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THE
Madras Journal of Co-operation

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OCTOBER 1930

[No. 4

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Editorial Notes

THE PROBLEM OF THE DAY. There is a good deal of difference of opinion with regard to the respective functions of District Banks and District Federations. This is a very old question which revives from time to time and assumes disproportionate importance. Mr. Nallakuttalam Pillai of Srivilliputtur, Mr. Adinarayana Chettiar who presided over the Srivilliputtur and Sattur Taluk Conference and Mr. Gurumurthy Iyer, Chairman of the Reception Committee of the Madura-Ramnad District Conference, all of them referred to this important question in their communication and speeches* published in this number.

We are afraid there is a good deal of misconception as to the nature of the true function of federation and this leads to series of misunderstandings among the workers in the field of co-operation. The Government have undertaken to do registration, statutory audit, liquidation and cancellation of registration. So far as our province is concerned other aspects of co-operative work have to be attended to by non-official co-operators. Propaganda, Organisation, Supervision and a good deal of audit would come under the latter head.

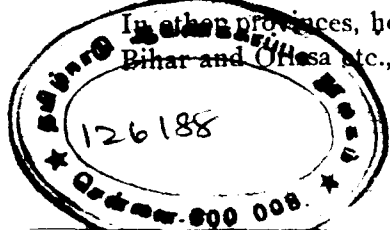
* See pp. 275, 235 and 240 respectively.

The chief point of contention has hitherto been supervision. Under the influence of a dictum which was considered to be too sacrosanct to be questioned, finance and supervision were kept scrupulously apart and District Banks were distinctly told that their business was merely to finance primary societies and that another organisation had to look after their supervision. We have organised Supervising Unions for this purpose and later on these have been federated into District Councils of Supervision or District Federations, as they have been called. The Banks were kept in complete ignorance of the real conditions of the societies which they were financing and this in course of time led to the very unsatisfactory state of affairs that we are now witnessing. Rectification and Consolidation is the cry now and the same banks that were asked not to supervise primary societies are now asked to shell out large sums of money for reforming the state of affairs which was due to no fault of theirs.

The Townsend Committee was the earliest authoritative body to recognise the inherent right of the financing bank to look into the affairs of its constituent primaries; but even this Committee would not give the financing banks full powers of control and guidance. They were willing to concede to the District Banks the right of 'inspection' and not of 'supervision', which as we have often stated is a distinction without much difference.

The history of the District Federations which consist mostly of the representatives of Supervising Unions that have been universally condemned as not having come up to the expectations of the promoters reveals its own tale. They had to depend almost entirely for their finance on the financing banks. The latter again in course of time began to organise their own field staff and administrative section which obviated to a very great extent the need for a separate organisation known as federation and hence the tendency now started of federations getting amalgamated with the administrative sections of district banks. This is so far as supervision is concerned.

District Federations, at least in this province, have not put forward their claims to do auditing. Audit Unions have been organised and these have a place in the District Federation, but federation as such has not taken upon itself the duty of auditing. In other provinces, however, as for example, in the Punjab and in Bihar and Orissa etc., the provincial organisation looks after audit of



all societies in the province and employs quite an army of competent officers for that purpose. Only a few federations here and there in this province have aspired to do auditing of important societies and if federations develop themselves into independent organisations for doing efficient audit of big co-operative societies in the district, there will be very little conflict between District Banks and Federations.

There is one matter which really belongs to the Federation and which as Mr. Nallakuttalam Pillai points out cannot be efficiently done by financing bank, that is propaganda and diffusion of co-operative principles among members present and prospective. Institutions entrusted with the custody and development of culture, as colleges and universities have been very jealously guarding their independence and if they have accepted subsidies from financing institutions, they have done so in the spirit of conferring obligations on the financing bodies. It is only in that way that their perfect independence could be maintained. Federations, wherever they are in favour and continue to function may very well therefore, confine themselves to education and propaganda work and may without giving any reciprocity in powers of interference in their own internal work of organising and executing their plan of propaganda, accept financial help from Central Banks.

To sum up, Federations will do well to divest themselves of supervision and confine themselves to educational propaganda and wherever possible do audit. If this demarcation be adopted, we hope all conflicts between District Banks and Federations can be avoided. We have thrown a few tentative suggestions merely and we invite as Mr. Pillai has done, the dispassionate views of our readers on this burning problem of the day.

Our office has circularised various district banks with a view to find out the co-operative record of the recently elected M.L.C.s. We are anxious to find out the strength of the co-operative party (informal) in the coming council. Mr. Adinarayana Chettiar who during the period of last two councils was the champion of co-operation and kept the banner flying, has not been successful at the polls now; but we are glad to note that a few others who are equally eminent co-operators have come into the council. Mr. T. A. Ramalingam Chettiar a member of the Townsend Committee and the present President of the District Co-operative Bank

of Coimbatore is there to lead the co-operative party. Until the full list is available we are not in a position to find out the actual strength of the party, but we may venture to suggest that if among the elected representatives the co-operative element is found to be weak, the government will be pleased to make good the deficiency by nominating to the council some prominent co-operator or co-operators who could speak with authority on important problems connected with this great nation building movement.

Our readers are aware of the plain fact that the word "Co-operation" is used in a particular and limited sense in economics as contrasted with the wider sense of working together; but even within its limited sphere there are some new developments that make it necessary for us to revise our ideas and coin a new word to denote new ideas that are compressed into the service of "Co-operation". Whatever else it may mean, co-operation implies purely voluntary association. In fact we may venture to state the voluntary nature of the association to be the *sine qua non* of co-operation. But in certain new developments, as in agricultural marketing, there is a distinct tendency to depart from this fundamental principle. Such of our readers as are familiar with the developments of co-operative marketing that have been achieved in Canada, Australia and South Africa would remember that the law empowers the co-operative societies that have a certain majority of Producers in their fold already to force the rest and make them do business only through the society. Without this power of compulsion the ultimate aim of co-operative marketing would be frustrated. Theoretical students had begun to ask, is this co-operation? They do not object to compulsion as such; business requires it and the law has sanctioned it, but logic is inexorable. Can this form of trade organisation parade under the old name of co-operation? Should we not devise some new word to denote this form of commercial organisation with an element of compulsion in it? Mr. C. G. Riddall who has contributed two thoughtful articles to our esteemed contemporary "The Co-operative Review" of Manchester discusses this problem at some length and concludes as follows:—

"In conclusion, there remains only to be added an attempt to define respectively traditional co-operation and the new agricultural policy which introduces a greater or lesser degree of the conscriptive principles into it. The age-long idea of true co-operation is a voluntary association of persons for the

EDITORIAL NOTES

accomplishing of a common object, and I would suggest that this idea be expressed always as simply "Co-operation" and that the other, qualified as it is by an element of compulsion, be known as "Contract Association." "The rose by any other name will smell as sweet"—to those who are not wedded to the old-fashioned briar!"

We have received an illustrated booklet upon the world's Grain Exhibition and Conference to be held in Canada in 1932. The decision to hold this exhibition was arrived at a conference held in Canada in 1928 and the 1932 Exhibition is to be held in the City of Regina.

The booklet explains how competitive classes have been provided for cereals, grains, vegetable, seeds etc., and the prizes available have been provided with a very generous hand. There will be a display of an educational nature staged by Dominion Government and Provincial Governments.

It is expected that the greatest experts from all over the world will be gathered together for change of thought and for leading discussions. Such a gathering is bound to be very useful. Further information about the Exhibition may be obtained from the secretary, Grain Exhibition Conference, Regina (Canada).

We draw the special attention of our readers to a lucid article on long term loan by Mr. T. Srinivasa Rao that appears elsewhere* in this journal. He points out the newly started Land Mortgage Banks have not solved the problem of long term credit so far as the existing members of the co-operative societies are concerned. He complains that the sudden stopping of 10 year loans by the M. C. U. B. has led to a good deal of hardship on the part of the poor ryots. In every district conference resolutions have been passed for devising some methods of restoring this long-term accommodation to the village co-operator. We agree with Mr. Srinivasa Rao in suggesting that financing banks will do well to organise an efficient and comprehensive survey of all existing mortgage loans, which will lead, as he points out to three good results.

1. Closing of bad loans and taking steps to recover them.

* See page 224 of this number.

2. The starting of land mortgage banks in such areas with a good prospect of immediate business.
3. If the above alternative be not possible the central banks and the apex bank may revive the practice of giving 10 year loans to thoroughly deserving cases.

The pity of it is the newly started Land Mortgage Banks mostly cater to the needs of the classes that have hitherto been keeping themselves away from the village societies and the villager is not now getting through the primary rural credit societies the accommodation he has been trained to obtain for the past 20 years.

In this connection we would also draw the attention of our readers to a scheme of Land Mortgage Credit combined with thrift and insurance which is given on page 230 of this number. It is a scheme which is being tried in the enlightened State of Cochin.*

The real objection to give long term loans is that they have to depend upon short term deposits. Therefore the above device and the Provident Fund Deposit Scheme (commonly known as the Basak Scheme) which has been adopted by many district banks could give them plenty of long term money and this can be safely utilised for long term loans. The problem is a very urgent one and we hope co-operative financiers will apply themselves to this and discover a speedy and satisfactory solution.

We have published elsewhere† a brief report of the working of the Central Co-operative Institute in the State of Pudukottah. We are glad to note that the Institute did very useful work during the year under review and has increased its library. We had occasion to review the Tamil drama published by the Institute and we are glad to be told that this drama was staged on two or three important occasions and was well received. It is only by means of such visual instruction that an effective appeal can be made to the masses and we hope that this device would be adopted outside Pudukottah State as well by propaganda institutes. We wish the Institute all success.

* We are sorry that this has not been mentioned in its proper place.

† See page 243 of this number.

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TAMIL.

The MacLagan Committee Report—

(The portion relating to rural primary societies translated : 2nd Edition) Per Copy ...

For copies please apply sharp to:

THE JOINT SECRETARY.

The Madras Provincial Co-operative Union.

ROYAPETTAH, MADRAS.

The Co-operative Insurance Society, Ltd.,

Chief Office: 109, Corporation St., Manchester.

AN OUTLINE OF THE HISTORY AND THE WORK OF THE
SOCIETY BETWEEN 1867-1929.

The Co-operative Insurance Society (or Company as it was designated at the time of its inception) came into being as a result of a decision of the Co-operative Conference held at Manchester in 1867. The delegates to the Conference were of the opinion that the time was opportune for the formation of an insurance institution which would be capable of insuring the property of co-operators. Business was not actually accepted until the following year, and the first office was situated in the Rochdale Pioneers' premises at Toad Lane.

For the first few years the business transacted was confined to Fire and Fidelity insurance, but the expectation of the founders in regard to the profitability of Fire insurance were not realised—due chiefly to the fact that losses incurred in the Fire Department were occasioned by the acceptance of larger risks than could be safely covered by the relatively low premium income. A modification of the methods of acceptance of Fire risks put the business on a more satisfactory basis, which has resulted in many years of successful trading.

Life Assurance was first undertaken in 1886, and although it has always been profitable, the progress made in this branch of the business was at first exceedingly slow, owing to the failure to employ whole-time agents. The Directors were of the opinion that insurance could be sold at the retail stores just as easily as tangible commodities. Time proved the contrary. No doubt this was due to the assistants being fully occupied with the many duties which are the normal routine of a busy general stores.

The policy of the Old Board was to encourage people to pay premiums at longer intervals and thus secure greater benefits, as in the Special Section. Tables were issued for this purpose.

The high cost of Industrial Life Assurance (the premiums for which are payable at weekly or monthly intervals) was thought to be something of which Co-operators—who were generally regarded as a

thrifty class—would disapprove when attention was called to it, and the attitude of the Co-operative Movement was antagonistic to the launching of any policy which did not give co-operators a fair deal. It was not suggested that Industrial Life policyholders were being swindled, as it was recognised, that considering the amount of work done, Industrial Life Assurance cost less than one would expect. But it was thought to be a wasteful system, and one which would not commend itself to co-operators.

The lack of success at that time was due, not so much to our inability to let co-operators know of our benefits—for much propaganda was done in those days—but to the reluctance of the public to depart from a system of payment at short intervals, which had come to be regarded as a settled principle in Industrial Life Assurance.

Whilst we were trying to introduce a new and less costly method, the agents of competing offices were being given a free field, and the directors thought that part, at least, of the huge sums of money which were being collected by capitalistic companies could be directed into co-operative channels, and used to more profitable purpose than by private concerns. The advent of the "Planet" (to which further reference is made in another portion of this article) with its ramifications and trained staff, enabled the Committee to put their ideas into practice.

In 1904, the Directors introduced a scheme of Free Life Assurance for members of co-operative societies. It was known as Collective Life Assurance, and under this title it will be familiar to most co-operators in the country. It is not necessary here to explain the principle of the scheme; it will be sufficient to say it has proved a most estimable boon to many thousands in time of dire trouble, besides proving a very active stimulus to co-operative trading. Since the introduction of Collective Life Assurance the amount of money paid in claims to co-operative families has reached the enormous sum of £ 5,970,000.

Upto year 1913, the Co-operative Insurance Society had an entirely separate existence, but as the outcome of an agitation of many years' standing, it was at last taken over by the two Co operative Wholesale Societies. Following the merger, the plans which were evolved for the advancement of the C.I.S. were held up at the outbreak of the war.

To revert once again to the few full-time agents in the employ of the Society, it will be recalled that in 1917 the Planet Friendly

THE CO-OPERATIVE INSURANCE SOCIETY, LTD.,

Assurance Collecting Society, which had an extensive field staff, was acquired by the C.I.S. The number of "Planet" agents, together with new appointments by the C.I.S. at last repaired an omission which to some extent had been responsible for our tardy growth.

It was not until after the conclusion of the war that the plans were put into operation, and from that period one can date the marvellous progress which has resulted in the C. I. S. occupying its present prominent position in the insurance world.

Figures are not usually interesting except to those to whom statistics have a particular appeal, but those which follow, will perhaps once again give a practical illustration of the progress of Co-operative Insurance.

PREMIUM INCOME.

Year.	Life.		Fire.	General.	Total.
	Ordinary.	Industrial.			
	£.	£	£	£	£
1869	...	...	209	67	276
1890	1,257	...	7,394	958	9,609
1901	7,473	1,039	21,698	1,854	32,064
1910	78,204	2,989	36,269	18,236	135,698
1915	185,194	5,118	64,173	53,259	307,744
1920	918,603	147,066	129,394	189,870	1,384,933
1922	881,464	468,309	151,414	203,512	1,704,699
1924	1,013,844	912,852	162,040	400,373	2,489,109
1926	1,163,142	1,197,004	193,047	665,530	3,218,723
1927	1,183,393	1,510,413	199,265	735,258	3,628,329
1928	1,257,549	1,817,296	221,345	887,972	4,184,162
1929	1,284,052	2,044,573	232,452	835,794	4,396,871

Year.	Claims paid during the year.	Assets.	Number of Full-time Agents.
	£	£	
1869 ...	6	702	Nil.
1890 ...	3,143	38,358	11
1901 ...	10,407	124,941	14
1910 ...	54,885	371,310	64
1915 ...	180,466	683,000	75
1920 ...	598,979	1,685,307	560
1922 ...	846,383	2,369,363	1,343
1924 ...	1,018,164	3,859,022	1,799
1926 ...	1,337,401	6,164,171	2,481
1927 ...	1,595,600	7,383,684	2,947
1928 ...	1,650,069	8,804,438	3,187
1929 ...	2,128,887	10,235,941	3,349

To what is this phenomenal success attributable. The answer is simply this: It is due to an earnest desire to supply the Co-operative community with the best insurance of all types at the most reasonable cost. This coupled with the bold direction of the Society's affairs which has been characteristic of the expansion during recent years, has resulted in their notable progress.

Great as the progress is, the Committee and Management are *no means satisfied*. That is not to say they are dissatisfied, but that *only the outer edges of the great field* which is available for the co-operative cultivation have so far been tilled.

The Co-operative Insurance Society has a strong claim for support from each one of the management committees of the retail and productive societies as well as upon the societies members. When this support is forthcoming in the greatest degree, the C.I.S. will be in a fair way to achieving its objective.

Any assistance rendered will be reciprocal, for it is well known that in addition to their duties as insurance agents, the C. I. S. field staff are first-rate co-operative propagandists. Tributes have been received from many quarters regarding the number of new members which have been introduced as a direct result of the persuasive powers of the C.I.S. Agency Staff. The field staff take no pride to themselves in

their achievements in this direction, but as earnest co-operators regard it as their duty to interest all in the great movement.

The interests of the English and Scottish Wholesale Societies, the Co-operative Union, the retail societies, the guilds and educational bodies, and ourselves, are so inextricably interwoven that no one in any body can afford to withhold assistance of any kind when it is required. Each group of workers have their varying duties to perform, but everyone's efforts should be inspired by one objective—the early establishment of the Co-operative Commonwealth. To accomplish this we cannot afford to mark time. Marking time when the enemy is active is fatal. One must either go on, or go back. The C.I.S. is going forward, but our forward policy will be governed by the extent of our finances available for this purpose. Over-rapid development may have most serious consequences, and the C.I.S. cannot afford to jeopardise the interest of any one of its millions of policy-holders.

Up to the present, our attack has been directed principally to the industrial areas, where co-operation and all that it stands for has real meaning. This has been of distinct help to the agents when canvassing for business.

Now our efforts are being directed towards the rural areas, in many of which co-operation is little understood. **Opening out in rural areas.** Although the appointment of agents and the establishment of district offices in agricultural areas will mean a slower rate of progress, a double purpose will be served:—

(1) In securing insurances from people living in the country districts a greater variety of "risks", either personal or property, will be brought on to the books; and

(2) The seed of co-operation will be sown in villages and hamlets which hitherto had been regarded by the capitalist traders as their especial territories.

With regard to the first purpose, it is highly desirable in the general interest of the policyholders, that the risks accepted by the C. I. S. should be spread over as wide a field as possible, and at the same time consist not of a preponderance of any particular type, but of the greatest variety.

The effect of the second purpose will be quite clear; that is the preparation of the ground for the extension of co-operative trading in rural districts.

In the brief history of such an important concern as the C. I. S. much that might be of interest to my audience must necessarily be omitted, but it will be obvious to all thoughtful co-operators that the C. I. S. is playing no small part in the colossal task of superseding the capitalist form of trading, with its attendant greed and selfishness, by the ideal forms as exemplified by co-operative methods.

Co-operation and the Bombay Banking Enquiry Committee.—(Continued).

BY

J. C. RYAN, M.A.,

Superintendent, Co-operative Institute, Coimbatore.

B. NON-AGRICULTURAL CREDIT SOCIETIES.

(1) *Urban Banks and Surpluses.*—There are 70 urban banks in the Bombay presidency with a working capital of nearly Rs. 2½ crores. The chief problem with most of them is one of surpluses. Several suggestions for meeting this problem were made to the Committee. One proposal was that urban banks should be allowed to finance joint stock concerns. The Committee rightly reject this suggestion partly on the ground that the principles of joint stock concerns are different from those of co-operative societies and partly on the ground that it would involve the urban banks in certain risks. Another proposal made was, that urban banks should be allowed to finance co-operative societies of artisans lying within their area of operations. This also the Committee very correctly reject. As they observe, "the operations of the urban banks should be limited to the financing of their individual members; and the financing of all primary societies, whether agricultural or non-agricultural, should be the concern of the district banks."

A third suggestion offered was that men with large requirements should also be admitted and financed by the urban banks. The Committee recognise that the urban banks are mainly intended for small men, but have no objection to their financing large men as well, provided that adequate precautions are taken against the interests of the small men being subordinated to those of the big men. They recommend that the Registrar might fix a maximum upto which the big men could be advanced with money, and also a maximum upto which any individual could be advanced. It is, however, doubtful, if big men will join the urban banks if the same proportion between shareholding and borrowing is required of them as of small men; for, then, they will have to pay in more to draw out their requirements. The commercial banks, which do not impose this restriction, would be more advantageous to them inspite of other drawbacks. On the other hand, urban banks cannot allow them a larger proportion of loans on shares than to small men; for it will clearly give them a

CO-OPERATION AND THE BOMBAY BANKING ENQUIRY COMMITTEE

preferential treatment over small men and admit them to larger benefits for correspondingly less liability.

A fourth suggestion to get rid of surpluses was that urban banks might lend on the security of agricultural produce. In fact, some urban banks have already adopted this method. The Committee do not object to this. They only say that urban banks which have godown facilities alone should go in for this. It cannot be said that these "produce loans" will be given only to agriculturists. Urban banks have very few agriculturists; so that most produce loans will be given to traders. They will pledge the produce they have purchased from the agriculturists, and take the produce-loans either to purchase more grains or to hold their stock until prices in the market rise. The produce-loans, therefore, will help the middlemen to deny the agriculturist his maximum price and to extort from the consumer more than what he would otherwise have to pay. Co-operation, which aims at eliminating the middlemen on behalf of producers organised in producers' societies and on behalf of consumers organised in consumers' societies, will thus be made to serve the ends of middlemen themselves. The Committee see no harm in this. Indeed, they go to the length of saying that "the definite aim of the urban banks is to try to do for the small trader and small merchant, what the bigger banks are doing for the big trader and the big merchant." But the orthodox view of a co-operative urban bank is that it is an association of small industrial producers assisting them in their industrial enterprise. If small traders also have joined urban banks in Germany, they form a small minority. The figures furnished by both Wolff and Ray regarding the profession of the members of urban banks in Germany show, that traders form less than 10% of the total. It is partly in deference to this orthodox view that the MacLagan Committee considered our urban banks composed of the middle classes as not really co-operative, and doubted if they could be registered under the Co-operative Societies' Act. Now that the Bombay Banking Enquiry Committee declare that the urban banks are banks intended for small traders, they forfeit all claim for

continuance under the Co-operative Societies' Act. If they continue to be recognised as co-operative, they will be serious obstacles on the way of co-operative stores on the one hand and co-operative sale societies on the other. Either they should cease to regard themselves as the banks of small middlemen or get themselves registered under the Companies' Act.*

One more suggestion made before the Committee for finding an outlet for the surplus funds of urban banks was that they might take to lending on the security of jewels. The Committee see no objection to this course, provided adequate facilities for the safe keeping of the jewels mortgaged are available. But the chief difficulty in this matter is one of finding an expert who will value the jewels honestly. Ordinarily, gold-smiths are the only competent judges of jewels; and a gold-smith who values the jewels for a bank knows only too well that none else in the bank is competent to question his valuation. His advantageous position very often leads him into dishonest ways which land the bank in trouble. Several Nidhis and banks in this presidency have suffered in this way. Further, facilities for raising credit on the security of jewels will only give a fillip to unproductive investments and discourage the habit of banking one's savings which is so much the need of our country.

Really, the only answer to urban banks which have got surpluses is that they should not have created them. This view may appear retrograde. Yet it is the correct view; for, it is based on the *raison d'être* of the urban banks. A co-operative urban bank is set up to satisfy the common credit needs of its members. Hence, it should raise money only to the extent to which its members require it. If it raises more money than its members need and looks about it for places of investment, it behaves like a joint stock bank whose object is not to find capital for members but to seek profitable methods of investing the capital it has found. A co-operative bank which aims at the "satisfaction of common needs" cannot, like a joint stock bank, think of the "acquisition of gain". It

* Mr. H. W. Wolff writes thus in his *Co-operative Credit for the United States*: "In England I have had more than one appeal addressed to me to organise banks for people who were interested in the sale of goods. The Credit obtainable at one counter was to tempt borrowers to to buy goods with borrowed money at the other. Now this would have been the grossest perversion of Co-operation." (Page 182.) This quotation from an high authority on Co-operative Credit shows how credit to traders is inimical to consumers and therefore unco-operative.

may be argued that the urban bank does not want surpluses, but that deposits come. The answer is simple: either refuse them, or lower the rate on them. Refusal may often lead to a loss of the bank's clients; but reduction in the rate of interest will not only keep out an excess flow of deposits but enable the bank to reduce the interest on loans to its members. There are, however, two occasions when surpluses cannot be avoided by urban banks. One is when the bank can raise the money it needs only a few months before or after it can utilise it. In this case, a temporary surplus is inevitable, and the proper place to keep it in for the time-being is the central bank. The other case is when the urban bank does not receive any deposits from non-members, and when, nevertheless, the members' deposits are more than what it requires. The members cannot be told to take their deposits elsewhere, for, it is as much the function of the co-operative urban bank to promote thrift among its members as it is to provide them with credit. It is doubtful if there are even a few urban banks where members' deposits exceed members' loan requirements. But if there are, they are instances of credit societies which are converting themselves into thrift societies. Their surpluses will have to be transferred to the central bank, which will almost always have impecunious societies to which it can transfer them. The proper function of central banks, after all, is the "balancing" of the funds of societies, not "supplying" them funds from outside the co-operative movement.

(2) *Factory-Workers' Societies.* There are 64 such societies in Bombay with a membership of 3,853 and a working capital of Rs. 1,30,404. The Committee say that they are more of the nature of loan than of thrift societies, and that the only service they render to the mill-hands is in securing funds for domestic expenses; but they do not pass any opinion on them. The object of co-operative credit is to assist producers in their productive activity, not to assist consumers in their consumptive activity. When a loan society provides loans only for domestic expenses, it merely dispenses consumers' credit. Not only does it miss its important function of educating its members to productive uses of money, but it also risks its funds. The security for co-operative credit is the character of the borrower and the productive use of the loan. Where the latter is missed, the former cannot avail. If it does, it can only be by driving the borrower into the hands of money-lenders, or by forcing him to dispose of his properties. It cannot be said that repayments can be secured from out of savings. If the labourer has, or can have,

savings, he need not borrow for his domestic expenses; for to invest one's savings on domestic requirements is cheaper than to invest borrowed money on them. The proper organisation for mill-hands is not a loan society but a co-operative store. Great Britain, a land of factory labourers, has gone in for co-operative stores and set its face against giving credit to labourers. Any other line of development in India is bound to lead to disaster. The fewer wants and the illiteracy and ignorance of our mill-hands may not make the stores as successful as they are with the British labourers. The remedy lies in associating the middle classes with them instead of founding stores exclusively for the labourers. The Bombay Social Service League, which is now devoting much of its energies to the loan societies for factory workers, would do well to divert its attention to co-operative stores composed of labourers and the middle-classes.

(3) *Consumers' Credit.* The Bombay Committee have not condemned the Factory Workers' societies which grant loans for domestic expenses alone because, they see nothing reprehensible in consumers' credit. In Chapter VIII of their report they are even at pains to devise an agency for dispensing consumers' credit. They concede that "the best course for the consumer, no doubt, is to buy for cash and not on credit"; but they observe that "circumstances arise when it is necessary for him either to borrow money or to buy his requirements on credit", and conclude that "co-operative credit societies seem to us to be the best means of helping such men." We have seen above that, when a loan society makes consumer's credit its sole or chief object, it loses its co-operative character. Even a loan society whose prime object is to dispense productive credit *should not encourage* consumers' credit. The Committee believe that there are moments of embarrassment for every consumer (as for instance, when he has to bear the cost of a domestic ceremony or a medical treatment) when he would not have enough funds to buy his provisions with. On these occasions apparently they expect a co-operative credit society to run to his aid. The best commentary on such a view is the following extract from Wolff's *Co-operative Credit for the United States*, page 3.

"It will be well in this connection to bear in mind of how recent origin really credit in our present sense—productive credit—is. Credit of a certain sort—consumer's credit—there has been, ever since there has been money. The man in need naturally appeals to his neighbour to rescue him from his embarrassment.

Kings in difficulties have, as Leon Say says, borrowed on the security of their crowns and jewels. Spendthrifts have invoked the aid of the usurer to help to ruin them. The man whose ship has unexpectedly failed to come in, or whose harvest has disappointed him, has, like Shakespeare's Antonio, gone to his particular Shylock for assistance and has got it. There is plenty of this kind of borrowing still going on, and probably will be while the world stands. Everybody, except the users who fatten upon it, recognises it as an evil and a danger. Plenty of wise saws—which are now freely misquoted against credit of a totally different sort—have been coined, from King Solomon's day downwards, to brand it as a share. "Who goes a borrowing goes a sorrowing," "He that hateth suretyship is sure"—there are plenty of such proverbs which, like every proverb are unimpeachable in their proper sense, but wholly out of place in other applications. All this kind of credit is Consumer's Credit—credit which is designed to make up some loss already incurred. It may be legitimate. In the majority of cases it is not so. In favourable cases it may reduce loss to the borrower by enabling him to tide over a difficult time. It never produces value. As a rule it adds loss, which may be heavy, to loss already incurred. It is reflection upon this kind of credit which has prompted that overtimid rich men's superstition, that whoever is poor is not entitled to credit and should under all circumstances be denied it.

There can be no doubt that credit of the sort just described should be discouraged."

Apparently, the Committee have not appreciated the significance of the Rochdale Pioneers' principle that sales in a co-operative store should only be for cash. For, they even remark that an organised institution which would supply goods on credit is undoubtedly necessary to meet the needs of "the salaried classes in the cities. In Great Britain, on the other hand, it is the pride of the Consumers Co-operative Movement that "members belonging to the wage-earning class have, to a very great extent been weaned from the habit of buying on credit, in which they were a century ago, much entangled."* If Britishers have any charge to make against that movement it is that it "has not yet completely cured all its members of a bad habit to which a century ago the whole population was addicted, and by which down to the present day, a large proportion of the people outside the co-operative membership are still impoverished."† When the Bombay Committee seek to provide facilities for consumer's credit through co-operative societies, they are encouraging an evil which Great Britain is eradicating through co-operation.

*Well: The consumers' Co-operative Movement p. 293.

† Do Do p. 294.

Long Term (Land Mortgage) Loans.

THE NEEDS OF PRESENT MEMBERS OF RURAL SOCIETIES.

BY

RAO SAHEB T. SRINIVASA RAO.

This subject has so often and so persistently been urged by the advocates of 10 year loans in rural societies and the arguments so thoroughly thrashed both by them and their opponents that, in the opinion of the latter, there will perhaps be hardly any excuse for bringing it up for reconsideration at the present time. The Registrar and the M.C.U.B. have expressed themselves against the revival of 10 year loans in rural societies; but it is a question whether for reasons explained lower down they will not think fit to reconsider it. The advocates of 10 year loans however are evidently not satisfied for the apparent reason that, as will be seen from what is mentioned below, the difficulties of present members of rural societies still remain unsolved; and it may even be said that a proper solution is still out of sight as at any time. These circumstances then form my excuse for proceeding to deal with this subject now.

2. The immediate occasion for doing so is the fact that neither the conference of primary land mortgage banks recently held at Madras under the presidency of the president of the central land mortgage bank, nor the annual meeting of the central land mortgage bank held at the same time, does even as much as throw any light whatsoever as to how the promoters of primary land mortgage banks and the co-operators and authorities connected with those banks and the central land mortgage bank propose to deal with the needs of the present members of rural societies in the matter of their long term needs, whether by way of facilities for clearance of their mortgage indebtedness to societies or otherwise.

3. In fairness to the Townsend Committee, it may at once be mentioned that this subject has received its due share of attention at their hands. They have dealt with it in three different places in their report: *First*, in Chapter II (paragraph 20 Land Mortgage

LONG TERM LAND MORTGAGE LOANS

banks) when dealing with the "Past and Present" of credit co-operation in our province; *Next*, in Chapter III (paragraph 30 Division of agricultural loans into long and short term loans) which deals with "Problems and Proposals"; and *Lastly*, in the same chapter once again under the head "Financing Organisations" (paragraph 42.—The central and primary land mortgage banks).

In paragraph 20 (page 24) the Committee observe: "As ordinary rural credit societies and central banks were not in a position to meet all the requirements of their members in the way of long term loans for land improvement, clearing prior debts, and the like not because of shortage of money, but of shortage of sufficient long term money and etc."; and with this prefatory remark, proceed to explain how a scheme for special land mortgage banks was brought about as the result of a series of discussions and proposals since 1924-25. In paragraph 30 (page 44) after explaining the need on financial and other grounds for division of agricultural loans into long and short term loans, the Committee observe: "We consider that every effort should be made to provide long term credit through the agency of land mortgage banks at the earliest possible date." They do not stop there, but proceed to add: "When these facilities have been sufficiently provided co-operative institutions should confine themselves to short term loans and to intermediate loans to be repaid by annual instalments, in periods not exceeding at the most six years." In paragraph 42 (page 66) the Committee state: "As stated in our paragraph on long term and short term loans (paragraph 30), we are of opinion that every effort should be made to form primary and mortgage banks wherever possible to provide long term credit for the ryot."

4. It is evident from these quotations that the Townsend Committee contemplate the provision of facilities to present members of rural societies in the matter of their long term requirements through primary land mortgage banks, already existing or to be hereafter organised. As already observed, however, neither the conference of existing primary land mortgage banks, nor the annual meeting of the central land mortgage bank gives any indication as to the steps in contemplation for affording such facilities. Under ordinary circumstances there would be no reason to expect a reference to this subject in the proceedings of the conference and meeting in question. The omission to allude to the subject is however significant under present circumstances which are rather extra-ordinary.

An existing course of business, sound or unsound—appropriate or otherwise, has been put a stop to, by refusal of ten year loans. This has been done, not as the outcome of any untoward experience demanding its immediate discontinuance, but in the enforcement of a financial principle newly enunciated, but not so far taken notice of. In these circumstances, the present members of rural societies are in fairness entitled to know, from what source to except the satisfaction of their long term needs to which they have long been accustomed. The omission to allude to their requirements is all the more significant by reason of the statement of the board of management of the central land mortgage bank (vide paragraph 2 of their annual report) that in view of the recent definite policy of separation of short term from long term credit, the establishment of their bank “meets a long felt want in the co operative organisation of this presidency for providing the agriculturists with facilities for long term credit.”

5. *How it is proposed in actual operation to meet this long felt want in respect of the present members of rural societies is the question.* The proceedings of the conference and meeting referred to, while they do not hold out any positive hope, may even cause an apprehension in the minds of present members of rural societies as to whether the land mortgage organization will come to their rescue at any time in the *near future*. Co-operators are aware that in the presidency as a whole, about one half of the loans now outstanding in rural societies (amounting to between one and two crores of rupees roughly) are mortgage loans and that many of them are overdue for considerable periods, a chief reason for the overdues being that the time allowed for repayment is not sufficiently long. If any section of co-operators are in need of help more than any other, it is the class represented by ryots, who have already obtained loans from existing rural credit societies and, being unable to discharge them within the given time, now find themselves in a hopeless and helpless condition. With their needs on one side thus standing unprovided for, there is on the other side the wail of the central land mortgage bank (vide paragraph 7 (b) of its report), to the effect that of the 21 primary land mortgage banks in existence on the date of its establishment only 5 were actually functioning. This is ascribed as one of the reasons for non-receipt of loan applications from those banks, so much so, that the central land mortgage bank has admittedly had not only to defer the issue of debentures but also was obliged to hold several thousands on its hands or in fixed deposit in another bank.

6. The *real* issue arising out of this situation is: *Whether the existing primary banks, equally with those that are being organised, do not seek to cater to the requirements of a different clientele, which may be described as comprising those agriculturists who have either not already joined the rural credit society or, having joined it, have not found it possible to raise a mortgage loan of a sufficiently large amount to meet their requirements.* If it be so—and it looks probable that it is so—the grievance of agriculturists in respect of their present long term indebtedness to rural societies and their other long term needs would appear to be well-founded. And it behoves the provincial credit and land mortgage banks (the M.C.U.B. and the C.L.M.B.) to find a way out of the *impasse*. They may have to act conjointly with one another as otherwise their independent decisions may not possibly cover the entire ground of the long and short term needs of the co-operators of the province.

7. A plausible solution of the difficulty is suggested by the Townsend Committee. Towards the end of paragraph 30 of their report, they give it as their opinion that pending the organisation of primary land mortgage banks—presumably over those parts of the presidency in which ten year loans have become an integral feature of the working of rural societies—such loans may be granted by attracting long term deposits by, if necessary, offering higher rates of interest. The provincial and central banks (credit), however, have declined to take up this suggestion; and their decision appears to be perfectly justified in the best interests of land mortgage banks themselves, otherwise the issue of debentures at comparatively low rates of interest would become difficult.

8. The early formation of primary land mortgage banks all over the province may then be easily suggested. This suggestion has only to be made to be at once dismissed as not practicable. The work will naturally be one of cautious progress both in forming banks and financing them; and it may be several years before a fairly good number of banks come into existence and working order all over the province.

9. Only two other courses are open:

One is the existing primary land mortgage banks and those to hereafter come into existence may without delay take over, after due investigation, the financing of long term needs of present

THE MADRAS JOURNAL OF CO-OPERATION

members of rural societies including their present mortgage indebtedness. It may be said on behalf of those banks that it is none of their business to undertake such investigation. They may well argue that their business will not extend beyond considering the requirements of persons who actually become their members. A little reflection, however, will show that there is not much of substance in this argument. As has already been noticed, it has been admitted by the central land mortgage bank that out of 21 primary banks as many as 16 were not functioning, presumably for years after registration. The apparent reason, or at least a chief reason, may be taken to be that the registration was not preceded by a due investigation of the existing needs of agriculturists in the proposed area of the banks. If registration be preceded by such investigation, it is inconceivable that a large number of banks should remain without functioning for years. Further, since the formation of the central land mortgage bank, facilities for holding an investigation of the kind referred to have been provided by Government by deputation of sub-deputy registrars at the rate of one for each primary bank. This suggestion has more than one reason to recommend its acceptance. Organized in this manner, the land mortgage bank will begin to function *directly* it is registered and accordingly become popular. Further, the investigation will disclose the past history of each case of existing mortgage loans which will surely help the discrimination of deserving cases from the rest.

10. The other course will relate to areas left for the time being without a land mortgage bank to operate therein, *especially* such of those areas as have long been accustomed to ten year loans. Some solution must in justice be found in for them by the credit organization of the province. I suppose I am not far wrong in thinking that the disposition of the M. C. U. B. is not unqualifiedly against the grant of ten year loans in the areas in question. The present policy which has resulted in the discontinuance of such loans may be taken as based not only on an "indisputable financial principle" of not issuing them except out of deposits for more or less corresponding periods but also—and perhaps even in a larger measure—due to the fact that in the present not—properly—controlled issue and recovery of such loans in rural societies it is not safe to let such loans be granted. If the latter reason be suitably met, the credit provincial and central banks may, I think, be disposed, as a transitory measure, to revive ten year loans. To persuade them to reconsider the question, a

LONG TERM LAND MORTGAGE LOANS

thorough investigation of *all* existing mortgage loans in rural societies is called for. Unions, left to themselves, will not be able to undertake this onerous task; and central banks will have to come to their rescue. The proposed investigation will discriminate deserving cases from the rest and in all probability convince financing banks provincial as well as central of the absence of any insurmountable risk in granting ten year loans in respect of the former, if the investigation does not bring about the immediate formation of a land mortgage bank itself. It will at the same time enable the central bank to pursue a vigorous campaign of recovering underserving cases for which even a ten year loan is no remedy.

11. Quite irrespective of the needs of members, the course of action recommended in the preceeding paragraph *as well as* that recommended in paragraph 9 in the event of the primary land mortgage bank concerned not choosing to move in the manner suggested, are incumbent on central banks as urgent measures of self-protection, with a view to restoring their financial position to a sound condition. I have recently tried to impress the need for early adoption of these measures in a review of the present state of the co-operative movement in our province which will be found published on page 98 of the August 1930 issue of the Journal of Co-operation.

12. Let me conclude with the hope that the suggestions made herein will receive consideration at the hands of the authorities of the provincial credit and land mortgage institutions and the Registrar.

REPORT

OF THE

XVII Madras Provincial Co-operative Conference

PER COPY: ENGLISH AS. 8
TAMIL AS. 4

Apply to:—

THE JOINT SECRETARY,

The Madras Provincial Co-operative Union,

ROYAPETTAH, MADRAS.

A Provident Fund Scheme for getting Long Term Capital.

The chief features of this scheme are :—

1. Persons between 18 and 40 who reside in the Taluk and who are, in the opinion of the Board of Management of the Land Mortgage Bank, physically fit can join in the scheme.
2. Amounts should be subscribed for 20 years according to the following three classes :—A Class Rs. 2, B. Class, Re. 1 and C. Class As. 8 per mensem.
3. Defaults for three months consecutively will entail closure of account. Such amounts will be repayable without interest when the subscriber attains 60 years or earlier to his heirs in the event of his prior death. The account could, however, be renewed on payment of defaults plus a fee of 0-8-0 within 3 months of closure of account.
4. If a person dies within 5 years of admittance to the scheme, his heirs will be paid the actual amount paid up plus interest at 6 per cent.
5. If the depositor dies after 5 years, his heirs will get Rs. 1,000, for A Class, Rs 500, for B. Class and Rs 250, for C. Class. The depositor himself will get these amounts if he lives to complete 60 years.

In case an account is continued for 20 years, but the person concerned has not attained 60 years, he will be entitled to a bonus of Rs. 12 per year for A. Class, Rs. 6 for B. Class and Rs. 3 for C. Class from the 21st to the 30th year. From the 31st year up to year of closing of account, he will be given bonuses of Rs. 24 per year for A. Class, Rs. 12 for B. Class and Rs. 6 for C. Class.

Besides serving as working capital for the Land Mortgage Bank proper, the scheme is intended to develop thrift and also serve as insurance system. The death rate in the Taluk which is an important point for consideration in this connection gave the following for the last 10 years :—14·91, 10·87, 8·08, 8·73, 7·80 8·98, 8·51, 9·30, 8·53, and 7·58 per thousand or a percentage of less than one for the whole population including men, women, and children. A modest calculation of the probable financial gains or losses of this scheme went to show that a substantial profit could be obtained.

Studies in Co-operative Law.

“PROFITS” OF A CO-OPERATIVE SOCIETY AND INCOME-TAX ACT.

BY

E. S. SUNDA ESQ., B.A., B.L.

56 M. L. J. 481 (F. B) The Madras Central Urban Bank Case. The short question was this—There was a government order to the bank to keep 40 per cent of its total liability under call deposits in a liquid or fluid form. The bank kept this amount in securities and received interest thereon. The interest was sought to be taxed under sec. 8 of the Income-tax Act. The Bank contended that it was a part of its business and the interest earned was its profits within Sects of the I. T. Act, which is not taxable by the Government Notification under Sec. 60 of the I. T. Act. The questions that came up for consideration were :—

1. Was the deposit in securities, a part of bank's business?
2. Was the interest obtained, a profit under Sec. 10 to claim exemption?

One should at once note the following in the order of the local government.

- (i) The order was to keep 40 per cent of the total liability ready probably to meet contingencies.
- (ii) There was no order to keep the 40 per cent in securities, government or otherwise (deposit).

So if the bank kept the 40 per cent in the securities, well and good, and it reflects credit on the bank to note that it did not desire to keep the funds idle. But we should not forget the idea that the order does not insist or demand a security. In other words the deposit in securities was an act of prudence *voluntarily done by the Bank*. Prudence pays back in the form of interest earned. So it is taxable as an item of interest—income earned on securities—that was how the Full Bench viewed. Odgers J, who delivered the judgment on behalf of the Full Bench puts it tersely at Page 489 “The obligation of the Bank to keep 40 per cent of its total liabilities in a fluid form is a consequence of an administrative order of government and does not oblige them although it may permit them to invest the

fund at all and it seems to me as they are to hold the fund in readiness to meet some particular liability which is specified, it cannot be said to be part of their business as a bank, to invest their liquid assets in the interval."

It should be stated with respect, that the latter part of the argument of Odgers J. is rather not quite convincing. His Lordship would grant that he might have had a possibility of taking a different view as vaguely hinted by himself at page 485. "It is said that this (investing in government securities) is a part of the business of the Bank and unless interests were received, the activities of the bank would be very severely handicapped. That of course is a matter for detailed examination of accounts and balance sheets and so on, of which nothing has been attempted before us." One cannot possibly agree to the view that because an order is there to hold a sum in readiness to meet a contingency, the investment—temporary it may be—of that sum cannot be said to be a part of the business of a bank. No order—governmental or otherwise—can possibly change or alter the real character of a transaction. An investment of its own spare (or otherwise idle) funds in another bank by one bank is surely a part of its business, and if it does not do so, one can emphatically say there is no business instinct in it. Again it is nobody's case that Government Securities will not immediately meet the contingency contemplated—'some particular liability' as Odgers J. would put it. If keeping money in Government Securities is one amounting to keeping money in readiness to meet a particular "liability which is specified," is it not business? There is again a third point. The order does not prohibit any type of investment in its broad sense. The only condition is that it should be readily available. Apart from this there is no other restriction on such investment in the meanwhile which will entail a loss of its character as a part of the business. The Government Order itself would state "to keep 40 per cent of its liability under *Call deposits in a liquid or fluid form* (refer p. 485)." The question is whether Government securities are not deposits in liquid or fluid form. Odgers J. answers it himself "instead of keeping these fluid assets in their safe or till they keep them in as nearly a fluid form as possible in Government Securities (at 485) It should be respectfully submitted that the argument in the latter part of the judgment is answered by the previous portions. So it can be stated—with considerable deference to the considered view of the Full Bench judgment—that the investment of the liquid assets in the interval is really a part of

the business especially in the facts of the particular case when the investment happened to be not risky deposits but government securities which are 'as nearly in a fluid form as possible.'

There is another point in favour of the bank too. Under the Rules (probably in all the rules framed by the Provincial Government) and forms, prescribed investment in government paper is considered as an *asset* within the meaning of the *business* of the Bank (refer page 284. Hemingway's Manual under the headings Assets and Quasi Assets No. 15). So if it is proved as Odgers J. would like to have it, that the interest earned forms a part of the income out of which the work of the bank is done and profit declared, it is possible that their Lordship may come to a different opinion.

But the view of Odgers J. that the investment in government securities was not an obligation on the part of the Bank imposed by the government order, really tells strongly against the bank. The argument is very sound and in no sense can the bank take shelter. It is a voluntary deposit with a view to earn.

There still remains the other question which could be argued in favour of the Full Bench. If even it is conceded (refer the above arguments) that investment in Government Paper is a part of the Bank's business, the question is whether the interest earned comes under sec. 10 (1) or goes under sec. 8. One strong argument in favour of the Income-tax department is that there is a specific head of income under sec. 6 of the I. T. Act as 'interest and securities' and another as "Business." Fiscal enactments have to be interpreted strictly. The whole judgment proceeds on the footing that income earned from (i) interest on securities (ii) business, are two distinct things as though they have nothing to do with 'profits' as stated in the notification, which exempted co-operative societies from payment of Income-tax—"the profits of any co-operative society for the time being registered under the Co-operative Societies Act 1904 or of individuals or of dividends or other payments received by the member of any such society on account of profits are exempt from income-tax" (18th October 1904 Fort St. George Gazettee) and the amount earned from the liquid deposit of government securities is nevertheless taxed as a taxable income under Sec. 6 of the Act.

The Full Bench Judgment's view that liquid deposit cannot be part of the business though debatable, can be supported on the ground that the deposit was not a compulsory deposit—a deposit ordered by the government in its G. O. and that the interest earned is an item of taxable income.

The latter view has been taken by the Commissioner in his case to the High Court.

Liverpool London Globe Insurance Company v. Bennett :—1911 K. B. 577.

Hamilton J's remarks re investments of this sort help us greatly in understanding the matters. "The voluntary investments were not for the sake of investments but to meet the difficulties of their business and *that the making of the investments to meet the liabilities of their business was just as much a part of their mode of conducting the business as the taking of risks.* . . . *The object of the investments was to extend the business, so the making of them was a part of the Business.*" But the House of Lords held in second appeal *that income of the foreign investments was a part of the taxable income.* *Liverpool London and Globe Insurance Company V. Bennett.* 1913 A. C. 610.

In any case it is for the co-operators to seek proper legislative amendments regarding exemption under similar circumstances and to so alter the Income-tax act to give relief which the Government really intends by the notification.

In spite of the arguments in support of the Full Bench, there is still the feeling whether the spirit of the notification has been followed and given effect to in the Full Bench decision. When the profits in a Co-operative Society—which means the balance of receipt minus expenditure charges—should not be taxed, is it advisable to assess the different heads of receipts individually which lead to a profit. The difficulty in interpretation as noted by the commissioner in his settlement of the case—is between the phrase, 'Profits of any Co-operative Society' and the term "Income." As he states in page 484 "The term profits used in the notification is never applied to "interest on securities" which is consistently termed income and in my opinion an exemption in respects of 'profits' cannot apply to that which the act does not term profits. The difficulty has risen probably to the Co-operative ideas and phrase regarding, "the profit of a society" (as per co-operative vocabulary) being made the basis of the notification without considering the connotation the word "profit" will have in the terminology of the I. T. Act. A notification under the I. T. Act can be interpreted only in terms of that Act and will not be elucidated with reference to the co-operative societies Act. Any way it is a matter for immediate legislative interference.

Recent Utterances.

IXTH SATTUR—SRIVILLIPUTHUR CO-OPERATIVE CONFERENCE.

Held at Sattur on 16th August, 1930.

PRESIDENTIAL ADDRESS

OF

MR. T. ADINARAYANA CHETTIAR, BAR-AT LAW.

After thanking the organisers for the honour they have done him Mr. T. Adinarayana Chettiar briefly surveyed the physical, and agricultural conditions of the Taluqs of Sattur and Srivilliputhur and remembered with pleasure how 10 years ago he was responsible for suggesting the possibilities of Khaddar productions in the area.

"I know some of you are not satisfied with the progress the movement has made in the District. Although being ignorant of the actual conditions of working in the District, I cannot give you any useful or valuable criticisms, yet I venture to remark that the extent of your transactions which stands to-day a little over eleven lakhs has not shown during the last four years that increases, which one should expect, considering the business enterprise of the people and the richness of the lands. That an overwhelmingly large proportion of this viz., nine and a half lakhs is for long term is not a very encouraging sign. The overdues which amount to nearly two and a half lakhs of which over a half are more than of a year's standing, form another depressing circumstance demanding your immediate attention. I have not before me the figures to show the overdues of members to primary societies; let me hope they are not bad.

But as the Registrar has well pointed out in his opening address, it is a good sign that you have awakened to the seriousness of the situation and are already devising schemes of rectification. The liberal grants made by the Government and by the Madras Central Urban Bank will I believe, go far to help you in this direction. But at the outset you were faced with a difficulty. The federation question was then looming large and the Departmental officers taking their cue from the then Registrar expedited (to use a mild word) the formation of a District Federation in your area.

In theory a Federation is perhaps unobjectionable. It supports the view of that eminent Co-operator Mr. Wolff, who says that the village

society should be made the pivot of the movement and not the Central Bank. But in practice, however, internal dissensions, objections to pooling of finance from the richer unions, and to the pooling of Supervisors from all the unions soon manifested themselves. These were not all. Petty jealousies and suspicions became every-day incidents while in some places the supporters of the Federation, owing to their numerical majority in the Central Banks' Boards of Management, began to dictate their own terms to the financing institutions. It is thus no wonder that in this area also an attempt to set a Dyarchy (a term used by the Chairman of the Reception Committee in his excellent welcome address) failed, as it failed elsewhere in another field.

Thus after experimenting for a short period with the Federation you are thinking of forming an Administrative Section in your Banking Union. In this connection may I venture to suggest that if you decide to go in for this, you must go in boldly and not half-heartedly. I have found in Salem that intensive supervision is possible only when an Inspector is given a manageable number of societies, say a dozen or so. For I expect my Inspectors not only to look after the collection of dues and of overdues to the Central Bank but to make themselves in a way generally responsible for the well being of the people in their area, on the lines attempted by Mr. Brayne in Grigaon District of the Punjab. Our work during the last two years has taught us that unless co-operative work is co-ordinated with other desirable rural activities such as adult education, village panchayats, medical relief, agricultural improvements, anti-drink propaganda and the substitution of innocent amusements for deleterious drinks, we cannot achieve the results we long for.

But I was surprised to be told that some of the primary societies resent inspection. This is regrettable. For I have all along held the view that if there is one movement above all others which thrives on publicity, it is the co-operative movement. Perhaps some of these objectors are buoyed up with the theory that Central Banks can inspect but not supervise. It is my regret that the Townsend Committee gave a fresh lease of life to their distinction without a (substantial) difference. In my own district we had to face this theory. The financing Bank pointed out that it considered a certain large sum of money sought to be raised by a member as loan for repairing a house in a small out of the way village was unduly high, while in another case that the period asked for the clearing of a debt was unjustifiably long in the light of the figures given in the property statement as to the would-be borrower's repaying capacity. But the Union in one case and the primary society in the other demurred to this "unwarranted interference with their rights." Some even object to enquiry by the financing Bank how a prior debt, to discharge which a co-operative loan is sought to be raised was incurred,

whether for a productive and proper purpose or for any objectionable purpose. I wish for the proper working of the movement, a movement fraught with the greatest possibilities for the economic and moral uplift of this country, people will talk less of theoretical rights but keep in mind the motto "cautious finance and vigilant recovery". At present the life of the rural inhabitant is dull, monotonous and even dismal. No physical or intellectual recreation is ordinarily available to him. Sports, in-door games, leisure time reading and pleasant evenings in the family circle, which form such an ordinary feature of life in western countries are entirely absent, opening the way to emigration of the able-bodied population to distant industrial towns or to far off Fiji or to the Straits Settlements.

No doubt external signs of refinement such as wearing of thin gaudily coloured foreign stuff and shoes of foreign pattern and of cigarettes are exhibited by the men, while women and children go in for face powders and ribbons. But in spite of admitted increase in wages and of income there is no real prosperity, nor is there any improvement in the more desirable directions, such as in the standard of comfort, better and more nutritious foods, better housing etc., I shall give you one instance and one instance only to illustrate my point. Children in villages have scarcely any milk whereas some years back when the cattle wealth of the country had not undergone such diminution at least goat's milk was available to any extent. There are fruits available in the season practically for nothing and country sugar is cheap in the season. Yet no attempt is made to make fruit preserves so as to give the growing children the healthy food they so much need.

This state of affairs is largely due to the feeling of helplessness that has come over our rural population. This again is due to their economic condition. The ever-increasing indebtedness is enough to depress even stouter hearts. The indebtedness in these two taluks alone is estimated by a friend at 50 lakhs which I fear is an under estimate. But the mere substitution of co-operative loans for the sowcar-loans will not result in any good. On the other hand, facile credit is equally an evil. Co-operative Credit to be of any real use to the ryot must go hand in hand with other attempts at betterment. Profits in agriculture are notoriously poor and uncertain. The ryot goes in for cultivation often for the simple reason that he has no alternative occupation. At present he does not keep any accounts of his cultivation. He must be taught to do so, so that he may take to a newer method or a different crop in case he finds his present method or crop unremunerative.

The smallness of holdings forms another bugbear. "Small holdings" says professor Carver in his "Principles of Rural Economy", invariably mean small incomes and small incomes sooner or later mean debt". Closely connected with this is the question of sub-division of

holdings. This can be tackled either co-operatively or through legislation. Punjab has made a successful attempt through the agency of co-operation, while in Bombay the Legislative Council recently threw out a Bill on this subject. I make mention of the question here so that leaders of co-operative thought may keep this reform in mind awaiting a favourable time. Professor Radhakamal Mukerjee has shown in his latest book "Fields and Farmers in Oudh", how consolidated holdings give an increased yield of 10 to 15 rupees per acre.

The periodically occurring resettlements and enhancement of Land Revenue form another facile cause of increase of debt. I trust you will, through your representatives in the Local Legislature compel Government to come out with a definite Land Revenue policy at an early date.

Having dwelt, however briefly, on some of the causes which have contributed to the increase of indebtedness, it is time we think of remedies while large and long-standing debts require long periods for extinguishment, there are innumerable cases where comparatively smaller debts can be extinguished by "Intermediate" loans say from 4 to 10 years. It is a great pity that the Pundits who are responsible for the Townsend Report condemned such loans, which if judiciously granted and carefully watched, will afford a real and substantial relief to many a middle-class family. There is yet another reason why these intermediate loans must be revived. The ushering in of a chain of land mortgage banks though urgent and desirable is not an easy matter of accomplishment. The investigation of titles has to be very carefully made, the enquires as to the value of land have to be thorough and cautious, especially in view of the present abnormally low prices for agricultural produce, and above all it will be no easy matter to obtain debenture monies when Government themselves have offered as much as 6 per cent for their own loans.

But it should never be forgotten that the best ways of helping the ryot to repay his debt are to obtain for him better prices for his produce and also to provide him with a suitable subsidiary occupation to augment his slender income during the prolonged periods of enforced idleness. As regards the former it is a well-known fact that the "cultivator sells his produce cheap and buys his finance dear". Just now the marketing of produce is an urgent problem in view of the prevailing low prices of cotton, paddy, groundnut etc. You should request the Registrar to see whether the Empire Marketing Board can afford us any help in the matter. As regards providing of suitable subsidiary occupations mention has already been made of hand spinning. But Guzarat affords perhaps even a finer example. In Anand Taluk of the Kaira District we are told there are 50 cream separating plants and 38 case in factories. North Guzarat, it is calculated, received over 25 lakhs last year alone from the sale of these dairy produce in Bombay and other distant places.

Though not strictly connected with co-operation, but perhaps not altogether unconnected with the above subject I would make mention of the subject of the prevailing paucity of cash. The commercial Banks have stopped credits to a larger extent. The Multani Bankers from Upper India have similarly withdrawn their lendings. There is just now a regular famine of cash. What is it due to? Have Government done anything which directly or indirectly has brought about this state of affairs? I am not an expert in these matters. I trust you will find out by yourselves or through the good services of the Registrar the cause of this state of affairs and devise a suitable remedy.

I would draw your attention to only one other matter Viz., the need for an Economic survey. Compactness of area would make this part of the country an excellent field for such investigation. No scheme of Rural Reconstruction can be successful without such a survey. It will help in investigating the soundness of existing debts especially mortgage debts, which according to some of you are even now unsafe. It will also facilitate the establishment of Land Mortgage Banks and will be equally helpful when you contemplate the introduction of a system of popular insurance through the agency of co-operation.

I have ventured to trouble you with these desultory remarks, since you are contemplating the inauguration of a scheme of Rural Reconstruction, and I pray to God that your efforts will be crowned with success.

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THE MADRAS JOURNAL OF CO-OPERATION

There is a special kind of co-operative bank in our district, viz., the Cardamon Planters' Co-operative Banks of Bodinaickanoor, Thevaram, Kombai and Cumbam. This Conference has to investigate what special facilities should be afforded to them by the Central Bank.

This Conference has also to consider how the surplus funds at the hands of the Central Bank can be utilised for the better development of the Co-operative movement in the district.

It may be said in general that the bulk of the population of the district are agriculturists and the movement has not yet done much good to them. Education on co-operation has not spread among the agriculturists; land mortgage banks have not yet been formed for freeing them from the thralldom of debts. They have to be started and facilities given to them both from Central Bank and other banks. Sale societies have not been formed for agricultural produce. Bearing these objects in mind this Conference has to approach its deliberations. With these observations, I extend my welcome to you all.

RURAL RECONSTRUCTION IN ALAMURU

IN ENGLISH AND TAMIL

BY

MR. V. VENKATASUBBIAH, B.A.,

(Joint Secretary and Convener, Rural Reconstruction Sub-Committee,
The Madras Provincial Co-operative Union.)

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District News.

A SHORT REPORT OF THE WORKING OF THE STATE CO-OPERATIVE INSTITUTE, LTD., PUDUKKOTTAI.

During fasli 1339.

The Institute which is now functioning both as a supervising union for the town societies, and as a federation for the whole state, has got affiliated to it 13 societies, and 4 local supervising unions and has in addition 20 individuals as members including the four newly admitted during the fasli.

It has been continuing the publication of the co-operative journal 'Aikia bodhini' and has been able this year to improve its tone by deputing one of its supervisors, who is a graduate to attend to it. It is hoped that with the co-operation of the department and of friends both here and elsewhere the circulation of the journal will increase and the journal made self-supporting.

The Institute has also been maintaining a library containing about 150 books. About a dozen periodicals from the leading countries of the world are being subscribed for, in addition to the premier Indian co-operative journals. Seventeen new books have been added to the library during the course of the year under report. The library is open to all co-operators at the Institute Office during its working hours. About 200 books and journals have been lent out to co-operators during the year.

The supervisors have toured for 23 days in connection with propaganda work during the year under report. The secretary was able to visit about a dozen villages along with the census officer in connection with the preliminary economic survey of the State. This opportunity was made use of by the secretary to inspect the societies in those villages to meet the managing Committee members wherever possible and advise them as how they could make their societies serve all their needs. In addition, the secretary was able to deliver lectures on Rural Reconstruction in the Viralimalai Conference and on the occasion of the anniversaries of the Tirumayam Supervising Union and the Teachers' Associations at Adanakottai and Karaiyoor.

The festival at Narthamalai was availed of by the Institute for spreading ideas on co-operation both by lectures and magic lantern shows. A pamphlet entitled "the needs of a villager" in Tamil was printed and distributed widely on the occasion.

The International Co-operators' Day was celebrated last year on 13th July 1929 under the presidency of Dewan Bahadur T. Raghaviah

THE MADRAS JOURNAL OF CO-OPERATION

Pantulu Garu, C. S. I.; when M. R. Ry. N. Thiagaraja Iyer Avl., M. A. L. T.; Principal, Maharaja's College, Pudukottah, delivered an interesting lecture on co-operation. A co-operative drama was also enacted on the occasion and the same was very much appreciated. This drama has been published and is now made available for sale at the office of the Institute. Many village teachers have been requested to train their children to enact this drama in their schools and thereby spread the principles of co-operation in their villages.

It was not possible to arrange the annual co-operative conference during the fasli year. However it was possible to arrange a sectional conference at Viralmalai during November 1929 to bring home to the panchayatdars of the Co-operative Societies in that division, the need for greater attention in the matter of collection and in developing the non-credit side of their work. The members of the Council of Administration were then present. The drama on co-operation was staged on the occasion and lantern lectures delivered.

Regarding the organisation of special types of societies, printed notices were issued broadcast by the Institute to point out the desirability of starting a building society in the town for the construction of houses on the sites at Ananda Bagh. One building society No. 149 has consequently been registered. The Institute was also responsible for starting a credit society at Valavambatty (No. 148) during the beginning of the fasli. The Institute further helped the Deputy Registrars of co-operative Societies, Trichinopoly, Messrs Rao Bahadur O. N. Ramaswamy Iyer and G. P. Venkatarama Sastrigal to organise meetings of the local betel merchants to come to an agreement regarding the strengthening of the betel growers' society at Trichinopoly. The starting of a betel merchants' co-operative society in the town is under contemplation.

The Institute which is functioning as a local union to the town societies, has been closely watching their work, and auditing their accounts almost once a month. On an average each society has been visited 8 times during the year and about 25 days have been spent on each.

The Institute has practically no income except the supervision fund of the town societies, and it has therefore to look up to the Government for a liberal subsidy. The Institute received a subsidy of Rs. 700 from the Government last year, and prays for a sum of Rs. 1,000 as subsidy to balance the budget this year.

The Institute desires to place on record its thanks for the valuable help rendered by various persons interested in the field of co-operation. It will be invidious to mention names, but special mention may be made

DISTRICT NEWS

of the help rendered to it by Mr. V. Govindasamy Naidu who as Development Officer, took an abiding interest in its development. The Institute conveys its thanks to the Durbar for the generous help they have extended to the Institute, and hope that their request to enhance the state subsidy from Rs. 700 to Rs. 1,000 will be realised, as the successful working of the Rural Development Scheme depends to a large extent on the activities of the Institute.

REPORT OF THE FUNCTION OF OPENING OF THE NEW BUILDING OF THE CO-OPERATIVE URBAN BANK, PERIYAKULAM.

On the 23rd August, 1930.

BY MR. V. RAMDAS PANTULU GARU,
(President, P.C.U., Madras.)

The function of the Opening of the New Building of the Co-operative Urban Bank Ltd., Periyakulam, came off at 1 P. M., on the 23rd August, 1930. There was a large gathering of many co-operators who had come from various parts of the two districts of Madura and Ramnad in connection with another function—The Madura-Ramnad District VII Co-operative Conference—to commence the very same evening under the Presidency of M. R. Ry. V. Ramadas Pantulu Garu, B. A. B. L., President of the Provincial Co-operative Union, Madras. The local Co-operators also mustered in large numbers in the beautifully decorated pandal specially put up for the occasion in front of the Building where the Conference was proposed to meet in session.

Mr. Ramadas Pantulu. and party were escorted to the Building in procession with double *Nagaswarams* and other paraphernalia. The Pandal was crowded to the full.

The function began with a prayer by Brahmasri Minakshi Sundara Satrial of this place. The President of the Bank welcomed the guests. He then read a report detailing the history of the New Building and requested Mr. Pantulu to open the Building with a key specially made for the purpose by a local goldsmith. A tamil rendering of the same was read by the Secretary of the Bank for the information of the non-English knowing audience. Mr. Pantulu prefaced the noble act with a short and instructive speech and declared the Building open.

The visitors were then accommodated in the New Building and the function then terminated with a vote of thanks to the distinguished guest of the evening followed by garlanding and distribution of bouquets and Pansupari.

THE MADRAS JOURNAL OF CO-OPERATION

Mr. Ramadas Pantulu presented the key to the Bank to be kept in the Building in a prominent place.

The function went off so well that everybody felt the unique success and grandeur of the function and expressed their feelings of joy and pleasure. The building has really removed much of the inconvenience hitherto felt and serves also to add to the stability of the Institution and to the beauty of the town.

Prominent among those that were present on the occasion may be mentioned the names of Mr. K. N. Raja Ram Rao, District Munsif, Mr. K. L. Narasimha Rao, member of the P. C. U. Executive, Mr. K. A. Rathinam Chettiar, Hony. Magistrate, Rao Sahib P. S. Nallaswami Nayudu, Hony. Magistrate, Messrs E. S. Sunda and P. Krishnaswami Satrial of Madura and Mr. J. D. Maduranayam Pillai of the Ramnad District.

REPORT OF THE PRESIDENT

BY MR. P. S. SUNDARAM AYYAR, (*President.*)

After tracing the history of the idea of owning a building and the obstacles they had to overcome the President said :—

“The sum of Rs. 8,000 invested in the building, the Board of Management and the General Body hope to wipe off in a short period by adjusting the accruing Building Fund every year towards the investment made. The Building Fund is expected to increase with the increase in net profits which again is bound to rise with the increase in the transactions and the number of members. The by-laws, according to the latest amendments registered, enable the General Body to allot towards the Building Fund as much as may be necessary out of the remainder of the net profits after providing for Reserve Fund and Dividend. This is considered to be the least onerous method of wiping off the liability. This building is 58 feet by 30 feet in exterior measurements. It is composed of a hall 55 by 20 feet, a saferoom 13½ by 5½ feet, a verandah 32 by 4½ feet and an outer room 7 by 4½ feet. The building is equipped with water supply and a privy. The Hall is so designed as to accommodate the office establishment on the southern side, a library on the north and a central hall for the purpose of meetings. The whole can be converted into one hall if need be. The Board hopes that this Building will be sufficient for office purposes of the Bank for the present and that it will be freely made use of by the members. The Board also hopes that the building will attract more persons to become members, and extend hands of fellowship and sympathy to their brethren in need of the same.

DISTRICT NEWS

I may also observe that the contractors have done their work wholeheartedly and sincerely though the rates allowed to them are far lower than the rates prevailing in the locality. The Board have also resolved to present a gold medal to Mr. V. S. Palpandiyan Ambalam and I request the President to present to him before this assembly.

This building, gentlemen, demonstrates to us that co-operation can advance any attempt to a successful goal. The girder and the hardware manufacturer of the West, the builder of the East, the timber supplier from Malabar, the capitalist of a contractor and the labour of the artisans co-operate together and the result, as we see, is the Building.

The members of the Bank believe that by your opening this New Building, you are opening to them new vistas in the sphere of co-operation and show them where they can find wealth and happiness and be of use to their brethren.

With this prefatory note, I, on behalf of the Board of Management, request you, Mr. Ramadas Pantulu, to open this Building with this Key made by a local goldsmith.”

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Resolutions

PASSED AT THE NINTH SESSIONS OF THE SRIVILLIPUTHUR AND SATTUR TALUK CO-OPERATIVE CONFERENCE.

1. *Intermediate Loans.* In the opinion of this Conference it is urgently necessary that the Central Banks should resume the disbursement of loans for intermediate periods i.e., 4 to 10 years since a large number of middle class debtors can only be saved by the judicious grant of such loans.

2. *Land Mortgage Banks.* In the opinion of this Conference, the organisation of a chain of Land Mortgage Banks in the Srivilliputhur and Sattur Taluks is desirable as the only means of removing longstanding loan of prior indebtedness.

3. In the opinion of this Conference the policy of discouraging the organisation of Land Mortgage Banks in dry areas is highly prejudicial and hopes it would not be insisted upon by the Department and by the people who control the Central Land Mortgage Bank.

4. It is resolved to request the Madras Central Urban Bank to resume the disbursement of long and intermediate term loans of five to ten years, as the need for the same is urgently felt by the ryots and as the organisation and efficient working of Land Mortgage Banks is likely to take some considerable time.

5. In the opinion of this Conference it is desirable to inaugurate a comprehensive economic survey in the Srivilliputhur and Sattur Taluk Unions' area, since such a survey will be a necessary foundation for all schemes of future Rural Reconstruction and as it will afford the most valuable data for the organisation of Land Mortgage Banks and for introducing a system of popular Co-operative Life Insurance.

6. Considering the present abnormally low prices for the agricultural staple produce of the District and the consequent miserable plight of the ryots in this area, this Conference resolves to request the Registrar and through him the Government to move the Empire-Marketing Board or such similar organisation in the Empire to obtain particulars of market or ruling prices so that the ryots may not be cheated of their just dues by profiteering exporters of raw produce from India.

7. That in the opinion of this Conference, the present arbitrary limit per taluk of 40 cases for execution through the Revenue Department works as a serious handicap and Government should come forward to remove this limit. The Conference is further of opinion that the

RESOLUTIONS

Central Bank should come forward to meet a reasonable portion of additional expenditure likely to be incurred, say by providing the Tahsildars with necessary additional clerical staff.

8. Resolved to request the Srivilliputhur Co-operative Banking Union to reconsider and cancel its resolution to levy a penalty of Rupee one for every Rs. 100 of overdue principal.

9. Resolved to request the Government to sanction liberal subsidies to all Adi Dravida Societies for scriptory work.

10. Resolved to request the Srivilliputhur Co-operative Banking Union to resume sanction of loans to limited societies both credit and non-credit when they have no overdues to the Central Bank.

11. Resolved that each society should endeavour to prepare forecast loans in July and August and intimate the Central Bank sufficiently in advance and get them sanctioned.

12. Resolved that the Unions instruct their respective societies to prepare every month a statement of overdues and send them to the Unions and the Bank.

13. Resolved that it is essential to grant adequate Honorarium to the Panchayatdars of societies attending to collection and scriptory work and to request the Department to approve of the recommendations of the Unions in respect of the grant of Honorarium.

14. This Conference condemns the action of the Department in the matter of frequent unnecessary transfers of subordinates, since such a course interferes with the smooth working of the movement while the valuable local experience gained by the staff at a considerable cost is allowed to go to waste and in view of the fact that such a policy of frequent transfers involves waste of money besides giving a scope to the District Head, to display communal likes and dislikes and further requests the Government to put a stop to this tendency.

15. Resolved to request the Srivilliputhur Co-operative Banking Union Limited, Srivilliputhur to sanction loans to selected good societies in respect of their new and regular members alone though the society may have overdues to the Central Bank.

16. Resolved to request the Government to instruct the Honorary Assistant Registrars and Arbitrators to enquire and decide arbitration cases in the societies concerned themselves.

THE MADURA-RAMNAD
DISTRICT VIITH CO-OPERATIVE CONFERENCE.

Held at Periyakulam on 23rd August 1930 and 24th August 1930.

FIRST DAY'S PROCEEDINGS.

The Conference began at the new buildings of the Periyakulam Co-operative Urban Bank at 2 p. m. on Saturday the 23rd August, immediately after it was declared open by M. R. Ry. V. Ramadas Pantulu Garu B.A. B.L.. The elite of the town was present and there were many distinguished visitors. The Chairman of the Reception Committee Mr. G. Gurumurthi Ayyar welcomed the delegates and read his address* and called on the delegates to install the President in the Chair. Rao Sahib N. Ramaswami Ayyar President of the M. R. C. C. Bank and District Federation proposed the President-elect Mr. Ramadas Pantulu Garu to the chair. This was duly seconded by Mr. Nagarathnam Pillai (Paramakudi Union) and supported by Mssres. Perimanam of Uttamapalayam and Srinivasa Ayya of Mudukulattur. Mr. Ramadas Pantulu B.A. B.L., was then duly installed in the chair and delivered his Presidential address.†

Mr. Ramadas Pantulu then delivered a brief concluding address to the delegates. He urged that annual district Conferences were quite necessary. He desired the rural societies to be loyal to the top institutions and desired the top institutions to be loving and kind to the formers and to carry out the resolutions passed at the Conference.

RESOLUTIONS PASSED AT THE CONFERENCE.

Resolution i.—This conference resolves that a Committee consisting of (1) Rao Sahib N. Ramaswami Iyer, (2) Mr. E. S. Sunda, B.A., B.L., and (3) Mr. Nagarathnam Pillai, be appointed to examine the Bill to amend the Co-operative Societies' Act and report to the Central Bank and the District Federation within three months for taking necessary action thereon.

Resolution ii.—This Conference resolves to request the Government to grant concessions regarding railway freight and postal charges to Co-operative Associations and regarding railway fares to delegates to Co-operative Conferences.

Resolution iii.—This conference recommends that a Central organisation be formed at Madura for the transaction of Co-operative Stores Societies and that the City Stores Ltd., do act as the organisation for the present.

Resolution iv.—This Conference is of opinion that the G. O. prohibiting the employees of Local Bodies from working on executives of Co-operative Societies, is working great hardship and resolves to request the Local

* See page No. 240 of this number.

† See page No. 156 of the August number.

RESOLUTIONS

Government to rescind the said G. O. in view of the valuable part played by them so long in the working and furtherance of the Co-operative movement.

The employees of local bodies have notified to the Conference that these do not take part in the discussion or voting on the resolution. This fact is recorded.

Resolution v.—This Conference resolves that, with a view to educate the members of Primary Co-operative Societies, the District Federation be requested to distribute free to all members of Village Societies printed copies of model by-laws in Tamil.

Resolution vi.—This Conference is of opinion that the recent Press communique of the Government of Madras prohibiting Co-operative Societies from doing propaganda for the encouragement of Khaddar and Swadeshi and promotion of Co-operative Societies for production of Khaddar is a direct attack on the primary object of the Co-operative Movement to encourage the indigenous cottage industries and help the poor agriculturists to better their economic condition; and accordingly requests the Government to withdraw it immediately.

Resolution vii.—This conference is of opinion that, with a view to educate the agriculturists in better farming, it is necessary to establish agricultural depots in union headquarters for the supply of improved seeds, suitable manures and better implements; and requests the Agricultural Department to open such depots.

Resolution viii.—This Conference urges Co-operators of the Madura and Ramnad Districts to form loan and sale societies, to provide more godown accommodation for the storage of the agricultural produce of the members of the primary societies and to encourage the sale of such produce through the sale societies.

Resolution ix.—This Conference welcomes the scheme of Co-operative Insurance that is under preparation by the Madras Provincial Co-operative Union and requests Co-operators to render all possible help to make it a success.

Resolution x.—This Conference resolves that Land Mortgage Banks be formed in suitable localities and that each of those banks be so constituted as to operate over areas of not less than a taluk.

Resolution xi.—This Conference resolves that the Religious Endowments Board and educational institutions be requested to advise the temples and hostels respectively to purchase their provisions from co-operative stores.

Resolution xii.—This Conference resolves that the District Federation shall not take up audit work of the limited liability societies and that the societies should make their own arrangements for their audit.

THE MADRAS JOURNAL OF CO-OPERATION

Resolution xiii.—(a) This Conference is of opinion that the age of membership should be reduced from 18 to 16 and that members below 18 years of age may, if necessary, be dealt with through their guardians, in the case of students' Co-operative Stores.

(b) The Central Banks be requested to lend to such stores four times the share capital and reserve, instead of twice as at present.

Resolution xiv.—This Conference resolves that the District Federation be abolished.

Resolution xv. This Conference resolves that urban banks be permitted to advance loans on the security of Gold and Silver and approved articles of merchandise.

Resolution xvi.—This Conference resolves that the future 'annual' conferences of the Madura-Ramnad District be held regularly and requests the Federation and Central Bank to take steps to hold it.

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RESOLUTION

**COPY OF THE PROCEEDINGS OF ALL THE
UNIONS CONFERENCE OF THE EAST
GODAVARI DISTRICT**

*Held on Sunday the 7th September at Cocanada with
M. R. Ry. Ch. Seshagiri Rao Pantulu Garu, M. R. A. S., in the Chair.*

RESOLUTIONS.

1. Read the whole correspondence commencing with the Cocanada L. C. Unions letter dated 14—8—30 calling this conference and ending with the Federation's Secretary's letter No. 69/30-31 dated 4—9—30 condemning the action.

(a) This conference resolves to place on record its opinion that the Cocanada Union is not wrong in calling for this conference and that the expenditure incurred by all the unions in this connection is legitimate.

(b) It further regrets to place on record the unco-operative attitude of the Federation Secretary and its executive in placing obstacles in the way of holding this conference by the Cocanada Union or at least not arranging for the holding of this conference under the auspices of the federation itself.

II. This conference is of opinion that there is no necessity for any fresh examination test in the present co-operative institutes, to all duly trained or certified and experienced supervisors for their promotion and even retention in service.

Carried unanimously. Further resolved to recommend to the Federation to comply with the contents of the General Body resolution of the Kotipalli Union.

III. This conference of Local Unions is strongly of opinion that a District Federation is not only unnecessary but is highly undesirable and especially in this District where there are four Central Banks with their administrative sections.

This conference advises all the Societies, Local Unions and Central Banks in the District to so amend their respective By-laws in keeping with the above resolutions and request the Registrar to register them accordingly.

• Co-operation In Other Lands.

WELCOME ADDRESS

By

DR. RENNER.

On behalf of the Union of German-Austrian Consumers' Societies and the Austrian Co-operative Wholesale Society, I have the pleasure to extend to you a very hearty welcome to Vienna and Austria, to the midst of those Austrian co-operators who pursue the ideals and methods of the honourable Pioneers.

Austria whose beautiful landscape gives you shelter, and Vienna which offers you hospitality, are no longer what they were a decade ago. Austria was the name of a mighty Empire which for centuries determined the political destinies of the world, but the Austria of to-day no longer aspires to such a place. The old "Kaiserstadt" Vienna, with its imperial palace, palatial mansions of the nobility, civil and ecclesiastical signs of power, no longer exists. Austria has become a small State, a free Republic, which lives its own life, without ambition, except that of serving the cause of peace among the peoples of the world (Applause).

Imperial Vienna has been transformed into a Vienna of working citizens, toiling labourers. But from its former glory it still retains two things—its indestructible love of the enjoyment of life and art, especially music, which has frequently celebrated its peaceful triumphs throughout the world.

In recent years Vienna has won new fame in another sphere by its extensive social work. Its dwellings for the homeless workers already exceed the dimensions and economic value of its historic buildings and this newly built residential quarter of Vienna is in itself a town of 150,000 inhabitants, which has grown up in the space of one decade on what was formerly pasture land. It is a worthy example for all large municipalities of the world and an expression of the spirit and energy of its present inhabitants which will live in history. The social welfare institutions of Vienna now serve as models for the social reformers in all countries. These institutions are the outcome of necessity; no capital of the world suffered as much as the result of the four years' war; none has been deprived to the same extent of the means for the import and export of goods, as Vienna has been by the Peace Treaty. The administration of the town took up the fight against hunger and despair, infantile mortality and disease, and in spite of its poverty, Vienna has become one of the healthiest cities in the world.

* Extracts from the "Co-operative News" dated 30th August 1930.

The new, socially-thinking Vienna welcome with joy the International Co-operative Alliance, which aims at the realisation of the same high object the well-being of the people although it seeks to attain it in a different sphere and by different means. (Applause).

Austrian Co-operators, as co-operators, are glad to welcome the Congress and make it acquainted with co-operative Austria and Vienna. Co-operation in Austria began later than in most other countries; political pressure which was exercised in the country up to 1890 made it impossible for the consumer's societies, which were first established in the sixties, to consolidate themselves. It was not until 1897 that our movement really began to develop; a Co-operative Union was established in 1903 and a Wholesale Society in 1906, but they enjoyed barely a decade of peaceful development. Their progress was hindered by the world war, whilst the Peace Treaty of St. Germain divided the sphere of activity of both organisations among a number of States, in each of which a new movement had to be organised in 1919 from the remains of the old. The Union and Wholesale Society were reduced to about one-third of their former dimensions, and no sooner was their re-organisation completed than they had to contend with the difficulties created by the collapse of the currency, the period of inflation and deflation. Until 1925 they were so severely handicapped that their existence was at times in doubt.

Taken as a whole, all that the co-operative movement owns to-day has been reconstructed, consolidated, developed and brought to success within the last five years. Our joy is all the greater in view of the fact that our work, which was so full of anxiety and demanded so many sacrifices, is now crowned by the International Co-operative Congress, which we have the pleasure to receive and to demonstrate to it what we have achieved under such enormous difficulties. (Applause).

The example set by the International Co-operative Alliance and its affiliated national organisations, especially the mother-country of co-operation—Great Britain—have always guided Austrian Co-operators in their work. The Alliance have been our great teacher, and we are very thankful, for all we have received from it. To the Congress itself I address the words of Kulemann, a German Co-operative theorist; "The co-operative movement has become a world power, and its influence is increasing daily." May this congress further advance this world power and bring the co-operative movement another step nearer to the leading role which it deserves to play in the economic life of the world.

PRESIDENTIAL ADDRESS

OF

DR. VAINO TANNER.

Here, before the city walls of Vienna, West and East once met as enemies, each pitting its strength against the other. In the course of centuries the whole policy of Europe has at sometime been directed from this city. Each one of the nations represented here to-day has, at one time or other, felt the effects of decisions that have been made here.

A hundred and odd years ago, a hundred crowned heads and half-a-hundred princes who had lost their crowns in the political turmoil had then gathered in this city with their councils and with their pompous suites, for the purpose of reorganising the conditions of Europe. Frontiers were drawn, nations were separated and united, and an ever lasting peace was promised to the world at large. The final result of that Congress was a peculiar alliance agreement which has been called the "Holy Alliance." Its signatories promised to observe the commands of love, to aim at justice, and to strive for peace "in accordance with the commands of the Holy Scripture."

It appears strange, after a hundred years, to read the demands for international fraternity, peace, and justice in this document, which originated in the spheres where power standards are carefully calculated and by force of arms. That Vienna Congress did not endow Europe with a permanent peace and brotherhood of nations.

The century that has passed since that Congress has made but a scrap of paper of the Holy Alliance. The brotherhood, peace, and justice of the nations have never been realised as a result of the mere decisions of the rulers. The political and social forces are growing and derive their substance from the existing economic system. So long as the spirit and motive power of this system is the spirit of mutual conflict, so long as peace is preserved by preparations for war, so long will it be difficult for us to stop the bloody cavalcade of the God of War!

The disturbances that have troubled Europe right from the great French Revolution have been the outbreaks of new social forces. They were stirred up by the masses of the nations. The circles whose trend of thought was looking for new forms of economic and social life were beginning to feel that the world order had to be created in a different way than by arbitrary decrees of the crowned rulers. And the awakened masses began, of their own strength, to seek for an issue and liberation from the light which, when looking upon it from a present-day point of view, was in many respects simply awful. It was from the thought,

PRESIDENTIAL ADDRESS

awakenings, and efforts of this period that the co-operative movement has emerged, which, in place of the principle of conflict, began to apply the principle of solidarity and justice.

Thirty five years ago the main object of international co-operation was distant, and certainly seemed to all to be a beautiful mirage. But as at each Congress we have been realising our approach towards this main goal, so we have also noted, to our delight, that it is resting firmly on the ground of reality. We are thus entitled to say that the idealistic influence of our Alliance has already grown in importance.

But beside the idealistic activity there rises before us also another high mountain top that is difficult to reach; the creation of international co-operative economy. The more the world of economy of to-day is examined in various countries, and the more its deficiencies are detected, the more firmly do we note how also this main goal rises above the economic conditions as an inevitable demand. This main goal also was referred to at the First Congress of our Alliance, and the same goal has since been often placed before us. The establishment of an International Co-operative Wholesale Society has for a long time, and particularly lately, received a great deal of attention. At the moment, also, this goal which at the time seemed to be so distant has already been partly realised, and before long we shall, certainly also see this scheme burst into full bloom. At the same time our plans with regard to the common activity of the co-operative banks and insurance institutes on an international basis are assuming ever-increasing concrete shape. The Alliance of the Nations has now come to hold its Congress in the same city where the crowned heads a hundred years ago were arranging the fate of nations, sharing between themselves countries and power. The 'Holy Alliance' they then founded had, after thirty-five years, lost all its importance. The Alliance, founded in the Crystal Palace, in London, has now, after thirty-five years, extended its branches over the whole globe.

Neither the frontiers of empire, nor the differences with regard to nationalities and languages; just as little as those of religion, or a different conception of political and social question—none of them—have put up any obstacles to the extension of our Alliance. At the present time it comprises forty countries, and in those it is calculated that there are 55,000,000 families, or more than 200,000,000 individuals, who have joined this new Democratic Republic. This biggest Republic of the world can thus, without boasting, use the words of Charles the fifth: 'The sun never sets on my empire.'

But then the goal and duties of this Alliance of the Nations are on an entirely different level. At the former Vienna Congress there was only one enemy to be feared, and he was in exile, and from there he once

LONG TERM LAND MORTGAGE LOANS

more, without a stroke of the sword, won back his empire. Our opponent is not in exile, but is sitting firmly on his throne. We also know very well that he is still powerful, that he possesses the heavy fighting weapons of Capital, and that he is strongly organised for the purpose of opposing us. This knowledge forces us to decide upon our fighting method. We must act deliberately and clearly and for that reason resolutely. We have no right to waste, in the pursuit of unattainable Utopias, the strength that will suffice so much better for the carrying out of the tasks on the ground of reality.

The Thirteenth Congress of the I.C.A. is confronted with great and important decisions. It must estimate the importance of the development that has taken place in the three years that have passed, and indicate the way to new conquests. Especially now, when the world at large is suffering from the results of the difficult and the long-drawn-out economic crisis the conducting of the co-operative movement in the right direction is more important than ever. Also the questions for discussion that competent experts will report upon are likely to guide us into clearer water in matters of first-class importance to our movement.

Our task during the next few days is thus, once more, to elucidate the main objects and aims of the I.C.A. and to point out the way for the coming important decisions. The success of our task depends upon all of us. I feel convinced of the fact that when we work in a true co-operative spirit observing the old life-wisdom of our British fellow co-operators, according to which we should observe "*in things essential, Unity, in things doubtful, Liberty, and in all things, Charity,*" then we shall find solutions to all the matters placed before us that may serve as a guide to the nations on their way towards that Commonwealth of the future, at the gates of which the rainbow colours are floating. (Applause).

BOOKS, PAMPHLETS AND REPORTS RECEIVED IN THE OFFICE.

I. BOOKS.

1. The year book of Agricultural Co-operation published by Horace Plunkett Foundation.
2. The year book of American Co-operation by Co-operative League America.
3. The year book of Agriculture U. S. A.
4. Do. Do. Madras.
5. Agricultural Co-operation in England published by Horace Plunkett Foundation.
6. Village Life (கிராம வாழ்வு) by Dr. Jesudasan, Krishtukula Asram, Thirupathur. North Arcot District.

II. PAMPHLETS.

1. Co-operation in Egypt published by the Ministry of Agriculture Egypt.
2. Environment and Economic Activities on the Madras Presidency.
3. Financing and Forced Sale of Produce by Mr. K. C. Ramakrishnan of the Madras University.

III. REPORTS.

1. Registrar of Co-operative Societies Reports for Bombay.
2. Do. Do. Bengal.
3. Do: Do. Cochin.
4. Do. Do. Federated Malay States.
5. Do. Do. Siam.

Reviews.

CO-OPERATIVE INDIA.

BY S. K. YEGNANARAYANA AIYAR, M.A.
(London : George Routledge & Sons, Ltd.)

In the eyes of Indian readers a grave omission in the past two years in that excellent annual publication of the Horace Plunkett Foundation was the absence of any special contribution on the co-operative movement in India. But ample amends have been made in the current (1930) Year Book Agricultural Co-operation in the British Empire. Readers of this journal will be glad to know that it is its Editor, Prof. S. K. Yegnanarayana Aiyar, that has responded to the invitation by the Foundation to contribute a Chapter on Indian co-operation, a neat reprint of which is under review.

In the introductory section, our author traces briefly the origin and growth of the movement in India and gives a succinct picture of the structure of the co-operative organisation, which does not differ much from province to province. This is followed by several sections, each of which is devoted to an account of the salient features of the working of co-operative societies of various types in one Province or State. The author has waded through a mass of dry details in the Administration Reports of all provinces and states; but he presents to the readers only the more important and interesting aspects of development in each. Our special attention is drawn to types of societies and activities peculiar to particular provinces, e.g. loan and sale societies and urban consumers' stores in Madras, societies for consolidation of holdings and for 'better farming' and 'better living' in the Punjab; societies for cotton sale and branch-banking activities in Bombay, co-operative jute-marketing and milk supply in Bengal.

Our author did not rest content with the study of the latest administration reports; but has delved deep into the Reports of Committee of Enquiry recently appointed in several provinces—Madras, United Provinces, Central Provinces and Burma—and has referred to their findings in appropriate places. The main burden of their song is, of course, rectification and consolidation rather than spectacular expansion. 'Our object', as one Registrar says, is, to multiply co-operators rather than societies.' The concluding section contains general observations which are at once sound and stimulating. Our

REVIEWS

author closes with an appeal to the Government to deofficialise the movement and one to the public to take a deeper interest in the theory and practice of co-operation.

A tabular statement summarising the transactions of societies and a Bibliography of Indian Co-operation would have been welcome additions. But the booklet, as it is, covers such a wide field in such brief space (32 pages) and is so accurate and well balanced that it should be a boon to the busy reader.

K. C. R.

BY

Professor S. K. YEGNANARAYANA IYER, M.A.,

A few copies of "Co-operation in India" in 1928 being reprints from the "Year Book of Agricultural Co-operation" published by the Horace Plunkett Foundation are available with us. Apply sharp to avoid disappointment.

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

ANNUAL REPORT ON THE WORKING OF THE INDIAN EMIGRATION ACT (1922) FOR THE YEAR 1929.

This is apt to be dismissed as dry-as-dust departmental document for the grave issues involved. The year 1929 saw a tremendous increase in the number of emigrants to Malaya. It was roughly 75,600 as compared with 24,000 in 1928. The increase is attributed to the slackening of the restriction scheme in rubber and the opening of 24 new estates. Exemption from the operation of the sex ratio was also an inducement for a large number of single males to emigrate. Both these causes have now ceased to operate and we may consequently expect a large return of emigrants from Malaya in the current year.

Emigration to Ceylon went down rapidly from 133,700 in 1928 to 105,000 in 1929. Better seasonal conditions in the usual recruiting centres and the demand for labour in the Mettur project and new railway lines are said to account for the decrease. The Kangani system of recruitment—with the several 'irregularities' ingrained in the system—and the comparatively low level of wages in Ceylon (though a statutory minimum has now been fixed) would also appear to account for the unpopularity of emigration to Ceylon compared with that to Malaya.

Figures relating to repatriation of Indian emigrants from Malaya, Ceylon, Fiji, Mauritius, Trinidad and South Africa tell their own tale. Judged by the returns from Malaya and Ceylon, sickness or unsuitability of climate is biggest cause; and we are afraid that the little material benefits enjoyed in the colonies are more than offset in many cases by complete disability to earn a living after returning to the motherland. It is only a few emigrants returning from South Africa that were able to purchase lands from out of their savings. Men who had been engaged in industrial work are said to suffer from 'mistaken sense of pride' and reject the offers of jobs on lower wages in India. They eat up their savings in a short time and with the loss of work-habit become unemployables. We would like to know the proportion of those irreconcilables.

The problem of decrepit repatriates is distressing to a degree, and the Union Government has not cared to discharge its duty towards them. A grand pension of 10 shillings per head per mensem is all that it chooses to grant; and before the decrepit becomes eligible for the amount—40 months after return—he has to face destitution and starvation. The Madras Government obligingly bears the burden in the interval and sanctions compassionate grants to keep such decrepits alive. A Home for the Decrepits has been established in December 1929 at Madras at the instance of the Government of India.

We are obliged for this modicum of information to the Labour Commissioner, Mr. J. Gray, who states the cold facts without a word of

comment. There are certain pressing questions which the subject of Emigration provokes to which we do not find any inkling of answer in the above report. What is the root cause of all this emigration from India? Is it the growing pressure of population on the soil in India or the enticement offered by planters abroad that is the dominant cause? Is there any constructive policy or long-time programme pursued by the Government of India in the interests of emigrants and of *this* country? The whole report, as many another Government report on emigration in the past, is apologetic in tone and defensive in outlook. It seems to say that there is nothing particularly wrong in the conditions of treatment of our emigrant labourers abroad. But though it is important, it is not the only issue. How does emigration benefit *this* country? What is its effect on the rural economy of India? Is there less rural unemployment or underemployment? Is any care taken to see that those *parts* of the country which have a surplus of rural workers are relieved of their excess, and areas where there is a scarcity of labour are not deprived of the existing labour-strength? The laws of supply and demand do not work themselves out in this unfortunate country without a considerable amount of friction. It is the duty of Government to remove this friction and to assist in the process not merely the planters abroad and the emigrants seeking work but also our countryside.

We may, in this connection, commend to the attention of our readers a lucid and suggestive article in the *International Labour Review* for August 1930 on the Agrarian Structure of Poland and France from the point of view of Emigration by Mr. Z. Ludkiewicz, former Polish minister of Agrarian Reform. The writer carefully examines the density of population in different tracts in Poland and the scope for further employment on farms within, and finding this limited suggests the emigration of the surplus workers from particular areas to parts of France which suffer from a serious shortage of agricultural labour. He recounts the virtues of Polish peasants and affirms that given good opportunities, they will make first class settlers in France. He examines rural conditions in France from the point of view of labour requirements and suggests an organised and State-aided emigration of Polish workers to South-western France in the interests of both France and Poland.

'Close collaboration' is here essential between the social policy of Poland, which must aim at reducing the over-population in the country districts, and that of France, which has to repopulate its rural areas.'

How we wish we had some minister in India who could formulate a similar definite policy of emigration within, to scarcely populated areas or emigration to lands overseas which offer facilities for settlement and not merely scope for seasonal or short-time labour.

K. C. R.

Extract.

THE INDIAN INSURANCE YEAR BOOK.*

The Government of India Actuary has issued his report on the working of the Insurance Companies in India giving a summary of the results for the year 1928.

There are according to the report 245 companies both Indian and non-Indian operating now in India who have submitted returns of their working. Out of these

- 97 companies are constituted in India
- 72 in the United Kingdom
- 29 in the British Dominions and Colonies
- 13 in the United States of America
- 19 in the Continent of Europe
- 10 in Japan and
- 5 in Java.

The total net premium income of all companies exceeds 8½ crores of rupees out of which 6½ crores of premium income is derived from life insurance shared as under :—

- 334 lakhs to Indian Life Companies,
- 152 lakhs to Colonial and British Dominion Companies,
- 138 lakhs to British Life Insurance Companies,

The income from the general insurance business is shown at 2½ crores net, which is shared as follows :—

- 41 lakhs to Indian Companies,
- 173 lakhs to British Companies,
- 18 lakhs to British Dominion and Colonial Companies,
- 14 lakhs to American Companies,
- 5 lakhs to Continental Companies,
- 3 lakhs to Japanese and Java Companies.

Coming to life insurance, it is gratifying to find that Indian companies are forging ahead. Out of the total amount of life insurance in force in this country, which is put down by the Government Actuary at Rs. 124 crores the share of Indian companies came to 71 crores. There is one significant fact which emerges from these figures, and that is, that policies issued by Indian companies are for small amounts and by non-Indian companies for large amounts. The Indian companies have policies numbering 4,12,000 for 71 crores of insurance; non-Indian companies for their 52½ crores of insurance had only 1,52,900 policies. Some of our critics seem to take delight

* Extracts from Indian Insurance of August '30 issue.

EXTRACTS

in the fact that the expense ratio of Indian Life Companies is very high compared to their British and Colonial friends. These figures ought to show why such expenses are somewhat high. With the growth in life insurance development in this country and with increased amount in such proposal the expense ratio is bound to stabilise itself in course of time.

There are very interesting particulars showing each company's income, total amount of insurance in force, total number of policies, etc., etc. Everyone who is interested in Indian insurance development should study this report carefully, because, it shows at a glance how insurance premium paid in India for fire, marine, motor and life insurance business are distributed and how Indian people can take action by themselves to keep as much of this money in the country itself

The Government Actuary mentions that non-Indian companies have investments in India to the extent of Rs. 30 crores. We take it that this large sum is the accumulated premiums derived from this country, and if non-Indian companies can accumulate such a huge amount derived from our country, it must give food for thought for every patriotic Indian to follow that example and enable Indian companies to accumulate equally large amounts to be retained in the country itself.

The Government Actuary gives a warning to all new life insurance companies not to enter the field at all, unless they have at least Rs. 2 lakhs of paid-up capital. He mentions that several companies which have entered the field with insufficient capital find themselves without any assets. We are in entire agreement with him in this view. We therefore warn all new comers to be quite sure that they have financial backing sufficient to meet deposits, expenses, claims etc. before they venture on life insurance. When the business is in a growing stage it behoves everyone to see that nothing is done to retard either the growth or faith in the business. We hope that in the good name of Indian Insurance development and for the prosperity of this important business, every Indian Insurance company will see that it maintains a very high standard of service to its constituents, agents and field workers.

GREAT HELP TO AGRICULTURE FROM THE CONSUMERS' POINT OF VIEW.

Dr. Addison, *The Minister of Agriculture, England*—is anxious to help smallholders, to protect the lonely farmer, to give isolated cultivator a better living on the soil. These are not unworthy aims; and it may be that the full programme of nationalisation and collectivism can never be applied to the basic industry of agriculture. But it is common knowledge that independent farmers and smallholders constitute a solid barrier to the progress of Socialism in every country. They are individualistic in spirit, conservative in outlook, and unalterably opposed to all forms of

nationalisation. Yet they are to be the producers Dr. Addison and the Government are now proposing to strengthen the support.

How are they to be protected? This is the crux of the problem that now confronts the nation. Dr. Addison says the Government will give them easier access to the land, more security of tenure, help in marketing their products, and "Such a security of price as would enable the good cultivator to get a decent living." That is to say, the Government proposes to safeguard agriculturists so that they may obtain higher prices for their wheat and oats and barley and other products they bring to the market. Its whole agricultural programme turns on higher prices, and consumers will need no telling that the question that concerns them most is this: If farmers and smallholders are to receive higher prices for their products, how much extra will consuming masses be compelled to pay?

Hitherto British farmers have had to compete with the products of the world, and our millions have been cheaply fed as a first consequence of that world-wide competition. That old system is to be ended now. Dr. Addison himself declares that "the free trade system as it applied fifty years ago is as dead as Queen Anne".

He turns his back on unrestricted importation in the interests of consumers, and in effect asserts that the interests of home producers must now be considered first. Instead of foodstuffs pouring upon our shores in great abundance, imports must henceforth be regulated to the end that the farmer may secure his higher price.

If farmers are to receive a higher price, must all consumers pay more for bread? If so, is the consuming community to be penalised in order that agriculturists may be protected?

The Co-operative News 30th August 1930.

The following extracts taken from "Co-operation and Market News of Canada" would be read with great interest by our readers:—

OPPORTUNITY.

Some idea of the opportunity for Canadian poultrymen in the British market is afforded by the statement which comes from London as an incident of interest at the world's Poultry Congress showing that British consumers are paying £ 60,000 sterling (\$300,000) daily for eggs and poultry at this season of the year. Supplies of this commodity are imported from countries as close at hand as Belgium and as far away as China.

B. C. MILK FOR CHINA.

A British Columbia dairy firm has established a market in Hong Kong for British Columbia milk. The milk is now being shipped to the Asiatic city regularly from British Columbia in refrigerator space. It is said to arrive in China in first class condition and is meeting with a ready market among the European residents of Hong Kong.—*Canada week by week.*

APPLYING COLLECTIVE METHODS TO BUSINESS SIDE OF FARMING.

"Agriculture must be treated and regarded as (a) an industry which must be brought to the level of efficiency attained by other industries, (b) a business which cannot compete without organisation on co-operative lines, and (c) thus in a sense applicable to no other productive occupation, a life.

"Social conditions happily are proceeding apace.

"An agricultural policy needs supplementing with two voluntary movements, (1) the economic, dealing with matters of joint purchase and sale of the industry, and (2) team work between those working along these main lines for technical efficiency, business and social advancement.

"An agriculture policy must be Imperial for the simple reason that the British Empire as a whole, is as agricultural as it is industrial."—*Sir Horace Pankett.*

INDIA IMPORTS WHEAT.

During the last few years the importation of wheat into India has been on a considerable scale. For the year under review (1929) imports amounted to 561,918 tons valued at Rs. 81,695,629. In 1928, 69,208 tons valued at Rs. 10,918,103 were imported, and previous to that quantities imported were even smaller. Australia is by far the largest source of supply—529,459 tons valued at Rs. 76,709,885 in 1929. Canada is credited with 15,246 tons valued at Rs. 2,230,814. This is the first year in which Canada is listed as a supplier.

Under ordinary conditions India only needs to import a small quantity of wheat which is used for blending purposes in the manufacture of flour. During recent years, however, owing to floods, pests and drought, the yield has not been up to average, and the result is that instead of being an important exporter, India has been obliged to import in considerable quantities. There are two reasons why Australian wheat has by far the largest share of the trade. The first is price, due probably to the fact that freight rates are cheaper from Australia than from Canada. The other reason is that a soft wheat is required for the manufacture of the type of flour mostly in demand in India. It has been found that Canadian wheat is too hard for blending purposes. Unless conditions change to a great extent, it is not expected that Canadian wheat will find its way to India except under exceptional conditions.

Correspondence.

THE MADRAS CO-OPERATIVE CENTRAL LAND MORTGAGE BANK.

BY MR. A. RAJABADAR MUDALIYAR, B.A.

The First Annual Report and the Audit Order presented by the Board of Directors at the General Body Meeting on the 26th instant are interesting. One point that strikes a lay reader is how a profit of Rs. 1,357-15-0 has been worked out for this Bank even in the first year of its start in spite of the heavy initial expenses amounting to no less than Rs. 3,848-3-0 on establishment and contingent charges. A reference to the Audit Order of the Registrar shows this expenditure under 'Assets', an unusual procedure in the audit of co-operative societies in which the expenditure is usually shown under the 'loss' head. If this practice had been followed in the audit of this bank also, there should have been a loss of Rs. 2,490-4-0 declared instead of a profit. The expenditure is said to have been carried over to a separate loan fund account to be written off in future. The meaning of this is not quite clear. What the future of this Bank is going to be as regards profits is yet unknown. The Registrar has rightly given the warning however that no dividend can be paid out of the net profits.

2. Para 7 (b) of the report says "Of the 21 Banks in existence on the date of the establishment of the Central Bank, only 5 primary banks were actually functioning; the remaining Banks had done no work whatever after their registration and were in a dormant condition." This is a circumstance which must cause anxiety to the Central Bank, as these primary banks and the Central Bank are all parts of one organic whole and the unhealthy condition of the primaries is sure to be reflected in the central institution.. It is of utmost importance therefore for the Central Bank to know the causes for as many as three fourths of the number of primary Banks not functioning and to take timely measures to rectify the defects in their working. Information in the report on this point would have been very useful. It is suggested that the future annual reports of this bank may give brief details as to the causes for the unsatisfactory condition of the primary banks and of the steps taken for their rectification. In this connection I would recall to the mind of the co-operators that it was the failure to nip the evil in the bud that permitted overdues to grow to their present appalling dimensions in the general movement. If the Central Land Mortgage Bank similarly neglects its important duty to prevent the causes of the overdues in the primary banks by adopting suitable timely measures, it should soon find itself in the same predicament as District Co-operative Central Banks which have such heavy arrears to collect from their affiliated societies. It should be remembered

that unlike the Madras Central Urban Bank which gets its due alright from the District Central Banks, which with their various resources are able to pay their dues to the Apex Bank on due dates, the Central Land Mortgage Bank has no such intermediary and must look only to the primary banks for all payments direct and they can pay no more than what they are able to collect from the borrowing individual members. To give a concrete example, the Conjeeveram Primary Bank had on the 30th June last a heavy overdue amounting to Rs. 4,030 under principal and Rs. 2,777 under interest. In view of the heaviness of this overdue, the Bank appears to have been naturally reluctant to advance further loans. The obvious first step to be immediately taken with regard to this Bank is to ascertain the causes of the defaults of the borrowing members and to adopt suitable remedies not only to collect the existing overdues but also a more important measure to prevent similar defaults in future. Nothing will be more disastrous to the Central Land Mortgage Bank than to permit its primaries to get saddled with decrees and purchases of lands. It is my personal experience that with suitable measures adopted to watch and recover dues at the proper time a good deal is possible by way of averting the accumulation of overdues. To illustrate my point, there was a heavy overdue of 31 per cent of the demand in a primary society in Conjeeveram in the year 1922-23. My esteemed friend Rao Bahadur Mr. M. K. Venkatachariar then the Deputy Registrar of the Chingleput District wished me to be in charge of it and I was its President for three years since then. On looking into the causes of the overdues, I found that the main cause was not so much on the part of the borrowing member as on the part of the management which failed to make its demand at the proper time and to interest itself to watch and collect the dues at the time when the borrowing member had income. This required the employment of a full-time clerk for whom however the society was not in a position to pay a suitable salary not even Rs. 10 per mensem. The work of the society had been carried on by a part-time clerk of the Sub-Registrar's office who could not find sufficient time to spare from his other works. Mr. M. K. Venkatachariar with his usual resourcefulness arranged very kindly to get for me the services of a probationary supervisor of the Federation free of charge on the understanding that he should undergo training during the probationary period for three months under me. With this help I was able to see that the society's accounts were maintained regularly, that all the demands went out at the proper time and the collections were watched keenly and continuously with prompt measures to prevent continuance of default. The result was that in the very next year the percentage of uncollected balance was reduced to 3½ per cent (three-and-a-half per cent) from 31 per cent of the previous year, the transactions developing meanwhile from Rs. 5,720 to 9,304 and the percentage of balance was reduced still further in the following year to but 0.8 per cent of the demand, notwithstanding the fact that the transactions developed still more to Rs. 37,400. The secret of the improvement lay in the employment of a competent hand on a suitable salary as soon as the development of the transactions permitted

it. The probationary supervisor was dispensed with after three months and an intelligent and capable S. S. L. C., was employed, first on a salary of Rs. 10 which was easily raised to Rs. 30 in the course of two years. The society is now quite-self-supporting and is able to employ as many as three hands. Over dependence on honorary workers and failure to employ suitable paid staff are as very rightly pointed out by the Royal Commission on Agriculture mainly responsible for the serious defects noticed in the working of the general movement. Hence my suggestion in the speech at the meeting of the General Body of the Central Land Mortgage Bank on the 9th May 1930 that a capable and tried Revenue Inspector should be attached to each Primary Land Mortgage Bank for more efficient work. I find that Mr. Kameswara Rao of Alamuru Land Mortgage Bank who has now been elected as one of the Directors of the Central Land Mortgage Bank agrees with my suggestion but points out that every Bank cannot afford to have a Government Inspector. True, but it is just here where State-Aid should come in with most beneficial results for the future good working of the Bank as illustrated above. The State-Aid need last only for such short time as the Primary Bank may require to put itself in a position to maintain a competent hand from its own resources as it is sure to do at no distant date if it is started with proper equipment of staff.

3. I would in this connection convey a warning which past experience again has demonstrated as necessary. The Central Bank should not train itself to depend too much on the aid of Government which it is now receiving by way of rectifying and reviving the dormant primaries. The Government does not and cannot guarantee such help for ever. It is useful to remember in this connection the following remarks of the Townsend Committee in their report on the working of the general Co-operative Movement.

"A withdrawal from supervision on the part of Government took place in 1925-26 before adequate provision has been made for non-official agencies to take over the work. This has, we consider, been responsible for much of the confusion which exists at present in the movement."

CORRESPONDENCE

NOTE.

BY DEWAN BAHADUR M. RAMACHANDRA RAO.

4th September 1930.

I must thank the Editor of the bulletin for giving me the opportunity of saying a few words by way of reply to the points raised by Mr. Rajabadar Mudaliar's communication. The first point relates to the profit of the Bank amounting to Rs. 1,357-15-0 as mentioned in the audit order. The Government of Madras gave a loan of Rs. 15,000 without interest for defraying the working expenses of the bank. This amount is repayable in annual instalments of Rs. 3,000 from 1932. The amount of Rs. 15,000 borrowed from the Government is the loan fund referred to in the audit order and the working expenses of the bank are being met out of this fund for the present. The question of repaying the loan will arise only from 1932. Under these circumstances the Registrar of Co-operative Societies has treated the interest earned as the profits of the year, the working expenses having been debited to the loan fund account. A contribution from the state to the working expenses to a Bank such as the Co-operative Central Land Mortgage Bank is not at all unusual. The Agricultural Credits Act which was passed in 1928 in Great Britain for providing long term credit to agriculturists made a provision of £ 10,000 per annum as a grant for the administrative expenses of the mortgage corporation established under that Act and the grant is to be continued for a period of 10 years. The margin between the borrowing and the lending rate of the Central Mortgage Bank is only one per cent, and it is impossible to meet the administrative charges out of this margin for some time to come. The Co-operative Central Mortgage Bank, therefore applied for a grant of Rs. 15,000 but the Government gave a loan of the same amount repayable as above mentioned. There is nothing therefore, either novel or objectionable in the procedure adopted by the Auditor.

2. In para 2 of the letter, Mr. Rajabadar Mudaliyar wishes to know why only 5 out of the 21 Primary Banks in existence were functioning at the date of the last meeting. This is a matter of fact history which it is not necessary to go into now. Without casting any reflection on any body it may be stated that these Banks have been probably started in localities where the human element was not satisfactory and where the conditions for success did not probably exist. Some of these banks have never given any loans at all since their formation, and they are now being galvanised into life and such of them as do not show any activity will have to be closed. There is, therefore, no question of overdues at all in the case of many of these banks which did not grant any loans to their members. It has been stated that the overdues in the Conjeevaram Land Mortgage Bank have been due to exceptional seasonal conditions during the last 2 or 3 years and the matter is engaging the serious attention of the Registrar and the Deputy Registrar. The causes of the default are being gone into fully. I entirely agree with

them if and when they occur. His services would thus be of great assistance generally in the training of non-official workers both paid and honorary for the future work of the Bank. I never meant that a Revenue Inspector should be a permanent adjunct to the Bank's Directorate, nor was the prestige of a Government servant for the collection of overdues ever in my mind. On the other hand, I hold a strong view on the importance of persuasion rather than coercion to improve punctuality in repayment of loans. I may in this connection be pardoned for mentioning that in reducing overdues from 31 per cent to 0.8 per cent of the demand in the society referred to in my note we avoided taking decrees against defaulting members except in less than half a dozen cases and did not actually execute any during a period of three years. We cannot shut our eyes to the fact that our Honorary Directors mostly cannot possibly give that time and energy necessary for efficient management of an institution like a Land Mortgage Bank. Let me take the concrete instance of the Land Mortgage Bank in Conjeevaram. The Secretary who is practically in charge of it is a teacher in the local High School, where he has continuous work except on holidays. He is the Secretary of the local Non-Agricultural Supervising Union which has some seventeen societies affiliated to it, several of which including his own Weavers' Union which he represents on the Supervising Union are in a dormant state and on the verge of liquidation. He cannot possibly attend to the requirements of societies in his supervising Union. Holding cultivable lands in a village some seven miles from Conjeevaram he has to look after them also. He is one of few local co-operators possessing his knowledge on Co-operation but the limitations on his time and energy must be recognized.

3. The aid of Government which I warned the Central Bank not to depend too much on, is what it is now actually receiving as reported in para 6 of the Bank's last annual report, "for the purpose of inspecting the lands proposed to be mortgaged to the Primary Bank and appraising their values and to report on all applications for loans before they are sanctioned by this Bank." It is this aid that I meant the Central Bank should arrange to rapidly dispense with by the gradual substitution of the services of non-official workers paid or honorary. Unless attempts are made from now to train men for such services, we may find ourselves left helpless when Government decides to withdraw the aid in course of time. The Revenue Inspector, though a Government servant lent to the Bank would still be the Bank's subordinate and his employment in the initial stage of the Bank's working ought to be of immense help by way of the Bank training non-official workers and paid employees in the nature of the work till such time as it is able to dispense with even this help of a Government official.

4. The employment of a suitable Revenue Inspector for achieving the objects above explained would no doubt be costly involving payment of not less than Rs. 60, per mensem as salary alone, which an infant bank cannot

afford. It is just here that the State can most profitably offer its aid by undertaking to bear the costs of such appointment for say three years. This initial aid of Government will bear ample fruit in due course by way of not only putting the Bank on satisfactory lines of working from its start but also of very appreciably lightening the work of the highly paid staff now entertained by Government for the scrutiny of loan applications. It would prepare further the way for reducing and eventually dispensing with that establishment much earlier than otherwise.

5. If the primary banks most of which have been dormant since their creation had the equipment above suggested for running their business from their start, I feel convinced they would have been able to render a much more satisfactory account than they have done.

DISTRICT CO-OPERATIVE BANKS & FEDERATIONS

By N. G. NALLAGUTTALAM PILLAI.

President Co-operative Supervising Union Ltd, Srivilliputhur.

There was a time when the Madras Central Urban Bank was the only Bank financing the primary societies all over the presidency; then District Banks were started to take up the place of the Madras Central Urban Bank; the supervising Unions to supervise the work of societies and educate them. The advent of Union made the workers feel the necessity for a propaganda institution and start the Provincial Co-operative Union. Similar institutions exist side by side almost in every Province and in leading states of our country and in other civilized countries as well. It seems to have not occurred to any of the leaders concerned that the Provincial Bank itself can do the work of the Provincial Co-operative Union and that, even better as the latter has often to depend upon the Provincial Bank for its financial help and successful work.

District Banks and Federations are only similar parallel institutions working in the limited area of a district. If the finance is the life of the movement, it is the Co-operative knowledge that sustains the very breath of life and helps its growth. There will be always a need for co-operative education and people can never be said to have too much of it.

District Banks will rather be tempted and that often, to bestow their best efforts and to devote all their attention to their work of loan and collection in preference to co-operative education. The education may have to reach more often the dormant and prospective centres than the working societies. The District Federations can be depended upon to attend to educative work—that being their main function—throughout the year. The division of work when possible will at any rate be a better plan than the combination of all and sundry activities in a single institution.

THE MADRAS JOURNAL OF CO-OPERATION

Of late, Rectification work is a thing that is made much of by the Madras Central Urban Bank and other Banks and the learned author of "Subvention to Central Banks" has even gone to the length of asserting that Federations cannot possibly do any rectification work; as a matter of fact neither the Banks nor the Federations can possibly do any more than guide the societies, persuade them to rectify their mistakes and turn a new leaf. If comparison, odious as it is, may be made the Federation will be more fitted, as one interested in collection only indirectly, to inspire more confidence in the societies' people and to make them interest themselves in rectification work.

It is in the fitness of things that the Provincial Co-operative Union should be the Central Board of all District Federations and presidency institutions for educative purposes just as M. C. U. B. is the Central organisation of all District Banks for finance. It may neither be possible nor desirable to give a place to all the supervising and audit Unions and big societies in the presidency; but most of them can surely find a place in the P. C. U. through Federations. The Federations and presidency institutions may be asked to elect a large number of the representatives of its members for the general body and a less number for the Governing Body of the P. C. U. The office bearers and members of Committees of the P. C. U. may then be made by the Governing Body from among themselves. This may give due and proper representation to all institutions and districts concerned and avoid all election scrambles at the P. C. U. meetings.

It is better that the distinctive functions of District Banks and Federations are settled once for all and all unseemly fights between District Banks and Federations are put an end to early.

CORRESPONDENCE

RECOVERY OF CO-OPERATIVE ARREARS BY REVENUE AUTHORITIES—REMITTANCES OF COLLECTIONS.

By V. SATYANARAYANA,

Secretary of the Santhavuriti Co-operative Society.

Sir,—I request you to be so good as to publish this letter in your Journal so that the numerous readers and veteran Co-operators may publish their esteemed suggestions on the above subject and the heads of the Department be pleased to make necessary arrangements for the same.

Many instances were noticed, where cash-balances misappropriated benami and overdue loans collected by the revenue authorities from office-bearers of societies have been again placed in the hands of office bearers by remitting the collections back to societies. This practice gives room to four considerable difficulties.

(i) Remittance charges have to be incurred by the societies twice, if office bearers of the societies send the amounts again to the Central Bank.

The remittance charge in this case is a double loss to the societies and in spite of that much delay in remittances too is caused.

(ii) If the amounts which were raised with considerable difficulty from the office bearers (who misappropriated the amounts are taken as benami loans and overdues) were again placed in the hands of the societies, they would be undoubtedly put to wrong use, which would again give the same difficulty for realisation.

(iii) Supposing that everything would be good regarding the honesty of the office-bearers of such societies, where there are heavy overdues to the Central Bank and if such collections would be re-loaned to members out of ignorance, the overdues to the Central Bank will stand as they are, whereas there will be no overdues from members.

To stop these difficulties further, it would be highly felt convenient, if the authorities be pleased to make arrangements for remitting the revenue recoveries to the Central Banks direct by the revenue officers either by cash orders or by money-orders as the case may be and to send the remittance notes direct to the Central Banks.

Even if the amounts be credited to the banks, if the cheques or remittance notes are addressed to the societies, the societies may not understand the way of disposing them without delay, since there are instances, where cheques and remittance notes are pasted by societies in their voucher's file books.

(Sd.) V. SATYANARAYANA.

THE MADRAS JOURNAL OF CO-OPERATION

3. The bank raised Debenture money during the year to the extent of Rs. 35,000 out of which debentures have been actually issued by the bank for Rs. 25,000. The total borrowings at the end of the year were Rs. 2,82,500 as against Rs. 2,47,500 at the beginning of the year. Out of these borrowings the bank issued debentures of which Rs. 50,000 worth of debentures were taken up by Government and Rs. 2,22,500 worth were taken up by the Public. The bank has yet to issue debentures for the balance of Rs. 10,000.

4. Fifty three loans amounting to Rs. 77,835 were disbursed to members during the year. The repayment by the members during the year amounted to Rs. 32,478. Fourteen loans were fully repaid during the year. The outstandings against members at the end of the year amounted to Rs. 3,17,336 involving 293 loans as against 254 loans involving Rs. 2,71,979 at the end of the previous year. There were no overdues from members towards either principal or interest at the end of the year but there were belated payments of instalments in a number of cases.

5. The bank worked at a net profit of Rs. 4,639-7-0 during the year. As per by-laws 64(1) of the bank one-fourth of this i.e., Rs. 1,159-13-9 shall be carried to Reserve Fund and the balance of Rs. 3,479-9-3 may be distributed among members as dividend at a rate not exceeding 8 per cent per annum on the paid up share capital and according to the other provisions of the same by-laws as may be decided by the general body. The Bank is requested to remit Rs. 928-14-9 to the Central Land Mortgage Bank Ltd., Madras towards Reserve Fund after adjusting a sum of Rs. 103-3-0 being the interest earned by it for the year 1929-30 on the Reserve fund already invested in the Krishna Co-operative Bank Ltd., Masulipatam, and after deducting Rs. 127-12-0 which is in excess already under Reserve Fund. Including this year's contribution the Reserve Fund of the bank will amount to Rs. 4,500-3-9. All undistributable and indivisible profits should be carried to Reserve Fund.

6. As per Revised Rule VIII(d) the Bank has to pay an audit fee to Government for its Audit. The amount payable by the Bank for the year under review in this respect forms the subject of a separate correspondence with the Registrar and instructions will issue separately.

T. RANGANADA ACHARYA,
Deputy Registrar.

Registrar's Circular.

1

No. R. Dis. B. 5269.30.

OFFICE OF THE REGISTRAR OF
CO-OPERATIVE SOCIETIES, CHEPAUK,
Madras, 2nd September 1930.

The Registrar has seen many instances of duplication of inspection work by Federation or Union supervisors, bank Inspectors, Government Audit Inspectors and administrative Inspectors. In fact it is no exaggeration to say that the bulk of the time of the total field staff is devoted to a cataloguing of defects and that little attention is paid to the more important work of rectification. It has also been observed that very little use is made of the audit reports which, as a rule, bring to light all defects in the working of a society. This is partly due to the fact that audit reports are now received by banks, unions and federations so late as to be practically valueless. It is impossible to arrange for the prompt copying of the voluminous vernacular audit reports. The Registrar therefore proposes to issue orders to the audit inspectors that they should in future immediately after audit write in English on a separate sheet a brief summary of the defects discovered in the society. These notes will be copied in the office of the Deputy Registrar and communicated at once to the Banks and the Federations for necessary action. The notes should give these bodies sufficient information regarding the societies requiring attention and it is suggested that in future Banks and Federations should dispense with separate inspection reports from their inspectors and supervisors and leave these men free to devote their whole time to rectification of defects. It is very desirable the files opening with an audit summary should be kept open till the Bank or Federation is satisfied that the defects mentioned have been remedied as far as is possible.

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

To all Central Banks and Federations.
Copy to the Deputy Registrars and Sub Deputy Registrars in independent charge.
Copy to the Provincial Co-operative Union.
Copy to the Journal of Co-operation, Madras.
Copy to the Tamil Nadu Federation, Coimbatore.
Copy to Andhra Sahakara Sammelanam.

THE MADRAS JOURNAL OF CO-OPERATION

II

R. Dis. A 242-30

OFFICE OF THE REGISTRAR OF
CO-OPERATIVE SOCIETIES, CHEPAUK,
Madras, 10th September 1930.

SUB:—Central Banks—Overdraft from the Imperial Bank—Treatment as fluid resource—Recommendation of the Townsend Committee.

The question of the utilisation by co-operative banks of the undrawn portion of the cash credits with the Imperial Bank as fluid resource has been under the consideration of the Government. The Madras Central Urban Bank and the Central Banks are aware of the recommendation No. 207 of the Townsend Committee on this question and the different opinion expressed in the minority report. They are also aware of the action taken by the Imperial Bank in regard to the substitution of Government paper instead of societies pro-notes as securities for the Bank's cash credits within a period of five years in equal instalments. The question was referred to the Government of India by the Local Government with a recommendation that co-operative banks may be allowed to hold 25 per cent of their fluid resources in the shape of undrawn cash credits and the balance in cash and Government securities. The Government of India after consulting the Managing Governors of the Imperial Bank have decided that the Bank cannot be urged to accept the local Government's recommendation as the change has been introduced by the Imperial Bank in the interest of sound banking.

2. The considerations which have led the Imperial Bank to introduce the change are chiefly following:—

- (1) it is unsound to reckon the undrawn cash credit as fluid resource even to the extent of 25 per cent of the amount required as it may possibly be unavailable when it is most wanted for the very cause that created the want; and
- (2) the fact that it has not been found necessary to rely on cash credits on primary societies' pro-notes in other provinces shows that Central Banks can do without them.

It is also pointed out that the loss that may arise to co-operative banks through the continual purchase and sale of Government securities to adjust the fluid resources to the required standard can be avoided by retaining a portion of the fluid resource on deposit with commercial banks.

3. This does not mean, however, that the Imperial Bank are not prepared to lend to co-operative banks against their promissory notes. They are prepared —

- (a) to allow a permanent overdraft against Government securities, and

REGISTRAR'S CIRCULAR

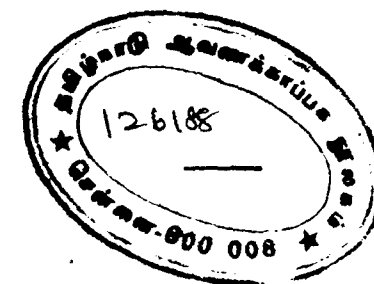
(b) to make advances from time to time against promissory notes of co-operative banks on terms to be fixed in the light of conditions in which the advance is granted and the purpose for which it is required, and to discount suitable agricultural paper.

The Government of India are of opinion that these facilities, which would be available even in times of great financial stringency, are all that the Imperial Bank can be expected to afford and that the Bank must be allowed to use their discretion according to the circumstances prevailing.

4. The above decisions of the Imperial Bank and the Government of India are communicated to the Madras Central Urban Bank and the Central Banks for information and guidance. The effect of the decision is that within the period of five years allowed by the Imperial Bank, the Central Banks and the Madras Central Urban Bank will be obliged to hold their entire fluid resource in cash and Government securities.

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

To the Madras Central Urban Bank,
All District Central Banks and the Christian Co-operative Central Bank.
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