wake of the establishment of a network of primary Land Mortgage Banks financed and controlled by an apex Mortgage Bank, in which the debenture issue is, for all practical purposes, centralised. The present chaos in co-operative finance should be ended. The rural credit societies should be rigidly confined to short term or crop loans and intermediate credit. These loans should not be later on allowed to be transferred into long term mortgage loans. Mr. Morman's dictum that when a borrower is compelled "to refund short term loans into mortgage indebtedness, because of insufficient income, he is fast becoming the most unfortunate being in the world", is as applicable to India as it is to America. The long term mortgage loans should be got rid of as quickly as possible. They may be made over to the land mortgage banks wherever possible. In areas, where primary land mortgage banks are working, I would like the rectification committee to put itself into touch with them and induce them to attempt the redemption of the prior long term debts due to the societies undergoing rectification, in all cases in which fresh mortgage securities can be given to the satisfaction of the primary land mortgage banks, according to the standards observed by them in regard to the valuation of the hypotheca and the examination of title. Under such an arrangement, all mortgage loans which have to run for, say periods of over 5 years, which the mortgage banks may be willing to take up, should be shifted on to them. The debtors will thereby secure a substantial measure of relief both by reason of the facilities to secure longer periods for repayment going up to twenty years and a reduction in the rate of interest from 9⅜ per cent to 8 per cent. I am told that not a single primary land mortgage bank is working in your two districts; but, one or two are in the process of formation. I hope that you will take steps to set up some land mortgage banks in your areas aiming at having one for each taluk area eventually, if not for larger areas. Numerous tiny primary banks will present great difficulties in regard to regulation, control and supervision of business and will not tend to develop sufficient land mortgage credit or to provide adequate margin of working expenses.

But the development of a sound system of co-operative land mortgage credit is beset with numerous difficulties and co-operators in the province, if they are really earnest about it, must devote more thought and attention to the problem than they seem to do at present. The financial arrangements of the Central Land Mortgage Bank are not yet placed on an understandable business basis. Its precise relations with, and control over, the primary banks are not yet defined and this factor enters largely into the confidence of the public in investing with the Central Organisation, for the safety of such investments obviously depends upon the power of the Central Bank to supervise and regulate the operations of the primary banks both in loaning and effecting recoveries. These banks should also be given legal powers to effect recoveries without recourse to the elaborate provision of the T. P. Act regarding mortgage suits and mortgage decrees. Again, no machinery, which is in intimate and daily touch with the money market, has been set up to enable the Central Land Mortgage Bank to raise the required volume of long term capital by debenture issue. The volume of such capital must be very large indeed, if the land mortgage credit scheme is to touch even a fringe of the long term credit requirements of the Province. Some of the causes which operate against the successful issue of industrial debentures operate against the success of the land mortgage debentures as well, notwithstanding the fact that in the case of the latter, the Government have guaranteed interest at 6 per cent. The guarantee of interest being only in respect of debentures floated in the first five years and only up to a limit of Rs. 50 lakhs, the question of placing the Central Land Mortgage Bank's debentures in the category of Trustee Securities, by statute, presents difficulties. The Govenment has to remove these limitations. Again in addition to the alleged shyness of our capital, the absence of experience of the market in regard to land mortgage debentures as marketable securities operates against the easy floatation of these debentures. The present abnormal conditions of the money market, which are aggravated by the borrowing policy of the Government which "drains away the market as fast as the springs gather fresh water" have added to our difficulties. I also doubt whether the margin of 1 per cent each with which the Central and Primary Banks at present work will suffice to meet their working expenses, if the organisations are to be properly manned and efficiently run. These and other problems should be seriously tackled by co-operators if the scheme is to be successfully worked.

Concurrent Audit of Central & Urban Banks.

One of the main factors that go to help to maintain our financial organisations in a continuous state of soundness and stability, is efficient audit. The Townsend Committee has devoted some attention to this question and made, in my opinion, useful recommendations. The committee definitely pronounced against small audit unions and favoured large central audit unions. I fully agree with this view. The action so far taken on the Committee's recommendations consists in increasing the audit staff so as to give one audit Inspector to 60 societies, improving audit forms and clearer demarcation of interim and final audit operations. So long as the quality and equipment of the audit staff remains what it is, the audit reports and certificates cannot be relied upon, either by the investing public or the directorates of the Central Banks, as in any way disclosing the real state of affairs of the societies financed by them. The Report of the Burma Committee on Co-operation ought to serve as an eye-opener to us in this matter. In a certain Central Bank in our province, where mishandling of cash balances must have been going on for a long time, the audit reports furnished no clue whatever to the Townsend Committee. It is therefore safer in my opinion, for central banks and larger urban banks to make arrangements for concurrent audit. The urban credit which is a very important form of co-operative credit, for it does to artisans, small traders and wage earners what joint stock banks do to large industries, has now attained considerable proportions. The urban credit societies in the province have at the end of the year 1929, loaned out to more than two lakhs of members a sum of over two crores of rupees. The Madras Banking Enquiry Committee state that "These urban credit societies have developed considerably and do provide very valuable banking facilities, including current accounts, savings deposits, recurring deposits and in fact all reasonable facilities for accumulating and investing savings and for the safe custody of and convenient operations of the members' current funds." Sometime ago, the M. C. U. B. put up a definite scheme for concurrent audit, the essence of which was the division of the province into eight audit districts and the maintenance of a central office which provides efficient audit service. But the central and the large urban banks have not taken up the matter enthusiastically. The matter can be solved if the next Central Banks' Conference and the Urban Banks' Conference take it up with a desire to solve it. Financial details of the scheme have been worked out by the Secretary of the M. C. U. B. already and are available for examination. The Registrar may also be requested to discuss the scheme with his departmental officials at one of their periodical conferences and give us the benefit of their advice and guidance in the matter.

Non-credit Co-operation.

Co-operation all the world over, with its altruistic philosophy has been making itself felt in all spheres of economic activities of man. It is in its non-credit aspects that genuine co-operative ideals can find scope for their free play in an ever increasing measure. I notice from your District Reports that you have a variety of types of non-credit societies. While it is wise not to restrain any form of co-operative enterprise from manifesting itself, if larger and more tangible results are desired, under present conditions, it will be more useful to confine our energies and resources more particularly to the development of a few types which will yield the maximum of co-operative service to the people of the two districts.

Stores. The consumer's store is of course one in the growth of which we must take enthusiastic interest. I find that you have some good stores like those at Rameswaram, Tirupathur, Dhanushkodi and Madura City. The Stores' societies in your two districts purchased in the year 1928—29 goods of the comparatively small value of Rs. 3,11,610 and sold goods to the value of Rs. 3,51,037. There is thus infinite scope for their expansion. The stores mostly purchase and sell food-stuffs. But they also deal in some varieties of manufactured goods in common use. In so far as they do so, they ought to aim at educating their members in the economic benefits of the use of Swadeshi goods in preference to foreign ones. Thereby the stores will also serve the purpose of encouraging indigenous industries.

Sale Societies. The loan and sale societies are another type of non-credit institutions whose expansion is bound to prove very beneficial to the producers. The Townsend Committee and recently the Madras Provincial Banking Enquiry Committee placed on record an account of the operations of these societies and their recommendations in regard to their development. I do not propose to tread the same ground over again now. The Madras Provincial Co-operative Union recently published in their journal a report made by Messrs. S. K. Yegnanarayana Iyer and S. Nagaswamy Iyer to the Madura-Ramnad Central Bank regarding the financing of cardamom sale

societies. The business seems to be promising and it is therefore worthwhile to take steps to further develop the co-operative sale of cardamom. The following recommendation of the Madras Banking Enquiry Committee deserves attention. "We consider that every attempt should be made to foster the growth of such (loan and sale) societies. There should be a godown society available for every group of credit societies and these should in course of time be linked up with a co-operative marketing organisation " The Bombay Banking Enquiry Committee in dealing with sale societies make the following useful suggestion: " It would be to the benefit of all concerned, if some arrangements were made by which the credit society would see that the produce of its members is sold through the sale society and the sale society should see that the sale proceeds of a member's produce are first credited to his account with the credit society in payment of any loan he may have taken from such society."

Weavers' Societies. Among the industrial societies, weavers' societies ought to force themselves on our attention and we must do everything to revive their activities where they are moribund, as I find is the case with the societies in your area, except the Madura Sourashtra Co-operative Society, and also to start new ones in promising areas. There is a great future for hand-weaving in South India and if we fully revive our cottage industry of hand-spinning and hand-weaving, which was in a flourishing condition not long ago, the economic condition of the rural population will greatly improve. Co-operation will justify its existence even if it accomplishes this single purpose.

Co-operative Life Insurance.

It has been the ambition of co-operators in our province, for some time past, to start an Insurance Company on a co-operative basis, which would bring the benefits of insurance down to the poor ryot. At the 18th Provincial Co-operative Conference, a resolution was passed calling upon the Provincial Co-operative Union to take steps for the formation of a co-operative insurance society and in pursuance thereof, the Executive Committee, at its meeting held on the 29th June last, requested Mr. S. K. Yegnanarayana Iyer to draft a scheme in consultation with Diwan Bahadur R. Ramachandra Rau who, it is said, submitted a scheme to the Government sometime back. The Provincial Co-operative Union is doing its best to speed up the scheme.

The heavy charges that capitalistic concerns have to meet for propaganda and for collection of premium are expected to be minimised, as the co-operative insurance company can make use of the machinery of the existing co-operative societies which in this province number over 15,000 and are to be found almost in every place in the presidency. That there are well established joint stock companies that do insurance business, is no argument to keep us away from the field. There are joint stock banks and joint stock agencies for the distribution of money and goods for consumption and yet we have been trying to establish people's banks and co-operative stores, for the reason that Co-operation substitutes *service* motive for *profit* motive. That insurance is a complicated and highly technical line of business need not also frighten us, for business talent as well as technical assistance are available.

The benefits that we expect this new line of business will confer upon the masses are manifold. It will free the poor man from the ever pressing fear of leaving his family in distress and is ultimately bound to improve his general outlook upon life. It will afford a powerful incentive for the practice of the virtue of thrift which is the bedrock of Co-operation. It will also enable the co-operative movement to secure large sums of money, specially long term money, which will be available for investment within the movement itself. We thus hope to be able to bring the benefits of insurance within the reach of even a poor peasant. The Banking Enquiry Committees in the various provinces recommend that the benefits of postal insurance should be made available to the people at large and our scheme will be virtually carrying out this important suggestion so unanimously recommended. Bombay and Calcutta have recently started co-operative life insurance companies of their own and we shall not lag behind them. It is hoped that our scheme will be given a definite shape before the year of grace 1931.

The Future of Co-operation.

Our co-operative credit has, on the whole, been developed along right lines in spite of its admitted defects which require to be urgently remedied. The benefits so far derived from it are certainly appreciable and justify further advance. The movement has provided the rural population with a fairly large volume of capital, mainly local, which now aggregates in this province to roughly Rs. 10 crores,

at reasonable rates of interest. While the operations of the Imperial Bank and joint stock banks "deplete local areas of their capital for the benefit of large urban centres" and those of the postal saving banks feed the capital expenditure of the Government, capital collected by the co-operative banks is entirely utilised for the benefit of the agriculturists, artisans and small traders of the locality. Wherever the movement has taken firm root, the general level of interest rates has gone down and to that extent non-members of co-operative organisations have also benefitted. This must have naturally resulted in considerable savings to those whose borrowing operations are thus rendered humane, savings which would otherwise have run into an unproductive channel. The system of rural credit which, in the main, is made to rest on a self-governing structure, has also afforded opportunities for "practical training in business matters and acquisition of a sense of independence". These are no small material and moral gains. But these gains have to be consolidated and augumented considerably, for the movement now touches no more than a fringe of the population. The Punjab Banking Enquiry Committee have stated the true position in these words: "The three evils—excessive borrowing, carelessness about repayment and high rates of interest—are at the root of the great increase of debt that has taken place in the last twenty years and which has become so marked a feature of to-day. For this co-operation is the only lasting remedy." And yet the way to our further advance does not appear to be smooth or clear. The proportions which the movement has attained, the expanding tendency of its financial operations, the consolidation of effort at organisation of rural life and the steady accession of national workers to the ranks of informed enthusiasts in Co-operation, have all begun to tell and to create a stir in certain interested quarters. To-day the atmosphere and environment are by no means quite conducive to hasten an all round development of the movement. The desire to nourish and invigorate the growth of the tender plant of Co-operation by means of special facilities is fast giving place to a resolve to deal with it at arms length and to rank it with competing and profiteering commercial banking enterprises. The Imperial Bank has definitely ruled out agricultural paper as cover for financial accommodation, particularly for purposes of fluid resources, and twenty per cent of it has already been scrapped; the total extinction of it is only a matter of short time, say four years at the most

Again the development of loans by co-operative banks on pledge of cultivators' produce is now being looked upon with disfavour and I have come across instances where local agents of some of the branches of the Imperial Bank took steps to discourage this form of co-operative activity. Any small expansion of business of the co-operative banks, such as a little discounting of bills of their constituents, even within very circumscribed limits, is also viewed with disfavour and the cry of competition is raised. Signs are also not wanting that the existing facilities for the free transference of funds to rural areas instead of being enlarged are in danger of being restricted. Co-operators are bringing up these and other matters before the Central Banking Enquiry Committee and our case will, I am sure, receive the attention that it deserves.

I have drawn pointed attention to some of the dangers and difficulties ahead not to discourage co-operators, but to remind them of the supreme need for self-help and self-reliance in overcoming them. In addition to the unflinching exercise of these co-operative virtues, we must consolidate our ranks. I plead for disciplined action, greater understanding and closer collaboration among the local, central and apex co-operative organisations. Therein lies the source of our real co-operative strength. There is no room for indiscipline, sectarianism, monopoly or faction in a co-operative society. True co-operative spirit is essentially democratic in the highest and best sense. If we keep steadfastly to these ideals, we shall some day be in sight of the promised land of Co-operative Commonwealth.

The Bellary District Co-operative Conference.*

It need hardly be said that our movement has for its main objective the uplift of our agricultural community from the slough of misery and poverty into which it has fallen through decades of drift and stagnation. And with the ever-precarious seasonal conditions and the consequent dread of ever-recurring scarcity conditions of our Deccan districts, it should be the earnest endeavour of all public-spirited workers to spread the gospel of co-operation far and wide in our districts with a view to bring about a higher level of social and economic efficiency in our rural communities. We could visualise a state of rural development when almost every village would be a self-contained unit, administratively and economically, with a co-operative society functioning efficiently therein so as to subserve the needs and requirements of the village community.

The efficient and successful working of our institutions depends to a very large extent upon a prompt and regularised realisation of their dues from their constituent members. Systematic turn-over of the working capital of our institutions is the very basis on which we can hope to build up a true co-operative edifice. Money indefinitely locked up with the members of the primary societies defeats the very purpose of the society, which consists in its ability to meet the timely and urgent needs of the village community. The problem of heavy overdues prevalent almost everywhere throughout the country has thus become a serious one, requiring the earnest and thoughtful attention of all well-wishers of the movement.

A consideration of the question of heavy overdues in our institutions in long term loans leads me to make a few observations on the much-debated question as to whether our financing banks would be well-advised to give long term loans to primary societies for periods exceeding 5 years. I know there has been some keen controversy over this question. With the inauguration of the Central Land Mortgage Bank at Madras which is expected to widen the sphere of its usefulness by the gradual establishment of feeder institutions through the districts affiliated to the central institution,

* Extracts from the presidential address delivered by Rao Bahadur S. N. Narasimha Rao at the Bellary Dt. Co-operative Conference held at Hospet on 16-7-1930.

I should think all further controversy over the question may well be dropped. For my part I am at one with those who are for discountenancing the issue of long term loans for periods exceeding 5 years by primary societies to their individual members. It appears to me, that it would not be a sound business proposition from the point of view of our rural agricultural societies to permit them to invest their funds in long term loans for periods extending to 10 years or more. Chronic and heavy agricultural indebtedness of our rural population, can, if at all be tackled by institutions like Land Mortgage Banks, our co-operative credit societies should aim more at preventing the small agriculturist from falling into the grip of the usurious money-lender by enabling him to obtain credit, when he is most in need of it, on comparatively cheap terms with stipulations for early and punctual repayment, and thus fostering in him the true co-operative ideals of thrift and prudence in his every-day life.

It is none too early for us to vigorously start work for rehabilitating the ill-conducted and inefficient agricultural societies found in numbers almost throughout the districts. The Madras Central Urban Bank has very rightly come forward with an offer of financial help, if our Central Banks in the districts are prepared and willing to bear their share of the cost for systematic work in connection with the Consolidation and Rectification of bad societies. Unions and their supervisors may, and if they seriously undertake the business, can and ought to, do much in the direction But financing banks owe a duty to themselves and to the movement to see that the money supplied by them to the primary societies is properly utilised. Our Central Banks are accordingly called upon to maintain an administrative section with necessary field staff for the effective and methodical supervision of societies. Kurnool Central Bank has been maintaining two inspectors for the purpose for the last two years, and a separate clerk also was recently entertained to be in sole charge of the correspondence relating to the work. I am glad to find that this work has been taken in hand earnestly by your Central Bank as well. I would only venture to suggest that it is an imperative duty of all financing banks to safeguard the further progress of our movement by timely measures taken, for pulling up the bad societies.

Among the many causes that operate to bring about the deterioration in the condition of some rural societies, absence of proper human material to manage them at some sacrifice, if necessary, on

sound business-like methods is certainly one. Many a rural society is found to maintain its accounts and records in a confused state. It may not be possible or feasible for every rural society to employ a paid full-timed clerk to look after its business under the general control and supervision of its honorary office-bearers. But such as can well afford to employ paid staff, would only enhance the efficiency and usefulness of the institution by having a full-timed clerk or secretary, by whatever name called, to look after the day-to-day work and other constructive or progressive work, if any, of the society under the orders of its panchayat. Numbers of intelligent young men who have received general education up to School Final standard would be available to fill such offices on reasonable salary.

I feel tempted to touch upon a subject in which we have not yet shown sufficient interest so as to awaken our rural communities to a due sense of its importance in the realisation of our hopes and aspirations. I refer to the subject of Rural Reconstruction which is so easily talked about, but which has not yet been actively and strenuously put into operation, except in a few centres in our Province. Rural Reconstruction work unquestionably demands devoted service on the part of its votaries. It requiries not only material resources but a body of earnest and selfless workers who have energy and enthusiasm for the cause. Our political Swaraj which we all wish and hope to see established in our country at as early a date as possible, would not and cannot bring peace, contentment and happiness to our nation, which lies scatterd in our villages, unless and until there can be a general and wide spread upheaval in the social, economic and intellectual life of the community. Mass education, development of cottage industries, organisation of co-operative effort for the common needs and purposes of the community, improvement of sanitary and public health conditions and such other objects, which are essential for a thriving and progressive village community, have all to be attended to, by rural reconstruction workers. Organised Rural Reconstruction in its all-embracing character is certainly beyond the capacity and resources of individual rural societies. Such work can only be undertaken by our Central Banks and Local Boards and other philanthropic associations of disinterested workers. But our rural societies each, according to its resources in men and money, can take interest in one or other of the items pertaining to this great work.

Let me say a word about the progress of the co-operative movement in your district as it now stands. I have been able to peruse the figures up to the end of the co-operative year 1928-29. I have no hesitation, in saying that there has been steady and continuous progress all round during the last few years. One satisfactory feature I have noticed is that two Loan and Sale Societies at Bellary and Hospet are reported to be doing excellent work. A few such societies started in my district are practically doing very little work now. These Loan and Sale Societies, if well conducted, are examples of the true co-operative spirit, which we wish to see instilled in the minds of our agricultural communities.

I shall close this brief address with an humble exhortation to my brother co-operators in this district to give the best in them for the promotion of the great cause, we all have at heart, with religious zeal and fervour. May God bless this movement and crown our efforts to reach the cherished goal of our aspirations at no distant date is my earnest and fervent prayer.

The South Arcot District Eigth Co-operative Conference, Mailam.*

We are living in very stirring times. Economically, we are in the lowest ebb. Poverty to the core, unameliorated distress and misery choking to suffocation are the conditions prevailing uniformly throughout the country. What have we done to mitigate our troubles? I have oftentimes heard our friends say that our District has far advanced in co-operation. But knowing, as we do, the inner workings of our societies and the condition of the ryot in the village, we must confess that the real benefit conferred upon the masses by all our joint exertions is really next to nothlng, and if at all, infinitisimally small compared to the immensity of potentialities. At best we have only extended some facilities for borrowing without taking care to provide for producing anything. Almost every other country in the world is ahead of us in every detail. We are in the lowest rung of the ladder and are only dwelling in our past glory. To-day the average Indian is far poorer than any other citizen of any other country in both the Hemispheres. Te regain our lost position, there must be real co-operation in the minds and souls of everyone of us, not mere lip words and shows which are the fashion of the day. Mark you, Gentlemen, any amount of co-operative organisations, any number of societies and any volume of work as shown in our day books and ledgers, will not have done any real work in the onward march of the progress of our lead without the vital spirit of co-operation, of mutual goodwill and love and the real ideal of "*Each for All and All for Each*" creeping into our very souls and all our daily actions in life.

First and foremost the need for co-ordinated work exists in reconstructing our villages which present a dismal picture. Co-operative societies in rural parts are doing very little service by lending moneys only. Non-credit activities are *nil*. The village life to-day is most unattractive. Sanitation is in a wretched condition. With a small attention and care and not much of cost, we can keep our villages healthy and free from filth. The old Ayurvedic

* Extracts from the Welcome Address of Mr. Vanur Ramaswamy Mudaliar at the South Arcot District VIII Co-operative Conference held at Milam on 16-8-30.

and Sithavaidhia Doctor with his most efficacious herbs and lehiams is now practically dead and the veriest cooly has to send for costly patented bottled medicines from Berlin and New York. The village pial schools for which we had but little to pay and which gave us the very essence of the Holy Vedas is no longer in sight. Our young boys are sent to the nearest town for learning things not useful in life and to learn which, they spend their entire patrimony, if any, or plunge themselves deep into debt never to be free men for their lives. The villager, for every little squabble, civil or criminal, goes to the District Headquarters and to the High Court at Madras not unoften, to spend his all and that of his brother litigant, all for nothing. Where are our old Panchayat Arbitration Courts? Can we not revive them? The villager, again instead of producing the necessaries of life goes to the town market even for vegetables and groceries. Can not villages organise their own stores for their own supplies? We have been neglecting our village sanitation, schools, medicines, stores, arbitration courts, etc., for which one and all of us are paying very dearly. Yet, we are drifting and drifting and groping in the dark without trying to mend our things in the proper direction. A little thought and concerted action on our part will revive those dead golden things in no time. Last, but not least in importance, our village societies are looked upon merely as agencies to borrow from. Which villager is there who will deposit his savings into such societies, if savings he has any? It is hoped that ere long, he will put in as well as take from our societies. Steady progress in the reconstruction of our villages will surely make them in a short time self-governed and self-contained in all walks of life. I have no doubt that with such reorganised villages we have a surer road to swaraj than in platforms and councils. I therefore appeal to you, Gentlemen, for your earnest and hearty support to exert ourselves first and foremost to revivify our villages.

One other important organisation that we can bring about to work successfully and we have not done so far, is the joint agricultural operations in our villages as in foreign countries, where rural societies supply the members with machinary and implements of up-to-date scientific and improved pattern, and, in short, every necessity for carrying on the cultivation at the lowest price for the greatest efficiency. It certainly does not lie in the power of every villager to own machine, pumps, and ploughs and harvesting machines, but, unitedly, for the common use, every village or group

of villages can easily own them all. This District has great facilities for such joint organisations. With improved appliances aided by expert advice, the villages can intensify agricultural industry and produce far more than what they do now.

For the articles so produced, there are at present no organisations to collect and to put them in a profitable market. The villager is not posted with up-to-date information regarding the nature of the demand of the commodity in his hands. The needy man, as he ever is, he contents himself with whatever ready money he gets from the earliest bidder, whosoever he is, so as to meet the pressing demands of the Government Kist, and that of the capitalist to whom he is always indebted. There are Loan and Sale Societies but they are not functioning properly. Formation of several "Joint Purchase and Sale Societies" is advocated. In my opinion there is no necessity for several such societies in a District except the Central Loan and Sale Society, which will be the converging point from various centres and from which will issue, the necessary guidance to all centres. I would have it that everyone of the rural societies combines in itself along with its other activities, the functions of the purchase or sale as the case may be. They alone can pave the way for co-operative producers to get into direct touch with the co-operative consumers. If that is achieved, then, the very large number of middlemen who act as brokers and commission agents and who perpetrate an economic waste in the country can be easily eliminated

The Central Loan and Sale Society of Cuddalore must be able to gather all the produce of its area and convert the utmost that is possible out of it. It must be entrusted to an Executive Officer, a responsible officer, with very high qualifications, knowledge and training in Finance, Currency and Foreign Exchange. He must be a very competent person with a salary of not less than Rs. 500 per mensem. He must be in intimate touch with all the villages and in constant communication with them as regards the up-to-date quotations and conditions. As such, a high-paid officer is an impossibility left to the society by itself. I put it before this Conference that it may appeal to the Government for their support with funds. A glorious future lies to our District with the efficient working of this society. In December last there was a meeting at Vaniyambadi which proved abortive for want of a quorum. Its object was to widen the scope and activity of the above society by extending its jurisdiction to North Arcot, Chingleput and Salem also. M. R. Ry. T. Adinarayana Chettiar Avargal, M.L.C. has been recently touring this District to study the conditions and has promised to work out the programme. I hope it will be a success.

The above mentioned improvements will put more money into the hands of the owners of lands only, *viz.*, the aristocrats and the upper-middle class men. The lower-middle class and the millions of peasants who are the tillers of the soil go still unprovided for. For them I suggest the formation of "Land Lease Societies" in every village whereby, the said society will first take to itself the entire land of the village for cultivation from the owners of the land and then distribute the plots among its several members. I am sure that this joint-cultivation by the society will, after all the working expenses and after the payment of all the dues to the owners, yield very much to the society by way of profit, which means profit to the members. This profit is bound to be infinitely more than what the tenant is now getting as his *varam*,

He next spoke of improving the cultivation of sugurcane and groundnuts and of encouraging the Industrial societies with a view to get the maximum benefit.

The average villager remains unemployed for about half the year and does not feel that waste of time is loss of wealth. His ignorance and idleness are his bane. Establishment of cottage industries like spinning, weaving, coir and rope-making in off-hours will surely improve his condition to a great extent. Our District has further got the special advantage of taking to shipping industry having Cuddalore, Porto Novo and Pondicherry very near us. Much good can be turned out of the Boatmen society. It is regrettable that they have not availed themselves properly of the facilities accorded to them. And so a good deal has to be done by way of educating the people for business concerns and scientific methods.

In the matter of the disbursement of loans from the Bank it has been our experience, that it never comes to the villager in the timely hour, when it is most needed for agricultural operations. Very often he has to make an *interim* arrangment with some capitalist which leads to the mulking of interest. It is a great necessity therefore that we should introduce the system of cash credit for seasonal payments during cultivation and harvest times. Secondly, centralisation negatives the very principle of Co-operation. It is a dangerous

thing and will one day be a weapon in the hands of an autocrat posing himself as a leader. Decentralisation on the other hand not only paves the way for freedom, but also for progress, for, it is only when the activity of the main source is distributed among its various branches, that its benefits are easily available to the several parts of the District. It is therefore urged that the Central Bank, adopting the principle 'branchification leading to decentralisation,' will begin by opening its branches in suitable places.

He put in an elequent plea for the appointment of paid officers to be in charge of societies and defended the Federation and pleaded for not starting administrative section which would be only duplicating the existing machinery.

He then surveyed the progress of the movement and paid a richly deserving tribute to M. R. Ry. Rao Bahadur M. K. Venkatachariar Avargal, and to M. R. Ry. R. A. Sivananda Mudaliar Avargal.

The South Arcot District
Eigth Co-operative Conference, Mailam.*

16th August, 1930.

PRESIDENTIAL ADDRESS

OF

MR. V. SRINIVASACHARIAR, B.A., B.L.
Advocate and President, South Arcot Co-operative Central Bank, Ltd., Cuddalore.

I have a few suggestions to make for that they are worth for the consideration of the co-operators and those interested in the well-being of the movement. I shall first begin with societies as unless that foundation is strong every edifice built on them must in the end tumble down, Efficiency of the village societies contributes to the efficiency of the Central Bank and the efficiency of the Bank, Societies, Unions and Federation contributes to the soundness of the movement in the district.

(*a*) In the formation of societies special care should be taken that only such members are admitted who will realise their responsibility. The panchayatdars chosen, should be men who can command the respect of the members of the society and whose integrity is beyond question. At present the persons who run societies are honorary workers. It is against all instincts of human nature to expect one or more honorary workers to work as such for any considerable length of time. Co-operative societies must be run on business lines and it is my strong opinion that for a small group of societies located within an ambit of five or six miles, there ought to be a paid agency, who should be given either a fixed monthly pay or allowed a certain percentage as remuneration from out of the collections made by them. The persons to be so appointed should not be strangers to the society but must be men having intimate and local knowledge of the members, their property qualifications, etc., in the said society. They must be made responsible for the correct maintenance of the accounts by the several societies under their charge, the panchayatdars only shaping the policy in the matter of granting loans. If this agency is started the numerical strength of societies can be improved, large sums of money can be granted as loans, and the usefulness of the co-operative movement can be extended to a larger measure than now, and a greater number of people can enjoy the benefit of this movement. Further, the creation of such an agency will minimise the work of the supervisors, and will give them ample leisure to verify the property statements furnished by the members, and also to scrutinise the nature of the loans granted and other particulars regarding the borrowers. Such of the defects which he can rectify can be so rectified, while others may be brought to the notice of the supervising union, which will attend to their rectification. At present, much money does not flow into these societies as indicated above by the published defalcations in societies. If the paid agency is employed, greater confidence in the stability of these societies may be created in the villages, who will put in deposits into them. Loans may be granted on the security of gold and silver jewellery also. The object of the rural society should be to accumulate reserve fund until it obtains a capital of its own, sufficient to meet all its needs, and thus become independent of outside financial assistance.

(*b*) The Panchayatdars, who are defaulters, should be compulsorily removed from their position. No doubt even under the existing Bye-laws of some societies, defaulters *ipso facto* cease to be members of the panchayat, while in others, they are to be removed from their office. But my experience is, that this Bye-law is more honoured in its breach than in its observance. A prompter and a stricter adherence to the Bye-laws by the replacement of defaulting panchayatdars, will ensure better administration of the societies.

(*c*) The members of societies who aspire to get into the Governing Body, must undergo some training in co-operation, at least to an extent, which would give them a working knowledge of the societies.

(*d*) Supervisors are appointed to work under the unions to supervise the societies affiliated thereto. It is these people, ill-paid staff, that usually write up the accounts in the viilage societies for the obvious reason, that very many village societies do not have in their Governing Body, men, capable of doing scriptory work and maintaining accounts correctly. At present, I believe, about thirty societies are in charge of each supervisor. Regard being had to the quality of these supervisors, and to the large number of societies under them, their work has necessarily to be perfunctory. They have

* Extracts of Presidential Address at the VIII South Arcot District Co-operative Conference held at Mailam on 16-8-1930.

neither the time, nor the enthusiasm, nor the capacity during their inspection of the society to find out which loans are benami, which of the members are solvent, which of them can repay their debts in time, and who cannot do so, and who are really recalcitrant, nor are they able to suggest what effective steps should be taken to reduce the overdues. Therefore, only capable, knowing, and intelligent young men with some training should be appointed as supervisors on an attractive pay. Not more then fifteen societies should be allotted to each supervisor so that he may spend his whole time for the purpose of supervising the societies, finding out defects and rectifying the same. The Governing Body members of the Union may inspect the societies affiliated to their institutions and check the work of the supervisors. If each Union should in this way be made to function properly, the work of the Federation would considerably be lightened and the present system of the President of the Federation going about inspecting the Unions and societies, and actually collecting the overdues can be avoided, so that it may be left to do its legitimate work, *viz.*, Co-operative Propaganda. If this system is adopted, I would go to the extent of suggesting to convert these Unions into Branch Banks, so that they may be the financing agencies to the societies affiliated to them.

(*e*) Undesirable members should be steadily expelled, as their unfitness becomes evident, and a continuing defaulter for a considerable length of time without feeling any responsibility, should be brought under the category of undesirable members. If this system of weeding the society of its undesirables is adopted, the position of the society will considerably improve.

(*f*) In repect of societies, that are largely in overdues for any considerable length of time and would refuse to put their houses in order, there should be no hesitation in taking steps to wind them up.

While, I am here, I wish to make a few remarks as to the exact relationship, that subsists between the financing bank on the one hand and the borrowing societies on the other. Under the Bye-laws of the Central Bank, while they have the privilege of lending money to the societies, they have no corresponding right to supervise the borrowing societies. The obvious reason for this Bye-law must have been, that there are other institutions such as the Supervising Unions and the Federation, to look to the satisfactory financial situation of the borrowing societies. But in cases, where this latter function is not discharged properly by the institutions responsible for it, it is

undoubtedly necessary that the lender must have a right to look to the financial condition of the borrower, and it would be absurd for the latter to tell their lenders to simply lend them and let themselves have their own way. It is said that while a financing Bank can 'inspect' a borrowing society, it cannot 'supervise' the same. I am unable to appreciate the difference between the two and if there is any difference, it must be very fine indeed. If it is meant, that a financing Bank has no right to interfere with the internal management of the societies, I can have no quarrel with that position. But if it is meant, that the Bank should not acquaint itself with the exact financial condition of the borrowing society, such as the solvency of the borrowing members, their repaying capacity, the correctness or otherwise of the property statement, which would have the effect of jeopardising the interest of the Bank, I must enter my most emphatic but respectful protest against it, obviously because, the unlimited liability of these rural societies can be invoked only in cases of lipuidation, by which time the other properties of the borrowing members might have passed into strangers' hands and the contributory orders, which a liquidator can pass, will merely be a dead letter. This is my opinion from a theoretical and an academic point of view. So far as I am aware, the financial condition of most of the societies in this district, is sufficiently satisfactory and there is no need at all for any alarm.

I have to offer a few remarks about the District Co-operative Federation.

(*a*) It is very essential that the whole of the supervision fund should be pooled in the Federation. Instead of giving six annas to the Union and two annas to the Federation as now, if the whole amount is credited to the accounts of the Federation, it would work better than now.

(*b*) The Central Bank must have its representation in the Federation including its Executive.

(*c*) To make the Federation work better I would suggest that the Co-operative District should be divided into as many circles as there are members of the Governing Body of the Federation, each member being put in charge of each circle, and made to rectify ill-managed societies, as it will be impossible in the usual course to expect the President to do the whole work single-handed.

Before I close I would like to say a few words about Rural Reconstruction, Cottage Industries, and Long and Short term loans.

(a) The Chairman of the Reception Committee has dwelt at length upon the Rural Reconstruction scheme. By that expression is meant the improvement of the conditions of the villages in all possible directions: Education, Sanitation, Medical Relief and what not. This is undoubtedly necessary but this requires very good human materials to attend to this honorary work as also considerable sums of money. Rural Reconstruction Committees have to be constituted with a view to take steps to educate the villagers' sense of duty and to instill in their minds business habits. I should like to be excused, if I should be pessimistic in this matter as my experience of the present-day village life, with party feuds and strife and private malice eclipsing public duty and jealousy of prosperous neighbours, makes me slow to believe that any Rural Reconstruction Committee can do any good especially when we know that in several villages, Village Panchayats have been constituted under the statute with functions exactly the same.

(b) *Cottage Industries.*—To make our villages prosperous it is but necessary that they should have work throughout the year. At present our peasants are idle and unemployed for more then half the year. The handicrafts carried on in our cottages were for merely the mainstay of the millions of our people. The Indian handicraftsmen have been famous for ages for delicate and skilful workmanship. All that has now practically evaporated and that place has been taken by idleness and borrowing, because there is not sufficient encouragement for the handicraftsmen. It is but proper that the co-operative movement should pay attention to this aspect of the question, as that would materially improve the prosperity of our villages.

(c) *Long and Short Term Loans.*—At present the Central Banks give Long Term Loans, Short Term Loans and Special Short Term Loans, the last being on pledge of produce. Now, that a Central Land Mortgage Bank has been started at Madras and primary Land Mortgage Banks are being opened gradually in several districts, it is high time that the operations of the Central Bank should be limited to short term loans only, long term loans being confined to Land Mortgage Banks. Though there is a difference of opinion in this matter, it is hardly necessary to pursue the discussion to any considerable length.

Gentlemen, it is a far cry from an economically crippled and disunited countrymen to the creation of increased national wealth. Let us first forget our differences and close our jeering and sneering smiles and angry frowns. Co-operation is not for merely raising

cheap money. It must also raise the character and *status* of the population. The full benefit of co-operation can be had only when people realise the responsibility of their membership and feel that the society is their own and have a pious incentive to "better farming, better business and better living." Our ancient ideals have fast faded away. The tide of corruption and exploitation is flowing on unarrested. Agricultural economy has to be moralised and ethical obligations introduced into business transactions. Co-operation is but the sacred tie of man to man on earth, where members join together to promote their common economic and spiritual welfare, and to lift themselves from weakness and degradation to strength and honour. Our duty lies clearly before us. Friends, march on with our work with firmness and humanity, singleness of purpose and devotion to duty, fearless of calumny and persecution. Our past is a glorious tradition, our present a pitiable fall. Dear Brethren, do we hear the trumpet call of duty or shall we for ever be fallen? Our motherland once had a place of honour among the nations of the world. Shall we not regain our proud position of yore? Friends, let me close with the words of the poet—

"Our times are in His Hand
Who saith 'A whole I planned,
Youth shows but half; trust God: see all, nor be afraid."

District News

I

THE NORTH ARCOT DISTRICT SENIOR SUPERVISOR'S CONFERENCE, VELLORE

Morning Session 1st day 13th July 1930.

The President, District Council, M.R.Ry., K. M. Singaravelu Mudaliar Avargal presided. Essays on rectification, consolidation and expansion were read by the senior supervisors Messrs P. V. Rajabadar Mudaliar, T. Rangaswami Ayyar, and V. Annamalai Pillai and a general discussion was held after the conclusion of the reading of the essays.

The question of delays in arbitration proceedings was considered and it was felt desirable that the restriction of one arbitrator of one union area should be done away with, that a larger number of honorary arbitrators should be appointed for disposing off the cases expeditiously and that all assistance clerical and otherkinds, should be rendered by the paid staff to the honorary arbitrators.

In respect of executions also, it was felt that all possible steps to expedite executions should be taken, and that it was desirable that generally one Vakil should be appointed for each union area to attend to the execution of society decrees in the civil courts.

A point which was dealt in Mr. Rajabadar Mudaliar's essay regarding the maintenance of farm and domestic accounts by each farmer was considered at great length and a good deal of discussion was held over the subject. The President, M. R. Ry., K. M. Singaravelu Mudaliar Avargal spoke on the importance and absolute need of the maintenance of these essential accounts in each family and explained how the extent of the indebtedness of each individual could be brought home, how the study of one's own income and expenditure, in short budget cculd make one realise his repaying capacity, induce him to work out for the removal of the burden of his debt and be an incentive as well as guide for his economic uplift. Anent this family budget M.R.Ry., V. Manicka Mudaliar Avergal of Ambur mentioned how in his own society each member is obliged to work out his annual budget, domestic and farms, at least orally if not in writing, examine his own repaying capacity and place all the information relating to it before the society when applying for loans, and how this system has been conducive to a considerable reduction of defaults, and a substantial improvement in the material welfare of the members. It was finally deemed that the rectification staff should devote

their attention to the propoganda on this subject and see that at least the societies in their charge introduce and adopt the system of maintaining family and farm budgets by the members. The President remarked in this connection that there is a big movement in America with the sole object of insisting on the farmers the maintenance of farm accounts and that the utmost importance should be attached to this matter by the supervisors during their work. Mr. V. Manicka Mudaliar suggested that a prize might be awarded to the supervisor who achieved the best results in the direction of introducing the system of family budgets among society members. A proposal whether a model family and farm budget may be framed for the rural co-operator was mooted by the President and its form and utility were left for further consideration later.

In respect of expansion of societies, the Senior supervisors were instructed to see that the Panchayats exercise the greatest precaution in the admission of new members and that all undesirables are eliminated without exception. With this the forenoon session closed.

AFTERNOON SESSION.

The question of grant of loans was discussed and the senior supervisors were instructed to propogate the rule that only short term loan could be accommodated in rural societies and to familiarise the rural co-operators with the several kinds of short term loans such as the kist loan, cultivation expenses loan, standing crop loan, pledge of produce loan etc.

The subject of extension was next considered. A detailed discussion ensued and general instructions given regarding the principles to be observed in the grant of extensions. The rectification staff were also instructed strictly to see that indiscriminate extensions are completely avoided in the societies.

Next, the scheme of rectification for the year 1930—31 was discussed and the one suggested in the District Council letter to the Central Bank was adopted. Each Senior supervisor will be in charge of, on an average, 25 societies chosen in a group of 3 unions. The societies listed by the Central Bank for the bank are those taken up for 1929—30. All the work of rectification, consolidation and expansion should be done in consultation and corroboration with the concerned union which will be informed duly, of every stage of their work. The method laid out in Rao Bahadur A. Vedachala Ayyar's memorandum will be followed.

Mr. P. Chinnaswami Ayyar, Manager, Central Bank, spoke to the gathering about securing of deposits and explained in detail the nature, object and the scope of the several kinds of deposits taken up by the Central Bank. The rectification staff were instructed to include the propoganda for securing of the deposits among the items of their work. With the formulation of the scheme of work for the year 1930—31 the evening session closed, the details to be taken up to the next day.

Morning Session 2nd Day 14th July 1930.

Distribution of groups of unions among the supervisors and the selection of societies for each group was taken up. Annexure I gives the several groups, the societies selected therein and the respective Senior Supervisors in charge thereof.

A programme was next drawn up for the first quarter ending with 30th September 1930 for their work. The programme is given in Annexure II. With the drawing up of the programmes the forenoon session closed.

AFTERNOON SESSION.

The following returns were prescribed to be submitted by the senior supervisors as noted against each.

1. weekly collection cards—to reach the District Council office every Monday.

2. Fortnightly diaries.

3. Monthly progress reports of work done by each senior supervisor in the prescribed form (Annexure II) and

4. Pay and T. A. Bills in the prescribed form.

As regards the reports to be submitted relating to the rectification and consolidation and expansion of societies, the senior supervisors were required to make one or two visits to each society, study its condition, financial and administrative, after which they will be in a position to thoroughly grasp the situation and apply the remedies needed. When a complete study is made i. e., by the second visit, the report in the printed form should be submitted, which will furnish a complete survey of the society, the defects rectified, the defects which remain yet to be done, and which will be taken up for attention in the subsequent visits. For visits prior to this complete survey also, reports in manuscript should be submitted. All the reports should be prepared in Duplicate, one copy sent direct to the concerned union and submit the other 2 to the District Council. One of these 2 copies will be sent from the Council office from the Central Bank and the other will be scrutinised and instructions, if necessary, will be issued thereon from the council office. For the periodic visits after the complete survey for rectification, separate reports for each visit should be submitted in manuscript, which should be brief and contain the rectification work attended to and the improvements effected. These reports also should be in triplicate and submitted in the same manner as the others.

After the completion of rectification, when a society is placed in a position fit for self management, and for being handed over to the union, a final report again in triplicate as above, sbould be submitted together with a statement of completed societies in the prescribed form.

The Senior Supervisors were specially requested to discharge their duties without in the least offending the susceptibilities of local unions. The Senior supervisors were also instructed to attend to collection work throughout the year instead of taking it up in the fag end of the year, and show substantial results under the reduction of overdues and increase in the volume of transactions in the societies. After a few additional instructions relating to minor details, and a brief resume of the whole proceedings of the session by the Executive officer, the conference closed.

(Sd.) M. G. PADMANABHAN
Executive Officer

MADRAS DISTRICT CO-OPERATIVE CENTRAL BANK, LTD.

BOARD OF MANAGEMENT ELECTED.

A meeting of the original applicants of the Madras District Co-operative Central Bank was held on the 30th July 1930 in the Madras Provincial Co-operative Union premises with Mr. V. Ramadas Pantulu in the chair. There was a large gathering of individuals and Society representatives.

The certificate of registration of the Bank and the bye-laws were read and recorded and certain amendments also were passed, important of them being the deletion of all references to the District Federation and the utilisation of the supervision fund by the Disfrict Bank itself for the administrative purposes and also the insertion of a transitory bye-law to the effect that the proportion of the investment of share capital in the bank by the societies to their borrowings need not be insisted upon in case of loans already disbursed by the Christian Central Co-operative Bank and transferred to this bank. Shares of Rs. 100 each to the extent of 231 were allotted on the spot. It was read out also that sums of Rs. 16,825, Rs. 2,74,505 and Rs. 1.22,853 in the shape of shares, reserve fund and current deposits standing to the credit of the city societies and also Rs. 2,11,619 being the loans due by the societies will be transferred by the Christian Co-operative Central Bank to the new bank.

The calculated income from all sources excluding the grants expected from the apex bank came to about Rs. 15,000 and it was resolved to incur an expenditure to the extent of Rs. 10,000 for the year. The General Body also sanctioned the appointment of a paid Secretary on a decent salary and the necessary establishment.

BOARD OF MANAGEMENT.

The following members were elected to the Board of Management :—

Messrs. V. Ramadas Pantulu, A. Sivarama Menon, and Burra Satyanarayana from among the individual share holders;

Messrs. V. Manicka Mudaliar, S. S. Sankara Mudaliar and K. Parameswara Iyer from among the representatives of societies which have paid up not less than Rs. 5,000 share capital in the bank;

Messrs. Rao Sahib C. Gnanaprakasam, M. S. Sabesan, and A. Ramanjulu Naidu from among other society representatives.

A meeting of the Board was held later and it elected Messrs. V. Ramadas Pantulu and A. Sivarama Menon as the President and Vice-President respectively and appointed Mr. G. Sriram Babu Naidu as the Secretary of the Bank with effect from 1st August 1930.

PROCEEDINGS OF THE CONFERENCE OF REPRESENTATIVES OF PRIMARY LAND MORTGAGE BANKS,

held on 26th July 1930.

A Conference between the President and the other Directors of the Madras Co-operative Central Land Mortgage Bank Ltd., and the representatives of the Primary Land Mortgage Banks was held on 26th July 1930 at 12 p.m. for the purpose of discussing certain questions of practical importance which have arisen in the working of the Banks. M.R.Ry. Dewan Bahadur M. Ramachandra Rao Pantulu Garu, the President of the Madras Co-operative Central Land Mortgage Bank Ltd., presided at the conference and D. N. Strathie Esq, Dewan Bahadur P. Sitharamayya Pantulu Garu, Jamal Mahomed Saib Bahadur, and M. R. Ry. O. N. Ramaswami Aiyar Avargal, and M. R. Ry. V. Sivasubba Rao Pantulu Garu, the two Deputy Registrars were present. The 26 representatives of the Primary Land Mortgage Banks attended the Conference.

In welcoming the delegates to the first conference of Land Mortgage Banks, the President made a few preliminary remarks and referred to the memorandum already circulated containing the subjects for discussion.

The first question that was discussed related to the *area to be included* in the Jurisdiction of each Primary Bank. Under the present arrangement there is no definite understanding as regards the area to be included within the jurisdiction of a Primary Bank. It is either a 5 miles radius, or a 6 miles radius, or 8 miles radius according to convenience. The President stated that the point for consideration was whether the area to be included in the Primary Bank should be extended or should conform to any of the existing

divisions of a taluk for revenue purposes. After some amount of discussion, the conference came to the conclusion that the area of operations of each Bank has been too much restricted in the past and without laying down a hard and fast rule, it was generally felt that the area of the jurisdiction of each bank may be fixed on a more extended scale, the jurisdiction of the sub-registration district being taken into consideration and the maximum area for any bank being a revenue taluk.

The next subject discussed was the composition of the Directorate. It was pointed out by the President that if the Directors are all *borrowing* members, there is a possibility of the various rules of the Bank about the valuation and the repaying capacity of the borrower not being observed strictly. The present by-laws of the bank did not make any provisions on this matter and he stated that the question deserved consideration even apart from amending the by-laws. Some of the representatives present thought the Directors should not be deprived of the privilege of borrowing from the Bank, while others thought it undesirable that the Directors should take any loans from the Bank. A suggestion was made that at any rate, the President, the Treasurer, and the Secretary of the Primary Bank should not take any loans; but it was felt that there is no reason for discriminating them from the other directors. Sir T. Desikachari laid stress upon the desirability of the directors being non-borrowing members, and pointed out that some of the difficulties of the co-operative movement at the present day were due to the fact that the office bearers of Co-operative Societies were themselves borrowers. A resolution was eventually adopted to the effect that the general sense of the conference was in favour of the view that the Directors of the Bank should not borrow from the Primary Banks. It was considered premature to frame any rules on the subject, and that it would be enough if the attention of the banks is drawn to this aspect of the matter.

The subject of administrative charges of the Primary Banks and of the collection agency also came up for consideration. Representatives of some of the Banks stated what each of them is doing to meet the administrative charges in the early years of the existence of the Banks. Mr. Annadurai Aiyar of Kulitalai said that they are levying a fee of 4 annas for every loan of Rs. 100 for the administrative charges. One of the other representatives said that his Bank is levying a fee of Rs. 5 at the outset to cover all these charges. A view was also expressed that no charges whatever should be levied and that the Directors should do all the work for the first one or two years till the bank becomes self-supporting. The President pointed out that several of the Banks in Germany made provision for the administrative charges by levy of a small fee throughout the period of the loan from the borrower, and also by suitable entrance fees. A suggestion was made that instead of levying these fees, the rate of interest might be raised. But this suggestion did not find favour with the conference. On the whole, it was felt that for the present, each of the banks should be left to levy such fees as it may consider necessary for the purpose of meeting the administrative charges of the Banks, till it is in a position to be self-supporting.

The question of the contribution of share capital from the Primary Banks to Central Bank then came up for consideration. The Central Bank framed a subsidiary by-law by which Primary Banks should contribute 1/25 of the loan asked for as share-capital in the Central Bank. It has been suggested that in the case of new Banks difficulties may be experienced to meet the administrative charges, and it was ultimately agreed that the contribution as share capital may be reduced from 1/25 to 1/50 of the loan asked for. This, however, was not understood as preventing any primary bank from contributing such share-capital as it likes to the Central Bank and increasing their holdings thereon.

The disposal of loan applications and the time table suggested by the President then came up for consideration. The time table was generally approved, the aim being to secure the disposal of a loan application within 6 weeks of the date of its receipt. The dates suggested for payment of instalments by the borrower were also agreed to. On the subject of the valuation of properties it was pointed out that there has been a steady fall in the price of lands as well as the price of paddy and other food stuffs, and the question for consideration was whether loans should be granted up to the maximum of 50 per cent of their value. After considerable discussion the conference came to the conclusion that till the market value of the lands and the value of agricultural produce reach the old standards prevailing 3 or 4 years ago, the loans on cocoanut garden lands and other lands for garden produce may be given up to 35 per cent of their present values and similarly loans up to 40 per cent of their present value may be given on paddy producing lands. These ratios are to be taken as a working rule in addition to the other tests referred to in the by-laws and in the instruction issued for the guidance of the Banks.

The subject of delays in securing non-encumbrance certificates from the registration officers came up for consideration, and the Registrar was requested to carefully examine the whole question and to take steps for avoiding the delays complained of.

Other subjects such as delays by the Primary Banks in drawing moneys from the Central Bank, and delays in the payment of moneys to the borrowers by the Primary Banks and the preparation of sketches and subdivisions came up for consideration, but no definfte resolutions were adopted for the present.

Altogether the conference was a valuable means of exchanging views between the repeesentatives of the Primary Banks, and the Central Bank on administrative questions that have arisen during the short period during which the whole scheme has been in operation.

RESOLUTIONS.

1. The Conference is of opinion that the area of operations has been too much restricted in the past and without laying down a hard and fast rule, this area may be fixed on a more extended scale, the jurisdiction of the sub-registration district being taken into consideration and the maximum area being a revenue Taluk.

2. The general sense of the Conference is that the Directors of the Bank should not borrow from the Bank. The Conference considers it premature to make a rule at present.

3. *Administrative charges of the Primary Banks.*

4. *Collection Agency.*—No resolution has been adopted but, there was considerable discusssion on these subjects.

5. This Conference is of opinion that 1/50 of the loan may be contributed as share capital by Primary Banks.

6. The time table for the disposal of loan applications suggested in the President's note is generally approved.

7. The dates proposed for the payment of Instalment suggested in the President's note are approved.

8. The Conference is of opinion that till there is a rise in the market value of agricultural produce, loans on garden lands, and on other lands producing garden produce, should be restricted to 35 per cent of their value, and that similarly loans on paddy producing lands should be restricted to 40 per cent of their value. These ratios may be taken as a working rule for the present in addition to the tests laid down for valuation in the by-laws of the Bank and in the instructions issued.

9. *Dates for payment of instalments by the borrower.*—Adjourned for further consideration.

10. *Delays by the Primary Banks in drawing moneys from Central Bank.*—Adjourned for further consideration.

11. *Delays in the payment of money to the borrower.*—Adjourned for further consideration.

12. The conference requests the Registrar to carefully examine the whole question and to take steps for avoiding the delays complained of.

13. *Indexing Documents.*—This was agreed to.

(By order)
N. S. KONETI RAO,
Secretary.

Correspondence.

THE WEST GODAVARI DISTRICT CO-OPERATIVE FEDERATION LTD.,

The following resolutions passed by the Federation in the General Body Meeting held at Nidadavole on 23—4—1930 have drawn the special attention of the Registrar.

Resolution No. 34.—Resolved that the members of the Federation shall subscribe Rs. 116 to the Satyagrahanidhi of the District.

Resolution No. 36.—Resolved "the army of non-violence" that if any of the Federation staff are willing to join the Army of Non-violence necessary leave may be granted with lien on their appointments.

Resolution No. 37.—Resolved that under the auspices of the Federation the following members shall form the Sub-Committee to carry on vigorous propaganda in the district to boycott foreign cloth, encourage Swadeshi, prohibition of using liquors Mr. Samavedam Satyanarayana and 11 others. Mr. Kutumba Sastry is to be the Secretary of the Sub-Committee. It is further resolved that for the successful working of the campaign all co-operators in the district are requested to help in the matter. The quorum for the sub-committee shall be three. The committee is authorized to raise necessary funds to carry on the propaganda.

On account the above resolution, the Registrar has issued the following communication :—

"It has been brought to my notice that at the general body meeting of your Federation held on 23—4—30 various resolutions of a political character were passed. I am surprised that it should not have been clear to the members present at the meeting, that a co-operative organisation should not pass resolutions particularly Resolutions No. 34, 36 and 37. They are entirely outside the scope of the proper functions of the federations and are likely to do serious harm to the co-operative movement by indentifying it with a particular school of political thought and diverting the attention of the members from their legitimate duties. It is obvious too, that the Government cannot continue to recognise co-operative organisation, which is actively supporting the Satyagraha Movement. I must therefore ask you to arrange Res. No. 34, 36 and 37 cancelled at a very early date. If this is not done, the question of cancelling the registration of the Federation will have to be considered."

(Sd.) D. N. STRATHIE.

The Federation's General Body Meeting was held on 24—6—30 to consider the communication of the Registrar. The Registrar of Co-operative Societies, Madras, and Deputy Registrar, Rajahmundry were present at the time of the meeting, when Mr. Samavedam Satyanarayana and 19 otherss were present.

Registrar having expressed his regret for the tone of his letter which showed an unnecessary threatening attitude as has been felt by the members, the meeting proceeded on.

Resolution No. 45.—It is made explicit that the subscription of Rupees one hundred and sixty is paid by the members present from their private money.

In accordance with the wishes of the Registrar, the resolutions dealing with the grant of leave to such of the staff that are willing to partake in Satyagraha is withdrawn.

On the Registrar's remarking that the resolution is giving room to many to think that Federation is identifying itself with the politics, the following amendment has been proposed by Mr. Seshagiri Rao and seconded by Mr. A. C. Devaiah Naidu. "The resolution No. 37 dated 24—4—30 is put under abeyance for the present, as far as it does not concern with the societies." Mr. G. S. Chowdary proposed the following amendment to the above Delete "As far as it does not concern societies" seconded by T. Krishnamurthy Naidu. The amendment was put to vote. Those who are for, eight, and against eleven, hence amendment lost. Mr. Seshagiri Rao's proposal was put to vote. Those who are for, eleven and against nil.

The meeting terminated with an appeal to the Registrar to view the whole matter sympathatically. He promised to write to the Government to do the needful.

C. SESHAGIRI RAO.
West Godavari District Co-operative Federation.

Special Type Societies.

1. THE MADRAS CO-OPERATIVE CENTRAL LAND MORTGAGE BANK, LTD.

The establishment of a Central organisation in Madras to finance the Primary Land Mortgage Banks by the floatation of debentures had been under the consideration of the Government of Madras for several years. The matter came under the consideration of the Townsend Committee and the Royal Commission on Agriculture, who recommended the formation of a central bank for financing the Primary Banks in the Presidency. The scheme outlined in G. O. No. 1814 dated 12th October 1929 was accordingly sanctioned by the Government, and the Madras Co-operative Central Land Mortgage Bank Ltd., was organised and registered by the Registrar of Co-operative Societies on the 12th of December 1929. In recent years a definite policy of separation of short term from long term credit has been adopted, and the establishment of the Bank, therefore, meets a long felt want in the Co-operative organisation of this presidency for providing the agriculturists with facilities for long them credit.

Before the Central Bank could begin to function, a good deal of spade work had to be undertaken. Up to the date of the establishment of the Central Bank, the Primary Banks were all independent organisations each making its own arrangements for financing its needs. The amendment of the by-laws of the several Primary Banks, so as to permit their affiliation as members of the Central Bank was a necessary preliminary, and involved the summoning of a general body meeting of these banks for adopting the necessary amendments to their by-laws. After these amendments were adopted, 18 Banks were admitted as members.

New model by-laws for Primary Banks prepared by the department were carefully considered by the Board and approved with the necessary amendments. One of the points that arose for consideration was, as to whether the Primary Land Mortgage Banks should continue to possess the power of floating debentures after the formation of this bank. Some of the Primary Banks in Northern Districts expressed a disire to continue to have this power on the ground that they should be allowed to attract local capital. The Board sympathised with this desire and addressed the Government on the matter, who eventually agreed to the Primary Banks continuing to have the power of floating debentures on the following conditions :—

(i) That the rate of interest on the debentures should not exceed that offered by the Central Land Mortgage Bank and should be fixed with its approval ;

(ii) that the debenture holders of primary Land Mortgage Banks should have a fixed charge on the mortgaged securities which are ear-marked as cover for debentures ; and

(iii) that the floating charge of the Central Land Mortgage Bank should not affect the fixed charge of the debenture holders of the primary land mortgage banks.

(Vide G. O. No. 848 M.S., Dated 15th April 1930).

The membership of the Bank is of two kinds ; non-borrowing individual share-holders and secondly Primary Land Mortgage Banks. 124 individual share-holders have been admitted as members up to the end of the year, and have taken altogether 513 shares, aggregating in value to Rs. 51,300. The Board ordinarily allotted only 5 shares to an individual member, but placed no such restriction on the Primary Banks who are permitted to subscribe for any number of shares without limit. On the date of the establishment of the Bank 21 Primary Banks were in existence in the Presidency. The 19 Banks admitted as members have been allotted 198 shares, *but* have *only* paid for *191* shares up-to-date. The share capital contributed by the Primary Banks amounts to Rs. 19,100. The Primary Bank at Tinnevelly has been brought under liquidation as its affairs were very unsatisfactory. New Primary Banks have been established at Amalapuram, Trichinopoly, Lalgudi, Bheemavaram and Nellore towards the end of the year under report. Some of them are applying for admission and their applications are pending disposal. The organisation of primary banks in other suitable localities is receiving the attention of the Deputy Registrars.

In paragraph 5 of G. O. No. 1814 dated 12th October 1929, the Government sanctioned the employment for a period of 3 years of 2 Deputy Registrars and 10 appraisers of the grade of Sub-Deputy Registrars for the purpose of inspecting the lands proposed to be mortgaged to the Primary Banks, and appraising their values, and to report on all applications for loans before they are sanctioned by this Bank. It was considered desirable to appoint to these posts men with revenue experience in the Districts and their selection and appointment by Government involved some amount of unavoidable delay. M. R. Ry. Rao Bahadur O. N. Ramaswami Aiyar Avl., M.A., and M. R. Ry. V. Sivasubbarao Pantulu Garu B.A., have been appointed as Deputy Registrars in charge of the Tamil and the Telegu Districts respectively to supervise the work of the Sub-Deputy Registrars.

(*a*) The procedure relating to the disposal of loan applications formed the subject of anxious consideration, and after considerable discussion, specific instructions laying down the procedure in regard to this matter have been drawn up and communicated to the primary banks as well as to the Sub-Deputy Registrars incharge of the Districts. The nature of title the valuation of properties proposed to be mortgaged, the repaying capacity of the borrower, and the need for the loan, these, and other matters are now investigated in the first instance by the Board of Directors of the Primary Banks and its officials and afterwards they are scrutinised by the Sub-Deputy Registrars and by the Deputy Registrars. As the Primary Banks have not hitherto worked with any central financing organisation, the soundness or otherwise of the present procedure in dealing with the loan applications, is now being tested by actual experience. The Board is endeavouring to impress on the Banks the importance of the speedy disposal of loan applications, and of their transmission to the Central Bank with as much expedition as possible.

Under the scheme embodied in the By-laws, the Bank has to obtain its funds mainly by the floatation of debentures. Several intricate questions relating to their floatation came under careful and anxious consideration of the Board. The Townsend Committee expressed the opinion that insurance companies in this country suffer from a lack of suitable mortgage investments which from a large portion of the investment of the insurance companies in England, and they made various recommendations for the purpose of inducing the companies to invest funds at their disposal in the debentures of the Central Bank. The Board addressed the leading companies on the subject and brought to their notice the advantages of investing their funds in the debentures of the Bank. It was pointed out by some of the Companies that under their Articles of Association, they are permitted to invest their funds only in Indian Trustee securities, and the question was raised as to whether the debentures of the Bank are on the same footing as trustee securities. Both the Townsend Committee and the Royal Commission on Agriculture made a strong recommendation that the debentures of the Land Mortgage Banks should be made trustee investments. In his letter dated 23-4-29 No. B. 2148—29, the Registrar of Co-operative Societies addressed the Government that the High Court may be requested to declare, under Section 20 (f) of the Indian Trusts Act, 1882 the debentures of the Madras Co-operative Central Land Mortgage Bank as trustee securities. The Honourable Judges of the High Court were, however, of opinion that it would be more appropriate to amend section 20 C of the Indian Trusts Act, 1882 and to expressly include the debentures of the Central Land Mortgage Bank in the list of securities mentioned in that section. The Board addressed the Government of Madras on this matter and it is understood that the Government of India have been requested to carry out the suggestion of the Madras High Court and to expressly include the debentures of the Bank in the list of trustee securities. The Board believes that such a declaration is vital for the success of the Bank, and if the amendment of the law is carried out, the investing public would be inclined more readily to purchase the debentures of the bank and that futther funds would be available at cheaper rates of interest.

AUDIT ORDER.

The accounts of the Madras Co-operative Central Land Mortgage Bank, No. X-59, Ltd., as audited by M.R.Ry. M. Nagappa Chettiar, Senior Inspector of Co-operative Societies for the year ending 30th June 1930 are passed.

The bank was registered on the 12th December 1929 and started on its work the next day. 143 members were admitted up to the end of the year, of whom 124 were individuals and 19 were the Primary Land Mortgage Banks. Rs. 70,400 was the share capital paid up by the members, of which Rs. 51,300 was contributed by individuals while the rest, namely Rs. 19,100 was by the Primary Banks.

The total liabilities of the Bank by way of Loans and Depoits amounted to Rs. 63,000 as detailed below :—

	Rs.	A.	P.
Deposits received from individuals on account of debentures	46,000	0	0
Employees' Securities	2,000	0	0
Loan from Government to be repaid in five years ...	15,000	0	0
Total ...	63,000	0	0

The Bank is requested to issue the Debentures as early as possible for Rs. 46,000 referred to above.

The Bank issued during the year loans to the extent of Rs. 42,000 to three Primary Banks, in the Presidency.

The Bank has invested Rs. 89,505-2-0 with the Madras Central Urban Bank as detailed below :—

	Rs.	A.	P.
Fixed Deposits	40,000	0	0
Current Account	45,411	4	0
Prudential Account	4,093	14	0
Total ...	89,505	2	0

The Bank worked at a profit of Rs. 1,357-15-0. Under by-laws 50 (1) of the bank 25 per cent (*viz*)., Rs. 339-8-0 shall be carried to reserve fund. The Preliminary and formation expenses incurred in the year under review have not been debited to loss but carried over to a separate loan fund account to be written off in future years. In view of this fact no dividend is permitted to be paid out of the net profits.

The Bank convened 5 Executive Committee, 7 Board of Management and 2 General Body Meetings.

(Sd.) D. N. STRATHIE,
Registrar, 7—7—1930.

2. SOME NON-CREDIT SOCIETIES IN SOUTH KANARA DISTRICT

BY

MR. K. L. NARASIMHA RAO B.A., B.L.

(*Advocate, Madras High Court*).

Anand Asramam Co-operative Housing Society at Ullal:—Ullal Railway Station is six miles away from Mangalore. But for the river in between Mangalore and Ullal over which there is no road bridge, Ullal might have well formed a part of Mangalore. As there is convenient railway communication, people in Mangalore are still looking for colonising Ullal which abuts right on the sea coast. It is at this place the Anand Asram Co-operative Housing Society is started. The authorised share capital of the society is Rs. 50,000 which is divided into 1000 shares of Rs. 50 each. A plot of land, 35 acres in extent, was bought by individuals for a sum of Rs. 5,400 and transferred to the society for the purpose of cutting it up and distributing it among members in convenient plots, the minimum extent of each plot being half an acre. The objects of the Society are to provide house accommodation, to supply drinking water by laying down pipes and to give electricity lighting (generated by their own plant) for houses and roads. It may be interesting to note here that Mangalore town itself does not possess either electricity or water pipes. There is also to be a co-operative hall in the centre of the colony, which can be used not only for library, reading room, club and lecturing hall, but also for marriage and other festive occasions. This co-operative hall intended for lending to members on marriage occasions is a boon to members, who cannot build big houses. Another noteworthy feature of the Society is the members determination not to depend upon Government or any other source, but to depend upon themselves for finance. This is possible because the richer members are willing to put their money in the Society as fixed deposits at 6 per cent interest. Unlike in many other societies, no member in this society is willing to borrow more than what is absolutely necessary to build a house, which is just sufficient for his family needs and which his financial position warrants. By the time I went there *i. e.* in the month of May 1930, there were three houses built for Rs. 5,000, 3,000 and 1500 respectively. Dr. M. Siva Rao is the President and Mr. G. Somasehara Rao is the secretary of the Society and both deserve congratulation for energetically working the scheme on safe and sound lines, with a true co-operative spirit.

3. THE UDIPI CO-OPERATIVE AGRICULTURAL AND INDUSTRIAL SOCIETY LIMITED, AT KALYANPUR

Kalyanpur is four miles to Udipi and 60 miles to Mangalore. Though there is no railway, the place is still very accessible on account of efficient bus communication. At the place round about Kalyanpur is fertile, both sugarcane and paddy are grown. There are also a number of cocoanut groves (topes). It is at this place, the Udipi Co-operative Agricultural and Industrial Society Ltd., is started on 25—11—25 with the purpose of crushing sugarcane and preparing jaggery, and pressing oil out of copra, by machinery, for the benefit of its members. This is the first of its kind in the District.

As on 30th May 1930, there were 27 societies and 357 individuals as members of the society, the former contributing a share capital of Rs. 3,500 and the latter Rs. 8,802. Its borrowings as on 30th May are Rs. 5,964 made up of as follows:—Rs. 914 from the South Kanara Co-operative Central Bank, Rs. 2,050 by way of fixed Deposit and Rs. 3,000 South Kanara Joint Stock Bank. It invested its borrowings and share capital as follows:—Buildings Rs. 6,477, Plants and machinery Rs. 8,248-13-0 and furniture Rs. 259-9-9. And during the period from 1—7—'30 to 31—7—'30 it received work to the amount of Rs. 2,267-14-0 and spent a sum of Rs. 1,574-8-4 making a profit of Rs. 728-9-5. And during the time the machinery was not worked, the buildings were given for rent to the Malabar Estates Ltd., for three months for a sum of Rs. 600. Thus the society is working on prudent and cautious lines.

But the Board of Directors had to meet certain difficulties purely arising out of inexperience and lack of technical knowledge. The chief difficulty of the Directors was, that they did not know exactly what machinery to buy for their requirements. To illustrate it, they bought a 16 H. P. crude oil cold-starting engine, when perhaps a 8 H. P. engine would have been sufficient for their purpose. Likewise they prepared 12 pans for heating sugarcane juice, when the crushing machine could supply juice only for six pans. The result is wastage in fuel and labour in heating six pans only, when with the same fuel and labour, all the 12 pans could be heated. Further they did not make provision for working the machinery all the year round. These mistakes due to lack of expert knowledge, landed them first in financial difficulties. As they were not able to give enough work for the machinery for a sufficiently long period, they could not make enough money to meet their liability to the Co-operative Central Bank. This made the Co-operative Central Bank refuse further loans. Having invested large share capital, the directors could not keep quiet, especially when there was a chance of good working with a little more investment of money. So they borrowed from a

Joint Stock Bank on their own personal responsibility, a sum of Rs. 3,000 at about 12 per cent interest. This amount was not enough, as it was fonnd that some parts in the machinery must be changed and added to, before it could be made to work at a profit. As there was no finance for this, and as the old debts were pressing, the society was not working.

The society can be liquidated, but it is most undesirable to do so, especially when there are plenty of chances for rectification. The Secretary, Mr. Denis Lewis is an honest and energetic worker, who is actively and disinterestedly working for the society. The fact, that in a small place like that, he collected a share capital of about Rs. 12,000 in the very beginning, shows the confidence the people have in him. On a close examination and keen discussion with the Secretary and others of the Society, I am of opinion that the society can be revived, provided the following things are done. Firstly, the Industries Department should be requested to give for hire Massey's three roller cane mill. Seçondly, the society should sell away the present small sugarcane crushing machinery and buy with it a rice huller. Thirdly, the South Kanara Co-operative Central Bank should give the Society a loan of Rs. 3,000 for a period of five years on the mortgage of the machinery and buildings. Fourthly, the society must collect at least Rs. 2,000 share capital for meeting the initial running expenses and sundries. (The secretary feels confident of collecting about Rs. 2,000 more as share capital). Fifthly, the Co-operative Department must lend an Inspector to assist the Secretary and other directors in the working of the society.

If the above suggestions are carried out, it is possible to work the society on a very good basis. As there is no machinery for rice hulling anywhere within a radius of 15 miles, though it is a rice producing tract, there will be no competition to the rice mill: and by a little effort, plenty of paddy can be got for hulling at this co-operative mill. Thus by improving machinery foı sugarcane crushing, oil pressing and rice hulling, there will be enough work for the engine the whole day throughout the year. And there can be regularly paid labour which costs less than that of off-time labour. By such working, the society can be easily made to work at a very good profit in a short time.

In conclusion I appeal to the Co operative Department, the South Kanara Central Bank and the society to join together in the working of the society and make it an unqualified success. Of course, the Provincial Union will be willing to render such aid as it can.

Government Order.

Fort St. George, July 14, 1930.

[G.O. No 854, Public (Services)].

No. 112.—In exercise of the powers conferred in rule 44 of the Civil Services (Classification, Control and Appeal) Rules, the Governor acting with the Minister hereby makes the following special rules to regulate the method of recruitment, conditions of service, pay and allowances of the Madras Co-operative Subordinate Service.

In these rules, 'the Service' shall mean the Madras Co-operative Subordinate Service.

1. *Constitution.*—The Service shall consist of the following classes of officers, namely :—

CLASS I.

Sub-Deputy Registrars.

CLASS II.

Senior Inspectors.

CLASS III.

Junior Inspectors.

2. *Recruitment.*—(*a*) Subject to the provisions of sub-rules (*b*) and (*c*) of rule 9, admission to the Service may be any class of the Service and shall be either by direct recruitment or by transfer of persons already in Government service.

(*b*) Candidates for admission to the Service shall be selected after consulting the Madras Services Commission,

(i) by the Local Government, if in class I ; and

(ii) by the Registrar of Co-operative Societies, if in Class II or Class III :

Provided that this sub-rule shall not apply to the appointment by the Local Government or the Registrar of Co-operative Societies as the case may be of a Government servant who is not a member of the Service to hold temporarily a post included in the cadre of the Service for a period or periods not exceeding three months altogether in the case of each Government servant, but a person so appointed shall not be regarded as a candidate selected for admission to the Service.

(*c*) Any information affecting the selection of a candidate for admission to the Service which the Local Government or any authority subordinate to the Local Government may have shall be supplied to the Madras Services Commission on demand.

3. General rule 5 shall apply to selection for admission to the Service in each class separately.

4. No person shall be eligible for selection for admission to the Service in Class I unless he is a graduate of one of the Universities mentioned in the Annexure to these rules:

Provided that preference shall be given to candidates who have obtained degrees in Economics, Commerce or Agriculture of one of the said Universities or who possess the Government Diploma in Accountancy.

5. *Probation and Training.*—(*a*) Within the period of his probation a candidate selected for admission to the Service shall undergo.

(i) if he has been selected for admission in Class I, the Government Technical Examination in Co-operation and Auditing in the first class and the Account Test;

(ii) if he has been selected for admission in Class II

(1) the Government Technical Examination in Book-keeping and Banking in the Higher Grade and

(2) the Government Technical Examination in Co-operation and Auditing in first class; and

(iii) if he has been selected for admission in Class III,

(1) the Government Technical Examination in Book-keeping and Banking in the Lower grade and

(2) the Government Technical Examination in Co-operation and Auditing in the second class:

Provided that a candidate who has already successfully passed any of the said tests shall not be required to undergo the same test.

(*b*) If, at the end of the prescribed period of probation a candidate has not successfully passed the tests prescribed (in sub-rule *a*) the appointing authority shall dispense with his service or revert him to his permanent post as the case may be.

6. *Appointment to the Service.*—Appointments to the Service in each class shall be made by the authority competent to select candidates for admission to the Service in the respective class.

7. *Pay.*—There shall be paid to a member of the Service.

(*a*) in Class I, a pay calculated at the rate of Rs. 150 a month rising by annual increments of Rs. 5 each to Rs. 200 and thereafter rising by annual increments of Rs. 10 each to a maximum of Rs. 250;

(*b*) in Class II, a pay calculated at the rate of Rs. 80 a month rising by annual increments. of Rs. 4 each to maximum of Rs. 100; and

(*c*) in Class III, a pay calculated at the rate of Rs. 40 a month rising by annual increments of Rs. 4 each to Rs. 60 and thereafter rising by annnal increments of Rs. 2 each to a maximum of Rs. 80.

8. *Special pay.*—In addition to the pay mentioned in rule 7 there shall be admissible to a member of the Service in classes II and III while employed in any locality declared by the Local Government as unhealthy or if the duties of the post held by him involve touring in such locality for a period exceeding nine months in a year, a special pay calculated at the rate of Rs. 25 a month:

Provided that nothing in this rule shall apply to a person who is a native of, domiciled in, such locality.

9. *Promotion.*—(*a*) No member of the Service shall be eligible for promotion from one class to the next higher class unless he has successfully passed the tests prescribed for probationers in such higher class in rule 5.

(*b*) Every alternate vacancy in Class I shall be filled by promotion from Class II if there is a member of the Service in Class II who is qualified and who is in the opinion of the Local Government fit for such promotion.

(*c*) When a vacancy in Class II is filled otherwise than by promotion from Class III, the next four vacancies at the least in Class II shall be filled by promotion from Class III if there are members of the Service in Class III who are qualified and who are, in the opinion of the Registrar of Co-operative Societies, fit for such promotion.

(*d*) Promotions from Class III to Class II shall be made by the Registrar of Co-operative Societies and promotions from Class II to Class I shall be made by the Local Government.

Transfers and postings.—Postings and transfers of the members of the Service, probationers and officers officiating in the service shall be made by the Registrar of Co-operative Societies:

Provided that Deputy Registrars of Co-operative Societies, Sub-Deputy Registrars, District Labour Officers and Special Superintendent of Police, Kallars, Madura, shall be competent to transfer officers in classes II and III within their respective jurisdictions.

9

ANNEXURE.

(REFERRED TO IN RULE 4.)

Indian Universities.

The Universities of Allahabad, Bombay, Calcutta, Dacca. Delhi, Lucknow, Madras, Nagpur, Patna, the Punjab and Rangoon.

The Aligarh Muslim University.

The Andhra University.

The Annamalai University.

The Benares Hindu University.

The Mysore University.

The Osmania University.

English and Welsh Universities.

The Universities of Birmingham, Bristol, Cambridge, Durham, Leeds, Liverpool, London, Manchester, Oxford, Sheffield and Wales.

Scottish Universities.

The Universities of Aberdeen, Edinburgh, Glassgow and St. Andrews.

Irish Universities.

The University of Dublin (Trinity College) and the Queen's University of Belfast.

Registrar's Circular

R. Dis. 4958/30.

OFFICE OF THE REGISTRAR OF
CO-OPERATIVE SOCIETIES, MADRAS.
15th August 1930.

D. N. STRATHIE ESQ., I.C.S.,
Registrar.

Subject:—Correspondence between Co-operative Societies and the Sub-Deputy and Deputy Registrars.

It is requested that correspondence be addressed in the first instance to the Deputy Registrars or sub Deputy Registrars when the latter are in independent charge. Considerable time is now being wasted by the practice of addressing the Registrar direct. Even if the personal opinion or orders of the Registrar are required, it is desirable that the correspondence should be sent through the Deputy Registrar, as the Registrar will ordinarily not pass orders or express an opinion without consulting them.

(By order)
T. R. RANGANATHAN.
Manager.

To

All Deputy Registrars, Sub-Deputy Registrars and District Federations.
The Training Institutes.
The Central Banks, Provincial Co-operative Union.
" Madras Central Urban Bank, Mylapore, Madras.
" Andhra Sahakara Sammelanam and the Tamil Nadu Federation.
" Madras Journal of Co-operation for favour of publication.

THE MADRAS PROVINCIAL CO-OPERATIVE UNION,
ROYAPETTAH, MADRAS.

Dated, 9th September 1930.

CIRCULAR.

As you know, the Madras Provincial Co-operative Union has undertaken to publish a monthly Journal "The Village Panchayat" in three languages English, Tamil and Telugu. This Union proposes to bring out the first issue of the same by about the 1st of October. The Registrar General of Panchayats has kindly agreed to render not only his hearty co-operation in sending all the Circulars on the subject, but also promised to contribute articles to the Journal.

There has been a good response for our Circular requesting individuals and Panchayats to send subscriptions for the Journal. We further request all Panchayats and others interested in the Panchayat Movement to send in their subscriptions and requisitions for sending the Village Panchayat by V.P.P. and make the Journal a success. Contributions regarding the work of Panchayats etc., will be received with thanks.

(Sd.) V. VENKATASUBBIAH,
Hon. Joint-Secretary, P. C. U.

collate and keep up to date the history of the societies financed by the bank." The reference to "the work" in condition 3 calling for a scheme, and in condition 4 fixing the responsibility of central banks, may, not without reason, be held to relate to the work mentioned in condition 2 (b), which is described as the looking after of the financial interests of central banks. And again the idea conveyed by condition 2 (a) of maintaining one clerk for a certain specified work does not take into account the vast amount of work which would devolve on the administrative section in the execution of any scheme of rectification and consolidation. Simultaneously with passing the subvention scheme (Subject 5), the board of management passed another resolution * (Subject 6) which deals with the regulation of methods of business, reports, returns &c., relating to the work of rectification and consolidation. Taken as whole, these two resolutions hardly leave any room for doubt (nor do I personally think that there is any doubt in the minds of the members of the board of management or the executive committee) as to the object for which the subvention scheme has been proposed, accepted and sanctioned being any other than the wider work of rectification and consolidation of all societies financed by central banks. However, my object in making a reference to these matters on the present occasion is to remove all scope for any doubt being possibly raised in future in regard to the intention underlying the grant of subvention.

There are one or two other reasons why this matter should be made quite explicit on the present occasion.

First: The amount allotted by the M. C. U. B. for the purpose for the current year is so large as Rs. 50,000, which figure may possibly have to be raised by another 10 or 15 thousand rupees. Further, the grant may have in all probability to be renewed in coming years also, as the work undertaken is of a tedious and protracted nature and it will be some years before it is completed. As such all room for doubt requires to be eliminated.

Next: If we refer to the several resolutions passed from time to time in the matter of rectification and consolidation of rural societies, by the Central Banks' Conference at its first session held in May 1926, and since then up to the present time, by that body as well as by the board of management of the M.C.U.B. and the Provincial Co-operative Conference, we find that the series of resolutions passed in the earlier years, as well as in the recent past, refer to the work of rectification and consolidation of all societies financed by central banks; and that only some of them, which were

* Vide Appendix II.

passed shortly after the publication of the Townsend Committee's Report, refer prominently to the responsibility of central banks for the inspection of primary societies, with a view to safeguard the banks' financial interests, and for that purpose maintaining a limited field and office staff, leaving the wider work of rectification and consolidation, as coming within the scope of "supervision", to the charge of federation. This differentiation, which was due to the Townsend Committee's sharp division of functions between "inspection" and "supervision", however justified or maintainable in normal times, is not capable of being maintained or observed in actual work, *especially at the present time*, when the number of societies requiring "inspection" (within the meaning of the term as defined by the Townsend Committee) is almost coincident with the number of societies standing in need of rectification and consolidation. This view having rightly prevailed, it is a matter for satisfaction that such responsible provincial bodies as the Central Banks' Conference, the board of management of the M.C.U.B., and the Provincial Conference, represented by leading co-operators of the entire province, have agreed that central banks should hold themselves responsible for the due execution of the work of rectification and consolidation. They have, however, with due respect to the views of one school of co-operators, agreed to that work being executed, either under the direct control of central banks themselves, or through the federation, as central banks may choose; provided, however, that in either case the central banks' responsibility for the due execution of the work and for furnishing the M.C.U.B. with the prescribed reports, returns, etc., will be direct. It may accordingly be now taken for granted that the subvention to central banks is for the wider work of rectification and consolidation.

DIRECT RESPONSIBILITY OF CENTRAL BANKS

3. Of the 13 central banks that have applied for subvention the federation has ceased to function in the areas of three banks, namely, Srivilliputhur* (as from 8-6-'30), Malabar† (as from 1-7-'30) and Salem (where perhaps it never functioned.) The reports of five other banks, namely, Aska, Cocoanada, Viziavada, Krishna and Trichinopoly make no reference whatsoever to the participation of the federation existing in their areas in the work of rectification and consolidation.

*In view of its slendar finance, unions in the area of the *Srivilliputhur* bank, at a general meeting of the federation, resolved to disband the federation and strengthen the administrative section of the bank.

†In *Malabar* the federation has been converted into an administrative section of the bank, the work of rectification and consolidation of

Evidently, these banks undertake the work under their direct control. In the remaining five banks, namely, Nellore, Anantapur, Kurnool, Hospet and Vellore the work is done either solely or almost solely by the federation or by the federation and the bank jointly, or under the direction of a committee composed of the directors of both the bank and the federation. These last mentioned five banks have in explicit terms undertaken their direct responsibility for the due execution of the work and for furnishing the requisite returns, reports, etc.

MAGNITUDE OF WORK — PROPOSED STAFF AND ESTIMATED EXPENDITURE.

4. The M.C.U.B. circular of the 4th June calls for information among others as to the maginitude of the work and the number of societies proposed to taken up for rectification and consolidation, the staff proposed to be employed and an approximate idea of the expenditure involved.

Taking first *the first group of three central banks* mentioned in para 3 supra, which propose to execute the scheme directly under their control, namely, Salem, Srivilliputhur and Malabar, it would appear that they propose to extend their operations to all the societies financed by them. The information, to the extent available, as to the method in which these and other banks intend reaching all societies will be found set forth in paragraph 7 infra.

As to expenditure which it is proposed to incur: ***Srivilliputhur*** which at present entertains an establishment costing something between Rs. 1,200 and Rs. 1,500 annually proposes to employ an administrative officer on Rs. 75 plus Rs. 25 T.A., four inspectors, inclusive of travelling allowance, on Rs. 75, Rs. 50, Rs. 50

societies and control over the special staff employed for the purpose, as well as over the supervising staff of unions, being transferred to the bank. Reasons for the step are given as follows: (1) Frequent possibility of conflict and overlapping of work when two sets of inspectors controlled by two different agencies are on duty; (2) representatives of societies preponderating in, and practical controlling, the board of management of the bank, the absence of any necessity for another organisation consisting of representatives of societies again for controlling supervision; (3) separate establishment charges, office expenses, T. A. of members of the board of management and executive committee and other expenses of the federation being an unnecessary drain on the slender resources of co-operative funds; (4) unsatisfactory financial condition of the federation and the absence of any immediate possibility of improving it, the federation having already been advanced Rs. 7,000 during the co-operative year; and (5) considerations of economy and efficiency.

and Rs. 50, two clerks on Rs. 45 and Rs. 30, the aggregate cost inclusive of the salaries of these officials and the travelling allowance of directors and contingent charges being Rs. 5,400. It asks that either the whole of this sum or such portion thereof as may be deemed fit and proper be sanctioned.

Salem. The establishment in Salem, as it stood on the first of this month is a superintendent on Rs. 250 plus Rs. 50 T.A., 20 inspectors on an aggregate salary of Rs. 909 per mensem *plus* Rs. 300 T.A., one execution clerk on Rs. 30 per mensem *plus* Rs. 15 T.A, and office establishment for the administrative section costing Rs. 40 per mensem. It proposes to entertain 9 additional hands on an aggregate salary of Rs. 360 plus Rs. 150 T. A. *per mensem.* The proposal thus costs Rs. 25,220. It requests that the M.C.U.B. may grant a subvention of one half of the estimated expenditure or Rs, 12,610; and in support of this request quotes condition III(8) of the subvention scheme.

Malabar deems it necessary to entertain an administrative staff consisting of an executive officer and 10 inspectors costing in the aggregate Rs. 9,000 per annum. But to begin with, in this the first year of its programme, it proposes to entertain one executive officer and five inspectors costing Rs. 5,000 a year. It is not clear what clerical staff the bank already possesses or proposes to entertain in the administrative section. It expects a grant of Rs. 2,500.

Coming next to the *second group of five central banks,* namely Trichinopoly, Viziavada, Krishna, Aska and Cocoanada, which make no reference to the federation whatever and evidently propose to undertake the work of rectification and consolidation directly under their control:

Krishna, Cocoanada and *Aska* propose to extend their operations to all societies financed by them, while *Viziavada* would take up only 30 societies, most of which are dormant having had no loan from the central band since 1926 or thereabouts. *Trichinopoly* gives no information under this head.

Trichinopoly again without giving any furrher particulars states that its executive committee has resolved to allot Rs. 2,500 from the funds of the bank for rectification and consolidation work during 1930-31, and requests the M.C.U.B. to grant an equal amount of subsidy. It proposes to undertake the work on the presumption that the M.C.U.B. will grant the contribution asked for. The executive committee's resolution further states that details and proposals in the matter will be prepared by the secretary for its consideration at its next meeting. The covering letter adds that, if a draft scheme from the bank is considered essential before sanctioning the subsidy, any scheme received from any other bank and acceptable to the M.C.U.B. may be forwarded to it for its information and guidance. The letter furnishes no information as to the quanity of work awaiting to be tackled, or the establishment which the bank proposes to employ therefor.

Viziavada reports thot its present staff consists of a clerk on Rs. 50 and an inspector on Rs. 30 plus Rs. 20 T.A., thus costing Rs. 1,200. It has also employed an honorary inspector without pay but with a T.A. of Rs. 30 per mensem. The total cost comes to Rs. 1,560. The bank asks for a subvention of Rs, 1,500.

Krishna at present maintains two inspectors on Rs. 50-5-75 plus Rs. 25 T.A. and a clerk on Rs 35-3-50. It proposes to add another inspector on Rs. 50-5-75 plus T.A. Rs. 25 and a head clerk on Rs. 50-5-75. It also publishes a *Sahakarapatram* which work is estimated to cost Rs. 350 now, and more in future, in view of a clerk having to be entertained on that account. The immediate expenditure of the scheme is put down as Rs. 4,660, which will ultimately (apparently by reason of increments) come up to Rs. 6,300. It asks for a subvention of Rs. 2,500.

Aska proposes to entertain a staff consisting of an administrative officer on a salary of Rs. 100 per mensem, four inspectors on varying salaries and two clerks on Rs. 35 per mensem and three peons, all of them together costing in the aggregate Rs. 6,240. This is inclusive of the establishment already in existence. It asks for a subsidy of Rs. 2,500.

Cocoanada has at present an establishment consisting of an inspector on Rs. 50 plus Rs. 30 T. A. and a clerk on Rs. 30. It proposes to strengthen the staff temporarily for a period of 6 months with an inspector, a clerk and two peons costing Rs. 1,000 roughly and asks for a subvention corresponding to this extra sum of Rs. 1,000

Coming next to the *third and the last group of five central banks* in which the work is in charge of both the federation and the bank, namely, Anantapur, Kurnool, Hospet, Nellore and Vellore :

All these five banks excepting *Hospet* propose to extend their activities throughout their charge, Hospet proposing to bring 100 societies of out 270 existing inthedistrict under its present scheme.

Anantapur **has for the past two years maintained two inspectors** on Rs. 50 plus Rs. 20 T. A. and two clerks (pay not given) to look after its financial interests. It now proposes to strengthen the staff by 6 more bank inspectors and two more clerks costing an additional sum of Rs. 6,600. Its total estimated cost comes up to Rs. 9000. It asks for the maximum subvention allowable. The report does not set forth what coutritution it makes to the federation.

Kurnool at present maintains two inspectors costing Rs. 2,000 inclusive of T. A. It makes a contribution of Rs. 2,000 to the federation for the pay and T. A. of the executive efficer. It proposes to entertain a clerk on Rs. 35. It puts down the T. A. of directors and contingent charges at Rs. 400, bringing up the aggregate cost to Rs. 4,820. The bank, besides, maintains a whole time salaried secretary. It does not state what amount of subsidy it wants.

Hospet proposes to entertain, inclusive of the present staff, 6 inspectors on Rs. 50 plus Rs. 25 T. A., an administrative clerk on Rs. 35. Inclusive of T. A. to directors Rs. 720, and contingent charges Rs. 180, the scheme is estimated to cost Rs. 6,900. They have made provision in the budget for 1930-31 for Rs. 3,720 for three inspectors and one clerk. It proposes to entertain the proposed additional staff, evidently on the grant of a subvention of Rs. 2,530, which it asks for.

Vellore, in proof of its earnestness, states that it allotted Rs. 7,500 for 1927-28, and Rs. 4,000 for 1928-29 for the work of rectification and consolidation, over and above the statutory provision. 60 and 119 societies, it says, it attended to in those years respectively. It maintains an administrative section since over a year, which writes up the general information register. This section is in charge of a whole time paid employee. There is besides an auditor whose services are utilised also for the inspection of societies. 200 societies are ear-marked by the federation for rectification during the current year. The staff, which would be employed during this year will be,

An administrative officer on	...	Rs.	1,260
T. A. for do.	...	"	440
4 clerks on Rs. 37-8-0 p m.	...	"	1,800
Field staff of the Federation comprising 8 senior supervisors on Rs. 50-2-60, + Rs. 20 T.A.	...	"	6,920
		Rs.	10,420

It asks for a subvention equivalent to one half of this sum or Rs. 5,210.

Nellore. Since December last, Nellore has entertained, inclusive of the one inspector then in service, 9 inspectors costing Rs. 5,580 including pay aud T.A. It maintains an office establishment of a manager, a clerk, a typist and an attender for the administrative section, the cost of which, however, is not reported. I think it is roughly between Rs. 1,800 and Rs. 2,000, the total being Rs. 7,500 in round figures. The provision made in the budget for 1930-31 is not given. But it may be mentioned that at its meeting held in September 1929 the board of management sanctioned Rs. 9,000 for expenditure for a period of 12 months. The bank asks for the grant of as liberal a subvention as possible.

CONFORMITY OF SCHEMES WITH THE BOARD'S RESOLUTIONS.

5. Another point on which the M.C.U.B. circular of 4th June calls for information is that the schemes forwarded by the central banks should be in general conformity with the conditions laid down in the resolution of the board of management. Though the schemes received do not on the face of them show how the several conditions laid down in the Board's resolutions are satisfied (*vide* succeeding paragraphs) all of them, however, explicitly in most cases and impliedly in others, have expressed their readiness to abide by the conditions already laid down or may hereafter be suggested by the M.C.U.B.

METHOD OF WORK PROPOSED.

6. The said circular calls for information also as to the method of work which central banks propose to adopt. It also calls for "any other information that will be useful in considering the application." These heads of information may, for the sake of covenience and clearness, be subdivided into a number of questions, as shown below in order that each of them may be suitably and adequately dealwith.

A. 1. How it is proposed to bring all societies within the operation of the scheme?

B. On what lines it is proposed to guide the conduct of the rectification (field) work of the outdoor staff?

C. What (office) work, in consequence of the operations of the field staff, will devolve on the office staff of the administrative section and how it is proposed to tackle it?

D. The need for an officer to effectively and correctly guide, regulate and control the field and office staff of the administrative section.

E. The authority which would deal with and control the work of the field and office staff.

I shall now proceed to summarise the information contained in the various reports under these heads.

7. Q. A. 1.—***How it is proposed to bring all societies within the operation of the scheme?***

SCOPE OF SCHEMES.

Salem. "Wherever the magnitude of transactions permit, and also where the union is willing to co-operate with the district bank in consolidation work, the district bank employs inspectors to help the union." After enumerating the duties of the bank inspectors, the scheme is further described as follows: "Experince shows that to enable an inspector to carry out this heavy programme the utmost he can attend to is a group of 10 to 12 societies. Experience also shows that where a union has the proper number of field inspectors under them (it ?), a well trained manager is indispensable to check, advise and inspect their work. So, in cases where such work is possible in the union area, are employed a manager and field hands." The funds of unions not being pooled in the district, and the supervision fund of each union, based on the transactions in its area, not being sufficient to meet the salaries of all these additional hands, the district bank contributes towards the funds of the union for meeting the cost of such additional staff, namely, the manager and the additional field hands. The appoinment of the manager to the union vests in the district bank. In areas where, however, circumstances to-day do not permit work on the above intensive lines, the bank employs bank inspectors, to help and advise the union, but not to work in subordination to that body. They rectify societies as far as they can; but their cheif duty is said to consist in looking after the bank's financial interests. In addition to the field staff, the bank wants a well-trained co-operator at the head. It has accordingly employed a superintendent on Rs. 250 per mensem, whose duty it is to "*get full and corret work from the field hands.*" The bank maintains an administrative section to help the superintendent who however is not burdened with looking after the bank's office work. As unions fall in with the intensive scheme described and as the bank gets more confident, it would extend the adoption of the scheme to other areas as well.

Srivilliputhur. Team work is proposed, two unions being taken each month and the work of rectifying 12 societies completed. Thus 50 societies are proposed to be rectified in about 4 months, Presumably, the whole area under the bank will be reached gradually in this manner.

Malabar. It apparently desires to take up work simultaneously all over its area. But in view of financial considerations it would in this the first year employ a smaller staff than is necessary for the above purpose and apparently deal with some selected societies or areas.

Trichinopoly and Viziavada. Their reports contain no information on this point.

Krishna, Aska and Cocoanada. These banks, it would appear, propose to simultaneously take up rectification work in all societies in their charge. No further particulars are furnished.

Anantapur, Kurnool, Hospet, Vellore and Nellore. All these banks also propsse taking up all societies in their charge simultaneously. Further particulars are wanting.

CO-ORDINATION WITH UNIONS.

8. While on this question (i.e. Question A. dealt with above) it would appear to be necessary to deal with two other questions also. The first is—

Q. A. 2.—*How the activities of the special staff are going to be co-ordinated with those of the supervising unions comprising the paid staff of union supervisors and the honorary governing body members.*

On this point the intentions of the *Salem* scheme are clear cut. The additional field staff required by a union for rectification and consolidation work is provided by the bank, wherever the union agrees to the bank's intensive scheme, the bank helping it with the funds required not only for the entertainment of the additional field staff but also for entertaining a manager for the union, to regulate and control the work of its field staff. Wherever unions do not agree to that course, the activities of the bank are restricted to safeguarding its financial interests, through its inspectors working directly under it. Thus the Salem scheme proposes to reach the entire area of the district in due course of time, as unions fall in with their views and as the bank itself gets further experience.

In *Malabar*, under the proposed scheme, the control of union supervisors is vested in the bank, the federation having been practically disbanded. Neither the *Malabar* scheme nor the *Srivilliputhur* scheme shows how exactly the activities of the special staff will be co-ordinated with those of unions.

The reports of *the second group of five central banks*, namely, Trichinopoly, Viziavada, Krishna, Aska and Cocoanada, are silent in this respect.

In the *remaining five districts* in which federations are working, namely, Hospet, Anantapur, Kurnool, Nellore and Vellore it is not easy to make out from the reports how the activities of the special staff and the union staff are being or are going to be co-ordinated.

9. The second point referred to above is:

ULTIMATE AIM OF SCHEMES.

Q. A. 3.—*Whether the scheme contemplates the attainment in due course of a state of self-contained supervision in which the union will become self-reliant and not need extra help as at present it does.*

It may be long before this stage is reached, but it is necessary that we should have a clear conception of the aim towards which we move even from now. In this respect, the *Salem* scheme clearly contemplates that the ultimate aim is that the union should have requisite field staff for maintaining societies in an efficient condition *althrough* and also an office manager to check and regulate the work of the field staff. No idea in this respect is traceable from the report of any of the remaining 12 banks.

Rectification work does not merely consist of correcting present mistakes, but extends as well to the devising and gradual development of a method under which, when once corrected and pulled up, societies will in future be maintained in a fairly efficient condition, the mistakes etc., arising from time to time, thereafter, being almost simultaneously corrected. This aim, which is so very necessary, will not be possible of attainment in the absence of due co-ordination of the activities of the special staff with those of unions—a matter as to which the schemes received from most banks are silent. If by reason of the cost involved, the Salem scheme be deemed too ambitious for other districts, at least the administrative officer and the administrative section of the bank should be sufficiently strong to see that unions maintain corrected societies in an efficient condition in future.

LINES OF FIELD WORK.

10. Q. B.—*On what lines is it proposed to guide the conduct of the rectification (field) work of the outdoor staff?*

Brief accounts are given in *Salem* and *Srivilliputhur* reports. The scheme of *Aska* is a rigorous campaign of collections, which the bank believes will automatically improve societies. *Cocoanada* proposes to issue a set of questions for the field staff to answer in reporting on the results of inspection. *Krishna* proposes to adopt a form* of report recently adopted in *Nellore* on the advice of Mr. T. Srinivasa Rau, under whose general direction the rectification work is being carried on there. In the opinion of the Krishna bank, the said form is elaborate and covers every kind of information concerning a society, which may be required for the purpose of rectification and consolidation. A few copies of this form, which will be available from the press shortly, will be furnished to each central bank for its information, and adoption should it think fit to do so. The inspectors in Nellore are guided by the directions and instructions contained in Mr. T. Srinivasa Rao's scheme which appeared† in the Madras Journal of Co-operation long back. Vellore has adopted a printed memorandum on the subject prepared by Mr. A. Vedachala Iyer. *Kurnool* has set forth a scheme which is a summary of Mr. Srinivasa Rao's. The other five banks, namely, *Malabar, Trichinopoly, Anantapur, Hospet* and *Viziavada* furnish no information on this point. *Malabar* says, however, that the new board of management which will be elected shortly will prepare a programme.

WORK DEVOLVING ON OFFICE STAFF.

11. Q. C.—*What (office) work in consequence of the operations of the field staff will devolve on the office staff of the administrative section and how it is proposed to tackle it?*

The information on this point contained in most reports is meagre. This may be due partly to the fact that the work rightly devolving on the administrative section is now being transacted in the other section of the bank, such as scrutiny of loan applications, scrutiny of extention applications, check of property statements. check of reports of union supervisors, those of the union governing body members, scrutiny of applications for the enhancement of the individual maximum borrowing power, etc. It may also be due to lack of adequate conception of the vastness and variety of work turned out by the field staff, that will come up for check, scrutiny and further action. It is necessary that all these items of work and others too numbrous to mention here, which bear a close affinity to the work of the field staff and may be clearly

* A copy of the table contents of that form is appended. See Appendix III.

† Will be found printed on pages 5 to 15 of the Madras Bulletin of co-operation in the July 1928 issue and on pages 91 to 96 of the August 1928 issue.

distinguished from the work relating to the banking aspect of the bank's work, should be transacted in the administrative section. And the administrative section should be sufficiently strong for the purpose.

Most of the present reports speak more or less of the writing up of the general information register and the history of the societies which, as a matter of fact, forms a very subsidiary item of business. That this is so is not improbably due to the comparatively undue importance attached to this item of business in successive resolutions relating to inspection, rectification and consolidation.

ADMINISTRATIVE OFFICER.

12. *Q. D. The need for an officer to effectively control the field and office staff of the administrative section.*

This is recognised in almost all banks. *Salem, Aska, Srivilliputhur and Malabar* either already maintain or propose to maintain an administrative officer on Rs. 250 Rs. 100, Rs. 75 and Rs. 75 respectively. *Trichinopoly and Cocoanada* have paid secretaries on decent salaries; and these officers will presumably hold charge of the administrative section also. *Anantapur and Kurnool* have each of them an executive officer for the federation and a paid secretary for the bank. *Vellore* has an executive officer in the federation, and an administrative officer in the bank; *Nellore* has a paid secretary in the bank and needs an administrative officer. *Hospet* has an executive officer in the federation and a paid manager in the bank. *Krishna* has also a paid secretary, who holds charge of the administrative section also.

In *Viziavada* there is perhaps neither a paid secretary nor an administrative officer.

From *Anantapur, Kurnool,* and *Vellore* reports it is not very clear how the discharge of duties devolving on the bank by reason of the extensive field operations will be distinguished and distributed between the executive officer of the federation and the secretary or the administrative officer of the bank. Especially from the *Anantapur and Kurnool* reports it looks as though there will be a diarchy of functions, by reason of employment of these two officers neither of whom is sub-ordinate to the other. (Please also see para 2 of the second memorandum dated the 20 instant, as regards *Anantapur*.)

Again, it is a question how far an office carrying such a low salary as Rs. 75 would attract men of the requisite experience, capacity and grit to do all that is expected of the administrative officer.

Who will be responsible for enforcing discipline? Who will be responsible for instructing and guiding the field staff, checking their tour programmes and diaries and reports of inspection, for checking their field work, and otherwise regulating and controlling their work; and also for holding charge of and running the administrative section? Financial considerations may stand in the way of offering higher salaries. Whenever an administrative officer falls short of the mark, the deficiency will have to be made good by some capable honorary director. Otherwise due return may not be had out of the large expenditure on the staffs employed. A good set of instructions for the guidance of the administrative officer will be helpful.

13. Q. E.—*The authority which would deal with the work of the field staff.*

AUTHORITY DEALING WITH RECTIFICATION WORK.

All rectification reports—whether the work be in charge of the federation or the bank—will go to the bank and will require to be dealt with in its administrative section. So also the audit reports from the department and reports and returns from unions and societies. *Salem and Malabar* schemes indicate that the reports will go before the executive committee. Though there is nothing in *Vellore, Kurnool, Trichinopoly, Aska, Cocoanada and Viziavada* reports it may be presumed that the administrative section will deal with the reports in question. In *Srivilliputhur* and *Krishna* there is an administrative committee, as distinguished from the executive committee, composed of the directors of the bank. In *Nellore* and *Hospet* there is a committee composed of the directors of the bank and the federation. *Anantapur* is not sure whether it should have a joint committee of this kind—please see para 2 of the second memorandum on the subject, dated the 20th instant, which deals with a further report received from that bank.

I may be permitted to state my personal experience that too many committees, independent of each other, rather do not tend to smooth or satisfactory despatch of business. Further, responsibility gets divided and therefore weakened. Effectiveness and promptness are also lost. The executive committee of the bank being ultimately responsible, any committee which in the first

instance deals with the work should be a smaller one and responsible to it. These are business committees which do not lay down principles: they merely carry on work in pursuance of the principles and policies laid down by other agencies, namely, the board of management of the bank or the federation or both. Otherwise the work of the special committee and of the executive committee may not run smooth. In fact it is through the executive committee of the bank that the result of these operations will have to be placed before the board of management of the bank and, through it and with its remarks, communicated to unions at least once every quarter. Administrative committees of the kind now in existence bear no statutory relation to the executive committee or board of management of the bank; and accordingly do not have any constitutional existence. The special committee, which may be designated the administrative committee, may be composed of three (and in any case not more than five) members who will include the president or vice president of the bank acting as chairman, and one or two other members (as the case may be) really representative of the *lender* and *borrower* stand-points respectively. Further, with a competent and experienced administrative officer in charge of the administrative section, the matters which will have to be taken for the orders of the administrative committee or the executive committee, as distinguished from matters reported for their information, will not be very many.

REALISATION OF OF DECREES.

14. One other point and a very important one too on which the only scheme containing any information is *Salem*. It is the entertainment of *adhoc* execution clerks "who are intended to save the time of inspectors in dancing attendance on lawyers and courts to clear off the heavy accumulations." This is a very necessary step which perhaps the other banks will get to realise as they receive the reports of the rectification staff and get to handle them on business lines. Just to invite attention to the immensity of work lying in this direction, I subjoin a statement which shows what alarmingly large amounts are covered by pending references, suits and decrees, and what proportions these sums bear to the overdues.

Amounts Involved in Pending References, Suits and Decrees.

Less than one lakh of Rs.	Over 1 lakh of Rs.	Over 2 lakhs of Rs.	Over 3 lakhs of Rs.	Over 4 lakhs of Rs.	Over 5 lakhs of Rs.
		CEDED DISTRICTS.			
Kurnool 16	Cuddappah 41	Anantapur 31	...	...	...
Bellary 24	Chittoor 40	...	...	...	...
		CIRCARS.			
Kistna 18	East Godavari 28	...	...	...	...
West Godavari 22	Nellore 30	...	...	...	...
Vizagapatnam 25	Guntur 35	...	...	...	...
Ganjam 26	...	...	...	...	...
		TAMIL DISTRICTS AND KERALA.			
Nilgiris 96	Madura 19	Salem 37	Tanjore 36	Chingleput 35	N. Arcot 47
...	Malabar 21	...	S. Arcot 37	...	...
...	Tinnevelly 29	...	Trichi 42	...	...
...	Ramnad 31	...	Coimbatore 45	...	...
...	...	...	S. Kanara 67	...	...

N.B.—The figures entered by side of districts represent percentages of the decree, reference and suit amounts to overdues as on 30-6-29.

Unless in the first place the prompt disposal of references sent up from societies is regulated by a central authority and unless steps similar to those taken in *Salem* are adopted for the prompt execution of decrees, there is little hope, I am afraid, of reducing the heavy amounts involved in references suits and decrees pending disposal or satisfaction.

In *Nellore*, where the rectification work is being carried on under my general direction, I have raised for the consideration of administrative and executive committees not only this question, but a number of other questions as well, such as co-ordination of the activites of the

bank staff with those of unions, arrangements requisite for due conduct of work in the administrative section, check of field work of inspectors &c., &c.

DISBURSEMENT OF SUBSIDY—RECOMMENDATIONS.

15, Having now completed a survey of the rectification schemes received from thirteen banks with a view to see how far they are in conformity with the resolutions of the board of management, let me make as desired by the executive committee my recommendations in regard to disbursements of the subsidies asked for. With rare exceptions the schemes are lacking information in varying degrees. This defect may not improbably be due to absence of detailed instructions which the executive committtee of the M.C.U.B. is expected to issue on the several matters set forth in the resolution on subject 6 passed at the last board of management meeting, appendix II. In evidence of this, it may be cited that *Trichinopoly* asks for a scheme which will be acceptable to the M.C.U.B.; and *South Kanara* enquired of the vice president whether the instructions referred to had been drafted. Some other banks have expressed their readiness to improve or modify their schemes in such manner as the M.C.U.B. may suggest. One thing however is prominently noticeable in the case of all the 13 banks, namely, their earnestness to tackle the work of rectification. For these reasons, I think, the subsidies asked for may be granted immediately, the banks however being asked at the same time to improve their schemes with reference to the observations made above, supply the defective information, and furnish the further information desired, before applying for the second quarterly instalment which will fall due in October next.

Condition III (8) of the subvention scheme lays down that the amount of subvention should normally be half the budgetted expenditure and in no case will exceed the amount spent by the central bank. In pursuance of this condition *Salem* and *Vellore* ask for subsides equivalent to one-half of their bugetted expenditure or Rs. 12,610 and Rs. 5,210 respectively. *Srivilliputhur* asks for the whole of its budgetted expenditure or Rs. 5,400. *Anantapur* asks for the maximum amount available without specifying it. Its budgetted expenditure (which is not stated) is from particulars furnished found to be about Rs. 9,000; and it would be glad to have the whole of this sum. *Nellore* likewise asks for "as liberal a subvention as possible" without specifying the amount. Its budget for the year is not reported but works out to be something like Rs. 7,500. *Viziavada* whose budget is Rs. 1,560 asks for Rs. 1,500. *Malabar, Aska, Trichinopoly* and *Hospet*, each asks for Rs. 2,500 the same being either equal to or less than one half of their budgeted expenditure. *Cocoanada* asks Rs, 1,000 only as against its budget Rs. 2,380. *Krishna* asks for Rs. 2,500 which is slightly over one half of its budget which amounts to Rs, 2,330. *Kurnool's* budget is Rs. 4,820 but it does not state what amount it wants.

An important condition of grant is that the expenditure on rectification now proposed should be over and above the banks' statutory obligations. Excepting *Malabar* and *Salem* no other bank states in explcit terms whether their proposed expenditure is not in addition to its statutory obligations. But from the details furnished as to proposed staff, it follows, I think, that the proposed expenditure is in addition to the statutory obligation.

The resolution of the executive committee passed on the 29th June however restricts the grant to one half of the expenditure reported by central banks subject to a maximum of Rs. 2,500. My recommendations accordingly are as specified in column 7 of the subjoined statement, being limited to one half of the reported expenditure, subject to a maximum of Rs. 2,500, and also limited (as in *Cocoanada*) to the amount asked for Rs. 1,000 which happens to be less than one half (Rs. 1,190) of its reported expenditure.

No.	Bank.	Amount of estimated expenditure for 1930-31.	Amount of subsidy asked for.	Eligible maximum under condition III(8) of the subvention scheme. Normally.	Specially.	Eligible maximum under resolution of the Executive Committee, dated 29-6-30.	Amount recommended.
1	2	3	4	5		6	7
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Srivillipputhur ...	5,400	5,400 or as much as is deemed fit and proper.	2,700	5,400	2,500	2,500
2	Salem ...	25,220	12,610	12,610	25,220	2,500	2,500
3	Malabar ...	5,000	2,500	2,500	5,000	2,500	2,500
4	Aska ...	6,240	2,500	3,120	6,240	2,500	2,500
5	Cocoanada ...	2,380	1,000	1,190	2,380	1,190	1,000
6	Viziavada ...	1,560	1,500	780	1,560	780	780
7	Krishna ...	4,660	2,500	2,330	4,660	2,330	2,330
8	Trichinopoly ...	5,000	2,500	2,500	5,000	2,500	2,500
9	Anantapur ...	9,000	Maximum amount allowable.	4,500	9,000	2,500	2,500
10	Kurnool ...	4,820	Not stated.	2,410	4,820	2,500	2,410
11	Hospet ...	6,900	2,500	3,450	6,900	2,500	2,500
12	Vellore ...	10,420	5,210	5,210	10,420	2,500	2,500
13	Nellore ...	7,500	As liberal a subvention as possible.	3,750	7,500	2,500	2,500

In forwarding their schemes central banks were not aware of the executive committee's resolution of the 29th June and it is a question for the executive committee whether it will think fit to grant larger subsidies to those central banks such as *Salem, Anantapur, Vellore, Nellore* etc. which spend considrably larger sums than elsewhere. The consideration of this question may perhaps be deferred pending receipt of schemes from the remaining 18 banks.

16. The grant of subsidy to the 13 banks which have sent their schemes but forms part of the wider obligation undertaken by the M.C.U.B. to help all central banks with subsidies for rectification work, whether those banks are or are not at present indebted to it. It may be that some of the remaining banks are not in need of any subsidy from the M.C U.B.; but the number of such banks is likely to be very few. Even these banks would be well advised in the interests of the fair name and credit of the Provincial Co-operative Finance to get into a line with other banks in the matter of rectifying their primary societies, and for that purpose formulating their schemes and forwarding them for the information of the M.C.U.B. Whatever the reasons for not doing so already the banks(*a*) inquestion will be requested to send up their schemes of rectification and consolidation as early as possible, if only for the purpose of securing the stability of the provincial co-operative finance (please para 17 infra). To facilitate the formulation of schemes in their case, as also to enable the banks which have already sent their schemes to improve them in the light of the observations contained in this memorandum, the executive committee may, I suggest, take very early action in the several directions indicated in resolution 6 of the Board of Management meeting of the 18th April last, appendix II The schemes drawn up by Mr. Vedachala Iyer as well as myself and the brief description of their respective schemes contained in the reports of *Salem*, *Malabar*, *Srivilliputhur Nellore* and *Vellore* will largely facilitate the preparation of a general scheme applicable to the whole province.

SCHEMES FOR REMAINING CENTRAL BANKS

17. One of the main objects underlying the rectification scheme being to assure and safeguard the stability of the Provincial Co-operative Finance, I have thought proper on this occasion to present, in a few collective and comparative forms, certain important statistics bearing on this object. *Statement A** shews (for 1928-29 the latest year for which statistics are available) the demand, balance and percentage of loans due by members to agricultural societies, the arrears involved in suits, references and decrees and the proportion of such arrears to the balance. *Statement B*† shows for the same year the demand, balance and percentage of loans due by agricultural societies to central banks. *Statement C*‡ shows districts arranged in the order of percentage of

STABILITY OF PROVINCIAL CO-OPERATIVE FINANCE.

(*a*) The reports of 9 other banks have since been received and these are dealt with separately in the Second Memorandum. *Appendix IV. †Appendix V. ‡Appendix VI.

members' overdues to societies, commencing with the highest percentage and ending with the lowest. It also exhibits the other percentages shown in statements A and B, to show in one view how each district fares under various heads. *Statement D** exhibits in lakhs (for the same year 1928-29) the balances in agricultural societies and central banks, and the amounts covered by references, suits and decrees, together with the number of references, suits and decrees. These statements afford much matter for reflection and comment is needless.

I would however invite special attention to a few salient features which convey distinct warnings. As statement D shows the balances due to central banks, in the case of some of them, come up to about ⅔rds and more of the balance due from members—a fact suggestive of the growing difficulty of collection from members. There are nine such banks. In five other banks the amounts involved in references, suits, and decrees exceed the balances due to central banks—another fact suggestive of the same kind of difficulty. In seven banks the arrears involved in references, suits and decrees exceed 3 lakhs each. In one of these, the amount almost appreaches 5 lakhs and in another exceeds that figure. Coming to the numbers of decrees, references and suits, pending satisfaction, it will be found that in five districis the number varies between 2,000 and 3,000, in four others the number varises between 3,000 and 4,000, in one it is almost 5,000 and in another very nearly 6,500. Once suits and references are instituted and decrees obtained, voluntary payments get considerably reduced. These figures and fact convey an idea of the immensity of the task involved in realisation of these sums. I have already (vide para-14 supra) referred to the need for arrangements for speedy realisation of these arrears.

With the statistics, though not in the forms in which they are now presented, the managements of financing banks are familiar. There is, however, one other matter which by reason of its chronic, so far incurable, nature has come to be looked upon as almost a normal feature calling for no special notice. I refer to "loss" societies and the amount of "unrecouped" loss. The number of such societies and the amount of the unrecouped loss have stood as follows during the 4 years ending 1928-29.

Year		No. of Loss Societies	Amount of unrecouped loss Rs.
1925-26	...	4,656	8,23,745
1926-27	...	4,940	9,51,495
1927-28	...	4,889	10,97,999
1928-29	...	4,750	11,77,087

*Appendix VII.

The "unrecouped" loss means that the principal assets of the societies concerned fall short of the principal liabilities to the extent of such unrecouped loss. In other words the working *capital* (principal)—whether owned or borrowed—has been utilised to the extent of the unrecouped loss, in payment mostly of interest charges and possibly of expenses of management, etc., both of which kinds of charges will have to be met from *income* (i.e. interest) *realised* and not from *capital, owned or borrowed.*

It is sought to explain away the gravity of this situation by stating that when the overdue interest is realised things will adjust themselves and this alarming feature will also disappear.

Perfectly true. But in regard to realisation of overdue interest, how do the agricultural societies (with which alone I am now dealing) stand. The figures for 7 years ending 1928-29 stand as shown bellow:—

Year		Balance of interest left unpaid. Rs.
1922-23	...	8,49,820
1923-24	...	11,32,081
1924-25	...	15,36,156
1925-26	...	19,45,249
1926-27	...	25,04,015
1927-28	...	30,17,311
1928-29	...	35,08,540

In the first year there was a rise of about 3 lakhs, in the two succeeding pears a rise of 4 lakhs, each year, and in the next following years a rise of about 5 lakhs each year.

Coming next to percentages, the arrear interest left uncollected never during the past four years fell short of 53·87 per cent of the demand; and the current interest left uncollected never fell short of 35.70 per cent during the same period.

Where then is the prospect of "unrecouped" loss being ever overtaken, not to speak of its being gradually wiped out? Naturally, therefore, with no improvement worth the name in the realisation of interest, especially so in the case of loss societies (improvement if any being confined to non-loss-societies), the unrecouped loss has risen during the four years ending 1928—29 from Rs. 8.24 lakhs to Rs. 11·77 lakhs. To the extent of this last mentioned sum, the whole or part of the societies' *owned capital,* and not unlikely a part

of their *borrowed capital* also, have been wiped out. The value of the shares held by such societies in central banks can only be deemed to have disappeared or deteriorated in varying degrees.

The saddest aspect of the implications of the "unrecouped loss" yet remains to be told. If you look at column 7 of Statement C. and compare it with columns 3 and 4, you will find what great contrast there exists between the percentage of balance of interest due to central banks and the percentages of balances of interest (arrear and current) due to societies. Taking the three most conspicuous banks in this respect, the figures are as follows:—

Bank.	Percentage of Balance.		
	Due to Central Bank.	Arrear interest due to societies.	Current interest due to societies.
Chingleput	0.04	56	39
North Arcot	0.88	51	41
Trichinopoly	1.09	·55	26

The interest payment to the central bank in these and similar cases, largely comes from principal realisations in societies. The realised principal paid in this manner towards interest depletes, in a growing measure year after year, the assets of the society. And out of the principal collection credited in this way to the head of interest in the central bank, the shareholders get their dividend, they hardly realising that only a portion of the dividend paid to them is real dividend, and to the extent of the surplus dividend received, their capital has deteriorated.

Within a certain margin (and subject to eventual and prompt adjustment, collection on any account (interest or principal) may be utilised for payment of interest. Such margin has long back ceased to exist in our "loss societies"; and there is neither prompt nor eventual adjustment.

The Committee on Co-operation in Burma has made a very salutory recommendation which will govern the head of account to which remittances from societies of this kind will have to be credited in the central bank. Their observations relevant to the context are as follows:—"Although it is usual for the first payments to be credited to interest they should be stopped as soon as the bank sees any reason to regard the loan as becoming "sticky" or doubtful. When no sum on account of principal has been received for a full year and no satisfactory reason is forthcoming, the receipts should invariably be credited to principal."

18. I have dwelt at this length on this aspect of the working of our societies and central banks in order that central banks may realise the imminent need for *thorough* schemes of rectification and consolidation and co-operate with, and help the endeavours of, the M.C.U.B. in restoring their finances to a sound and stable condition.

T. SRINIVASA RAO,
Vice President.

19th July 1930.

APPENDIX I.

Subject 5.—Scheme for subvention to Central Banks for Rectification and Consolidation, passed at a meeting of the board of management of the M. C. U. B. held on 18—4—1930.

I. At a meeting of the board of management held on 21st April 1928, the recommendation of the Townsend Committee with regard to the inspection of societies by central banks was considered. In this connection it was resolved that central banks, which are members of the M. C. U. B., be requested to fulfil the following requirements:

That every central bank should immediately organize an administrative section in their office, maintaining a continuous history of the societies in their jurisdiction by collating all inspection and audit reports received from time to time and recording the progress of rectification and consolidation work.

That central banks should appoint a field staff of inspectors at the rate of one inspector to 100 or 150 societies for inspection.

This question was again considered at the subsequent meetings of the board of management and, at the meeting held on the 20th October 1929, it was resolved to commend the resolution of the Provincial Conferenee, as adopted by the Bankers' Conference, for the consideration of central banks. The Conference requested the M. C. U. B. to make liberal contributions to the finances required to carry out the scheme at least in select areas where, in its opinion, a vigorous programme is being pursued with the aid of an adequate and efficient staff and the concerned central bank has committed itself to incur the bulk of the estimated expenditure.

II. Not passed.

III. 1. The main conditions for making this grant should therefore be evidence of earnestness on the part of the Central Bank in carrying out the programme outlined and its readiness to incur the bulk of the expenditure,

2. That each Central Bank must have an administrative section and an inspecting staff on the following lines:—

(*a*) that every bank must at least maintain one administrative clerk to compile, collate and keep up to date the history of the societies financed by the Bank.

(*b*) that every bank should have at least a few inspectors to look after the financial interests of the central banks, the number of such officers bearing a a reasonable proportion to the number of societies and the volume of transactions as well as the efficiency of transactions between primary societies and their members.

3. Central Bank be requested to forward a scheme showing the proposals for carrying out the work in their jurisdiction for approval by the M.C.U.B.

4. That the Central Banks do make themselves responsible for the work, (and) for the submission of regular reports, statements and other information required of them periodically by the M.C.U.B.

5. That the central bank do have a paid whole time employee at the head of affairs to effectively control and manage this work.

6. The subvention allotted be paid in quarterly instalments.

7. The continuance of the subvention be made contingent and conditional on the receipt of quarterly reports and their satisfactory nature.

8. The amount of subvention granted should normally be half the bugeted expenditure and will in no case exceed the amount spent by the central bank.

9. The amount contributed by the district bank for the purpose should be over and above its statutory obligations.

APPENDIX II.

Subject 6.—Resolution passed at a meeting of the board of management of the M.C.U.B. held on 18—4—30 regarding Rectification and Consolidation.

"Whereas—though four years have now elapsed since the first session of the Central Banks' Conference which asked for a thorough investigation of the state of societies individually—such investigation being since known as rectification and consolidation ;

Though since then, almost every session of the said conference, every meeting of the Board of Management of the M. C. U. B. and every session of the Provincial Co-operative Conference has been urging attention to prompt execution of the said investigation,

The achievements up-to-date are neither adequate nor encouraging.

The Conference resolves that the executive committee of the M. C. U. B. be requested to take the following steps with a view to the due organisation, regulation and control of the said work, so that the work may be conducted on right lines and completed within a reasonable length of time, say two or three years.

I. The M. C. U. B. may issue detailed instructions as to (*a*) how the field work of rectification and consolidation may be tackled so as, under existing conditions, to ensure progress, (*b*) how the field work should be regulated and controlled by the administrative section of the Bank; (*c*) what registers, records, reports and returns should be maintained or furnished by the administrative section.

II. The M. C. U. B. may insist upon the need for the entertainment of an officer of requisite capacity and administrative experience for instructing and guiding the field staff, for checking and reviewing the tour programmes, diaries and reports of inspection received from the said staff, and for otherwise regulating and controlling its work; and also for holding charge of and running the administrative section.

III. The scheme of rectification may make provision for getting out of union supervisors, rectification work of as a high standard as possible; and also for getting out of union governing body members, such work and help as they are capable of and are prepared and willing to render.

IV. The candidates for the field staff, as well as those already employed on rectification work, as also the existing union supervisors, require to be specially trained therefor, in addition to the training, if any, already received in training institutes and the necessary arrangements to secure such training may be made.

V. The officer to be placed in charge of the administrative section, by whatever designation he may be known, executive officer or any other, also requires special training, although he may be an officer recruited from the official department.

VI. It is of great importance that the duties of the officer in charge of the administrative section are clearly defined, so that he may be held responsible for enforcing discipline, due receipt and submission of reports, returns, etc., due to and by the bank; studying them and placing them before the executive committee and the board of management; conducting routine correspondence; and in one word managing the entire secretarial work, so that the executive committee's immediate duties may be restricted in the main, to declaration of policy and decision of questions placed before it.

VII. The necessity may be impressed upon central banks for the administrative section issuing, in a form to be prescribed for the purpose, a quarterly review of the progress of the rectification and consolidation work, for presentation to its board of management so that, through it, the unions may be kept in touch with the progress, not only in their respective areas but in the entire district or the bank area as the case may be; copies of such reviews being regularly furnished to the M.C.U.B.

VIII. Forms of report of the initial inspection of societies, soon after the commencement of a co-operative year, and of report of subsequent inspections, in the course of the same year may be prescribed.

IX. The actual conduct of the field work as well as the office work of the administrative section requires not only to be regulated and directed along right lines by the M. C. U. B. but also to be periodically inspected by it.

APPENDIX III.

THE......................DISTRICT CO-OPERATIVE CENTRAL BANK LTD., No ....

Initial report on the present position of affairs in and the working of societies affiliated to the Bank for the co-operative year..........

PART 1. PRELIMINARY.

I. (1) No. and Name of society.

(2) Post Office serving the society, its distance from the society, and how often a week and on what week days the postman visits the society.

(3) Union to which affiliated.

(4) Date of registration.

(5) Name of Inspector or Supervisor inspecting.

(6) Date of starting.

(7) Head quarters of Inspector or Supervisor.

(8) Dates of commencement and close of inspection,

(9) Date of report.

(10) Date of receipt of report in the Bank.

(11) Date of issue of memo as regards further action.

i. To the Society.

ii. To the Union.

iii. To the Supervisor or Inspector.

(12) Particulars of subsequent visits in the year.

Date of visit.	Date of receipt of report.	Action taken.

CONTENTS OF THE REPORT.

PART 2—PRESENT POSITION OF AFFAIRS AND WORKING

PART 3—FINANCIAL STABILITY

PART 4—THE SUPERVISING, FINANCING AND AUDITING AGENCIES AT WORK IN RELATION TO THE SOCIETY

APPENDIX IV.—STATEMENT A.

Demand, Balance, and Percentage of loans due by members to Agricultural Societies in 1928-'29, Arrears involved in Civil Suits, References and Decrees and Proportion thereof to balance shown in col. 4.

Serial No.	Name of District.	Principal. Demand Long and Short Term.	Principal. Balance. Long and Short Term.	Principal. Percentage of col. 4 to col. 3.	Interest. Percentage of balance of overdue Interest.	Interest. Percentage of balance of current Interest.	Arrears involved in civil suits & references pending disposal and decrees pending satisfaction. No.	Arrears involved in civil suits & references pending disposal and decrees pending satisfaction. Amount.	Percentage of col. 9 to col. 4.	Remarks.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
		Rs.	Rs.				No.	Amount.		
1	Ramnad ...	9,64,280	5,54,095	57	61	49	2,006	1,71,728	31	
2	Salem ...	12,23,665	6,79,063	55	56	38	1,466	2,50,543	37	
3	Malabar ...	12,89,250	8,05,897	63	46	47	4,902	1,68,128	21	
4	Ganjam ...	8,09,127	1,27,598	16	45	12	296	33,221	26	
5	East Godavari ...	32,70,522	6,58,839	20	28	16	2,098	1,84,478	28	
6	Kistna ...	19,93,105	4,41,938	22	33	28	760	77,910	18	
7	Trichinopoly ...	21,26,096	7,79,701	37	55	26	2,547	3,29,564	42	
8	Anantapur ...	12,19,210	8,14,308	67	60	55	1,733	2,52,125	31	
9	Kurnool ...	4,68,938	2,94,741	63	77	59	368	48,042	16	
10	Bellary ...	6,36,493	3,58,614	56	45	47	401	84,720	24	
11	North Arcot ...	22,07,537	10,97,638	49	51	41	3,597	5,14,567	47	
12	Nellore ...	12,50,467	4,52,860	36	53	43	1,043	1,34,858	30	
13	South Arcot ...	16,35,317	10,85,834	67	59	55	3,007	3,97,475	37	
14	Chingleput ...	25,67,097	14,22,740	55	56	39	3,946	4,92,726	35	
15	Chittoor ...	6,37,591	4,19,452	65	67	59	1,008	1,69,218	40	
16	Coimbatore ...	18,76,788	6,81,515	36	49	28	2,564	3,05,518	45	
17	Cuddappah ...	4,70,350	3,95,322	84	78	73	913	1,63,419	41	
18	West Godavari ...	24,41,295	2,31,519	9	28	9	435	51,245	22	
19	Guntur ...	19,42,093	4,65,609	24	20	19	1,248	1,64,716	35	
20	South Canara ...	13,30,466	5,20,511	39	49	8	6,477	3,46,564	67	
21	Madura ...	10,08,221	5,69,214	56	58	52	982	1,09,327	19	
22	Nilgiris ...	1,10,418	67,347	61	60	47	394	64,597	96	
23	Tanjore ...	21,01,934	9,62,952	46	66	45	3,395	3,44,155	36	
24	Tinnevelly ...	16,30,971	6,14,254	38	51	36	2,370	1,75,821	29	
25	Vizagapatam ...	8,64,980	2,31,130	27	30	13	572	52,277	23	

APPENDIX V.—STATEMENT B.

Demand Balance and Percentage of Loans due by Agricultural Societies to Central Banks for 1928—29.

Serial No. (1)	Name of District. (2)	Principal. Demand Long and Short Term. (3)	Principal. Balance Long and Short Term. (4)	Principal. Percentage of col. 4 to col. 3. (5)	Interest. Demand. (6)	Interest. Balance. (7)	Interest. Percentage of col. 7 to col. 6. (8)	Remarks. (9)
		Rs.	Rs.		Rs.	Rs.		
1	Ramnad ...	7,87,574	3,56,730	45·29	1,31,799	16,798	12·75	
2	Salem ...	10,85,136	4,97,655	45·86	1,83,781	5,577	3·04	
3	Malabar ...	5,51,930	3,07,840	55·78	1,06,350	18,097	17·02	
4	Ganjam ...	6,76,006	46,364	6·86	94,511	744	0·79	
5	East Godavari ...	28,40,010	1,79,861	6·33	2,49,578	4,354	1·74	
6	Krishna ...	15,44.888	2,11,394	13·68	1,76,727	4,125	2·34	
7	Trichinopoly ...	16,91,807	2,27,942	13·47	2,73,793	2,991	1·09	
8	Anantapur ...	10,92,182	7,72,675	70·75	1,50,960	7,550	5·00	
9	Kurnool ...	3,26,812	1,84,706	56·51	56,567	4,242	7·49	
10	Bellary ...	5,19,494	2,64,822	50·98	79,690	8,628	10·83	
11	North Arcot ...	16,68,167	4,38,759	26·30	2,95,070	2,601	0·88	
12	Nellore ...	10,73,497	3,20,544	29·86	1,25,156	10,598	8·47	
13	South Arcot ...	13,57,269	7,67,108	56,52	2,11,819	17,934	8·47	
14	Chingleput ...	19,94,038	6,45,553	32·38	4,04,627	170	0·04	
15	Chittoor ...	5,92,316	4,50,538	76·06	82,979	9,330	11·24	
16	Coimbatore ...	15,30,214	2,98,791	19·53	2,10,131	6,019	2·86	
17	Cuddappah ...	3,16,242	56,930	18·00	60,544	27,995	46·24	
18	West Godavari ...	18,79,857	73,285	3·89	1,82,127	3,428	1·88	
19	Guntur ...	15,04,207	2,60,673	17·33	1,98,005	7,370	3·72	
20	South Kanara ...	8,74,644	1,42,614	16·31	77,746	4,187	5·38	
21	Madura ...	6,90,571	2,67,282	38·70	1,40,047	41,607	29·71	
22	Nilgiris ...	63,972	7,981	12·48	10,688	...	...	
23	Tanjore ...	16,76,266	5,22,053	31·14	2,07,586	11,693	5·63	
24	Tinnevelly ...	14,01,863	3,71,112	26·47	1,69,684	11,032	6·50	
25	Vizagapatam ...	7,48.120	1,65,285	22·09	72,050	4,929	6·84	

APPENDIX VI—STATEMENT C.

A Comparative Statement of percentages under various heads shown in Statements A & B, Districts being arranged in the order of percentages of members' overdues to societies.

Name of District.	Percentage of balance to demand of loans due by members to agricultural societies.			Proportion of overdues covered by Decrees, Suits & References to balance of principal.	Proportion of balance to demand of loans due by societies to central banks.	
	Principal.	Arrear Interest.	Current Interest.		Principal.	Interest.
1	2	3	4	5	6	7
Cuddappah ...	84	78	73	41	18	46
Anantapur ...	67	60	55	31	71	5
South Arcot ...	67	59	55	37	57	8
Chittoor ...	65	67	59	40	76	11
Malabar ...	63	46	47	21	56	17
Kurnool ...	63	77	59	16	57	7
Nilgiris ...	61	60	47	96	12	...
Ramnad ...	57	61	49	31	45	13
Bellary ...	56	45	47	24	51	11
Mudura ...	56	58	52	19	39	30
Chingleput ...	55	56	39	35	32	0·04
Salem ...	55	56	38	37	46	3
North Arcot ...	49	51	41	47	26	0·88
Tanjore ...	46	66	45	36	31	6
South Kanara ...	39	49	8	67	16	5
Tinnevelly ...	38	51	36	29	26	7
Trichinopoly ...	37	55	26	42	13	1·09
Coimbatore ...	36	49	28	45	20	3
Nellore ...	36	53	43	30	30	8
Vizagapatam ...	27	30	13	23	22	7
Guntur ...	24	20	19	35	17	4
Kistna ...	22	33	28	18	14	2
East Godavari ...	20	28	16	28	6	2
Ganjam ...	16	45	12	26	7	0·79
West Godavari ...	9	28	9	22	1	2

of my first memorandum I have hinted at the probable existence of a diarchy of functions in this and another district between the bank and the federation. While this view receives support from a report dated 10th June last addressed to the M.C.U.B. by the president of the Anantapur district federation, in which he asks for a subvention of Rs. 1,800 to the federation for continuing and carrying on the work of rectification and consolidation. Despite the statement in this letter of the existence of harmonious relations between the bank and the federation, it is strange that this application of the federation has been sent to the M. C. U. B. direct, apparently without the consultation of the bank. A copy of the letter is stated to have been sent to the bank but neither of the two letters received from the bank makes any reference to this request of the federation. In its first letter, the bank stated that in the year before last the rectification work was under its direct charge and that in the last year it was in charge of the federation, the bank's staff also working under its direction. As for the present year, despite the arrangements of last year, the bank apparently desires to make a change and take over the work under its direct control. It accordingly wants the M.C.U.B.'s advice as to whether the staff may work under the control of the bank or the federation or a joint committee of both. Apparently, the bank wants to strengthen its hands as regards the arrangements to be made in the current year, one way or the other, with the advice of the M.C.U.B. Should the bank entertain any apprehension as to holding itself responsible for the work in the event of the work being executed under the control of the federation, it is its duty to get the work executed under its direct control. More than this, the M.C.U.B. cannot say.

3. The *Kumbakonam* bank forwards the secretary's estimate which shows that the cost of the staff to be entertained during the current year will be Rs. 4,500; and adds that the report called for will be sent, after the board of management meeting has been held, before the close of the month. The report will be awaited.

The *South Kanara** bank, where the federation has recently been suspended from operation for a period of one year, forwards a

* In South Kanara the district council of supervision has resolved to transfer its administration and supervision to the bank, and the latter has accepted the proposal. The reason is reported to be that for the last two years the district council has not done any substantial work of rectification and consolidation and the number of liquidated societies and the dues from them have increased. The liabilities of the district council are in excess of its assets and the rebate due by the bank this year (Rs. 3,774-6-0) will be mostly absorbed in paying off the council's surplus of liabilities over assets.

scheme. It is proposed to conduct the rectification work through an administrative committee. The bank proposes to employ additional competent supervisors to work in unions and to employ also not less than three district inspectors to work directly under its control. It proposes also to appoint one or more reserve supervisors. The inspectors and supervisors will be under the control of the administrative committee. Further, the bank proposes to entertain an assistant secretary in order to relieve the secretary of the routine work of the bank, so that the latter may inspect unions and societies and guide the rectification staff, check their field work, review their tour programmes, diaries, inspection reports, etc. It is said that these proposals involve more than Rs. 8,000. It is also said that the bank has taken over the assets and liabilities of the federation and that the rebate due this year would be more than absorbed in meeting the federation's surplus of liabilities over assets. The bank accordingly asks for a subsidy of Rs. 5,000 as a special case, its profit last year not being sufficient even to pay a dividend of 7½ per cent. Detailed particulars of the staff, which it is said will cost Rs. 8,000, are not furnished. Any how, in consideration of the urgent need for rectification work in this district, the maximum subsidy of Rs. 2,500, eligible under the executive committee's resolution of the 29th June last, may be sanctioned; and the bank asked to furnish further particulars as to the staff proposed to be employed, etc. The question does not arise as to the responsibility of the bank, as the federation has ceased to function.

Coming to the *next batch of central banks*, namely, *Ellore* and *Tinnevelly*, it is found that neither makes any reference to the federation existing in its area. *Ellore* proposes to entertain a staff costing Rs. 1,500 and asks for a subsidy of not less than one half of that sum, i.e., Rs. 750. The *Tinnevelly* report shows that it has an administrative section consisting of two clerks and proposes to entertain two more clerks and an inspector, all of them costing Rs. 3,285. The report adds that the question of appointing a supervising officer for the administrative section will be discussed by their board of management and that the board will also formulate a definite scheme at its next meeting. It does not say what subsidy it wants. One half of the estimated expenditure, of Rs. 1,640 may be sanctioned and the bank requested to expedite its scheme.

Coming to the *third batch of central banks*, namely, *Cuddappah*, *Chittoor* and *Guntur*, in which districts federations are working:

Cuddapah forwards a copy of the proceedings of a joint meeting of the members of the executive committees of the bank and the federation, which has resolved that the bank do take up the work of rectification and consolidation, that it employ an additional inspector and apply for an adequate subsidy from the M. C. U. B. The Cuddapah letter, after setting forth a description of the condition of societies, apprehends that 75 per cent of them require attention. The letter states that the federation has budgetted for a separate outdoor staff to attend to intensive collection work and reduction of overdues during this year. A distinction is thus drawn between rectification and consolidation work, which the bank proposes to undertake, and intensive collection work, which the federation, with a separate field staff, proposes to look after. The cost of the existing staff of an inspector and a clerk is given as Rs. 1,256 and that of the proposed additional inspector as Rs. 750, bringing the total to Rs. 2,006. The bank feels that this staff is not adequate. It is unable to entertain more staff as it cannot spend more. I am afraid that there is not much of co-ordination between the activities of the bank and the federation. This is another bank, where there appears to be a diarchy of functions, the abolition of which is bound to result in curtailing expenditure and improving both output and efficiency of work. The bank asks for one half of its estimated expenditure or Rs. 1,000 and would be glad if the M.C.U.B. would deviate from the normal course and help it with a larger sum so as to enable it to appoint further additional staff. I think it is the bank's duty in the first instance to effect economy of expenditure as suggested above. For the present a subsidy of Rs. 1,000 may be sanctioned.

While some banks have in general terms asked for advice and suggestions, the Cuddapah bank desires that the M. C. U. B. "should lay down definite lines of procedure to be adopted and prescribe forms, etc., for the work," which in its opinion will be, "helpful to the central bank in carrying out the conditions of the M.C.U.B. satisfactorily." The letter further adds: "Otherwise no uniform procedure may be possible in all central banks for the information of the M.C.U.B. and it may be difficult for individual central banks to decide as to whether the procedure, work turned out, and the information supplied are satisfactory to the M.C.U.B. or not, especially as the M.C.U.B. makes it a condition precedent to the quarterly grant of the subvention."

Chittoor provides for an additional staff consisting of 4 inspectors and 3 clerks costing, inclusive of contingencies, Rs. 4,980 or Rs. 5,000 in round figures and asks for a subsidy of Rs. 2,500. Its report shows that the entire supervision was with the federation for the past one year and more; but without any appreciable progress.

It therefore proposes to entertain a staff under its direct control as proposed above. It promises to forward its scheme of work at an early date. There exists a federation in the district with an executive officer. The report does not show how the work is co-ordinated between the federation and the bank. However, as the bank has undertaken direct control of the work and proposes to employ staff for the purpose, the subsidy asked for, namely, Rs. 2,500, may be sanctioned and the bank requested to expedite its scheme. This again is another instance where economy of expenditure in the district appears to be possible as in Cuddapah.

Guntur's letter dated 18th July 1930 was sent to me last evening from which it appears that the bank has sent a scheme, dated 31st May 1930, and that rectification and consolidation of all societies in the area comprising five non-deltaic taluks has already been taken in hand and is being pushed through vigorously. It refers to the former letter as containing full particulars. It asks that the funds asked for in that letter may be sanctioned. The application of this bank will be dealt with separately.

As in the case of *Anantapur*, the federation of *Guntur* has sent the M.C.U.B. copy of a letter, dated 10-6-'30, addressed by it to the Provincial Co-operative Union, in which it asks the latter to recommend to the M.C.U.B. the grant of a subsidy of Rs. 1,800 to the federation for the rectification of bad societies. This appears to be yet another instance of absence of co-ordination between the activities of the bank and the federation, as in *Cuddapah* and *Chittoor*.

Coming lastly to *Coimbatore* and *Chinglepet:*

The *Coimbatore* bank forwards copy of resolution 2 passed at a joint meeting of the bank and the federation in which it was decided that the rectification work was to get on under the federation, as at present; that, if necessary, the federation would entertain further staff; that no inspectors need be entertained under the bank; and that one "gumastha" may be employed in the bank for writing up the "register of societies", by which the general information register is perhaps meant. The latter part of the resolution states that the consideration of the president's proposal in the matter of combining the bank and the federation together may be taken up a year later. It is gathered from the letter that the work which is now conducted by the federation will continue to be conducted by it on present lines. I am unable to gather from the letter how the work turned out by the field staff working under the federation is or is

6. For reasons given in my earlier memorandum, I recommend the grant of subsidy to these banks with the exception of *Kumbakonam, Guntur, Coimbatore* and *Chingleput*. The amounts recommended are set forth in column 7 of the subjoined statement.

No.	BANK.	Amount of estimated expenditure for 1930-31.	Amount of subsidy asked for.	Eligible maximum under condition III (8) of the subvention scheme.		Eligible maximum under resolution of the Executive Committee dated 29—6—30.	Amount recommended.
				Normally.	Specially.		
1	2	3	4	5		6	7
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
14	S. Kanara ...	8,000	5,000	2,500	8,000	2,500	2,500
15	Ellore ...	1,500	750	750	1,500	750	750
16	Tinnevelly ...	3,285	...	1,640	3,285	1,642½	1,640
17	Cuddapah ...	2,006	1,000 or a larger sum.	1,000	2,006	1,003	1,000
18	Chittoor ...	5,000	2,500	2,500	5,000	2,500	2,500
19	Guntur ...	Will be dealt with separately.					
20	Coimbatore ...	Further report desired.					
21	Chingleput ...	Do.					
22	Kumbakonam ...	Promised report awaited.					

7. Further reports, promised by *Kumbakonam* and asked for from *Coimbatore* and *Chingleput*, will be awaited. As regards *Guntur* its previous report will be dealt with separately.

8. The first quarterly instalment of the amount sanctioned will now be paid. Before applying for the second quarterly instalment, the banks will, it is expected, be good enough to supply the required further particulars and information in the light of the observations contained in the earlier and this memorandum.

T. SRINIVASA RAO.
Vice-President,
The Madras Central Urban Bank, Ltd.

20th July 1930.