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Editorial Notes

THE T. U. C. S. SILVER JUBILEE

We offer our sincere and heartfelt congratulations to the Triplicane Urban Co-operative Society Ltd., on its having been able to celebrate its Silver Jubilee this year. Started on the 9th of April 1904, it completed its 25 years of existence last year; but the management thought of celebrating the Silver Jubilee at some convenient time last December. Owing to various causes which need not be detailed here, it had to be postponed by a few weeks and it was celebrated with great success on the 25th of January 1930 at the Head Office and in the various branches on the next day. The celebration was in charge of an *ad hoc* committee appointed for the purpose. A sum of Rs. 2,000 was granted by the General Body to the society for this purpose from the Common Good Fund and about an equal sum, we understand, was collected by the members from among themselves.

From all accounts we have received, the celebration was an unqualified success. His Excellency the Governor of Madras was pleased to lay the foundation stone of the Silver Jubilee Hall which the society has proposed to erect as a permanent memento of the Silver Jubilee. A hall upstairs for the meeting of members with godown accommodation below for storing rice and other articles has been a long-felt desideratum and the authorities of the Triplicane Urban Co-operative Society are to be congratulated that they have resolved to commemorate the Silver Jubilee by erecting a Hall of that description.

Messages and greetings have been received from all over the world and from various co-operators, officials and non-officials, from all over India. The Celebration Committee is publishing a souvenir volume containing these messages and also a brief account of the history of the Triplicane Urban Co-operative Society from its origin together with some good essays on the Store Movement by competent authorities. As it has been decided to add an account of the celebration at the Head Office and at the various branches to this souvenir volume, the publication has been postponed by a few days. Our readers would be glad to know that the authorities have permitted us to get reprints of the account of the celebration and we hope to be able to publish that as a special supplement next month.

There are various problems that suggest themselves to one when one pauses to consider what the next forward step would be to be taken by the Triplicane Urban Co-operative Society, whether it is going to continue its present policy of establishing branches in the various centres of the City and the suburban areas, or whether it is going to develop itself into a wholesale society and allow a good deal of autonomy to its constituent branches. All these are interesting problems which we resist the temptation of dealing with at present.

We wish to be permitted to offer one suggestion to the authorities of the Triplicane Urban Co-operative Society, namely, that no efforts should be spared to increase the loyalty of members and thus increase the business carried on at various branches. With the existing establishment and machinery for purchase and distribution the turnover could be easily doubled and if efforts are taken to achieve this, the financial crisis which we understand is causing much anxiety to the authorities in the matter of ever-increasing office establishment with no proportionate increase in the business can safely be tided over.

We wish the Triplicane Urban Co-operative Society all prosperity and success and we hope it will have a good future and would be able to celebrate in good time its Golden and Diamond Jubilees.

It is not often that a consumers' society in India gets an opportunity of showing its vitality and its ability to outlive the diseases incidental to childwood as the Triplicane Urban Co-operative Society has done. Those outside India are generally under the

impression that the Indian soil is congenial to the growth of co-operative credit only.

"There is little distributive or consumers' co-operation" is what the latest People's Year Book has to say about the Store Movement in this country. Our congratulations to the Triplicane Urban Co-operative Society are all the warmer because it is the unique instance of unqualified success of store movement in India.

Long live the Triplicane Urban Co-operative Society!

HIS EXCELLENCY THE GOVERNER OF MADRAS ON CO-OPERATION.

The speech made by His Excellency Sir Frederick Stanley, Governor of Madras, on the occassion of laying the foundation stone of the Silver Jubilee Hall of the Triplicane Urban Co-operative Society on Saturday the 25th instant is a very important speech in many respects. That occasion, His Excellency remarked, was his first introduction to the Co-operative Movement in India, a Movement in which he added he had the greatest interest and in which he was convinced "there are vast possibilities for the economic progress of the poorer people in this great land." We consider the speech as important not because it contains a gubernatorial confession of faith in its potentialities for good, important as it is, but because it also contains the following further statement.

"It is on such gentlemen as you that we as a Government must rely; for, although up to the present the officials of the department whose help you have so readily acknowledged had a large share in management and control, the movement is essentially a non-official one and as it expands the people will more and more have to take charge both of its management and of its direction."

It is true that the co-operative movement, though brought into existence by the Government, has always been declared by them to be one in which the leadership should ultimately go into the hands of the non-officials. The Government have been declaring themselves to be the custodians of the movement only till the non-officials are ready to take over its charge. It was with a view to qualify non-officials to discharge their onerous duties satisfactorily that when the scheme of Honorary Assistant Registrars was sanctioned the few people then chosen were looked upon as equal to the Government Assistant Registrar in status and, if we remember aright, some of the non-officials were in charge of sections during the short periods of leave of the official Assistant Registrars. But in course of time this policy was, in fact, given up and Honorary Assistant Registrars were increased so much in numbers that their status automatically got itself reduced till the whole institution became so unpopular that the Government was at last convinced of the unwisdom of continuing it and put an end to this arrangement. In recent times the tendency is visible in certain official circles to state that if the co-operative movement has not been progressing satisfactorily, it is because the official control has been relaxed and that the best way of restoring efficiency is to make the officials once more responsible for the whole movement. The recommendation of the Agricultural Commission with regard to the powers to be given to the Registrar, and the constitution of the Central Land Mortgage Bank in Madras wherein almost unlimited powers have been given to the Registrar are indications of this new mentality on the part of the Government. It is, therefore, so refreshing to be told by the head of Administration of this province that the movement is essentially a non-official one and that ultimately the people will have to take charge of its management and of its direction more and more. We are truly grateful to His Excellency for his enunciation of the goal of the movement in unmistakable terms and we hope his Ministers and Departmental Officers will be loyal to him in keeping this goal before them and so shape their everyday policy as to enable the officials and the non-officials to reach the goal in minimum possible time needed.

THE XI NORTH ARCOT DT. CO-OPERATIVE CONFERENCE.

The eleventh North Arcot District Co-operative Conference which was held at Vaniambadi on the 4th and 5th of January 1930 was a very successful one from many points of view. We have published elsewhere extracts from the addresses of the Chairman of the Reception Committee, Mr. Karia Gounder, and the President of the Conference Mr. R. K. Shunmugam Chettiar of Coimbatore. We are also publishing in our news column a brief account of the proceedings of the conference. The resolutions passed at the Conference are also published elsewhere.

Taking the speech of the Chairman of the Reception Committee we see that he attempts to give a bird's eye view of the state of the co-operative movement in his district as it obtains at present. One explanation offered by him why overdues are still high in spite of the vigorous attempts made at rectification and consolidation is the

stoppage of the long term loans by the M. C. U. B. The most effective reply to this is contained in the address of the president of the conference himself which we shall notice later. The chairman also deplores that liquidation has not been resorted to as much as it should have been and he makes an appeal to the Department to "expedite arbitration, execution and liquidation of proceedings so as to effectively root out growing indifference of defaulters." While sympathising with the Chairman with regard to the present plight of the movement, we should also bear in mind the wise words of His Excellency the Governor of Bombay that "recovery by coercive process should always be an exceptional matter and co-operators in this as in many other matters should learn to be self-reliant and handle the problem of recovery almost entirely on a basis of self-efficiency," and His Excellency added that "when Co-operative Societies tried to recover their dues through the Revenue Department, it means the failure of real co-operation."*

The suggestion of the Chairman that each member of the rural society should have a margin of credit based upon his individual immovable properties which he should be able to operate upon without recourse to any sureties is one that has been made on many a co-operative platform and it is an experiment that may be tried with caution in specific societies with exceptionally good records in the matter of repayment. The cash credit allowed to each individual should be well within his repaying capacity and we should see that the loans are cleared completely at least once in two years, cleared fully and really and not merely by book adjustments and by granting him bigger loans.

MR. R. K. SHUNMUGAM CHETTIAR'S PRESIDENTIAL ADDRESS.

Mr. Shunmugam Chettiar's presidential address at Vaniambadi is a model of clear thinking, lucid expression and laying necessary emphasis upon fundamentals. He dealt with three topics: 1. The organisation of credit on sound and scientific lines, 2. The application of co-operative principles to fields other than credit, 3. The realisation of the value of the ideals that lie behind the Co-operative Movement and the need to utilise it in the wider scheme of Rural Reconstruction.

Under the first heading he began with a plea for the village Shylock who in his opinion is not as bad as he is made out to be.

* See page 297 of the December 1929 issue of the Journal.

He went on to say that the evils the villager suffers from are more due to himself than to extraneous causes and he quoted the fact that inspite of cheap money being made available to him by means of co-operative credit societies, village indebtedness has not decreased; but on the other hand it has been increasing as is shown by the increasing overdues. Whether we agree or not with his views on the above point, Mr. Chettiar hit the right nail on the head when he pointed out that the root cause of the present trouble in the Co-operative Movement is lack of appreciation of the fundamental difference between long term and short term loans. He laid emphasis on the fact that the management of the two distinct classes of loans by the same organisation is bound to lead to chaos and pointed out how it is bad banking to give long term loans when the owned capital of co-operative societies and banks is but an insignificant part of the working capital which is made up of short term deposits. He also warned the co-operators against the evil practice of allowing renewals instead of outright payments. In all these views of his, he has the most enlightened co-operative opinion of the land to back him up.

Under the heading of application of the principles of co-operation to activities other than credit, he suggested the co-operative distribution of seeds, manure, implements and other requisites of the agriculturist. He also pleaded for co-operative irrigation and consolidation of agricultural holdings and for co-operatively providing machinery such as Cane Crushing Mills and Dairy Implements. Co-operative marketing which bulks so large in co-operative discussions of the present day did not escape his attention and he dwelt upon the possibilities of running many cottage industries co-operatively.

Lastly he laid stress upon the ideal of co-operation being in raising character and not merely in raising cheap money and pointed out how our goal is to make the Nation better as well as richer. We offer our hearty felicitations to Mr. Chettiar who has in his modest introduction said he accepted the invitation because he wanted to utilise that opportunity for learning at first hand something of the working of the co-operative movement. We see that he is learned in his lessons and we feel confident he would be of great use to the co-operative movement as a member of the Central Banking Enquiry Committee and of the Central Legislature.

MR. RAMADAS PANTULU'S PRESIDENTIAL ADDRESS AT THE TRAVANCORE CO-OP. CONFERENCE.

The presidential address of Mr. Ramadas Pantulu at the Sixth All Travancore Co-operative Conference held on the 10th and 11th of January at Quilon in Travancore which is published as a supplement to this number would, we hope, be read with great interest. Comparison and contrast are generally supposed to be very effective methods of study and we in Madras would do well to get ourselves acquainted with the movement in the neighbouring States where, as Mr. Ramadas points out, certain disabilities which fetter the free growth of the movement here are absent on account of the complete identify of interest between the governors and the governed.

Co-operative movement in Travancore seems to differ from the movement in our province in some essential respects and these features enumerated by Mr. Ramadas deserve the special consideration of our readers. The bulk of deposits comes from members and societies attract nearly as much deposits as the apex bank. Mr. Ramadas congratulated the co-operators of Dharwar on their being able to attract rural capital. We see that Travancore also could boast of a similar achievement. Thirdly cultivators seem to borrow for some trades and cottage industries as well as for financing their agriculture. The preponderence of small loans over large ones and almost all loans being surety loans (there being very few mortgage loans) and an overwhelmingly large portion of the loans being short term loans only are certain futures of the movement in Travancore, which show that it has been progressing on very healthy lines.

The absence of well-grown urban banks and the multiplication of taluk banks came up for a good deal of criticism at his hands and he also advised the apex bank to become the real apex bank and deal with the central or taluk banks differently from the way in which it deals with primary banks and to give up dealings altogether with individuals. He sounded a note of warning against communal societies. The sections of the population that are educationally the most advanced, Nairs and Christians, seem to favour these communal secieties and Mr. Ramadas's warning is very timely. He pleaded for centralisation of supervision by pooling all the available resources by the Central Institute and showed how this would in the long run be the most efficient form of supervision. And if the Institute gives representation on its management to all unions, it would be truly democratic though administration would be centralised. He also pleaded for a more liberal grant to be given to the

Institute to carry on vigorous educational propaganda and to run an efficient training Institute. He pointed to the vast scope for co-operative marketing, as Travancore could boast of some commercial products such as copra, pepper, ginger, etc., He also advised them to start a Land Mortgage Bank to deal with the problem of prior indebtedness.

The last two sections of his address dealing with the rural problem and co-operation and socialism form an important and independent portion and remarks therein are applicable not only to Travancore but to India as a whole. In these days when we hear so much of Bolshevism as a panacea for all the social and economic evils the poor men are groaning under, Mr. Ramadas's message will be read with great interest by those who are not born revolutionaries.

THE ENGLISH CO-OPERATIVE LAW AMENDED.

On the 6th of December 1929 Mr. David Grenfell, M. P. moved the second reading of the Industrial and Provident Societies amendment bill in the House of Commons. It is a short Bill of 23 clauses several of which are of small importance, The chief clauses are the following.

Clause I restricts the use of the name which includes the word, "Co-operative,' by persons or incorporated or unincorporated bodies of persons and fixes a penalty of £ 50 for violation. Other sections of this clause provide that a registered society entitled to use the name "co-operative" shall not pay the interest or bonus on its paid up share capital at a higher rate than 6 per cent and that "the balance of the profits after provision has been made for any other application or payment authorised by the rules to be made out of the profits shall be divided among the members in proportion to the volume of business which they have done with or through the society or among the employees of the society or partly in the one way partly in the other."

Clause II provides that no society registered after the passing of the Act, shall include the words "building society, in its tittle. It is because many of the so-called building societies in England are mere credit societies advancing money to their members to enable them to build or purchase houses and there is very little of the true co-operative spirit in them.

Clause III raises the limit of a member's shareholding from 200 to 400 pounds because, as Mr. Grenfell pointed out, the value

of money has changed considerably in the last 36 years and it requires £400 now to repay the value of £200 in 1893.

Clause X, which deals with small savings banks, permits single deposits of £ 1 instead of ten shillings, the present limit, and enables a depositor to invest in all £ 50 instead of £ 20.

The Financial Secretary of the Treasury Mr. Pethick-Lawrence welcomed the Bill and added "I am now in a position to say that the Government have examined the provisions of this Bill, and with the possibility of a few verbal alterations we take no exception to any of its clauses..... ......We regard it as a valuable addition to the existing legislation on these subjects."

After some discussion the Bill was read a second time and committed to a Standing Committee.

NATIONAL PROPAGANDA CAMPAIGN IN ENGLAND.

On previous occasions we have drawn the attention of our readers to the wholesome practice obtaining in England of conducting a vigorous propaganda campaign on a national scale for increasing the membership of co-operative societies and for inducing the members to be more loyal and thus increasing the business turnover of the societies.

In spite of the rank conservatism of a majority of members of co-operative societies, a conservatism whose influence in arresting the onward progress has been pathetically bemoaned in a recent article called "Evolution of Co-operative Democracy,"* there have come about many changes in consumers' co-operation in England, changes which the Rochdale pioneers, if they come to life now, will look upon as nothing short of revolutions of their fundamental doctrines. It was one of the pet theories of the old pioneers that a co-operative store need not advertise, that like the proverbial good wine it needed no bush and that the gospel of Co-operation will work its way amongst the masses by the sheer force of its superiority. Those who have been keeping themselves in touch with the latest co-operative literature of England would know how the managers of co-operative societies world realising that they live in a competitive world, are advertising their articles by processions, window dressing, etc. with a view to attract more customers. It is in conformity with this new Gospel of "Push and move forward" that the

* In the Co-operative Official for December 1929

authorities of the Co-operative Union at Manchester and the Wholesale Society have appointed a joint Propaganda and Trade Committee which is in charge of this national propaganda campaign.

One complete fortnight is set apart every year for this campaign and this year they have resolved to devote 8th to 22nd of February for this purpose. They have published a booklet which gives all necessary information as to how to run a campaign and this book contain a brief summary of the achievements of past campaigns. The following statistics speak for themselves.

In 1926, prior to the first campaign, the membership of the movement as a whole was 5,186,728. Now it is 5,885,135. Thus during the short period of three years there has been an increase of 7 lakhs in the membership. Similarly in the total business alone there is an increase from 184 and odd millions in 1925 to 209 millions in 1928 (*i.e.*) by 25 millions of pounds or by nearly 34 crores of rupees. It is interesting to note that the productive department of the C. W. S. is prepared to supply small packets of samples of various articles produced by it, such as pickles, milk food, jelly, flour, cocoa, choclates, etc., at half the price, provided retail societies distribute them free amongst new recruits. We are told that the London Society has made up its mind to add 25,000 new members before the end of February. Here is a lesson which co-operators in India, especially members of consumers' societies, will do well to learn.

Co-operation and Sale of Agricultural Produce

RAO BAHADUR A. VEDACHALA IYER, B.A.,

A co-operative conference was held by the co-operators of the South Arcot District with a view to formulate measures to be taken for the improvement of loan and sale societies. The reason for this move is to arrange for an organised effort for the profitable sale of the produce of the agriculturists. The co-operators have come to the conclusion (1) that the Central District Co-operative Bank should finance such transactions by deputing out-agents to lend on the security of produce pledged by taking charge of such pledged property till sale is effected, (2) that the District Bank do allow enhanced credit over and above the multiple allowed to such limited societies with reference to the share capital, (3) that seed societies be formed with the active advice and sympathy of the Agricultural Department, (4) that a lakh of rupees of share capital be collected in the District with which a crop loan and sale society be floated which will deal out credit to the smaller organisations in the District, (5) that a committee of well informed and sympathetic co-operators do investigate into the possibilities of developing the groundnut trade so as to offer favourable prices to the agriculturists in conjunction with the co-operative agencies in the adjoining districts of North Arcot and Chingleput.

2. The action proposed to be taken by the co-operators at the conference is no doubt praiseworthy and it is desirable to find out how far the end in view can be successfully achieved by taking the steps proposed. Before commenting on the resolutions, one would like to think clearly so as to find out the real scope of such crop loan and sale societies and as to how far organised effort by the actual producers to market their crops can be made advantageous to the agriculturists.

3. In a rural village, except a few landholders who have surplus produce to sell in an appreciably large quantity, the majority have small surplus produce to sell. In fact they have to sell away their produce to meet the obligations of creditors inclusive of the State demand and to sell them without any delay or without waiting for a favourable market or favourable time. Very few ryots have stock of food grains which would last them for the year and till the next harvest.

Loan on the pledge of produce if given in time and in the village by a Co-operative Society would be beneficial to the agriculturist to enable him to sell at a little better price. He too could not wait for long as the interest payable would outrun the better price. Such pledges of small quantities of food grains would only yield 70 per cent of the value but many ryots want the full value to meet their obligations. Another factor which works against pledge of produce is the fact that retail dealers (mostly women) buy small quantities of paddy, convert it into boiled rice, and sell it with a small profit. Such transactions being small and confined within the limits of a small area yield better prices than even delayed sale and by pooling of produce so as to secure bulk sale. On the other hand, the richer men who could utilise loans of the pledge of produce are not encouraged by co-operative societies owing to want of timely resources, to facilities for storage, and to sentimental objections to remove the produce to the society premises or under the control of the society directors. While such is the difficulty felt in villages, it is problematical if crop loan and sale societies with a limited share capital and therefore limited power of borrowing with a jurisdiction over a number of villages could really tap the produce of the agriculturists, great or small, to any satisfactory extent. On the other hand, some ryots carry on as a subsidiary profession small trade in the produce of the village by buying them outright for cash or for the discharge of prior debt or advances made for cultivation at very low prices. These people store such produce and sell it in bulk when favourable market conditions prevail. These men, who are agriculturists and who also handle such trade, borrow from indigenous moneylenders or bankers and carry on the transaction. These people may, in some cases, pledge their produce in the crop loan and sale societies, obtain fresh money and augment their trade. But such trade transactions are not countenanced by such co-operative societies at least in theory though in practice heavy transactions in such organisations come from quasi-trading agriculturists. Crop loan and sale societies can only act as brokers for sellers in a defined market. This however is practicable for cotton which has a defined specialised market where buyers and sellers meet and work under settled conventions and which are in a fair position to watch foreign market fluctuations. Such a defined market is not available for groundnut but a number of places is fixed upon by buyers and sellers to deal with produce.

4. Groundnut trade is carried on by exporting firms with a large amount of working capital, handled by experts and with first hand knowledge of the demand conditions in the market in France and elsewhere. It is rather a superhuman task to ask combinations of producers of small means with limited owned capital and borrowed capital at a high rate interest to work in competition with such firms. On the other hand, it seems probable to secure some success if we can organise the men dealing in the trade of the produce and make them come in contact with the foreign market. But it is a very serious problem whether such an attempt can be successful as a co-operative enterprise manned by men of no knowledge or experience and supervised by equally ignorant men, official or non-official. I feel strongly that the agricultural producer should not be asked to undertake financial liability for any concern for which he is unqualified by financial weakness or absence of working knowledge. What a co-operative effort should do is to make the producer undertake such work of disposal of produce as is limited by his capacity. If we plunge him more into other concerns, it is a misfortune. Some ventures in such a speculative undertaking by the co-operative machinery proved, as they ought to, a failure. The arecanut wholesale society in South Kanara and the Tindivanam Agricultural and Industrial Society for the introduction of machinery have not been successful to any encouraging extent.

5. The real question is what Co-operation can do to the agriculturists in the direction of disposal of produce. The best solution of this problem consists (1) in advancing money on the pledge of produce in the village society itself to be sold later on by the borrower (2) in buying food grains by the society from the producers reserving a stock to be sold back to members at a moderately fair price not very much for profit, but without any loss. An Agricultural Society must at least stock food grains grown locally in such quantity as may be required by the residents throughout the year, specially by the labour population, and to provide against failure of crop or inferior outturn in the next year. It can carry on grain bank operations as a branch lending grain and replenishing it by repayment in grain. Should however there be facilities in any village to market produce in large quantities, purchases must be made outright from the direct producers by the co-operative institution composed of those interested in the trade who will sink money and gain profit thereby. Such an arrangement may be thought of by the trader agriculturists of a

number of villages. Any such concern should be floated by people who feel the need of such an institution and not to satisfy the wishes of any irresponsible outside agency, official or non-official, who wish to suggest such courses to court fame and popularity without any financial liability. What rural agriculturists want is to make the co-operative organisation finance all the needs of the agricultural industry carried on by every one of the agriculturists and to secure the minimum of outturn which the lands can yield. Trading in produce requires adequate skill, knowledge and financial resources which are not available among small producers. Consumer's organisations must come into existence and serve as the healthy market for the producer's salvation seems to lie in the securing of healthy contact between producers' and consumers' associations. Till the stores organisations serve as the market for producers, the next best method is to arrange for co-operative trade of capitalists and for carrying on the duties which wholesale merchants at present do and which give them profit. This profit in a wholesale co-operative concern will be distributed as rebate to the sellers to the wholesale besides giving a commercial value to the capital sinkers. Co-operative Societies may take shares in such a concern and may use the wholesale as a market for the sale of the produce of members of primary societies. The wholesale concern will grade the produce, regulate prices and sell them to retailers and store organisations.

Co-operative Marketing: A Practical Scheme

MR. J. S. PONNIAH, M. A.,

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That a predominantly agricultural country as ours, having a large volume of internal and external trade in many farm products of commercial importance, should possess a highly organised system of co-operative marketing goes without saying. Perhaps the case becomes stronger when we realise the enormous indebtedness of the ryots and their inability to extricate themselves from the cruel clutches of the money-lender or the local trader. Even where they are not indebted, they require an efficient and cheap system of marketing for various reasons. For one thing the average financial strength of the ryots is very low. They are not in a position to hold up their produce till they could obtain better prices, since the prices ruling for agricultural produce at harvest are usually abnormally low. The revenue demand presses, an old debt is to be repaid, or some current expenses to be met, and the ryots are, perforce, obliged to sell their produce outright to meet those obligations. Herein comes the great abuse of the financing middleman. For the little money he advances to tide over the temporary difficulty, he reaps the reward of absorbing all the profits arising from the increased prices he can command a few months hence. Of late, the number of such middlemen is increasing enormously even in small towns and villages leading to keen competition and a good many corrupt practices and trade abuses. At no other time is the need for organised marketing so keenly desirable as now.

There is hardly any need to point out that the development of co-operative-marketing would mark a new era in the history of our agricultural progress. In the first place, our ryots will be enabled to throw off the shackles of the money-lenders and financing middlemen and breathe an air of freedom. Secondly, considerable economies could be effected in the costs of transportation, storage, sale and risk-bearing and the resultant savings would find their way into the pockets of the farmers and enrich them thereby. Thirdly, there will be a great impetus to the general improvement of agriculture and "quality production." Fourthly, owing to collective bargaining, grading and standardisation, better prices can be commanded and marketing facilitated enormously. Fifthly, the sale of our products in the old markets can be extended and new markets explored or opened. And finally, the union of scattered individuals for such a common purpose would surely elevate rural life and create a wider social outlook among the agricultural population.

OBSTACLES TO CO-OPERATION

What then are the obstacles to the evolution of co-operative marketing organisations? In every country the difficult situation created by the economic conditions had brought its own remedies. In England the industrial population who were outrageously cheated and defrauded by the traders evolved the Co-operative Stores. In France the need for the emancipation of the workers resulted in co-operative production. "In America the banias were the Trade Rings and the Railway Companies. Accordingly the defrauded farmers applied themselves earnestly to co-operative sale".* While we have the same problems of abuses of the trading banias, we have not yet evolved a successful system for efficient marketing. And the reasons are not far to seek. Obviously they are the following:—ignorance or illiteracy leading to apathy and indifference; helplessness on account of the power of the money-lender or the financing middlemen and finally the prevalence of many trade abuses. For, the farmers are cheated in weight or measure or by other means, though the prices offered are nominally high and fair.

The disease points out the remedy. The Government should come forward and educate the ryots to organise themselves and help them to start co-operative institutions. Legislation is also necessary to put an end to many of the corrupt practices of the middlemen. And we should devise a method of finance which would have the essential elements of proximity, security and facility.

LOAN AND SALE SOCIETIES

The formation of local units has been one of the methods of promoting co-operative marketing in most of the western countries. The development in our Presidency has taken this form largely through the influence of the non-officials and the Co-operative Department. "The first of these Societies appeared in 1924-25 and 38 were in existence on June 30th, 1927. They are of limited liability basis and contain both individual and society shareholders. Loans are granted to members only on the security of agricultural

* H. W. Wolff—quoted in Indian Co-operative Studies, P. C. U. Madras.

produce pledged to the Society and placed in its custody. In no case are advances made of more than 60 per cent of the value of the produce pledged which is stored in godowns either belonging to or rented by the Society. Government have agreed to advance loans on certain conditions to these societies for the construction of godowns."*

The system is hardly five years old and it would be presumptuous to pass any judgment rashly on its merits or its possibilities in the future. But it must be admitted that too much importance cannot be attached to these societies, if their financial operations are an indication of their soundness or utility. The amount disbursed by these 38 societies amounted to 2·71 lakhs of rupees or just over Rs. 7,000 each. Government loans for the construction of godowns up to June 30th, 1927, amounted to only Rs. 5,800 in all!

The weakness of small independent local units conducting marketing operations on such a small scale under the guidance of indifferent panchayatdars or inefficient management is very obvious. Neither do they possess the vitality to spread themselves out and embrace the whole agricultural population of any given area. The middleman's business can hardly be touched. The societies cannot exert the least influence over better production since the volume of business is incredibly low and grading, standardisation and pooling are impossible. These considerations apart, the local units are to be discouraged from the point of view of banking development; for, the system does not give scope for the evolution of bills and other credit instruments. The conclusion of the Townsend Committee on this issue seems therefore to be unsound. "We consider that loan and sale societies . . . offer a very promising means of increasing the wealth of cultivators, by enabling them to withhold their crops from market till they can obtain reasonable prices. . . We consider therefore that every assistance in their formation should be given by all concerned."†

A CENTRAL WHOLESALE SOCIETY

An alternative scheme would be to form a central organisation with a large membership of individuals and societies spread over a considerable area and with adequate capital resources. Such an organisation can employ competent managers and obtain better prices for its goods by selling to wholesale dealers, provided they

* Report of the Townsend Committee, Madras, P. 14.
† " " P. 55.

could be assured of a steady and growing volume of business. Nevertheless the system has got two great points of weakness which are sufficient to spell ruin to all co-operative enterprise. There is no "proximity"; and this would mean that the loyalty of the members could be easily shaken by the local buyers. There is also the absence of "facility". Carting to a central place and incurring risks of loss are very troublesome to the average ryot. Marketing facilities should be given at the door of the ryot just as much as Co-operative credit is.

We have the example of the working and failure of such an organisation in the Pakokku Co-operative Wholesale Society, an account of which has been published in the "Indian Co-operative Studies" (pp. 15-21). The society was started with an adequate working capital and placed under efficient management. Sale was conducted on a commission basis both for the individual and for the society members. "The most successful years of the Wholesale Society were when its chairman was the Chairman of the District Central Bank and the District Agricultural and Co-operative Association". (This is a point well worth pondering over and its significance will be pointed out later on.) But before long the society had to face an acute competition from local buyers who drew away its custom by adulteration of produce and other deceitful methods. Ties of loyalty to the society were broken up. The result was that the business in 1922—four years after its starting—fell exactly to half. The difficulties of a central organisation unsupported by a federation of local units and unaided by Government are very great indeed.

A NEW SCHEME

Three principles should be kept in view in evolving any new marketing system suited to Indian conditions. The first is that the organisation should be at the very door of the ryots, but at the same time large enough to serve a sufficiently wide area. Secondly, its aim should be the correction of trade abuses and not the elimination of the middlemen. A very close co-operation should be established with them, as far as possible. For, owing to the large number of these local buyers and commission merchants, competition reduces their profits to a minimum. Their overhead expenses are almost nil; and to a good many of them, trading is a seasonal and bye-occupation. The effect of the co-operative marketing organisation should therefore be the weeding out of the unfit and the inefficient by the natural process of competition by giving them greater marketing

facilities. Some measure of legislation will be of great assistance in hastening the process. And thirdly, finance should be made available promptly and at very favourable rates of interest, not higher than the rate of the Imperial Bank of India, due regard being given to the growth of convenient and popular credit instruments.

The main outlines of the scheme I venture to propose are as follows:—The area served by a co-operative central bank should be divided according to certain well-defined zones on the basis of the chief agricultural products of the area. Two or more "co-operative ware-housing companies" should be promoted through the influence of the Unions, the Federation and the Department. Membership should consist largely of individuals, while a limited number of unions and societies may be admitted on the recommendation of the Central Bank. The subscribed share-capital need not be very large since the company need meet only operating expenses and also keep a good reserve fund with the Central Bank. The actual management will be in the hands of the Board of Directors assisted by an advisory council composed of representatives of the Central Bank, the Federation and the Department.

The business of the company will be buying and selling on commission by giving facilities for storage of agricultural produce in their ware-houses. Buying on its own account may also be permitted within limits in a few commodities whose price fluctuations are small and therefore losses therefrom are negligible. This provision is necessary at least in the initial stages to secure a large volume of business. Special encouragement should be given to bonafide agricultural members of co-operative societies for storing their produce, either by exemption of ware-housing charges or by other concessions. Since the chief method of doing business is by giving ware-housing facilities, the company should develop and establish suitable ware-houses in all the principal marketing centres of the interior including the bigger villages. Such warehouses can be easily rented. At terminal markets where the opposition of the wholesale dealers may be keen, the company may construct its own godowns either from its own resources or by taking loans from the Government. It may be necessary for the company to start dealings with the local buyers and the commission merchants and give them also the necessary facilities till the ryots would learn the advantages of direct marketing by themselves. The expenses of insurance or protection should be borne by the Government, besides the grant of the usual privileges accorded to co-operative institutions.

The capital resources of the company, as has been pointed out already, need not be large; for it need only issue warehouse receipts for the goods stored in its godowns. The Co-operative Bank should advance money up to 90 per cent of the value stored on, the security of these receipts. The local primary societies should accept these receipts for payments of dues due to them by their members which in turn could be lodged with the Central Bank after being properly endorsed by the President. If the members of rural societies are bound by an agreement to discharge their principal and interest by lodging their produce with the company, not only would the problem of overdues disappear but also a steady volume of business assured for this marketing organisation. This is one of the effective means of popularising the company and of bridging the gulf between credit and marketing and also between the primary society and the Central Bank. Financing middlemen would be largely deprived of their custom and might take to depositing their resources with the Banks. The Central Banks should lodge a certain amount of fluid resources with all the Urban Societies to enable them to advance loans on behalf of the Central Bank on the security of the warehouse receipts. This would at once solve the problem of surplus in the Central Banks and stimulate the attraction of local deposits in all convenient centres.

If properly worked, the organisation would in course of time correct many of the trade abuses of the middlemen, while the really efficient among them would become the agents of the warehousing company in the rural areas. A large volume of credit instruments will also come into existence and the use of coins considerably economised. Marketing is one of the responsibilities undertaken by the indigenous banker; and if our credit banking is to be successful, a similar responsibility should also be undertaken by the Central Bank. Here is the institution that will discharge these duties. Surely in course of time it can proceed with grading, standardisation and pooling etc. and give the agricultural population all the advantages of the co-operative marketing indicated in paragraph 2. The organisation is not completely co-operative in character, but on the whole one best suited to our present conditions. It would mark a great advance on the methods of credit societies undertaking marketing or the special societies organised for the purpose. It is decidedly

superior even to a single wholesale society. The Government might start experimental companies in one or two districts in delta areas where the marketing of grain would present fewer difficulties.

THE UNITED STATES WAREHOUSE SYSTEM

In conclusion, a brief reference may be made to the licensed warehouse system obtaining in the U. S. A. The Warehouse Act of 1916 is permissive and not compulsory. Federal licenses are issued to warehouse men who would satisfy the Government requirements regarding their business reputation, financial strength and security. The warehouse men pay an inspection fee ranging from $ 5 to $ 50 according to the capacity of their warehouses in addition to the license fee of $ 2. The surety bond has a minimum value of $ 5,000 and a maximum of $ 50,000. And it has been proposed that a similar plan might be introduced in India to facilitate marketing.

No argument is needed to prove that this would be the most unworkable and useless system for India to adopt. The warehouse system of America represents an advanced type of marketing and presupposes the existence of ample banking facilities and numerous co-operative organisations. Under our present conditions such a system would be a costly luxury, if not positively harmful. Even if the warehouse owners would take out licenses which they would not owing to the trouble, the cost and the red tape involved, for the sake of advantages which they are not in need of nor the ryots can make use of, the profits would go largely to the local buyers and other middlemen, and thus accentuate the existing evils. The U. S. A. plan may therefore be ruled out of consideration. The scheme outlined in these pages possesses the advantage of suitability to our conditions and follows indigenous traditions while at the same time it helps forward the co-operative credit movement.

Co-operation—The Next Step

MR. S. R. SUBRAMANIAM, B. A., B. COM.,

INTRODUCTORY

The Co-operative movement, sponsored by the Government in their Act of 1904 and amplified by the Act of 1912, was mainly intended to relieve the agriculturists, who form the back bone of the country being 80 per cent of the population, from their load of indebtedness, and redeem them from the grip of the moneylender. It was felt that by reducing the rate of interest on borrowings, alienation of lands from landed proprietors to the money lending classes would disappear, and the tide which seemed to engulf the farmers and convert them into labourers and landless serfs would be stemmed.

Rural indebtedness has been variously estimated. According to the estimates made by Sir Huber Calvert and Sir Purushothamdas Thakordas, the amount reaches such a high figure as 600 crores. When it is remembered that village mahajans or the sowcars and the chetties are rapacious and that the rate of interest is disproportionately high when compared to the yield in agriculture, it might easily be understood what a crushing load of debt the agriculturist has to bear and how high an interest charge he has to pay which reduce him to the position of a serf. Thus however hard he may work, the fruits of his labour are snatched away by the moneylender. India has become a land where many sow and few reap; where many toil and few enjoy.

To liquidate the chronic indebtedness of the ryot and lower his interest charges, the co-operative movement was started and it was realised that with the distribution of cheap money the millenium would be at hand. Thus the first programme was to supply the rural population with cheap credit and the late Mr. Hemingway in his Manual says that the Central Bank is the backbone of the movement.

GROWTH OF CENTRAL BANKS

What is now the position? With the safety of the movement which has instilled itself into the public because of the unlimited liability of the societies and the Government control and audit, coinciding with the shattering of interlending among the people since 1914 and with the growth of the ideas of Banking, the rise

of the middle class with high salaries and the investment of funds of Local Boards and Municipalities and Government Institutions and the tapping of the various resources, all contributed to flood the Central and Urban Banks with money, making them suffer with plethora of funds. There are now 31 Central Banks with a working capital of Rs. 5,46,12,000 and 1,520 lakhs of rupees have been invested in societies. Nor is this all. The Central Banks are suffering from pleurisy of funds which are finding unremunerative investments in unco-operative enterprises and on the other side there is a hunger for credit. Also the book profit and divisible profit of the Central Banks have been increasing while the disquieting and alarming overdues both in principal and interest have shown the ugly features of the movement. Thus the question now with the Central Banks has not been the lack of funds but the difficulty of finding safe and lucrative investments which will benefit the agriculturists and render the money safe to the depositing public.

DEFECTS NOW REALISED

It cannot be said also that the credit requirements of the villagers have been satisfied and "that the stream of credit have been sent in rills over the broad surface so that the irrigation is perfect reaching every root to be watered." Though the credit facilities are absolutely unrestricted and the scope for distribution very great, we have only touched the fringe of rural indebtedness. At best the signal service done by the movement has been to reduce the rate of interest making credit available at a cheap rate to a considerable section of the poorest community. Hence there is the anomaly of surplus; the illimitable resources running to waste and the poor condition of the ryots still groaning under heavy loads of debt. All these have brought new light and shifted the centre of gravity from the financing bank to the village society and the keystone of the arch is now admitted to be a rural society and a contented and happy peasantry and a smiling village life.

CONDITIONS IN VILLAGES

What then is the position of the villager at present and the position of the society in the rural economy of village life? Ill clad, poorly fed, living in squalor and poverty, in huts worse than dog's kennel in insanitary surroundings he lives in perpetual discomfort and misery. The old autonomous village life being broken, the common communal life and outlook decadent and in its place an abject selfish individualism substituted, taking chronic indebtedness as an inevitable disease, getting credit wherever he can get it, fleezed by the ubiquitous middlemen by false weights and measures and purchasing his things dear and selling his commodities cheap and spending his small income—I will not call it savings—in unproductive marriage occasions or in customary expenses or undermining his efficiency in drinking or in litigation, the village farmer is a picture of abject misery and despair from which he is still to be reclaimed. In the words of the Linlithgow Commission, "The average number of deaths from preventible diseases is about 5 or 6 millions, the average number of days lost to labour by each person in India from preventible diseases is not less than a fortnight to 3 weeks in each year, the percentage of loss of efficiency of the average person in India from preventible malnutrition and disease is not less than 20 per cent and it is absolutely certain that the wastage of life and efficiency which results from preventible diseases causes India several hundreds of crores each year."

How is it then that, in spite of providing cheap credit and resources still available, the economic condition of the masses has not been improved and even causes disquietitude to the financing Bank?

APPALLING ILLITERACY

The first and foremost hindrance to the progress of co-operation on right lines is the appalling illiteracy of the masses and even of those who lead them. The movement has not been able so far to imbue the members of societies and others associated with these bodies with the spirit underlying it. The movement is considered only as an agency for the supply of credit and viewed upon from the point of view of material gain. But such a state of affairs exists even in most educationally advanced and economically progressive countries where co-operation has been practised for more than three-fourths of a century; and it is no wonder that in India where education is diffused in such a small percentage of people and where the movement is only 25 years old the higher aspects of co-operation have not been instilled into the rural co-operator.

That want of education is a great handicap for future progress every one must admit; but if a system is perfected and the machinery is so delicately shaped by proper *entrepreneurs* with local help, it is needless for India to wait till the mass education is complete.

WANT OF ORGANISATION

The second great difficulty which has been accentuated by the lack of education is the lack of proper supervision and control and lack of proper organisation. The societies were started in a haphazard manner and the members borrowed upto their maximum borrowing power in the society and that for a long period, and having obtained cheap money never cared to run the society. There was also no incentive on the part of new members to join it as there was no available credit for them until the tortuous process of enhancing the borrowing power was completed. Also societies being recognised only as a place of getting cheap credit and without adequate supervision and control with members who have recognised debt as an inevitable disease and with irresponsible Secretaries and with betraying Panchayats, they have become a cess-spool of unbusinesslike banking centres with a large number of decreed debts, many of them being time-barred, and loans secured on mortgages on which prior encumbrances have not been obtained and abounding in benami transactions and cash balances not available when called for. Especially when the Government control have been suddenly withdrawn this disquieting feature of the village society has been brought into relief.

UNSOUND FINANCING

The third important defect has been the imperfection of agricultural financing as is being practised at persent. For the purchase of seed and manure, for buying fodder for cattle and for incurring small family expenses, for paying labour charges, and other short term loans repayable by the next harvest, the financing is not done by the society but by the village moneylender. Not only does this form of credit requiring large sums of money is done by the village moneylender who dispenses it promptly and efficiently with a high profit to himself but also gives him a hold on the marketing of the produce. If in addition to this credit, facilities are made available for productive expenses like that of buying cattle and costly manure, which will yield an income in the course of 3 years and for deepening the well, fencing the lands and for improvement of land, making larger acreage available for cultivation and are made repayable in 3 to 5 years and also scope is offered for liquidating prior indebtedness by a loan spread over a period of 10 to 30 years, the full benefit of co-operative finance would be felt and the society would be made a real centre of economic activities. In the words of Lingthlow Report "we have no hesitation in recording our belief that the greatest hope for the salvation of the rural masses from the crushing burden of debt rests on the growth and spread of a healthy and well organised co-operative movement based on careful education and systematic training of the villagers themselves. Apart altogether from the question of debt co-operative credit provides the *only satisfactory means of financing agriculture on sound lines*."

To enable the villager to fully reap the benefits of his labour, not only is it essential that interest charges must be lowered but also his margin of savings must be made as great as possible by eliminating the interminable class of middlemen who are found in every industry. The moneylender is also a petty trader and plies his lucrative trade at the expense of the cultivator. In addition to the splitting up of rural credit, as available for short or long term it is essential that when the grains are thrashed on the floor, they are to be graded and carried to the nearest market centre and placed in the joint custody of loan and sale society and the branch of the Central Bank and 60 per cent of the market value of the produce should be advanced to clear off short term loan commitments and for holding the crop to the best market. If the financing of agriculture is done at every stage till the final sale is made it will be found that the existing capital is meagre and the purse slender and it will be necessary to court government assistance for rediscounting such short term bills. Such facilities will make the currency elastic and make the deflation and inflation concide with the actual needs of the bulk of the population who subsist on agriculture.

By such a systematic work of the societies it will be found that they will cease to be recognised as now, only as one among the several agencies dispensing credit, more foreign than others because of the distance of the lender and will become interwoven with the daily economic life of the people.

COMMON COMMUNAL SPRIT

Also the full benefit of co-operation can only be felt when people realise the responsibility of the membership and feel the society as being their own and have an incentive for thrift and savings and are prevaded with the idea of improving their lot by better farming, better business and better living. Also pervaded with a desire for a common communal life as in the days of the Pre-British period they must look to societies for curtailing and eliminating all wasteful expenditure and for settling the quarrels and disputes.

This moral welfare making for a common life must never be lost sight of, as it ultimately leads to a rich heritage of economic and material benefit to the country.

SUBSIDIARY INDUSTRIES

In addition to these it is essential, in spite of the fact that the weighty pronouncement of the Agricultural Commission is against it, that such cottage industries as are capable of withstanding the onslaught of capitalistic machine industries must be resuscitated and new ones introduced for affording spare time occupation and supplementing the meagre income of the agriculturists who are forced to be idle without an occupation for 7 or 8 months in the year.

LACK OF CO-ORDINATION

Before passing on to the work at present it is impossible to gloss over the difficulties which have been heightened by the improper understanding of the functions of the several wheels of the movement due to multiplicity of agencies and lack of co-ordination and even antagonism between them due to the love of power, a common human frailty which hinders the progress of the movement on its onward march. The Central Bank for finance, the Unions for supervision and inspection, the Federation for consolidation, rectification and co-ordination and for intensive work and the Government for audit, all have different spheres of operation which, if carried on efficiently in harmony, will certainly mark a great pace in the running of the movement.

SUPERVISING AGENCY ESSENTIAL

The Government have now confined themselves to the work of audit and inspection. The Unions have rarely the capacity by themselves to cure the several ills from which the movement is suffering, and the Central Bank have enough to carefully watch its financial commitments and is rather in a position of an adviser and a guide to the agencies carrying on consolidation rather than one now required to do the work as part of its programme. Also the complicate duties now thrown upon the agency for improving the tone of the village life, for creating a perfect system of agricultural financing which will be interwoven with the daily economic life of the villager, for supervision, control and for reclaiming those todling societies and for consolidation and rectification and for ingraining the spirit of co-operation and pervading it into the life of the villager, necessitate the employment of rightly trained and earnest band of workers properly maintained and disciplined who will with the close co-operation of honorary workers, who act as a leaven to the movement and with the several agencies at work in the field, will carry intensive work on a well defined and properly laid out programme of work. It is upon these honest men having love for work and conversant with the principles of co-operation and devoting the whole time under able guidance that the progress of the movement now depends. It is on the intensity of the work that betterment can be hoped. It is upon you who are now undergoing training in the Institute that the uplift of the country depends and the prosperity of the nation rests. There is capital in the country; 320 millions of men willing to be employed in productive and constructive enterprises and it is upon you to monetize the labour, organise them so that they may not like sheep without a shepherd fall an easy prey to the wolves in the human shape of money lenders or middlemen.

Even to become wearisome it has to be repeated that intense supervision, rectification, consolidation and overhauling in the case of bad societies, close watch, help, guidance and co-ordination in the case of good societies making for a fuller development of the movement and organising the several activities and avenues of village life, is the crying need of the hour. Such a band of workers must not only be trained and placed under a cadre but also given ample scope and opportunity for work and for helping the members in the preparation of their budget and giving them every advise which a liberal education can enable him to give. It is the Federation which can be entrusted now with the work and the supervisors like you placed in a scale with prospects of better emoluments are the only materials capable at present to push on the work.

THE NECESSARY FUNDS

The great necessity for supervision has been rightly recognised and has been made a first charge on collections; the realisation of principal and interest on loan itself being relegated to the back ground. To carry on systematic work it is not only sufficient to have enough money but rather a fund or a stabilised source of sufficient income for running it must be obtained. The collections from societies and the contribution from Central Banks at the rate of 8 annas on the interest realised from societies are hardly sufficient for the stupendous task, and to depend on doles from the Government and windfalls from the Central Bank will by its very unsteadiness impair the efficiency and undermine the work through lack of continuity of action. Stability and prospects, discipline and guidance are the necessary requisites of an establishment and unless they are placed above penury and want, the consistent systematic effort is not possible.

Apart from the Government grants which are always welcome, it is of utmost necessity that the Banks should realise that one of their important functions is to be assured of the safety of the money invested by *not only* bettering the economic condition of the villagers but also by arranging for quick rotation of money and the repayments of the amounts by proper financing and making proper provision for the continuity of the supervision work according to well organised business methods. The grant of windfall to Federation as have been already said is open to the objection of being an unsteady source of supply and hence will not allow the reaping of full benefit of the maintained establishment. Also such a grant will fall disproportionately on the profits of each year and adversely affect their steady progress which is essential in all business concerns for keeping up the public credit. The better method is to formulate proposals for the creation of supervision fund as an appropriation of profits from the profits of each year from which the necessary amounts have to be voted upon by the Board of Management according to the exigencies and the requirements of the Federation Budget. The profits of the Bank are realised to be necessary for building up reserves and if feasible for lowering the rate of interest on lendings to societies and has been used also in Central Banks for creating the building fund. Now the exigencies require that proper supervision and lead is of most necessity and the bye-laws of the Central Banks must be suitably amended so that the supervision fund is made a charge on the appropriation of profits.

I am sure that with the capital at Central Banks, and labour at the villages ready to be harnessed for productive work, entrepreneurs will be found to fully organise them and lead the villagers to a happy and a fuller life. Work, hard and earnest work, and co-operation will, I am sure, lead the country to a better and a purer life.

Co-operation in the Local Legislative Council.*

LOCAL BOARDS.

Exemption to local board employees for holding office in co-operative societies.

681. Q. *Mr. T, Adinarayana Chettiar* :—Will the Hon. the Minister for Education and Local Self-government be pleased to state :—

(*a*) the circumstances and reasons which induced Government to issue G.O. No. 3368 L, and M. dated 18th July 1929, laying down that the employees of local boards should not hold office in co-operative societies;

(*b*) whether it is a fact that some employees of local boards have for the last several years been allowed to be office-bearers and that they have done useful service to the co-operative movement; and

(*c*) whether Government propose to provide for exemptions being granted in the case of local boards employees who are very useful to the movement?

A. (*a*) The Government order was issued on a reference from the President, District Board, Madura and was based on the orders on the subject applicable to Government servants.

(*b*) one municipal council brought one such case to notice. Except for this, Government have no information,

(*c*) No, as no exemptions are permissible in the case of Government servants.

Eligibility of local fund servants for holding office in co-operative societies.

846. Q. *Mr. A. Ranganatha Mudaliar* :—will the Hon. the Minister for Education and Local Self-government be pleased to state :—

(*a*) whether the Government have prohibited local fund employees in schools or elsewhere from holding any office in the co-operative societies; and

(*b*) if so, why, and whether they will place a copy of their order on the table of the House?

* Extracts from the proceedings of the Madras Legislative Council of 1st and 9th October 1929.—Vide page 517 of Vol. L. No. 6 and pages 923 to 925 of Vol. L. No. 11.

A. Local fund employees have, on the analogy of Government servants been prohibited from holding office in co-operative societies except those composed wholly of such employees or partly of such employees and partly of Government servants. A copy of G. O. No, 3368 L. and M. dated the 18th July 1929 issued in the matter is placed on the table.

Mr. T. Adinarayana Chettiar :—"The Government order refusing permission to local board employees to take any part in the management of co-operative societies was issued as stated on page 12 of the answer paper on a reference from the President of the Madura District Board. May I know whether the President of the Madura District Board merely asked for enlightenment or had he any complaints to make of undue interference in such matters on the part of any local board employees?"

The Hon'ble Dr. P. Subbarayan :—"If the Hon'ble member will turn to the appendix he will find exactly that this order was issued on a reference from the District Board President, Madura.

Mr. T. Adinarayana Chettiar :—"Sir, I have read the reference. I am told that there was no complaint of any undue interference on the part of these employees. In the light of this, will Government be pleased to reconsider the matter?"

The Hon Dr. P. Subbarayan :—"As far as I can see, I do not think any fresh considerations have been brought forward on which this question can be considered"

Mr. G. Harisarvothama Rao :—"May I know, in view of the answer given in the appendix, whether the employees of local funds are precluded from accepting remuneration even if it be the honorarium voted by the general body for the President or Secretary from the common good fund?"

The Hon. Dr. P. Subbarayan :—"I must ask for notice, Sir."

Mr. Abdul Hameed Khan :—"May I know what the Government mean by saying 'except those composed wholly of such employees or partly of such employees and partly of Government servants? I am unable to understand it."

The Hon. Dr. P. Subbarayan :—"I am sorrry, Sir, the Hon, member cannot understand this. It simply means that a co-operative society can be composed of Government servants wholly, or local fund servants wholly, or partly by local board servants and partly by Government servants."

Mr Abdul Hameed Khan :—May I know what the pay of these local fund employees is in schools and what is the remuneration they would get if they work in co-operative societies ? "

The Hon. Dr. P. Subbarayan :—I am afraid it is too much for me to carry in my head. "

Mr. B. Venkataratnam put a question in Telugu.

The Hon. Dr. P. Subbarayan :—" No, Sir. As has been said in the answer, the Government order was issued on a representation received from the President of the Madura District Board. "

Mr. G. Harisarvothama Rao :—" May I know if the Hon. the Minister is prepared to investigate into the question of remuneration and to exclude the honorarium that may be voted from out of the common good fund ? "

The Hon. Dr. P. Subbarayan :—" I am afraid I cannot give any undertaking of that kind ? "

Mr. B. Venkataratnam put a question in Telugu.

The Hon. Dr. P. Subbarayan :—" As I said, Sir, there is no question of complaint at all. The order was based on a reference by the President of the Madura District Board. "

Mr. C. N. Muthuranga Mudaliar :—" May I know what is meant by ' head of the office " referred to in the explanatory note in the Appendix ? Is it the local official or the Government department concerned ? "

The Hon. Dr. P. Subbarayan :—" Head of the office referred to there, I think, refers to the head of the office in the district concerned ? "

Mr. G. Harisamothama Rao :—" May I know if the Hon. the Minister is prepared to re-examine the order once again ? "

The Hon. Dr. P. Subbarayan :—" As I have already said, unless fresh facts can be brought forward to convince me that this order should be reconsidered, I am not prepared to reconsider the matter. "

Recent Utterances.

THE KARUR TALUK RURAL RECONSTRUCTION CONFERENCE

Held At Paramathi.

**Extracts from the Presidential Address of*

M. R. Ry. T. M. NARAYANASAWMY PILLAI, M.A.B.L., M.L.C.

CO-OPERATION AS A CIVIC FORCE.

I would like to say a few words about the development of the co-operative movement in this area. I am glad to know that Karur taluk stands pre-eminent in this district in the matter of increased transactions and prompt collections. Sir Frederick Nicholson, on the basis of whose report the Co-operative Act was introduced in 1904, hoped that these rural banks would tend to become tiny republics promoting the economic advancement of the agricultural class. He says :—

" It follows then that if the principles of rural banking are made widely known and are accepted by the more intelligent class and if the law and the executive will assist the development of societies by suggestion, by the removal of disabilities and obstacles and by the grant of various privileges, there is every hope of a rapid and wide development of small local societies chiefly co-operative, thoroughly in touch with their clientle independent of state aid, gathering in idle hoards and petty savings, providing facile, cheap credit and above all cultivating in a high degree those great national qualities of thrift, prudence, self and mutual help not merely in credit but in other directions without which no nation can obtain a healthy and vigorous development."

He hoped that if money were made available at a cheap rate of interest at 6 per cent by the combination among ryots, the severity of the debt would decrease and the ryot could borrow cheaply for the current needs and repay conveniently. He concluded his monumental report with the need for discovering the right type of leaders for the development of such village banks. I quote his words below :—

" The future of rural credit lies with those who being of the people live among the people and yet by their intelligence, prescience

*Only portions relating to the Co-operative Movement are extracted. The President in the course of his address dwelt upon various aspects of rural life, such as promotion of literacy, adult education, and prohibition of drink evil etc.

are above the people. Such were the reformers of Germany and Italy who have introduced the great systems of popular credit in those countries and taking the word 'Raiffeisen' not as indicative of a particular person or system but of zeal, energy and continuous devotion so thoroughly exemplified in that great reformer and of the spirit of co-operation thrift, self and mutual help, so thoroughly developed in the above and similar systems, the whole of this report might be summed up in the two words 'Find Raiffeisen.".

HOPES OF THE EARLY PIONEERS

Again when the co-operative credit Societies Bill was introduced in the Governor General's Council on 23rd October 1903 by Sir D. Ibbetson, he said about the scope of the co-operative societies in the following terms :—

> "If an institution of this sort which depends upon the people themselves combining for their own mutual advantage is to succeed, it must be as far as possible an indigenous and natural growth. An exotic type may be forced by artificial stimulus to flourish for a while but we can never expect it to take a vigorous root or to continue to flourish when that stimulus is withdrawn. People must, in the main, be left to work out their own salvation on their own lines, the function of Government being confined to hearty sympathy, assistance and advice. In his concluding speech he said both in the matter of detailed guidance and of the provision of the funds we shall not feel that we have succeeded unless we eventually find ourselves able to withdraw for, as has been well said, co-operation must be built from the bottom and not from the top."

It was hoped by the early pioneers of the movement that the co-operative societies would be induced to raise their own funds by cultivating the habit of thrift and increase the earning capacity of the member by regulating the distribution of credit. It was also hoped that mutual combination among the agriculturists for credit, purchase, production and sale would tend to develop the corporate spirit among them. I would request you to survey the progress of your societies to what extent it has cultivated thrift, raised local funds and helped to increase production. The progress should be along these lines and whatever may be said of the number of institutions and the largeness of the staff that is appointed over the societies, the public will always look at the movement from this point of view.

Need for a larger programme.

I am well aware of the difficulties in the organisation of co-operative credit for developing thrift and increasing production. Sir Frederick Nicholson foresaw the difficulties. He says,

> "borrowings are seldom for land improvements but are the result of laws, customs, surroundings, social charactristics, seasonal difficulties, isolation from open markets and the like. Hence the radical remedy for indebtedness is not in the organisation of credit but in the removal from the farmer of all unnecessary disabilities and in the promotion of possible improvements, whether in customs, in social characteristics, any executive acts and systems, in the opening of markets, in the spread of sound education, in the development agricultural and industrial methods and so forth."

The difficulties we have to surmount are portrayed in these passages and I would like that any system of co-operative education should tackle these questions in the first instance.

The XI North Arcot District Co-operative Conference, Vaniyambady.

I

EXTRACTS FROM THE WELCOME ADDRESS

OF

M.R.Ry. T. KARIA GOUNDER, AVL.,

Chairman, Reception Committee.

Brother Co-operators,

It is an admitted fact that though the non-credit side of the Movement has not made any headway in this District, the progress on the credit side has been steadily increasing in respect of extent as well as intensity. It is now more than a quarter of a century since the seeds of the Movement were first implanted in this District and there are several amidst us who are witnessing the steady growth of the Movement ever since its inception in this District with pride and satisfaction. One of our oldest and premier Rural Societies has this year celebrated its Silver Jubilee when the Hon'ble Ministers for Development and Public Health were pleased to grace the occasion and testify as to its sound working under the efficient management of our veteran Co-operator M.R.Ry., Rao Sahib V. A. Arunachala Mudaliar Avergal, President of our District Bank, to whom we offer our cordial felicitations.

I shall present before you, with your permission, a brief survey of the working of the movement in the District.

The Co-operative Central Bank, Vellore—This is the 12th year of its working. Its working capital as on 30—6—'29 was Rs. 38·04 lakhs of which its owned capital is Rs. 5·47 lakhs. It has borrowed from the Madras Central Urban Bank Rs. 8·53 lakhs and by way of deposits Rs. 23·48 lakhs. It is a notable feature that deposits have considerably increased so as to make it possible to reduce the borrowings under loans and this is mainly due to the earnest efforts of the Secretary M. R. Ry., Rai Bahadur V. Murugesa Mudaliar Avergal, brimming with enthusiasm and youthful vigour inspite of his old age.

There has been some fall in the working capital when compared with the previous year, the principal cause for the fall being the stoppage of the issue of long term loans.

Out of a total demand of 17·64 lakhs under principal due from societies and 3·05 lakhs under interest, there was an arrear of 4·25 lakhs under principal and Rs. 1,359 only under interest.

Societies.—There were on 30—6—'29 908 societies of all classes, of which 779 are unlimited agricultural credit societies. The total working capital of the societies was 43·83 lakhs there being thus a slight decrease from the figures for the last year.

Overdues:—Out of a total demand of Rs. 3·77 lakhs under principal in respect of short term loans and 18·30 lakhs under principal in respect of long term loans there was an arrear of 1·30 lakhs under the former and 9·65 lakhs under the latter. When compared with the previous year's figures the percentage of overdues to demand has been reduced from 43 per cent to 35 per cent in respect of short term loans and from 59 per cent to 52 per cent in respect of long term loans. Though we made sincere attempts, varied and many, to bring about an appreciable reduction in overdues it was not possible to achieve as good a result as we expected, mainly on account of the strange odds we had to face. In addition to the continued failure of the monsoons during the year under review and the gross indifference of the Panchayatdars of some of the bad societies who could not shake themselves off of their lethargy inspite of all influences brought to bear on them, the sudden stoppage of all flow of long term credit by the Madras Central Urban Bank stood a stumbing block in our efforts for reducing the overdues. Some of us may ask how the stoppage of the issue of long term loans affected the collection of overdues. Societies that have been formed so far attracted mainly those ryots who were in need of long term credit for the discharge of prior debts and other similar long term needs. Most even of these ryots did not depend on the society for their short term requirements for the reason that the short term credit available with the society was neither promptly issued nor easily granted. Without providing any other co-operative avenue for the issue of long term credit the sudden stoppage has considerably handicapped the transactions in rural societies and the flow of money with the result that the collections could not be as they would have been under the usual circumstances. It is not however my intention to belittle the importance and value of short term loans to the ryots but some time should have been allowed to the ryots to make them understand the utility of the short term loans, without their being suddenly put to hardship for long term credit.

Land Mortgage Banks.—There are four Land Mortgage Banks in this District of which only one is working. It has not been possible for the other three to do any work for the reason that they could not float any debentures. With the formation of the Central Land Mortgage Bank at Madras which will undertake the financing of these Primary Land Mortgage Banks, I am certain that these Banks will have scope to do the work for which they were intended. I may mention here that this area is in urgent need of one such Bank and I hope that the Department will take steps to get one constituted at Vaniyambadi immediately.

Supervision. There are 31 Supervising Unions in the District and 3 Audit Unions of which 2 supervising Unions and 1 Audit Union have since been liquidated. All these Unions are affiliated to the District Council of Supervision which co-ordinates their activities This District has adopted the pooling system of supervision fund for its economic and efficient administration.

The District Council of Supervision.—The District Council was formed in 1919 and every year has been adding on its activities, which comprise of co-ordination of the activities of the Unions, controlling the supervising staff, undertaking co-operative propaganda and training, formation of new societies and rectification and consolidation of the existing societies. An Executive Officer of the rank of a Sub-Deputy Registrar of Co-operative Societies nominated by the Registrar has been appointed to effectively control the supervising staff of the District and systematise the activities of the Unions. This step was taken on the advice of the Registrar and at the request of the 4 Unions which have been at variance with the Council for the past 3 years. It is still an unsatisfactory feature that these unions should think it proper to continue their attitude and thereby demoralise the discipline and efficiency in the working of the movement.

Propaganda.—Under co-operative propoganda, training classes were held at 15 centres for the rural panchayatdars at which 670 co-operators attended. The Council has recently secured the services of a Government Inspector to conduct these classes for this year.

Training Institute.—The Training Institute continues to be attached to the Council and has been since registered as a separate Institute under the name " The Gray Co-operative Training Institute' which will be formally started in the near future. Already three sessions were conducted and the fourth session is now on. The total

number of candidates that came out successful is 108 out of 143 that appeared for the training classes examination from this institute. The supervisors except those who have put in a long service of over 7 years, are all trained men.

Rectification and Consolidation.—Under rectification and consolidation work the Council employed during 1928-29, 7 select men of whom 2 were Departmental Inspectors. Out of 197 bad societies in 17 union areas taken up for rectification, 64 have been recommended to the Department for liquidation having been found to be beyond revival, and the rest were rectified. In the course of their work, this special staff effected collections amounting in all to Rs. 1·26 lakhs. From the reports of the rectification staff it was found that a considerable portion of the overdues was locked up in decreed and arbtiration references which had not been promptly attended to. Liquidation had not been resorted to as much as it should have been in several of the very bad societies with the result that it formed a factor impeding collections. I shall make an appeal to the Department to expedite arbitration, execution and liquidation proceedings so as to effectively root out the growing indifference of the defaulters.

It is incumbent on me in this connection to make an appreciating reference to the Council for its achievement under rectification and consolidation work. The Co-operators of the District are indebted to M.R.Ry., K. M. Singaravelu Mudaliar Avergal, President of the District Council of Supervision, under whose intelligent guidance this scheme has been successfully working on.

Until 1928, there had been year after year a steady growth of overdues due to various causes. As a result of this rectification work this growth of overdues has been arrested, in fact the overdues have perceptibly decreased as compared with the previous year's figures, and collections have substantially increased inspite of the fact that the causes standing in the way of collections still continued and that the Madras Central Urban Bank had thrown an additional impediment by the stoppage of long term credit which I had already referred to.

I have a few suggestions to make for the consideration of this assembly. Until Land Mortgage Banks are formed more extensively and become an effective factor in relieving the ryot of his prior debts, which saps his vitality and is felt in the acutest manner in a dry

District like ours, the Central Bank should continue to be the long term financier.

The chief difficulty facing the village co-operator in availing himself of the short term credit even for his cultivation expenses is the delay and the cumbersome process through which his application for his needs usually undergoes. This should be remedied at once, if we want that the rural societies should be the agents for short term credit. One of the remedies I have to suggest is that each member of a rural society should have a margin of credit based upon his individual immovable properties which he should be able to operate upon without recourse to any sureties. I leave my suggestion to those who have grown gray in this movement to examine and decide upon the details of this proposal.

A word more and I have done. We are making all possible arrangements to make your stay in this town as comfortable and convenient as possible but it is quite likely that our efforts may not come up to your satisfaction.

We therefore crave your indulgence to kindly pass over such of the inconveniences and discomforts as may happen, with your usual courtesy and kindness.

Gentlemen, allow me once more to extend a hearty welcome to you who have been kind enough to respond to my invitation and I request my fellow delegates to commence their proceedings.

II

EXTRACTS FROM THE PRESIDENTIAL ADDRESS OF

M.R.Ry. R. K. Shanmugam Chettiar, Avl., B.A., B.L., M.L.A.
Coimbatore.

Fellow Delegates,

It is now twenty-five years since the Co-operative movement in this Presidency has been embodied in Statutory form and I believe the Silver Jubilee of the movement was celebrated recently. During the quarter of a century that has passed we must have gained the necessary experience to enable us to make an intelligent retrospect with a view to rectify the errors and fill in the gaps. While an intelligent survey of the past must necessarily force our attention to the magnitude of the task that lies ahead in the direction of Reform and Expansion of the movement, the constructive work done during the last twenty-five years may fill co-operators with hope and encouragement for the future. If I draw your attention to the mistakes that have to be rectified and the need for expansion, I do so not in a spirit of pessimism.

The Annual Report of the Registrar of Co-operative Societies for the last year discloses that there are about 14,500 Societies with a membership of about 8,90,000 and a working capital of about Rs. 1,520 Lakhs. In analysing the function of the Societies, one finds taat the great majority of them are Credit Societies. The total membership discloses that the movement has touched only about 2 per cent of the population. What has so far been achieved in the field of Co-operation may therefore be considered as spade-work in which, nevertheless, the pioneers of the movement may feel justly proud. The constructive problems that now face the Co-operators may be said to be three fold :—(1) The organisation of credit on sound and scientific lines (2) the wider application of the co-operative principles to fields other than that of Credit and (3) the realisation of the value of the ideals that lie behind the movement with a view to utilise it in the wider schemes of Rural Reconstruction.

In the conditions prevailing in India with a vast agricultural population suffering for ages from a chronic state of indebtedness, it was credit which, of all forms of Co-operation, was the one most urgently and pressingly needed. It was, therefore, natural that in

India as in Germany the Co-operative movement began with the organisation of Credit. The coming into existence of Co-operative Credit Societies opened to the Indian cultivator the prospect of capital at a reasonable rate of interest. Talking of rates of interest and the chronic indebtedness of the Ryot, it has been taken for granted that the impoverished state of the cultivator was solely due to the rapacious village money-lender. While usury of the worst type certainly does exist in many parts of the country, the statement that the plight of the ryot is solely due to the usurious money-lender is one which requires a more careful examination at least on the part of the student of Economics. In an able memorandum on Indigenous Indian Banking which has recently seen the light of day, its author Mr. Simcox, an Indian Civilian, has exposed the fallacy of the contention and shown what an important and useful part the much abused money-lender has played and is playing in the Rural Economy of India. Attractive as the theme is, this is not the place to dilate on the position of the Indigenous Banker in the economic system of our country. I am expecting that this will form an important part of the enquiry by the Central Banking Committee. Suffice it to say that in a great majority of cases the perpetual poverty of the ryot is due more to himself than to extraneous causes.

My contention is borne out by the fact that inspite of the supply of cheap money by the Co operative Credit Societies there have been of late an increase in the growth of overdues and in the number of bad Societies. The evil has grown to such an alarming extent that the last Madras Provincial Co-operative Conference held at Madras thought it necessary to adopt as its very first resolution that "this Conference considers that the increase in the growth of overdues and in the number of bad societies is a very unhealthy sign of the Credit Movement and urges upon the Co-operative Organisations of the province the imperative need for undertaking, on a systematic and comprehensive scale, the work of Rectification and Consolidation of rural societies, and recommends that a programe be drawn up so as to ensure the completion of that work in each district within a reasonable length of time, say three years." The growth of overdues is a symptom which requires the serious attention of Co-operators, for it is a sure indication that the borrower has not been benefitted by the credit facility offered to him. I have no intimate knowledge of the working of credit societies and I am not therefore in a position to analyse the causes that have led to this. It seems to me that the root cause of the trouble is the lack of appreciation of the fundamental

difference between the Long term and Short term loans. Even the Indian Commercial community in general has not fully realised the true function and nature of the Short term loans. The Short term loan is solely intended for the movement of crops and the financing of trade and the usual period of its maturity varies from three to six months. It is in the nature of a self-liquidating debt which is extinguished in a period of six months. Experience must show you how far the commercial practice in dealing with short term loans must be modified to suit the needs of the agriculturist. Whatever might be the modification made, this class of loans must be kept rigidly apart from the Long Term Loans and must be made to supply only those needs for which the Short Term Loan is meant.

The long term loan must invariably be either for repayment of accumulated debts, or for reproductive capital expenditure. Every loan granted by a Credit Society must come under one of these two categories and there can be no justification for any co-operative organisation to advance money for any other purpose. It seems to me that the failure of most societies to appreciate this rigid classification of loans is one of the chief causes that have contributed towards the growth of arrears. The management of these two distinct classes of loans by the same organisation is bound to lead to chaos. The long term loan is one essentially for institutions like Land Mortgage Banks. The Chairman of the Reception Committee explained that the sudden stoppage of financial assistance by the Central Urban Bank without the provision of any other co-operative avenue for the issue of long term credit has considerably handicapped the transactions of Rural Societies. I hoped that the growth of Land Martgage Banks will provide the avenue spoken of by the Chairman. Co-operators must endeavour to hasten the day when the Land Mortgage Banks will completely take over the function of providing long term credit to the ryot, leaving the Rural Societies solely to the task of financing the short loan operations. I quite recognise that until this system fully comes into operation, it will do more harm than good to put a sudden embargo on Rural Societies in the matter of long term credit. But members of Rural Societies must realise that in granting long term loans on mortgage securities they are undertaking a very grave responsibility. It must be realised that money advanced for the redemption of old debts is in practically all cases a dead weight unproductive debt. Moreover as matters stand at present the owned capital of Rural Societies and Central Banks forms but an insignificant part of the working capital which is made up of short term deposits and therefore the risks involved in the granting of long term loans are considerable. I am not minimising the importance of meeting the problem of rural indebtedness, but I am only emphasising the serious responsibilities and risks which this involves. The ideal to be arrived at by all Co-operators is to restrict the normal activity of the Credit Societies to the granting of Short Term Loans for re-productive enterprises and to leave the financing of long term loans to the separate machinery of Land Mortgage Banks.

In addition to the absence of a proper classification of loans referred to above, one other cause of the growth of arrears is the evil practice of perpetuating a loan in the form of renewals. The book adjustment may make it appear that a certain loan is a freshly granted one, but very often it is just a renewal of an old loan. Such a practice is fundamentally oppossed to all principles of Co-operative Banking. I have thought it necessary to dwell at some length on these topics because no scheme of Consolidation and Rectification will be of any use unless fundamental defects are rectified. Though as the Chairman has pointed out the percentage of overdues to demand in your district has been reduced from 43 per cent to 35 per cent in respect of short term loans and from 59 per cent to 52 per cent in the case of long term loans, there is still a great leeway to be made up and in the task you must keep in mind the need to place the business of the Societies on a sound footing.

The application of co-operative method to fields other than Credit is the second task that faces the Co-operaters. It fact, it is a corollary of and complementary to the provision of Credit facilities. In your district as elsewhere in the presidency the Non credit Societies form but an infinitesmal part of the movement. The provision of cheap credit facilities does not by itself solve the problem of the Agriculturist. In its application to agriculture the non-credit side of the movement must help the ryot to purchase his requirements and sell his produce. It is the combination of all of these necessary functions that ensures the success of the Co-operative Movement as a whole. The Agricultural Co-operative Union of Eastern Switzerland, which is now a very powerful and progressive organisation, was at one time on the point of collapse when its activity was confined to the supply of agricultural requirements only. It took up the distribution of articles for domestic requirements as well and almost at once its failure was converted to brilliant success. The distribution of seed and manure and implements, instructions how to use them

properly and the marketing of the produce—these are tasks as important as the provision of credit. Another branch of Agriculture in which the application of Co-operation will yield fruitful results is Irrigation. In preventing wastage in the use of water and in digging wells in arid tracts the co-operative method may yield wonderful results. The co-operative method has also been suggested to bring about a consolidation of agricultural holdings and neutralise the evil effects of fragmentation of land due to custom and inheritance laws. Such an experiment has been actually tried successfully in some parts of the Punjab. There is again a splendid opening for the application of Co-operation in providing agricultural implements and machinery in common such as Cane Crushing Mills and dairy implements. So far, I have just indicated some of the avenues open to Co-operators in the field of Agriculture.

One other field for the useful adoption of the co-operative method is in the organisation and development of small industries in our Country. It is certainly a matter for congratulation that marked attention is being paid to the development of the large industries and I look forward to the day when, industrially, India will be one of the most powerful countries in the world. Those who think that the interests of the Cottage Industries and the interests of Large Industries are opposed to one another have no proper appreciation of the real economic needs of the country. The small handicrafts carried on in the cottages and small country houses have for ages been the mainstay of millions of the population. According to the calculation of a writer there are about 17 millions of people actively employed in the various industries of India. Out of this number less than one million are known to be employed in power mills leaving over 16 millions actively employed in small workshops and country houses. There are still many millions either partially employed or with no employment at all. The Indian handicraftsman has been famous for ages for the delicacy and skill of his workmanship. All this potential wealth may be mobilised side by side with the growth of Large Industries. Co-operation has almost an unlimited field in this direction. From my personal experience of Foreign Countries, I can say with confidence that with proper co-operative marketing there is a vast field for the art wares of India which enjoy a reputation for their excellence and distinctive character. What has to be done is to bring the consumer into touch with the artisan, so that the consumer may know where to look for his requirements and the artisan may pay more attention to the special needs and tastes of the consumer. Co-operation may here step in, educate the artisan and build up business organisations to take over the products of his Industry and dispose of them all over the world.

I now come to the conclusion of my observations with a few words on the realisation of the value of the ideals that lie behind the Co-operative Movement and the need to utilise it in the wider scheme of Rural Reconstruction. The value of Co-operation lies not in raising cheap money but in raising the character and status of the population. It is a comprehensive scheme of life brought into existence by the conditions of modern Society. In India it is the modern substitute for the ancient self-contained Village Polity. Its ideal is to make the Nation better as well as richer. Its methods are meant to unite the people together by creating common interests. In the words of a well known writer in Co-operation, "drop the ideal objects of Co-operation and the conception of comprehensive breadth, and you lose the best part of the institution".

It is no exaggeration to say as has been observed frequently that Co-operation is the greatest boon conferred upon India. Looking back on what has been achieved during the last quarter of a century there is enough to entitle those engaged in the work to have a feeling of satisfaction in their success. If there is still a great leeway to be made up, if there have been pitfalls, let not these create a feeling of pessimism but let the army of noble workers, both official and non-official, be spurred on to greater and yet greater activity.

Resolutions passed at the Karur Rural Reconstruction Conference

Held between 9th and 15th December 1929

RESOLUTIONS

I. With a view to make Co-operative Credit Societies as the villagers' own organisation, as the vital life-giver of the social polity of the village, bring within its compass all the money lending as its organic limb, and promote the economic advancement of the agriculturists, this conference urges the following methods of work :—

i. Increase of local capital through fixed deposits, savings and recurring deposits, share capital, and the Chit system.

ii. The conduct of a deposit advertising campaign and help to societies to gather deposits in kind or money during harvest season and to introduce a system of hundi boxes by the local unions.

iii. Provision of help to agriculturists for agricultural and domestic expenses by mutual help.

iv. Provision of facilities in the co-operative societies for loans for 10 years and above for the liquidation of prior debts.

v. Promoting mutual help by surety and joint loans.

vi. Provision of pay both to the Secretary and or member who writes the accounts or the clerk or both on a minimum scale of 1 per cent on the working capital or Rs. 100 per annum according to the financial condition of each society.

vii. Training the village secretaries or clerks with a view to release the societies from the dependence on supervisors for clerical work.

viii. Reduction of statistics, accounting, and writing work in the societies.

ix. Review by the local union of the work of the Panchayats in what manner the latter can promote the economic advancement of the agriculturists by the aid of the co-operative societies.

x. Review by the local union as to the extent of self effort developed in the agriculturists for their economic advancement and the amount of mutual help shown in the work of each society.

xi. Assistance of the District Federation in making the Unions feel their responsibility in these matters and strengthening them for this kind of work.

xii. Consideration of all matter relating to the societies in Union General Bodies with a view to train the representatives of societies in the unions in the responsibilities of mutual guidance and advice and the provision of a small committee for sanctioning loans in local unions.

xiii. Provision of facilities by the District Bank for increasing village society deposits in the view that they might not borrow all the capital from them.

xiv. Training for village society representatives in matters of management of the union, the District Bank, and the District Federation.

xv. Setting apart a sum not less than 1 per cent on the working capital to the reserve fund and adding the interest on the same to it instead of the profits of the village societies.

II. STATE HELP FOR THE REMOVAL OF THE AGRICULTURISTS' INDEBTEDNESS

This conference requests the Government to bring into force the following recommendations of the Royal Commission on Agriculture:—

i. No usufructuary mortgage of agricultural land should be permitted unless provision is made for automatic redemption within a fixed period of years, of which twenty years should be the maximum.

ii. A special report on the working of the Usurious Loans Act should be included in the annual report of the Adminstration of Civil Justice.

iii. Empowering the Collector on a petition by the mortgagor to summon the parties, to attempt to arrive at a settlement and to order redemption if he is satisfied that the mortgagor has paid a proper sum on account of the debt and permitting either party to institute a regular suit, if dissatisfied with the Collector's order.

III. IRRIGATION FACILITIES FOR DRY AREAS

i. This conference requests the Government to institute as an experimental measure a sub-soil survey of Karur Taluk with a view to understand the water sources.

ii. This conference requests the Government to appoint a special Engineer under the Agricultural department to educate the ryots in the matter of collecting rain water to maintain and repair annually and construct tanks, to organise the ryots for these purposes and to undertake such works directly.

iii. This conference requests the Government to make the agricultural department responsible for digging of wells and reclamation of lands and organising the ryots on the co-operative basis, to confer on them the powers of issuing land improvement loans.

RESOLUTIONS PASSED AT THE VIth TRAVANCORE CO-OPERATIVE CONFERENCE

(Held at Quilon on the 10th and 11th January 1930, under the distinguished presidency of Mr. V. Ramadas Pantulu.)

1. This Conference requests Government that loans under the Land Improvement and Agricultural Loans Regulation be arranged to be given through Co-operative Societies.

2. This Conference is of opinion that, with a view to have a Co-operative Party in the Travancore Legislative Council and the Sri Moolam Popular Assembly, Co-operators should arrange to return their representatives from general constituencies.

3. This Conference requests Government to give effect as early as possible to the Resolution of the Legislative Council to establish a Land Mortgage Bank in Travancore.

4. As the recent circulars of enquiry issued by the Director of Public Instruction to teachers serving as office bearers of Co-operative Societies would lead to misapprehensions, this conference requests Government to inform all teachers that they would not affect the privileges sanctioned to Government servants working as office bearers of Co-operative Societies.

5. (*a*) This Conference requests Government to appoint a Committee, with a non-official majority, to enquire into and report on the working of Co-operative Societies in Travancore.

(*b*) As awards obtained by Co-operative Societies are pending execution in the Munsiff's Court as also in the Taluk and Division Offices for long periods, this Conference is of opinion that arrangements should be made for quarterly statements showing the number of such awards, particularly of steps taken for recovery of the amounts, etc., being prepared and submitted to Government by each of these agencies.

6. This Conference requests Government that the State be subdivided into 2 or 3 divisions and Deputy Registrars of Co-operative Societies be appointed for each and the Registrar be relieved of much of his routine office work so that he might be given opportunity to do more useful propoganda work.

7. This Conference requests Government to give grants to Supervising Unions of amounts not less than half the pay of the Supervisors employed by them.

8. This Conference is of opinion that as the agriculturists in Travancore are not able to sell their agricultural products like pepper, ginger etc., for tolerably decent prices on account of various reasons, agencies should be opend in places where these commodities are largely produced and that steps also should be taken for having Travancore

Trade Agents in foreign countries to procure good prices for these articles and requests Government to bring them into effect.

9. To bring about a change in the present system of purchases and sales by members of Co-operative Societies, this Conference is of opinion that arrangements should be made by societies to introduce the indent system of purchases so that all members may be able to get their requisites through their societies.

10. (*a*) To popularise the co-operative movement among women and to enable them to take more active interest in it, this Conference requests Government that two Inspectresses of Co-operative Societies be appointed.

(*b*) As Co-operative Societies are the best suited institutions for the betterment of the economic conditions of poor women in the State this Conference requests Government to do the necessary propaganda work to organise Societies among women.

(*c*) This Conference is of opinion that spinning, knitting, basket-making and such other cottage industries be popularised through the Co-operative Societies organised for women and that Government be requested to render necessary financial aid to societies which undertake such non-credit work.

11. This Conference is of opinion that the rate of interest charged by the Central Bank on loans to Co-operative Societies be reduced to 7½ per cent.

12. This Conference is of opinion that the annual audit of Co-operative Societies be conducted only by Departmental officers.

13. This Conference is of opinion that the Travancore Co-operative Institute Ltd. No. 777 should do more intensive propaganda work and impart better Co-operative education and requests Government and the Central Bank to give the necessary financial aid for the purpose and desires the Institute to prepare and submit to the next Conference a report about the pooling of Supervision Funds in the Institute and of provincialising the Supervisors into a cadre under the Institute.

14. (*a*) This Conference requests the Government and the Registrar of Co-operative Societies who is also the Protector of the Depressed Classes to enquire into the causes of many a depressed class society not having been able to procure puduval lands registered according to the concessional registry rules sanctioned by Government and to redress their grievances.

(*b*) This Conference requests Government that in the registry of puduval and poramboke land preference should be given to the applications from Co-operative Societies.

15. This Conference is of opinion that Co-operative Societies should be allowed to lend on gold security to members and requests the Government and the Registrar to make the necessary amendments in the by-laws of the societies.

16. (*a*) This Conference requests Government to introduce Co-operation as a subject to be taught in schools.

(*b*) This Conference requests Government that in order to give practical training to students in co-operation and also to enable them to purchase their books and stationery articles on more favourable terms, arrangements be made to start Co-operative Stores in all schools.

17. This Conference requests Government to purchase a sufficient number of copies of the Travancore Co-operative Journal, published by the Travancore Co-operative Institute to be distributed among all the Government Schools in the State.

18. This Conference requests Government to issue orders that Municipal Funds and security deposits may as well be deposited in Co-operative Banks.

19. This Conference is of opinion that it would be beneficial to the movement if an All Kerala Co-operative Conference be organised consisting of Co-operators of Travancore, Cochin and Malabar.

20. This Conference resolves that no society be registered, bifurcated or dissolved without consulting the Local Union concerned.

21. This Conference resolves to request the Government to take immediate steps for organising rural reconstruction work in Travancore on the lines adopted in Gaurgon, Alamuru and Ramanathapuram.

22. This Conference censures the action of the Finance Committee in having reduced the amount proposed to be allotted for the co-operative department in the budget for the year 1105.

23. This Conference resolves that Government be requested to declare the International Co-operators' Day a public holiday.

24. This Conference requests the Government to start an Industrial Bank in Travancore as in western countries for getting loans on easy terms for the progress of Cottage Industries in the State.

25. This conference resolves that in future the subjects that are brought forward for the consideration of the Conference should be selected by a committee consisting of the members of the Advisory Body of the Institute and six representatives of the Local Reception Committee which conducts the Conference for the year.

26. This Conference places on record its grateful acknowledgements towards Mr. V. Ramadas Pantulu for having presided over this session and guided its deliberations with his sound and valuable advice and also to the fraternal delegates, Messrs. S. K. Yegnanarayana Iyer, N. Satyanarayana, E. S. Sunda and Joseph Pettah for having attended the Conference and enlightened the Co-opertors with their valuable lectures on various aspects of Co-operation.

27. This Conference places on record its deep sense of loyalty and thankfulness towards His Highness for His Highness's gracious message* wishing success, unanimity, and progress of the movement and authorises the President to convey to His Highness its feelings of gratitude and its sense of thankfulness and appreciation of His Highness's interest in the movement.

**Vide* next page for the message of His Highness and the reply of Mr. V. Ramadas Pantulu, the President of the Conference.

Message of His Highness The Maharaja of Travancore

TO THE

VITH ALL TRAVANCORE CO-OPERATIVE CONFERENCE.

TRIVANDRUM,
16th December 1929.

My Dear Mr. President.

At the opening of the Sixth Conference of a Movement so conducive to the good of the State, I send you my best wishes for unanimity, progress and success. I trust that the Co-operative Movement will grow steadily in influence and achievement and assure you of my lasting interest in its ideals.

Yours sincerely,
(Sd.) RAMA VARMA.

LETTER FROM THE PRESIDENT OF THE CONFERENCE TO HIS HIGHNESS THE MAHARAJA

(CAMP) TRIVANDRUM,
14th January 1930.

May It Please Your Highness,

The gracious message which Your Highness sent to the Sixth All Travancore Co-operative Conference was received by the large number of Your Highness's loyal and loving subjects assembled at the Conference with feelings of gratitude and enthusiasm. The Conference has unanimouly resolved to authorise me to convey to Your Highness the sense of its thankfulness and appreciation of Your Highness's interest in the Co-operative Movement. Your Highness's message has inspired the delegates with hope and encouragement. I may assure Your Highness that the Co-operative Movement has great potentialities for the economic organisation and uplift of Your Highness's subjects, and I may be permitted to express the hope that the Durbar will help forward the movement in all possible ways.

I remain,
May It Please Your Highness,
Your Most Obedient Servant,
(Sd.) V. RAMADAS PANTULU,
President, The Sixth All Travancore Co-op. Conference.

The XIth North Arcot District Co-operative Conference

(Vaniyambadi, 4th and 5th January 1930.)

RESOLUTIONS.*

1. This Conference resolves to express its joy and satisfaction at the recovery of His Majesty the King-Emperor and to communicate the same to the Government.

2. This Conference expresses its deep sense of regret at the untimely demise of Dr. S. Swaminadhan, one of the staunch co-operators of the presidency.

3. This Conference, while censuring the action of those concerned in the recent Bomb outrage in Delhi, expresses its immense satisfaction at the providential escape of His Excellency the Viceroy.

4. This Conferences resolves to request the Government that, in accordance with the recommendation of the Townsend Committee, an Indian be appointed in future as Registrar of Co-opecrative Societies.

5. This Conference resolves to request the authorities of the Imperial Bank of India, through the Government, to continue as in the past to allow overdraft accommodation to co-operative central banks on the collateral security of the bonds of primary societies.

6. This Conference resolves to request the Government to exempt co-operative institutions from payment of fees for money order, insurance etc. for remittances made by and to societies.

7. This Conference resolves to request the Government to make a free gift of 10 acres of land, for the purpose of erecting a Building (which has been proposed to be constructed with the help of the building fund of the Vaniyambadi Union, and the sum of Rs. 500 which Mr. V. Shanmuga Mudaliyar has generously promised to contribute.) for storing and selling agricultural requisites, manures etc.

8. This Conference resolves to request the Registrar to appoint a special officer to organise and supervise societies among the hill tribes of Jawwad.

9. In view of the inordinate delay in effecting recoveries, whether through Civil courts or through the Revenue Department, of overdue loans even after decrees are obtained, this Conference resolves to request the Government either to empower the District Co-operative Officers to execute the decrees, or if that is not found feasible, to appoint for the purpose a separate Revenue Officer for each district.

10. With a view to put a stop to the practice, obtaining in many societies, of keeping heavy cash balances until they amount to Rs. 150 below which no remittance can be made by them to the District Bank through the Treasuries, and with a view to promote punctual repayments to the District Banks, this Conference resolves to request the Government to permit Treasuries to receive remittances of above Rs. 50.

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*As translated from the original in Tamil.

11. This Conference is of opinion that, if the ryots are to be really enthused over, and benefited by, improved and scientific methods of cultivation, there should be at least one Agricultural Demonstrator for every taluk, ; and therefore requests the Government to appoint Agricultural Demonstrators at the rate of one for each taluk.

12. With a view to redress the grievances of the agriculturists of the district in the matter of scarcity of water supply (which has come about due to the failure of rains as well as due to the construction of a dam in the Palar river by the authorities of the Kolar Gold Fields and to the M. & S. M. Railway Company having installed here and there machines for storage of water,) this Conference requests the Government to appoint a Committee with membership extended to agriculturists of the district, to take prompt action on the proposals already before the Government on the subject.

13. This Conference resolves to represent to the Registrar and the Provincial Bank that, until land mortgage banks are established and made to vigorously function throughout the district, the primary societies should continue to give ten year loans; that to effect this the Provincial Bank should freely grant to the District Bank 10 year loans; and that, if this is not done, the transactions of many of the societies which were orginally started for this purpose, will go down considerably, resulting not only in hardships to the ryots, but also in the necessity of having to wind up a good many of them.

14 (*a*). In view of the fact that, though the ultimate goal of the primary village societies ought to be the financing of the agriculturists' short term needs, the sudden discontinuance of the issue of long term loans by village societies is sure to inflict hardships on the ryots, this Conference requests the societies in the district to give effect to the Registrar's circular about the Forecast System and begin from now to gradually restrict their loanings only to short term purposes.

14 (*b*). This Conference requests the District Bank to issue without any further consideration or delay, loans to societies up to the amount already sanctioned under the Forecast System referred to above, when once that amount for each society has been fixed with due care and scrutiny.

15. With a view to avoid delays in the sanctioning of loans for agricultural expenses for short terms, this Conference is of opinion that the societies must previously ascertain from the members the amount required by them for the raising of crops and that loans should be given to a member on his own bonds on the security of his immovable properties, limiting the total loan to a certain percentage of the value of the properties, and that the member so borrowing should repay the amount borrowed for raising any crop as soon as the harvest of that crop is over.

16. This Conference requests the Government to sanction to the central banks as long term loans ranging for a period of 20 to 30

years the amount set apart by the Government for the issue of loans to agriculturists through the Revenue and Industries Departments for purchase of cattle, digging wells etc. in which case the ryots would be benefitted to a greater extent than now.

17. This Conference requests the Provincial Bank to try, as an experimental measure, the taking over of the entire rural indebtedness in particular part of the district.

18. The Conference requests the Registrar to permit, in the case of unlimited societies, the appropriation, to the Dividend Equalisation Fund, of any amount that may left after distributing the profits to the Reserve Fund, Common Good Fund and payment of dividend on shares.

19. This Conference resolves to again request the Government to establish post offices in each Union Headquarters.

20. In view of the fact that many cattle have perished of diseases, this Conference resolves to request the Societies to issue long term loans for the purchase of cattle to their members, even in the case of a member whose loans are overdue, provided, however, that the member is entitled to it, and requests the Central Bank and the Madras Central Bank to facilitate the issue of such loans through long term loans, and requests the Registrar to recommend the same.

21. In view of the necessity for the existence of one society in each village and of the necessity to undertake propaganda for organising the societies, this Conference requests the Government to appoint at least ten propagandists in the district.

22. This Conference resolves to request the Government to permit of only the excess amount of the auction amount over the loan amount being remitted in cash by a society, in cases where the society itself happens to bid at auction sales conducted by the civil or revenue authorities.

23. With a view to promote co-operative marketing of the agriculturists' produce, whereby only they can be saved from the exploitation of middlemen, this Conference requests the District Council to take necessary steps in the matter of organising loan and sale societies, in consultation with co-operators of South Arcot, Salem and Chinglepet.

24. This Conference resolves to request the Provincial Bank to grant to the District Federations as subsidies for propaganda and rectification and consolidation, the amount left after the profits are alloted to the Reserve Fund, Common Good Fund and dividends on shares etc. instead of the same being again carried over to the Reserve Fund.

25. With a view to minimise the scarcity of water in the district, this Conference resolves to request the Government to construct dams in the South Pennar river and through canals divert the water to the Chengam, Tiruvannamalai, Polur and Wandiwash taluks.

District News

1. THE XI NORTH ARCOT DISTRICT CO-OPERATIVE CONFERENCE

The Eleventh North Arcot District Co-operative Conference was held at Vaniyambadi on the 4th and 5th January 1930 under the presidency of Mr. R. K. Shanmugam Chettiyar, M.L.A., The Conference was opened by the Hon'ble Mr. M. R. Sethurathnam Iyer, Minister for Development. An agricultural and industrial exhibition also was held along with the Conference and it was opened by the Hon'ble Mr. S. Muthia Mudaliyar, Minister for Public Helth. During the Conference, the protraits of Mr. R. K. Shanmugam Chettiyar, the President of the Conference, and of Rai Bahadur V. Murugesa Mudaliyar were unveiled.

On the evening of the 4th, Lantern shows were held. Mr. G. Sriram Babu Naidu, Joint Secretary of the P. C. U. who was deputed to attend the Conference as a fraternal delegate exhibited the co-operative slides and explained to the audience the importance of the co-operative movement and the benefits which would accrue to the masses from it.

Agricultural slides were also exhibited and explained to the co-operators assembled at the Conference, by officers of the Agricultural Department. Various resolutions were discussed and adopted, the full text of which is published elsewhere in this issue.*

2. THE MADRAS CITY CO-OPERATORS' MEETING

A meeting of the representatives of the co-operative societies in this City for the organisation of a separate Central Bank for the Madras District was held under the presidency of Mr. V. Ramadas Pantulu at the P.C.U. premises on Sunday the 19th January 1930 at 2 P.M. Prominent among those present were Messrs. Rao Sahib V. S. Narayanaswami Iyer, Rao Sahib C. Gnanaprakasam, C. Thyagaraja Mudaliar, V. Manicka Mudaliar, V. C. Rajagopalacharlu, M. S. Sabesan, S. K. Yegnanarayana Iyer, P. V. Sundararamiah, K. C. Ramakrishnan, T. V. Alagasingam K. L. Narasimha Rao, G. C. Subramaniam, K. Kanakaraja Mudaliar, Rao Sahib T. Sreenivasa Rao and many others. Messrs. G. Sriram Babu Naidu and S. Krishnaswami Iyengar of the Christian Central Bank and Messrs. C. Narayanan Nair, the Personal Assistant to the Registrar and S. P. Perumal Pillai, the Deputy Registrar were also present.

Mr. G. Sriram Babu Naidu explained the need for a separate Central Bank. He pointed out that there are at present about 165 societies in this City with a total membership or 50,800 out of a total population of about 5½ lakhs. Of the 165 societies, only 63 are indebted to the

* Vide page 467.

Christian Central Bank to the extent of about Rs. 1,73,000 and their reserve fund comes to nearly Rs. 2,42,000.

Mr. S. P. Perumal Pillai, the Deputy Registrar, desired the co-operators to consider whether the transactions of the societies in the City warranted the starting of a separate Central Bank and whether a separate staff could be maintained with the margin of profit they might derive from the City transactions. He further pointed out that in view of the urban nature of the societies, the big societies, excepting the City Co-operative Bank, did not generally go in for loans to a financing Bank. These points were answered by the Co-operators present and Mr. V. Ramadas Pantulu pointed out that the real function of a Central Bank was that of a balancing nature. If there was a separate Bank for the city, he was quite sure that its transactions would go up to 20 lakhs in a short time.

After much discussion the following resolution was passed.

1. "Resolved to start a Co-operative Central Bank for the City of Madras. (Municipal Limits)."

The question of affiliating depressed class societies then came up for discussion. Mr. S. Krishnaswami Iyengar pointed out that it was very difficult to say which societies were really depressed class societies and illustrated it by pointing out the Park Town Co-operative Society, where more than ¾ of the members come from classes other than depressed class. Mr. C. Narayanan Nair stated that by looking at the original applicants, the Department classified the societies as depressed class or otherwise irrespective of the fact whether the members on date really come from depressed class or not. At this stage, Mr. G. Sriram Babu Naidu said that the new Dt. Bank would like to work like all the existing District Banks, if possible, without interfering with the depressed class societies in the city, now financed by the Christian Central Bank and would affiliate those societies also if necessary. The majority of representatives being against the introduction of communalism in co-operative matters the following resolution was passed with a view to affiliate depressed class societies if necessary.

2. "The Central Bank may affiliate such societies as are not financed by the Christian Central Bank."

Pointing out the failure of supervising schemes of the department in the city, Mr. V. Ramadas Pantulu said that the Bank should have real control in the matter of supervision and inspection of the societies financed by it. He drew the attention of the audience to the miserable condition of the co-operative movement in Burma where everything was left to the control of the Department. He said that, here too, entire reliance on the reports of the department would not lead us to any better position. The representatives, realising the need for having a single institution to be in charge of finance and supervision resolved as follows:—

3. "The supervision and inspection of affiliated societies shall rest with the Bank."

It was resolved that "the draft by-laws be circulated among the representatives and their discussion and adoption be adjourned to 2nd February 1930 at 3 P. M."*

With a vote of thanks to the chair, the meeting terminated.

3. THE MADRAS CITY CO-OPERATIVE BUILDING SOCIETY, LTD., NO. 10745.

The fifth annual meeting of the above society was held on Sunday the 12th January 1930 at 3 P.M. in the premises of Sir M. Ct. Muthiah Chettiyar's School at 85, Tana High Road, Puruswalkam, Madras, under the presidency of Mr. S. Rajagopalaswami Mudaliyar, B. C. E., the president of the society.

Mr. G. Sriram Babu Naidu, the Honorary Secretary, read the report on the working of the society, pointing out its steady progress since its start. The society had on rolls, on 30th June 1929, 35 members with a paid up share capital of Rs. 6,460. It owed to the Government Rs. 17,364 as against a security of about Rs. 44,000 in the form of mortgages of members' new dwellings. In view of this abundant security and the low margin of profits, it was resolved by the members to request the Registrar to exempt this society from the obligation of setting apart any portion of its net profits towards reserve fund as in the case of thrift societies. It was pointed out that, while the payment made by members would go year after year to diminish the society's indebtedness to the Government, the securities offered by them would remain unaffected, being kept in sound condition, and that consequently there need be no fear of any loss and that the allotment towards the reserve fund would not be necessary at all. It was further argued that the setting apart of 25% of the net profits towards the reserve fund would never enable the members to get back that percentage of dividend on their paid up share capital which they pay towards their loans. After declaring 7% dividend, it was decided to carry the balance of the profits partly to Dividend Equalisation Fund and partly to Common Good Fund. A resolution requesting the Registrar of Co-operative Societies to extend the area of this society to the whole City was passed. The society requested the Registrar by resolution No. 3 of its last General Body meeting dated 5-5-1929, "to permit it to invest its reserve fund in the shares of any central bank or in the purchase of any debentures issued by any land mortgage Bank or in lending the same to members of the society on the security of unencumbered immovable property, either for purchase of house sites or for construction of new dwelling houses. "To this resolution, the Registrar, in his letter No. L. Dis C. 4810/29 dated 1-11-1929, replied that "the question of investment of reserve fund cannot be reopened now." In reply to it, a resolution requesting the Registrar to reconsider his decision regarding the investment of the reserve fund was passed. The copy of the circular No. B. 778/29 dated 4-10-'29 from the Deputy Registrar to the President of the Corporation Officials' Co-operative Building Society, Ltd., prohibiting members from letting out their dwellings and insisting on the members occupying them, on pain of the entire loan outstanding against them being recovered summarily, was considered and it was resolved to inform the Registrar and all building societies in this City of the impracticability and inadvisability of preventing members from letting out their dwellings in view of the special circumstances of the City. The application of a member requesting the cancellation and the return of his documents on the ground of inordinate delay on the part of the Department was considered and the member was permitted to withdraw. A most important amendment, giving liberty to Directors to obtain funds at such rates and on such terms as they may settle, was passed. But, it was however agreed that in respect of loans taken from Government, they shall be a first charge on the properties with respect to which the loans are taken

The society was "at home" to the members in the evening and the meeting terminated with a vote of thanks to the chair.

4. THE KARUR NORTH CO-OPERATIVE UNION.

A meeting of the General Body of the Karur North Co-operative Union was held at Velayudhampalayam on 5-1-1930. After the Audit Certificate was read and recorded, the meeting discussed various problems and adopted resolutions thereon, chief among them being the establishment of a land mortgage bank, organising village conferences, building of godowns, promotion of prohibition, introduction of co-operation in schools and promotion of thrift by compelling the members of village societies to make monthly deposits.

*Note.—Owing to the pressure of work in connection with the District Conference which will take place on the 9th February 1930 the adjourned meeting for the organisation of the Madras District Co-operative Bank will take place on 16-2-1930 instead of on 2-2-1930.

Correspondence.

1. THE ALL INDIA CO-OPERATIVE INSTITUTES' ASSOCIATION

(Letter from H. W. Wolff to Sir Lallubhai Samaldas, Kt. C.I.E.,)

REFORM CLUB
PALL MALL, S. W. I.
London, 4th December, 1929.

Dear Sir Lallubhai,

I learn with delight from the current Madras Journal of Co-operation that, with the help of that other good leader of co-operation in India, the Hon. Ramadas Pantulu, you have succeeded in forming an All India Co-operative Institute fitly placed under your presidential guidance. I greet this as a most called for and promising event and wish you from my heart all possible success in the working of the new Institute. Old as I am now, on the very eve of 89, which I shall reach before the month is out, I continue my very warm interest in the Co-operative goings-on in India. I was delighted with Mr. Bhide's last annual report, which shows you in your presidency to be going on on the right lines after a most necessary clearance of faulty societies gone and I am watching both the Banking and the Educational Inquiries with rapt attention. The Hartag Interim Report is very good and promising if the political authorities will only not grudge the money; all to their shame, they have done lots, since the the publication of the late Sir Charles Wood's famous letter of 1854. Strickland, in a good article in the Edinburgh Review, puts the fault on their niggardliness, which has proved the most foolish peeny-wisdom. What may be done in the matter of banking may do some good to our co-operative finance, if means are found to link up your co-operative banking with capitalists for the support of industrial credit, such as your own Provincial Bank and its sister institution at Madras already usefully practising, and if it is found possible to give the Apex Co-operative Banks a wide outlet for the employment of surplus co-operative capital in times of plenty.

Give my kind regards, please, to your ever-active son and to the Hon. Mr. Ramadas Pantulu, and believe me, with the best wishes for your success in the ruling of your new institution.

Yours very Sincerely,
HENRY W. WOLFF.

2. OVERDRAFTS FROM THE IMPERIAL BANK

The Srivilliputhur Co-operative Banking Union Limited.

SRIVILLIPUTHUR,
11th December 1929.

Overdrafts—Imperial Bank—Letter No. F. 09464-110
Dated 4th December—Prompt Action—Necessary.

The Madras Head Office Imperial Bank have in their letter No. F. 09464-110, dated 4th December intimated to us that unless we substitute Government promissory notes in accordance with their original letter, dated 19-10-29 our drawing power will be reduced to Rs. 40,000 from 1st proximo; and this change has been decided upon so as to bring the facilities extended to Co-operative Banks in this Presidency into line with those granted by their Bank to the Movement elsewhere.

2. This letter was considered by our Executive Committee on 10-12-29 and they have resolved that Madras Central Urban Bank be requested to enhance our overdraft, application for which has already been made in our letter No. C. 1043/28-29, dated 26-11-29. The only course left open to us is to rely upon the Madras Central Urban Bank whose Board of Management have signified their consent in October 1929. They are requested to kindly enhance our overdraft to one lac and fifty-thousand.

3. The decision of the Madras Branch of the Imperial Bank of India in spite of the Bankers' Conference Resolution, Madras Central Urban Bank's Board of Managment Resolution and separate resolutions of Central Banks in their own Executive Committee or Board shows that the Imperial Bank is taking it as an All-India question, and making ready to let in evidence before Provincial and Central Committee sittings of Banking Enquiry Committee that they have already discorded bonds of co-operative societies and the latter do not deserve any support. To this end they may have also support from other quarters.

4. It is up to the Madras Central Urban Bank and Provincial Union to take up this question and correspond to other Provinces and ascertain the conditions there and bring this matter for consideration of the All-India Association and send a protest from that Association to the Imperial Bank and the Department.

5. From the happenings of the Co-operative Banking Movement from September, after Banking Enquiry Committee was established, the the Co-operative Banks, I am afraid, are being driven to a corner, and time will soon arrive, when *suo moto* or at the instance of the Imperial Bank, even attempts will be made to remove Co-operative Banks from the list of approved Banks. If the Madras Central Urban Bank does not now enable Central Banks to be armed with their overdrafts, the latter would not and could not naturally maintain standard Fluid Resource, which would be taken to be a reason by the Department, for removing Co-operative Banks from approved Banks. It is therefore high time for Central Banks all over India to stir up and save Co-operative Banking from the impending catastrophe.

A. SRINIVASACHARI,
Secretary.

Co-operation in India

(Reviews of Administration Reports for 1927-28.)

1. MADRAS.

The publication of the report by a Committee of Enquiry appointed by the Government marks out the year under review as a significant landmark in the history of co-operation in this province. The Committee was presided over by C. A. H. Townsend Esq., I. C. S. and it toured round the province and made a thorough and searching enquiry into the present condition of the movement in all its aspects. As a result of the enquiry, the impressions of various workers in the movement expressed in the platform and through the press from time to time were confirmed by the disclosures made by the Committee on the basis of the oral and written evidence tendered by official and non-official witnesses. The Committee has made out an exhaustive list of recommendations which are being considered by Government one by one and official action on them is also since being taken.

One of the chief recommendations of the Townsend Committee was to undertake rectification and consolidation of dormant societies. Sanction was obtained by the Registrar for the appointment of additional inspectors to do this work. Side by side with rectification, organisation of new societies was also going on, though it was due almost to the initiative of the supervising unions. Over 1,000 new societies were started during the year. The total number at the end of the year of all the societies in the presidency was 14,510. Out of about 9 lakhs of members in the societies nearly 5½ lakhs are agriculturists. The working capital of all the societies worked up to 820 lakhs or 6 million pounds. It included besides the paid up share capital, deposits of members, large deposits of non-members and of institutions like Local Boards and Municipalities and the Reserve Funds of societies.

The continuous growth of overdues in societies is still going on and one of the chief reasons for the same is lack of proper supervision. Hence the system of pooling the supervision funds available in districts in the District Federation has been resorted to and liberal grants are also being made by Central Banks for conducting rectification work. It was also felt that the granting of long term loans by primary societies also contributed to the accumulation of overdues and in accordance with the Townsend Committee's recommendation, instructions have been issued to societies to confine their transactions to short terms only, long term loans being left to be dealt with by the Land Mortgage Banks.

The importance of spreading co-operative education has been urged by the Agricultural Commission and the Townsend Committee and the Government are granting liberal subsidies to District Federations to start co-operative training classes. Seven centres are now being run in various districts with the help of Government subsidies.

There were 9 trading unions and over 30 stores in the presidency of which only two or three could be said to be working satisfactorily. The loan and sale societies were also making slow but steady progress, as this branch of activity requires much attention on the part of official as well as non-official co-operators. A few irrigation societies were also working though not to such an extent as to bestow full benefits upon all agriculturists of the localities concerned. There is much scope for more societies of this kind to be started and worked with all the attention that they deserve. The Madras Milk Supply Union, a union of producers has been making some progress and it is still in its experimental stage. The system as it obtains at Calcutta of pasturising the milk and doing all other things necessary for the catering of pure milk will have to be adopted if the scheme is to be a success.

2. BOMBAY

The movement in this province witnessed an all-round progress during the year under review, the number of societies and of members at the end of the year being 5,230 and 5,39,470 as against 5,091 and 4,82,730 respectively of the previous year, with a corresponding increase in working capital and reserve fund.

It is pleasing to note the sympathetic attitude of the Department towards the movement. The officials there have recognised as well as the non-officials that co-operation is the surest method of elevating the masses, and every attempt is being made to make the best use of central organisations like the district banks and the branches of the Provincial Bank to afford facilities even to the villager for banking purposes. The Registrar's report speaks in very appreciative terms of the work done by the honorary organisers appointed by the Department. This is one of the special features of the movement in Bombay and these organisers have the dual function of organisation and supervision attended to by unions and federations elsewhere, though there is the Provincial Institute with its divisional and district branches to supply the brain and motive power to the movement on the non-official side. In spite of all the harmony and sympathy prevailing between the two wings of the movement, the number of bad and dormant societies is large and in this respect this province does not seem to be an exception. It is gratifying to note that special efforts are being made to eliminate such societies and avoid infection.

The chief financing agency for the movement is the Provincial Bank which has, as we have said already, various branches all over the province, an exceptional feature which distinguishes this province from others. There are also district banks in a few districts and branches of the Provincial Bank exist only in places where there is no district Bank to cater to the needs of the public. The relationship between these institutions is not one of competition but one of harmony. They have their own staff of field inspectors whose duties consist of inspection of societies and recommending loans to them and also extensions of the period of repayment of loans, after careful scrutiny. Another special feature to be noted is the use made by Government of the co-operative institutions in issuing takkavi loans to agriculturists. Very cautious attempts are being made to provide long term credit to the agriculturists and land mortgage banks are in contemplation to deal exclusively with credit for long periods.

Very little work seems to have been done on the non-credit side of the movement. The district and the provincial banks are attempting to do some work by lending money to agriculturists on the pledge of produce, having godowns of their own in which to store up the produce pledged until favourable conditions of sale prevail. There exist a few successful store societies such as the B.B. & C. I. Railway Stores, the Telegraph Consumers' Stores and the South Indian Stores of Matunga, Bombay, besides some equally successful stores in colleges. But as a whole the store movement cannot be termed a success. Some success has been attained in the matter of Housing Societies of which there are a few. Some societies to encourage cottage industries and those for co-operative production such as coir-making etc. have also been working successfully. The success of Cotton Sale Societies is a notable achievement of the movement. Of these special mention may be made of the Gadag and Hubli societies which educate the growers to cultivate a particular kind of cotton and insist upon the sale of the produce through the societies themselves. Equally successful ones are to be found in Gujaret and Kandesh divisions. There are also a few other forms such as Joint Farming Societies which take up lands on lease and cultivate them directly, thereby affording greater benefit to the agriculturists. Irrigation and Dam Construction Societies which erect dams to prevent sea water from mixing up with river water and thus rendering it unfit for irrigation purposes, and a few dairy societies in Hubli and Gujarat deserve mention. It is regretable to note that the City of Bombay has no milk supply society as we find in Madras and Calcutta and we hope that attempts will be made to bring one into existence in that city also.

The chief motive and brain power of the movement on the non-official side is the Provincial Co-operative Institute which has branches in various divisions and districts. It trains up workers and arranges divisional, district and taluk conferences. It gets grants from the Government which are found meagre as compared with heavy expenditure on the part the Institute. An English Qurterly and few monthlies in the several vernaculars of the province are published by it. We hope the cordial relationship between the officials and the non-officials will be ever sustained and that more financial help will be rendered to the Institute by Government to enable it to discharge its several important functions more efficiently.

3. BENGAL.

This is one of the very progressive provinces in regard to Co-operation, the number of societies at the end of the year under review being 18,000 and the number of members 6 lakhs. The Registrar remarks that the general effect of the movement on the people is far more than what the figures indicate. The rate of interest has gone down generally in the province. The societies, many of them, are making earnest efforts to spread co-operative education among the members and the efforts of officials and non-officials are being supplemented by very useful organisations such as the Vishvabharathi founded by Dr. Tagore.

Like other provinces, the watchword here also seems to be 'Consolidation and rectification' and had it not been for the very cautious policy of the Department in organisation of societies many more societies could have been registered.

In regard to the non-credit side of the movement, the most noteworthy feature is the very successful efforts that are being made in the marketing of the chief commercial produce of the province, viz., Jute. There is a wholesale society for this with a duly qualified manager. What was hitherto a purely capitalistic monopoly has been at present slowly converted into a co-operative concern. Paddy also is co-operatively marketed to some extent.

Irrigation societies are found working well. They clear up old channels silted up, construct new ones, keep tanks and other sources of water in perfect condition and bund up streams into new channels so that water may not be wasted. There are a few co-operative agricultural associations which supply improved seeds, manure and implements to the agriculturists.

Attempts are being made to revive cottage industries and a co-operative sale depot has been opened at Calcutta to sell co-operatively the products of cottage industries.

Bengal is to be congratulated for its very efficient system of co-operative milk supply at Calcutta. There is an elaborate plant for pasteurising milk brought from villages around the city and for all the different processes such as washing, discing, capping etc. of milk bottles. The Calcutta Milk Supply Union sold milk to the extent of over 5 lakhs of rupees in the year. Not only the consumer is benefitted but the producer also gets immense benefit by the system, as there has been ever since the union began to function, a considerable improvement in the breed of cattle in all localities wherefrom milk is secured by the union.

The Antimalarial societies are doing a great service to the province. The members of these societies look to the sanitation of the villages with the help of the officers of the Health Department. The very useful work that is being turned out by the Bengal Co-operative Organisation Society also deserves mention and there is hearty co-operation between the officials and non-officials and among the various departments of Government such as Co-operation, Agriculture, Industries etc.

G. S.

Proceedings of the Executive Committee Meeting of the Madras Provincial Co-operative Union

held on Sunday, 19th January 1930.

PRESENT:

Messrs V. Ramadas Pantulu, (in the Chair) V. Venkatasubbaiya, N. Satyanarayana, G. Sriram Babu Naidu, S. K. Yegnanarayana Iyer, S. Nagaswamy Iyer, M. Ramakrishna Rau, L. Gangadhara Sastry, A. Sankunni Menon and Rao Bahadur V. Murugesa Mudaliyar.

RESOLUTIONS.

1. *Note on Group Clerks by the President of the S. Arcot District Federation.*

"The Executive Committee of the P.C.U. is not prepared to recommend the scheme of Group clerks for the general adoption of the Districts. The S. Arcot Dt. Federation may, however, try the experiment where local conditions permit and enlighten the P.C.U. on the result."

2. *Letter dated 10-12-29 from Mr. V. Srinivasa Rao, Cuddappah Re: Permissibility of preferential distribution of dividends in the absence of any provision for the same in the by-laws of a Dt. Bank.*

(i) "The Executive Committee considers that the action of the General Body of the Cuddappah Central Bank in differentiating between individuals, non-defaulting societies and defaulting societies, is not proper and that the right way to appreciate the work of non-defaulting societies is to reduce the rate of interest on their loans and pay them rebate for prompt and punctual payment. The Executive Committee is further of opinion that the conditions of the Cuddappah Central Bank are such that no dividends ought to be declared in favour of any shareholder and that more of its funds should have been utilised for overhauling the societies which are evidently in a very bad condition. If the funds of the bank were spent on a proper staff for rectification and consolidation work and reviving societies, no profits would have accrued and, therefore, no question of allocation of profits in the by-laws would have arisen.

(ii) The Executive Committee further considers that it is desirable that provision should be made in the by-laws of Central

Banks for the unallocated profits to be carried over to a special fund for rectification and consolidation or to the supervision fund.

(iii) The Editor is requested to publish the relevent portions of the letter with this resolution."*

3. *Letter dated 25-11-29 from the President of the Ramadas Co-operative Training Institute for a donation of Rs. 1,000 for running the Institute.*

"The Executive Committee recommends to the M. C. U. B. the grant of the donation for this term as a special case, as the Government have not made provision for any grant for the Institute in the current budget. The Executive Committee resolves to address the Registrar to recommend to the Government that the grant for the current term also be obtained to the Institute from the Government."

4 & 5. *Arrangements for holding the XVIII Madras Provincial Co-operative Conference and the General Body Meeting of the P.C.U.*

"Resolved to hold the Provincial Co-operative Conference in the Easter week in Madras and also to summon the General Body Meeting. The Executive Committee will make the necessary arrangements for holding the Conference. The President is authorised to secure a suitable President for the Conference."

6. *Amendments to the by-laws of the Union for giving representation to the Co-operative Training Institutes.*

"Resolved that by-laws be framed to provide for the affiliation of Land Mortgage Banks, Co-operative Training Institutes and other special types of societies. The draft by-laws be circulated to the members of the Executive Committee and be published in the Journal for general information."

7. * * * *

8. * * * * *

9. *Action taken by the Registrar of Co-operative Societies on the resolutions of the Conference.*

"The Executive Committee is in entire disagreement with the Registrar's statement that "experience has shown that the system of giving loans to members on the security of jewels did not work satisfactorily in the few societies where it was tried." There are several Urban Banks which can successfully work the system, if permitted.

10. *Action taken by the Registrar of Co-operative Societies on the recommendations of the Townsend Committee.*

"Recorded."

* Vide appendix at the end.

11. Co-ordination of the working of the rural reconstruction centres and the calling of a conference of the Rural Reconstruction workers in April next.

" Resolved that (i) Alamuru, Gudlavalluru, Lepakshi and Tirupachanur centres be continued and the usual grant made to them. (ii) Two additonal centres may be established in Guntur and Ramnad Districts. (iii) Reports be called for from the Hospet and Nellore centres as to the progress of work done during the last year and the opinion of the office be circulated to the Executive Committee members and to the members of the Rural Reconstruction Committee with regard to their continuance."

12. Co-ordination of the working of the Co-operative Training Institutes and conduct of the Examinations.

" *Vide* item 6."

(ii) The Executive Committee of the P. C. U. is in agreement with the Registrar's proposal of two grades of training classes, one higher and the other lower."

13. Printing in the Journal of the Joint Memorandum of Answers to the questionnaire of the Provincial Banking Enquiry Committee by the M. C. U. B. and the P C. U.

" Resolved to publish in the Journal the Joint Memorandum of answers to the questionnaire of the Madras Provincial Banking Enquiry Committee by the M. C. U. B. and the P. C. U. "

14. Letter dated 15—2—'30 from the Chairman of the Madras Provincial Banking Enquiry Committee regarding the work of conducting economic enquiries and collecting agricultural information by the co-operative training Institutes.

"Resolved that the following reply be sent to the Registrar: "The information under the heads detailed in the letter is not being collected and disseminated. But a certain amount of economic investigation was made in certain Unions and the information was collated and printed by the P. C. U. as Pamphlet No. 5 a copy of which is herewith sent. The evidence of the P. C. U. before the Royal Commission on Agriculture also deals with certain economic conditions. A copy of it also is enclosed."

15. Submission of oral evidence before the Madras Provincial Banking Enquiry Committee,

" Messrs. V. Venkatasubbiya and Rao Sahib T. Sreenivasa Rao are deputed to give evidence before the Committee. "

THE MADRAS PROVINCIAL
CO-OPERATIVE UNION,
ROYAPETTAH, MADRAS.
Dated 19th January 1930,

V. RAMADAS.

President.

EXTRACTS FROM THE LETTER OF MR. V. SRINIVASA RAU CUDDAPPAH.

(Appendix referred to in resolution No. 2(iii)

SUBJECT:—Preferential distribution of dividends—Is it permissible when there is no provision for it in the bye-laws of a District Bank ?

The Cuddappah Dt. Co-operative Central Bank earned a net profit of Rs. 4,604-10-0 as compared with Rs. 15,398-7-0 in the previous year. Out of this sum ¼ of the net profits, i.e., Rs. 1,151-3-0, was carried to the Reserve Fund and the balance of Rs. 3,453-7-0 was available for distribution. A sum of Rs. 2,000 was taken from the Dividend Equalisation Fund and added to the above amount for distribution. The Board of Management proposed to distribute the above sum as follows : Individual shareholders 7½ per cent. (2) Non-defaulting societies 6 per cent (3) Defaulting societies 3½ per cent on the share capital.

This three-fold classification of members into individuals, non-defaulting societies and defaulting societies, in regard to dividend distribution, is not provided for in the by-laws. There are no preferential shares of any kind. The by-law clearly lays down that " a dividend may be paid on the share capital not exceeding 9 per cent. " It is therefore not known on what principle the Board of Directors recommended to the General Body the above preferential rates.

* * *

The questions here raised are (1) whether the distribution of dividends in the order of preference, individual shareholders, non-defaulting societies and defaulting societies is maintainable under the bye-laws ; (2) whether it is proper to penalise the defaulting societies for their non-payments by forcing on them any lowest rate of dividend on their share capital by a vote of the General Body.

Will you, as a body competent to advise and guide on co-operative problems and practice, give your considered opinion on the several issues and implications suggested in the above letter ?

THE SIXTH
All Travancore Co-operative Conference
(Quilon, 10th & 11th January, 1930.)

PRESIDENTIAL ADDRESS

BY

THE HON'BLE MR. V. RAMADAS PANTULU.

FELLOW CO-OPERATORS, LADIES AND GENTLEMEN,

It has given me genuine pleasure to accept your generous invitation to preside over this conference. I need hardly tell you how highly honoured I feel by your choice. But, if I fail to come up to your expectations, the fault is not entirely mine. You are aware that I am ill-equipped to guide your deliberations, not having had any first-hand knowledge of the working of your institutions or of the general economic conditions and rural problems of your State; and you have chosen me nevertheless. My justification, however, for accepting your offer is very simple. I am a propagandist and I am content to preach, wherever I go, the simple but life-giving message of Co-operation, which is one and eternal in spite of its different manifestations and local variations; and I never miss an opportunity to do so if I get one. The message has not yet reached the masses, nor have our principles and practice found such acceptance, as they should, even among the educated and thoughtful section of the people. Our hope of popularising the Movement can be realised only by frequent reiteration of our aims and objects, never losing a chance to proclaim what we stand for by untiring and ceaseless propaganda. I am, therefore, amidst you, it may be, to say things that must appear quite commonplace to you. I, however, hope that my voice will be loud enough to reach the eighty per cent. of the families in the State who, I understand, are still totally outside the Movement.

INDIAN STATES AND CO-OPERATION.

I have a belief which is daily growing in strength, in the light of experience and observation, that where there is no identity of economic and political interests between the people and the rulers, Co-operation, like every other attempt at nation-building, meets with serious obstacles and cannot make real headway. Co-operation, when fully developed, will become a living force in shaping the social, economic and political life of the people. To the extent, therefore, that co-operative finance, production and marketing succeed to so organise the people as to make their national economy self-sufficient, it will help them to withstand the competition of vested financial and commercial interests; and to the extent that the latter dominate or influence the administration, Co-operation will necessarily have to work its way up against tremendous odds. Again, Co-operation, as a factor in national reconstruction, involves strenuous effort in the direction of the mental reconstruction of the people in the sphere of self-help and self-reliance. Call it 'Village Uplift', 'Rural Reconstruction', 'Nation-Building', or what you will, it involves in its initial stages a psychological process. Without changing the mentality of the peasant and the worker, by rousing them from their pathetic and placid contentment and resignation, you cannot bring about a change in their outlook on life or improve their standards of living. This is a task which no foreign administrative agency will care to attempt, for, in the words of Sir Malcolm Hailey's candid statement, there were many among the foreign administrators, "who not unreasonably feared the result of preaching to the villager that discontent with his conditions of life, which was necessary for their betterment." The spread of the Co-operative Movement will inevitably tend to inculcate self-help and dissatisfaction with the existing order of things, strengthen the village organisations once more and promote rural leadership and economic independence. A foreign bureaucracy naturally fears the consequences of the independent growth of the Movement, and with it, the power passing into the hands of the leaders of the people as well as of its financial repercussions on vested banking and commercial interests, and therefore desires to retain as tight a grip on the Movement as circumstances and conditions permit, so as to regulate it along "safe" channels. It was the retention of this kind of control that the Royal Commission on Agriculture were evidently anxious to urge in their recommendations regarding the future of Indian Co-operative Movement. The result is that the scope for the healthy growth of the Movement on national lines and freedom for genuine non-official endeavour and initiative are greatly circumscribed in your neighbouring British Province of Madras, and to-day, Co-operation there is a spoon-fed and ill-shaped and sickly child. Conditions of progress ought to be radically different in

"Indian India", to borrow the nomenclature of the Butler Committee. An Indian administration has no need to be assailed by the fears which a foreign administration naturally entertains towards a movement, whose primary aim is to rouse the masses to self-conciousness and ultimately train them to self-government by promoting a sense of civic responsibility and economic freedom. An Indian State has nothing to fear from the development of genuine rural leadership and growth of economic freedom among its subjects; and, indeed, it ought to welcome the change and adopt a policy of trust and advancement of national interests in the matter of expanding and democratising the Movement. It is up to the people of the States to be vigilant in safeguarding their legitimate rights, and I have no doubt that your enlightened Durbar will respond to the people's wishes when given expression to in an earnest and business-like manner. The Durbar, I hope, will not look upon the Co-operative Movement merely as a part of the paraphernalia of a civilized government and run it as a formality, incidental to the installation of the British departmental methods of administration. The movement is one fraught with great potentialities, and in Travancore, which is essentially a land of agriculture and cottage industries, the State and the people will find in Co-operation perhaps the best instrument for the economic organisation and uplift of the peasants and workers. What is wanted is a true national outlook in the administration. The "Indian India" should give a lead in this matter to the "British India."

PROGRESS OF THE MOVEMENT IN THE STATE.

GENERAL.

I assure you that I am not using any conventional language when I say that the progress of the Movement in your State has been satisfactory and that non-official and official co-operators may legitimately claim credit for the success that has already been achieved. It does not, of course, mean that there are no defects in your organisations, or that you could not have done much more with a larger measure of State aid and greater degree of non-official endeavour. But, there are some obstacles with which we are confronted and, unless and until they are overcome, no striking results can be shown. The serious limitations of co-operative finance, the appalling co-operative and economic illiteracy and apathy for constructive rural work even among the educated classes, who are expected to instruct, guide and lead the rural population, and the absence of the virtues of punctuality, diligence and thrift among the peasants and workers generally, are the main impediments in the path of our progress. Our critics who appraise the results of the Movement from outside observation and knowledge will, I hope, take note of these handicaps under which we are working,and extend their practical sympathy to us by providing us with their solutions of our difficulties. Viewed from this standpoint, it is a matter for congratulation that your Registrar is able to acknowledge the cordial relations of the public with the movement in these pleasing terms: "The attitude of the public towards the Co-operative Movement is friendly. The most noticeable feature is the interest taken by the leading public men at several parts of the State." It certainly augurs well for the future of the Movement. If the percentage of co-operators to population is a test, you are certainly more than twice as progressive as we are in Madras. Your members represent nearly 5 per cent of the total population, while ours is scarcely two. It is perhaps due to greater literacy and wider spread of education in your State than in Madras.

PRIMARY SOCIETIES.

A statistical study of the progress of the movement in the State has proved very instructive to me and disclosed many good points and some weak points in the working of your several institutions. In the first place, the growth in the number of your societies which stood at 1,738 at the end of the year 1104,* has been steady and the methods adopted in expansion appear to be sound. The dangers involved in multiplying societies, without adequate provision for internal supervision by themselves and arrangements for effective audit and inspection, are being experienced all over India. So, no one will, I hope, be disposed to quarrel with your Registrar's statement that "a policy of increased caution has been adopted with applications for new societies. The consolidation of existing societies and effecting improvements in their working are regarded as of the first importance. The registration of fresh societies can be done on a larger scale only with increased staff and with more facilities to guide and control them." But, if the policy stops with caution or the caution is unduly prolonged, the enthusiasm of the workers will be damped and the progress will be held up. The bulk of the societies, that is, 1,690 out of 1,738 are naturally credit societies, 1392 being agricultural and 298 being non-agricultural; 28 of these credit societies combine credit with production and sale, the rest being purely credit societies. The balance, of 48 only, accounts for all other varieties. Deducting from these 48 your three central societies, (the Financing Bank, the Weaving Society and the Institute) and the 26 local supervising unions, there remain only 19

* Corresponding to the year ending with 15th August, 1929.

societies which are of "Non-credit" type, 13 of them being distributive societies and 6 of other miscellaneous denominations. The weakness of your non-credit activities is, therefore, at once manifest. I shall deal a little later with the working of your few non-credit societies and the need for greater and more rapid development of the activities other than credit. The working capital and membership of your societies are, on the whole, commensurate with their number. A working capital of Rs. 52¾ lakhs for 1,700 societies works out to an average of about Rs. 3,000 per society. The membership of about 2 lakhs of these societies works out to nearly 116 per society. The bulk of the members are naturally in the agricultural societies. They are, however, mainly drawn from the two influential communities of 'Nairs' and 'Christians' who seem to be developing an unfortunate tendency to be grouped into communal societies of their own. The next large membership comes from the Ezhavas. The membership of other communities is small. The benefits of Co-operation will be appreciated better if they are more widely secured to the economically weaker and less organised communities in the State. Our progress depends upon that of our poorest members. The strength of a chain is that of its weakest link.

An examination of the operations of your credit societies shows a most welcome feature which is conspicuously absent in the societies in the British districts of the Province. The bulk of the deposits comes into them from members. Co-operators outside Travencore will be agreeably surprised if I tell them that in 1104, out of the aggregate deposits of Rs. 17,50,485 of your Central Bank and of the Agricultural and Non-agricultural Societies, so much as Rs. 10,76,640 was derived from members' deposits and Rs. 6,73,845 from non-members. Again, out of these deposits, your societies have attracted nearly as much as the Central Bank, 9 and odd lakhs going to the credit of the Central Bank and 8 and odd lakhs to the credit of the societies, out of the total of 17½ lakhs. This reveals the capacity and suitability of these village banks to attract and turn rural capital to good account. It is precisely for this reason that the Maclagan Committee urge that " the society must be encouraged to obtain as much as possible of its capital from the savings which its teachings and example have brought about among its members and their neighbours." The purposes for which the resources are disbursed to the members of the societies also exhibit interesting features. Out of the aggregate sum of nearly 32 lakhs loaned out by societies other than the Central Bank, 20½ lakhs are loaned out for what co-operators call productive purposes and 11½ lakhs for non-productive purposes, the chief among them being liquidation of prior debts which account for 10¼ lakhs. If we analyse the figures for agricultural societies alone, out of the total loans of Rs. 20½ lakhs, 13¾ lakhs are for productive purposes and 6¾ lakhs for non-productive purposes.* What is, however, particularly

*PURPOSE OF LOANS ISSUED BY SOCIETIES OTHER THAN THE CENTRAL BANK, DURING THE YEAR 1104.

PARTICULARS.	ISSUED BY		Total.
	Agricultural Societies.	Non-Agricultural Societies.	
A. Productive.	Rs.	Rs.	Rs.
1 Cultivation ...	3,92,272	90,351	4,82,623
2 Purchase of Cattle ...	1,11,224	19,021	1,30,245
3 Payment of Sirkar Kist or Michavaram.	17,597	7,809	25,406
4 Permanent improvement to lands ...	47,814	16,757	64,571
5 Purchase of raw materials ...	47,463	54,507	1,01,970
6 Trade ...	4,71,785	2,82,647	7,54,432
7 Education ...	26,211	21,111	47,322
8 Building and repairing houses ...	99,382	62,075	1,61,457
9 Construction of country carts, boats etc...	16,420	21,187	37,607
10 Purchase of land ...	85,052	66,654	1,51,706
11 Purchase of food stuffs etc., ...	50,154	47,559	97,713
Total ...	13,65,374	6,89,678	20,55,052
B. Non-Productive.			
1 Payment of prior debts.	6,15,997	4,05,194	10,21,191
2 " of Sreedhanam.	15,713	7,947	23,660
3 Other purposes ...	50,899	37,503	88,402
Total ...	6,82,609	4,50,644	11,33,253
Grand Total ...	20,47,983	11,40,322	31,88,305

striking is that the sums lent out for cultivation expenses are less than those lent out for trade. If the total for all societies is taken, Rs. 4,82,623 are lent for cultivation, while Rs. 7,54,432 are for trade. If agricultural societies alone are taken into account, Rs. 3,92, 272 are for cultivation loans, while Rs. 4,71,785 are for trade loans. These figures unmistakably show that your cultivators borrow appreciably for small trades or cottage industries also, and that your societies are serving the very useful function of financing agriculturists both for their main industry of agriculture as well as for their subsidiary occupations. The loans, when analysed with reference to the value, nature of securities, and length of their term,* also show features which are in marked contrast to those in the Madras Societies. Your small loans greatly preponderate. What is of interest to us in Madras, specially in the Tamil Nadu, is that your loans are almost entirely surety loans. Out of the total amount of Rs. 32 lakhs loaned by your agricultural and non-agricultural societies, nearly 31 lakhs are surety loans and the mortgage loans account only for less than a lakh. Coming to the length of the loans, the short term loans below two years form the overwhelming proportion of your loans. Out of the 32 lakhs for all societies, only 5 lakhs are for over two years. the rest for one to two years, one year loans preponderating. These characteristics constitute, in my opinion, the healthiest feature of your societies.

URBAN AND TALUK BANKS

The Urban Banks, which are about 10 in number, seem to be doing comparatively small business, their working capital and loaning being in the neighbourhood of of only 2 lakhs of rupees. But, it is gratifying to note that none of them is working at a loss, and that a small reserve fund is being built up in each. Having regard to the number of populous towns in the State and the small traders, artisans and industrialists that inhabit them, there seem to be much scope for developing them. Your taluk banks are no doubt making steady progress, but I cannot say that it is satisfactory. For your 35 taluks, there are 16 banks. It looks as if you are working up to the ideal of one bank for each taluk. I am sceptical about the utility of multiplying small central banks, which Taluk Banks in essence are. They will be weak institutions and cannot maintain even the necessary indoor and outdoor staff to safeguard their financial interests. The maxim "Centralise for Finance" has much wisdom in it. The working capital and loaning of these 16 existing banks amount to no more than 6 lakhs. Making allowance for the fact that your

*Vide the tabular statement overleaf.

LOANS ISSUED IN THE YEAR 1104

Their Value, Nature of Securities and Period (Statement referred to in page 7).

(Statement referred to in page 7)

PARTICULARS.	Issued By				Total.	
	Agricultural Societies.		Non-Agricultural Societies.			
	Number of Loans.	Amount in Rs.	Number of Loans.	Amount in Rs.	Number of Loans.	Amount in Rs.
A. Value.						
1 Greater than Rs. 50 ...	44,540	10,95,128	9,846	2,74,549	54,386	13,69,677
2 Between 50 and 100 ...	7,769	5,87,462	3,480	2,95,764	11,249	8,83,226
3 " 100 and 250 ...	2,042	3,06,505	2,067	3,44,807	4,109	6,51,312
4 Exceeding 250 ...	180	58,888	528	2,25,202	708	2,84,090
Total ...	54,531	20,47,983	15,921	11,40,322	70,452	31,88,305
B. Security.						
1 Mortgage of immovable property ...	604	43,721	254	48,497	858	92,218
2 Surety ...	53,890	20,02,862	15,429	10,80,926	69,319	30,83,788
3 On Deposits—simple bond ...	37	1,400	238	10,899	275	12,299
Total ...	54,531	20,47,983	15,921	11,40,322	70,452	31,88,305
C. Period.						
1 Not exceeding one year ...	35,207	10,51,854	7,773	3,75,696	42,980	14,27,550
2 Between 1 and 2 years ...	15,861	7,36,393	6,524	5,19,839	22,385	12,56,232
3 Exceeding two years ...	3,463	2,59,736	1,624	2,44,787	5,087	5,04,523
Total ...	54,531	20,47,983	15,921	11,40,322	70,452	31,88,305

central bank is also financing societies in the areas of the taluk banks directly, I feel that there is much scope for the development of the existing taluk banks. These taluk banks do not seem to have attracted appreciable amounts of outside deposit money. About Rs. 2½ lakhs, that is, nearly half of their working capital, is derived from their paid up shares. Share capital also, it is true, represents small savings, but it is deposit habit that will promote thrift, provide incentive for saving, and create new capital which, when pooled and banked, will help us to develop our agriculture, trade and industries. So, if in addition to the village societies small rural banking institutions are set up and are intended to fulfill useful banking functions, they must be strong financially and command confidence in the neighbourhood. So, I prefer your strengthening the existing banks and even amalgamating some of them, to multiplying their number. Their areas of operations may be re-arranged so as to cover all the 35 taluks by assigning two or more taluks to each bank.

THE CENTRAL BANK

The Central Bank seems to be growing in popularity and public confidence; and indeed, a survey of its progress shows that its resources have grown more rapidly than the societies can absorb. In the report for 1104, its surplus funds are shown at Rs. 2,87,312, which seem to have been invested outside the movement. This result is perhaps partly due to absence of necessary identity of interest and purpose between the several parts of your financing machinery. I hope that due regard will be paid to the following appeal made by the Central Bank: "There is room for a better understanding between the institution (Central Bank) on the one hand and the Taluk Banks and the Primary Societies on the other, that the Funds of the Bank may be utilised in the Movement." It appears to me that the system of the financial operations of the Central Bank itself requires revision to bring about this result. The Bank now treats the individual members borrowing on their deposits, the societies and town banks, all alike and charges them interest at 8½ per cent on loans advanced to them. The rate charged to the taluk banks and societies seem to be high to an outsider like me, and does not seem to conduce to good business relations. The Central Bank should offer better terms to taluk banks and societies; and again, a slightly larger margin should be vouchsafed to taluk banks who have, in their turn, to loan to societies. This will bring the financial system into greater order, and the societies, the taluk banks and the Central Bank will feel interested in each other. The Central Bank may also usefully make provision for adequate direct representation on its

Board from the Taluk Banks. Then the Central Bank will bid fair to become the financing agency and the balancing centre for the smaller banks and societies, and its position in the Movement will be unassailable. The financial policy of the Movement will then be centred in it. The chances of various financial institutions working at cross purposes will be eliminated. The movement has reached a stage when the question of reducing the rate of interest charged to ultimate borrowers in the village societies, which now stands at $10\frac{1}{2}$ per cent., may have also to be seriously considered. Without more information about your monetary conditions and the margins required for the working of the financial and supervisory institutions, I am unable to hazard any opinion as to whether the reduction is possible and desirable. But, *prima facie*, a loan to an agriculturist or small trader at $10\frac{1}{2}$ per cent interest cannot be remunerative and economically beneficial.

OVERDUES

My first feeling on reading the figures relating to your Demand, Collection and Balance, was one of relief, for you are much better off than we in Madras. But, on second thought, it occurred to me that I must strike a note of warning. Almost all your loans being surety loans for short terms, your overdues must be considered to be an unsatisfactory feature. Heavy overdues in Madras are the inevitable consequence of long term mortgage loans in societies which, on no reasonable calculation, could be repaid within the periods for which they have been loaned. The percentage of balance to demand in your societies for the year 1104, it is true, shows a commendable decrease over the previous year's figure, for it has come down to 27·7 per cent. from 32·9 per cent. Nevertheless, it is high. It is, however, very encouraging to read from the Registrar's report that the overdues were not generally due to wilful default, but to adverse seasonal conditions, and that there is a downward tendency in these arrears. The Burma Committee on Co-operation has done a service in drawing attention to the dangers of observing delicacy in dealing promptly with arrears. Either extensions must be given in all justifiable cases, or prompt recoveries must be effected where extensions are not justified.

COMMUNAL SOCIETIES.

I am not a little surprised to find that, out of the total number of societies, there are as many as 746 communal societies, representing 26 different communities in the State; my surprise is all the greater to find that enlightened and progressive communities like the Nairs and Christians head the list with 196 and 139 societies respectively.

I have never been able to persuade myself that Co-operation and communal basis for organisation of societies can be reconciled. They involve contradiction in terms. Co-operation knows no distinction of caste, creed or community. In the language of European co-operators, the foundation of Co-operation is described as "the principle of religious and political neutrality." It is based on the desire for the satisfaction of the common economic needs of all those who associate on a voluntary basis, and on a footing of perfect equality. Its chief merit is that it simultaneously promotes the individual good as well as the good of the community as a whole, by eliminating factors which promote internal conflict in society. Communalism and Sectarianism are violently opposed to the religion of Co-operative Compact. I, therefore, most humbly appeal to you to abandon once and for ever the tendency to group co-operators into communal societies and to instal Co-operation in the Temple of Akbar's dream which in Tennyson's words was:

> "A Temple, neither Pagod, Mosque nor Church,
> But loftier, simpler, always open door'd
> To every breath from Heaven and Truth and Peace
> And Love and Justice came and dwelt therein."

SUPERVISION AND AUDIT.

Non-official supervision and audit, I gather, are committed to the care of your local unions, of which there are 26. It is gratifying to note that most of the societies are affiliated to the Unions. With the exception of one, the rest of the unions seem to have only a single supervisor each. The Taluk Banks do not appear to have any staff to inspect the societies financed by them, while the Central Bank has only a single Inspector lent to it by the Department. The Registrar himself has only a small staff of about 20 Inspectors, some of whom are temporary, for audit work and administrative inspection. This is clearly an inadequate provision. Audit is a technical subject and audit, done by men not trained in its intricacies, is not of much value. Co-operative Audit involves very exacting duties and the statutory duty of examination of overdue debts and valuation of assets and liabilities of a society take considerable time if really done. If they are not done, then the deterioration of the society is inevitable. What serious consequences followed in Burma from defective audit and non-observance of the auditor's duties as laid down in the Act and explained by the Maclagan Committee are laid bare in the Burma Committee's report and ought to convey a serious warning to us. The first thing, therefore, that we co-operators should attend to is to increase the numbers and improve the quality of our supervisory and audit staff. They must be trained men who are adequately paid. The Registrar can hardly discharge his duties satisfactorily, unless he has at least one well-qualified Inspector for each taluk, with an adequate reserve to replace vancancies or supplement the normal staff where work is heavy. Thirty-five Inspectors will work out to only one for fifty societies and this is more than what an Inspector can do, if he is businesslike and visits each society at least twice in the course of the year for interim and final audit. The Taluk Banks' resources now being too slender to permit their employing an outdoor staff, the Central Bank may usefully maintain a small but efficient staff of Inspectors to inspect the taluk banks and societies financed by it directly.

Supervision being more an internal than an external co-operative function, the societies and banks should contribute liberally to the supervision fund and get the best possible results from the administration of that fund. We hear of the efficiency of the movement in the Punjab. It is due to a system of centralised administration. The contribution of all the societies to audit and supervision are there pooled into their Provincial Institute which maintain an army of Inspectors to discharge the duties of audit and supervision. They are all on a provincial cadre. Suppose your supervision fund is pooled into your Central Institute, and the supervisors of all your 26 unions are placed on an All-Travancore cadre, and their work is organised and controlled from the centre, I have no doubt that their efficiency will improve considerably. Unfortunately, there is an impression in several quarters that centralised administration will interfere with the autonomy of the units. This is entirely erroneous. I shall ask those who plead for excessive decentralised control to study the tendencies of modern co-operative societies in England and America and elsewhere. The ideal now steadily pursued everywhere is an approximation to federal working. The fundamental idea underlying federal working is centralised administration with decentralised and democratic control. Efficiency demands, on the one hand, that policies should be entrusted not to isolated units, but to a centralised body in the interests of the units themselves. The essentially popular character of the Movement demands, on the other hand, that the centralised body, which directs the policies, should be democratically controlled from the bottom by the units which go to compose it, again in the interests of the units themselves. So, if a federal working is aimed at, your Central Institute should be so reconstituted as to be predominantly controlled by the unions, whose operations it is expected to co-ordinate and control. I know

that this ideal is not immediately attainable, but I feel it is worth keeping before your minds, whenever you think of reforming your organisations.

EDUCATION AND PROPAGANDA.

I may be pardoned for pointing out that one of the weakest points in your organisations is the almost utter absence of provision for education in co-operative principles and practice. The Maclagan Committee, in their classic passage in which they laid down the conditions which a co-operative society should fulfil to be fully co-operative, begin by saying " Hence, the first condition obviously is that every member should have a knowledge of the principles of Co-operation, if this Co-operation is to be real and not sham." More than a decade after the publication of that report, the Royal Commission on Agriculture who examined the working of the Movement in all the provinces of India wound up the long catalogue of " defects " and " disquieting conditions " which they discovered almost everywhere, with the following observation : " The only remedy which appears to offer any sure prospect of success is the patient and persistent education in the principles and meaning of co-operation of the members of the primary societies, by teachers competent to perform the task efficiently under adequate supervision. This is correct so far as it goes. The scheme of co-operative education to be comprehensive and capable of yielding full beneficial results must, however, in addition to the education of the members of the societies, cater for two other needs of the Movement. The training of men and women, possessing general educational equipment, in the technique of business-management of institutions simultaneously with the acquisition of a thorough grounding in co-operative principles is absolutely necessary, in order to provide an adequate supply of trained staff, competent to take charge of the various institutions and run them, either as paid or as honorary workers, as the case may be. It is a mistake to suppose that any one is good enough to manage a co-operative institution. Another direction in which the movement needs strengthening is the creation of a favourable atmosphere for the spread of co-operative ideals, so essential for the springing up of co-operative institutions all over the country ; and this is best done by promoting the study of co-operation by people generally, and disseminating co-operative knowledge by all available modern educational methods. I wish co-operators had opened a stall of their own in the Educational Exhibition recently held at Madras in connection with the Conference of the All-India Federation of Teachers' Associations, In future, we must be more in evidence, specially before educated men. I am, however, gratified to learn that under the inspiration of my friend and colleague, Prof. S. K. Yegnanarayana Iyer, the Federation passed certain useful resolutions bearing on co-operative education.

My humble appeal, therefore, to you is that your State and the non-official organisations should lose no more time in organising training classes for panchayatdars and secretaries of village societies, and one or two training institutes to impart sound business and co-operative education to your co-operators, who show an aptitude for co-operative service, official as well as non-official. The theoretical training given in these institutes should be supplemented by practical training, with the aid of model societies set up for the purpose. Men who are placed in charge of teaching in these training institutes, should not be selected as men in the Department are usually recruited, but they must be men with special knowledge of the subjects taught and with a fair knowledge of rural economics, banking and co-operative laws and practice. But, co-operative education, to be of the right type and fruitful of beneficial results, must be organised and handled by a non-official agency. I am frankly sceptical of the utility of co-operative education, under official direction. In Madras, 25 years of co-operative education carried on under official aegis, was utterly barren of results. Listen to what the Townsend Committee on Co-operation, on which there were high European officials, said about the fruits of that education: "We have been very much impressed by the lack of knowledge of even the commonplaces of co-operation, shown not only by members of primary societies, but also by office-bearers and even by the staff employed by the various non-official agencies. We believe that many of the unsatisfactory features in the present condition of the Movement are directly attributable to this ignorance. Even the official staff is, we consider, in many respects, insufficiently trained for the proper discharge of its duties. Too much importance cannot be attached to the necessity for adequate education in co-operative principles of all concerned in the movement." The Committee proceeded to point out, in the course of a unanimous recommendation, that the education of the non-officials in co-operative principles should be the duty of the Central Non-official Body, working through district federations and co-ordinating their activities, and concluded by recommending a liberal grant to the Madras Provincial Co-operative Union for the purpose. The Madras Ministry and its officialdom have, however, not yet been able to reconcile themselves to

this healthy change, but they have made a beginning in partially non-officialising the training institutes at the six moffussil centres, retaining the one at Madras in their exclusive control.

The obviously sound course for you to follow is, therefore, to strengthen your Central Co-operative Institute and entrust co-operative education and propaganda to its care. I was greatly disappointed in reading through the latest report of its activities. At every turn, I find its usefulness to the movement is curtailed by want of resources to carry on its legitimate work. I, therefore, beg to appeal, in the name of Travancore co-operators, both to your Durbar and the Central Co-operative Bank, to come to the rescue of the Institute. The activities of the Institute, when it begins to function vigorously, will more than repay the increased outlay on it. If I may venture to say so, it is to the clear benefit of the Central Financing Agency to keep the Propagandist Institute perpetually active. The transactions of societies will rapidly increase, idle surpluses in the Central Bank will melt away, recoveries will be speeded up, profits will swell, reserve funds will grow, money will become cheaper and the borrowers' economic prosperity will become brighter, as a result of the proper discharge of the functions of co-operative education and propaganda.

NON-CREDIT CO-OPERATION.

As I have already pointed out, your non-credit societies are very few. The reports of the Registrar do not give any encouraging account of your Central Weaving Society's activities. I am, however, glad to know that the Balaramapuram society led the way in organising the supply of yarn to weaver members, and its example is being followed in some other places and that, on the whole, "there is an awakening on the part of the weavers" and that "a desire to be benefitted by co-operation is discernable." The Nagercoil Khaddar Society and the Kolathur Weaving Society, for the sale of their finished products, are also said to be working on right lines. Some of the distributive societies are also said to be working satisfactorily. I have mentioned these facts to show that, wherever a genuine effort is made, success is being achieved and that where there is a will, there is a way. Your State is peculiarly well-suited for non-credit activities with its commercial products and scope for cottage industries. For instance, I was delighted to know that the Aloe Yarn Society at Quilon is working well and is functioning very beneficially to the labour classes. By adopting standard weights for the yarn spun by them and fixing a just wage, I understand that their wages have risen by 50 per cent. This is a great boon to the poor families, specially because 88 per cent of the members are said to be women, leaving men to do the more strenuous labour. The Travancore Central Co-operative Produce Society at Alleppy, whose bye-laws I have studied with some care, promises to be a very useful organisation. You have splendid scope for organising co-operative marketing and industrial societies with such products as copra, pepper, cashewanut, ginger coir yarn, coir mattings, aloe yarn etc. for which your State is famous. The producers are now being ruthlessely exploited by a large number of profiteering middlemen. Foreign exporting and commercial agencies have spread their tentacles in the centres of production and enjoy enormous credit facilities from joint stock banks and exchange banks for the movement of these products and their export. The Railway administrations and Transport Agencies, who hold the key to communications by land and water, help the foreign commercial concerns. The customs duties are also so manipulated as to hit the producer to the benefit of the foreign purchaser. I understand that the normal export duty on aloe yarn is 10 per cent, while the duty on it, when exported from your State to countries outside the United Kingdom, is put up to 20 per cent, so that there may be no foreign field of competition for your yarn, which will give better prices to your producers. The remedy for all this is organisation and co-operative marketing. It is a mistake to suppose that credit operations can thrive without other rural economic conditions, which adversely affect the ryots' life, being improved. In fact, there is a much larger and more humane field of work for those who wish to devote their talents and energy for such activities.

CO-OPERATIVE FINANCE AND BANKING

The system of co-operative finance built up by you does not call for any special comment, in so far as the short term and intermediate term needs of the ryot are concerned. I call the loan, advanced for the seasonal needs, such as seed, fodder for cattle, cost of hired labour and the like and repayable out of the harvest raised with its help, a short term loan. It is called the "crop loan" by the Burma Committee. I call the loan, advanced for replacement of cattle, purchase of carts, repayment of small debts, building a farm house or sinking an ordinary well and like purposes, an intermediate loan. It must be made repayable in two or three years out of the annual profits. Your resources, small as they are, are not fully absorbed in these varieties of the loans as your Central Bank is surplusing. But, as a matter of fact, the cultivator's needs for these purposes in your State must be immeasurably large, compared with the resources

of all your societies put together. The bulk of the cultivators still derive their finances for agricultural operation, in all its stages from the tilling of the land to the marketing of the produce, from sources outside the Movement, which impose oppressive burdens on them and make their loans unremunerative. There is, therefore, vast scope for systematising finances and expanding the utility of your societies to the cultivator, by carrying to his door prompt and adequate financial accommodation to promote agricultural industry.

But, in order to make our system complete, in the sense of enabling us to cater for all the credit needs of the cultivator, we must develop a machinery for dispensing real long term credit also. It is required to enable him to discharge substantial prior debts carrying heavy rates of interest, to make costly improvements to his lands, or to be invested on projects which will continue to be productive for several years. The rural credit societies are not competent to dispense this form of credit owing to the limitations of their finances as well as to the absence of a machinery to handle the onerous business involved in the dispensing of these loans. You have, therefore, wisely decided to establish a Land Mortgage Bank for the purpose. The only reference I found, in the literature available to me, is the following sentence in the Central Bank's Report for the year 1104: "The question of Land Mortgage Bank is awaiting consideration. The Bank proposes to present a scheme on this subject to the Government at an early date." I wonder whether any serious consideration was given to the draft Bill on the Travancore Land Loans Regulation, which was appended to your Unemployment Committee's Report. I do not know what your plans are. It is, therefore, inopportune for me to offer any suggestions. I shall, therefore, make only one or two general observations. The Mysore State has embarked on a scheme of a land mortgage bank to finance ryots in a specified area and proposes to do so by raising money on debentures and deposits, and to advance long as well as short term loans. I am frankly sceptical about the wisdom of mixing up farm mortgage credit with deposit banking, and in so far as the Mysore Scheme does it, I do not commend it to you. The recommendations of the Baroda Committee on the subject are more sound. But, whenever you do start a Land Mortgage Bank, I want the greatest attention to be paid to the repaying capacity of the borrowers and to so adjust the size of the loans and the term of their repayment as to allow the instalments to come out of the profits of the land, without starving the normal needs of the borrower and driving him to the sowcar to find the instalment money. Large loans and short periods have already begun to tell adversely on the Punjab Land Mortgage Banks. However, the discussion is perhaps a little premature.

The Banking Enquiry Committee set up by your Government can do much by conducting a thorough enquiry into the condition of agricultural finance and making recommendations of a far reaching character, to improve the banking facilities in the State and to establish a scientific system of rural credit and connecting it with the Banking System of the country.

THE RURAL PROBLEM.

The Royal Commission on Agriculture have made a valuable contribution to the thought on the subject of our rural problem, by bringing home to us the futility of handling it piecemeal and the inevitability of its being tackled as a whole, if it is to be solved at all. The problem is one of so improving the cultivators' social and economic environments as to effectively bring about a change in their outlook on life and standard of living. Any scheme for the amelioration of the agriculturist should take note of "the inseparable inter-relation existing between the social and economic activities of farm life and try to correlate them." The part which co-operation can play in this vital constructive programme is great. In the economic sphere, we can provide the cultivator with credit and capital on humane terms. We can help him to overcome the Law of Diminishing Returns form land, by co-operative effort at production and sale. We can stimulate and foster subsidiary occupations like hand-spinning and hand-weaving. We can encourage the spread of Swadesi enterprise by stocking our distributive societies with Indian made goods. In the moral sphere, we can, through Better Living Societies, fight the drink evil, on the magnitude of which in your State, Mahatma Gandhi made drastic comment. We can remove the curse of untouchability and promote inter-communal harmony by establishing co-operative brotherhood in our common societies. We can promote rural education. We can inculcate thrift and discourage extravagance. It has, therefore, been always a matter of surprise to me how little our socialists and labour leaders in India care for co-operation, specially when they themselves have not so far put forward any alternative programme for the economic organisation of the peasants and workers in the field and in the small workshops in their homes. The thundering agitation about Trade Unions and Labour Strikes, Classwars and the like, after all, touches no more than about 15 lakhs of men and women, who are now employed in the Mills in India. What about

the millions who are labouring on the land and in Cottage Industries? They have never been approached by the Labour Leaders with any scheme for their economic uplift. It is regrettable that very few of labour leaders have any faith in Mahatma Gandhi's Messsage of the Charka and its economic potentialities for the creation of a subsidiary occupation to the cultivators. The reconstruction of our village economy is a laborious and painful process, and to tell the truth, most of us have neither the time nor the inclination to do it. We have not sufficient missionary spirit in us.

It is a mistake to suppose that money alone can help to solve our rural problems. To-day, the greatest need of villages is rural leadership, without which the remaking of Rural India is impossible. If the best fertiliser that land wants is capital, the best instrument needed to revive rural economy and make agriculture, once more, a remunerative and attractive occupation, is trained intellect. We should devote more serious thought and attention to the question of attracting talent to the land, which is no less important than the question of attracting capital to the land. In order to cope with organised competition and superior scientific business methods of foreign countries, even in the field of agricultural production and sale, the pressure of which is being felt everyday in an increasing measure, greater knowledge of the modern conditions of world markets, more extended use of improved methods of cultivation and acquisition of business capacity and discipline to get organised, must be inculcated in our peasantry and land-labour. But, there is no agency to do it. The need for importation of an outside agency into Rural India, to instruct the cultivator in his duties, is an abnormal condition which has been brought about by the phenomenal drift from agriculture of the educated youth and their migration to towns in recent years. After an examination of the conditions in Travancore, your Unemployment Committee enumerated a number of causes for this drift. They are more or less of general application all over India. The pressure of population on cultivated land, the rise in the standards of living of cultivating classes under the influence of modern ideas resulting in multiplication of needs, the increase in the cost of living, while the cultivator has not reaped his full share of higher prices owing to want of knowledge and organisation, the process of fragmentation of land which constantly adds to the number of uneconomic holdings, and the growing aspiration of the cultivating classes for literary or quasi-literary occupation, are amongst the causes that account for this drift from agriculture. The reaction of this drift is two-fold: *Firstly*, agriculture is left to be carried on by an economically crippled, weak, disunited and disorganised peasantry under most depressing conditions, with the result that it is fast becoming unremunerative, rendering the staying and purchasing power of the cultivators increasingly worse. *Secondly*, the number of unemployed dependents is increasing. The statistical information available on the second point, in your State, is a decade old. But, between 1911 and 1921, the percentage of dependents in the whole State has risen from 59 to 64 per cent; and among the classes supported by agriculture, this percentage has similarly risen from 64 to 69 per cent. The census of 1931 will, I am sure, disclose a more alarming state of affairs. The fall in the percentage of those engaged in agriculture cannot but be attributed to the fact that they are abandoning agriculture for a more paying occupation. The Rural Problem, therefore, involves reviving agriculture, improving the amenities of village life and attracting talent to the land.

I am painfully aware that the offer of agricultural enterprise, as a solvent for unemployment, is ridiculed by educated young men. They say that men who are already in the villages have no scope for bettering their economic condition, that there are more mouths to feed, and "with every mouth God sends two hands, which are not wanted on the land and lie idle." Again, as your Unemployment Committee point out, the cry of "Back to the Land" will fall flat, unless it is clearly demonstrated that agriculture as a vocation for the middle class youths will pay, and unless more land is available and unless substantial inducements are offered." It appears to me, however, that the case against "Back to the Land" is over-stated by the educated young men. The potentialities of relieving pressure by intensive, if not extensive, cultivation are immense. There is scope for considerably improving productivity by scientific and improved cultivation in a number of crops. Profits can be enhanced by organised marketing; small industrial plants can be set up on farms to process the produce for the market. A large number of educated young men can be employed in this work, with benefit to themselves and to the immense advantage of Rural India, for their migrating back into it will re-establish rural leadership. The State and the public have also not explored the available avenues for land colonisation and increased financial facilities to help enterprising young men. The Banking System of the country is deplorably defective. It is too exclusively commercial to the progress of agriculture. But, school education has ceased to be the "cottage industry" that

it used to be, whose cost was small and whose products found ready market in Government Offices. So, let educated young men give a thought to the problem of rehabilitating Rural India. But, in order to encourage them to do so, the Banking System of the the country must be overhauled. I maintain that under a civilised administration, no able-bodied and honest young men should be unemployed for want of capital and credit. A Banking System that does not provide for them must be pronounced to be a dismal failure. Will the State and educated public put their shoulders to the wheel and solve the Rural Problem? If that is not done, India will continue to be a land of waste and want.

OUR CONTRIBUTION TO NATION-BUILDING.

A PROGRMME OF SOUND ECONOMIC ORGANISATION

The Co-operative Movement in every country is making its contribution to Nation-building, and in India also, it will play its role. Its impact on our social and economic life to-day, is no doubt small; but, it is inevitable that it should gain volume and velocity in its march, until it is felt all around. The reason for this optimism is found in inexorable economic laws. The problem of economic organisation of our peasants and our workers is best done by co-operative and allied methods. It is impossible to enthuse the peasant and the worker over political and economic schemes, unless and until such schemes actually react favourably on the conditions of their daily life and supply them with more food and better clothing. It is true that Co-operation like socialistic movements, owes its origin to the discontent with capitalism and landlordism and the evils of the institution of private profit. But, the emancipation of the discontented was brought about by the founders and masters of the Co-operative Movement, not by a cataclysmic revolt against the profiteer, but by peaceful, steady and sound organisation, in which the weak, by means of a truly democratic combination, for the satisfaction of their common economic needs, have so consolidated their position as not only to make it impregnable, but to make it conduce to their economic freedom. The part, which Co-operation has played in the history of the Irish Independence Movement, is well known. But, in order to have those far-reaching effects, it must come from the people themselves. "There can be no such thing as State-controlled and administered Co-operation; it is an impossibility", says Dr. Warbasse. The famous A. E. (G. W. Russel) in his exhortation to the Irish Co-operators says: "The creation of a harmonious life among a people must come from within. It can never come by the imposition of an external law by another people. Never did master and slave work in true unison, no matter how benevolent the master or how yielding the slave. So, the problem of creating an organic life in Ireland, a harmony of our people a union of their effort for the common good and for the manifestation of whatever beauty, majesty and spirituality is in us, must be one we ourselves must solve for ourselves." I feel that the future call of Economists and Politicians, who are tired of the existing order of things, is bound to be for "continued effort to maintain the vitality and fruitfulness of union."

SOCIALISM AND CO-OPERATION.

We find that a small but rising section of politicians in India has faith in full-fledged State Socialism, as the only solution to inequality and poverty in India and they prescribe it as the goal of our national reconstruction, after attaining political freedom. Personally, I am not in agreement with this view, for reasons into the discussion of which it is unnecessary to enter at present. I am convinced that our national economy does not permit the acceptance of the claims of the proletariat and adoption of classwar as in U. S. S. R. But, assuming that Socialism is inevitable, I maintain that even a thorough-going Socialistic State cannot and ought not to displace the voluntary organisations of Agricultural Co-operation. The example of agricultural co-operative enterprise in the Soviet Union to-day should leave no room for doubt in this matter. After the Great War, the area covered by the U. S. S. R. was left with only 12,000 co-operative societies. To-day their number is over 1,00,000. The Soviet Government, far from suppressing the autonomy of these societies, pressed them into service. The Soviet thinkers believed that Socialism removed the *raison d'etre* of Co-operative Movement, for according to them, "Society as organised on socialist principles was a community of free workers and that was perfect co-operation in its widest as in its literal sense." In other words, it was felt that socialist society made the Co-operative Movement in its present form superfluous, as society thus organised itself embodied the fundamental idea of that movement. How this notion was virtually abandoned eventually and how agricultural co-operative organisations came to their own in Soviet's N. E. P. (New Economic Policy) is a long story.* The present position is thus summarised in a recent work. "The Russian Government, with its principle of reconstructing all national economic life and enterprise

* Consult 'The Co-operative Movement in Soviet Russia'—Studies and Reports, International Labour Series—for a detailed account of the Soviets' original and revised policy towards Co-operation.

on a State Socialist basis and the power to do so, found the principle inapplicable to the primary organisation of agricultural business; even in the large collective and transport stages of marketing, it has permitted and encouraged the operations of voluntary and autonomous federations of societies." I cannot resist the temptation to quote another passage from that book. "The survival of Co-operation in Russia is intensely paradoxical to those who see antithesis in the voluntary character of the one and the authoritarian socialism of the other; its promotion and expansion under a State Communist Regime is a phenomenon that cries for documentation. If the rulers of Russia, with a theoretical prejudice as strong as that of any capitalist against an autonomous form of non-profit making business association, have found Agricultural Co-operation essential to the redemption and progress of Russian Agriculture, the significance of it to those concerned with economic problems of rural life transcends that of other experiments pursued in the Social Laboratory of the Revolution."* The most astounding truth about Co-operation is presented by this aspect of Russian Co-operation. Take two countries like the United States, the most capitalistic country in the world and Modern Russia with its all-absorbing Communism. In both the countries, the best from of association developed and chosen as the rural economic basis is Co-operation. So, co-operators in India are laying a truer foundation for the reconstruction of her rural economy than those who seek to throw the task on the State at one stage or another. Whatever may be the ultimate form of India's Political Constitution, the voluntary co-operative organisations will be an inseparable part of her rural economy and to that extent, the contribution of Co-operators to Nation-building will be of a permanent and lasting character. I have, therefore, an abiding faith that the humble services of all those, who are engaged in the promotion of the Movement, are calculated to produce results of lasting, though not spectacular, effect to the benefit of the Motherland and help to hasten the advent of Swaraj——Swaraj, which is broadbased on the economic freedom of the masses.

VANDE MATHARAM.

* Vide the Editors's note to "Agricultural Co-operation" by G. Ratner, 1929, edited by the Horace Plunkett Foundation.

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Registrars' Circulars.

X

Liability Ledger—Maintenance of—in Credit Societies—(*No. R. Dis. B. 3592/29 dated 6-11-29.*)

Ref :—(1) Registrar's Memorandum D. Dis. B. 2347/29, dated 26th April 1929.*

(2) Registrar's Circular B. 3220/29, dated 2-8-29 para II.†

With reference to the two circulars quoted emphasising the importance of the liability ledger being maintained by all credit societies several officers have enquired whether a separate liability ledger is necessary, if societies maintain the loan ledger in the D. C. B. form prescribed at page 239 of the Co-operative Manual with modifications introduced therein. In the latter circular under reference it has been clearly explained that the liability ledger serves two distinct purposes, *i. e.*, to show,

(1) what amount of credit both directly and indirectly a member is entitled to, how much of it has been availed of on any date and how much is still available, and

(2) the extent of book-adjustments and renewals of loans.

The loan ledger on the other hand serves neither of these purposes. Hence it will be manifest that it is impossible to do away with either of these registers.

2. In slight modification of the form No. 12 printed at page 241 of the Manual (1929 edition) the liability ledger will be maintained in the form prescribed below.—

Ledger No.

(1) General No. and name of members.

(2) Net value of the property owned by the member. Rs.......... on (date)...........

(3) No. of shares held by him.—(4) Share capital paid up.........

(5) His maximum borrowing power as direct loan at $\dfrac{\text{Rs.............}}{\text{..........times}}$ $\dfrac{\text{Per share}}{\text{the paid up share capital}}$ is Rs...........

(6) Maximum amount of loan for which he can stand surety $\dfrac{\text{at Rs...........per share}}{\text{times the paid up share capital}}$ is Rs...........

* This is a only circular to the Deputy and Assistant Registrars requesting them to see that the Liability Ledger is fully written up in all credit societies.

† Vide appendix at the end of this Supplement.

DIRECT LOANS.

Date.	Loan No.	Loan Amount.	Repayments.		Balance of principal after each transaction.	Nature of security. If personal security state their general Nos.
			Principal.	Interest.		

SURETY LOANS.

Date.	Loan No.	Loan Amount.	Repayments. Principal.	Balance of principal after each transaction	General No. of the members for whom this member stood surety.

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

To

All Deputy Registrars and Sub-Deputy Registrars.
Copy to all Unions, Federations,
The Editor, Madras Journal of Co-operation, Andhrasahakari, Kannadasahakari, Parasparasahayee etc., for favour of publication
The Registrars of Co-operative Societies, Cochin and Pudukottai.

XI

Iron Ploughs—Purchase by Co-operative Societies for demonstration purposes—Letter to the Director of Agriculture, Madras,—Copy Communicated in Continuation of Registrar's Circular No. C. 5824/29 dated 26-10-29.

Read :—Letter No. R. O. C. D. 1663–29, dated 25th October 1929 from the Director of Agriculture, Madras.

As you are no doubt aware, we have some 150 demonstrators at work in the districts. Among other things the work of these demonstrators includes the demonstration of the advantage of using iron ploughs instead of the wooden country plough. This necessitates each demonstrator carrying about with him wherever he goes at least one plough of each type that he wishes to demonstrate. This is troublesome and expensive.

2. The iron ploughs most commonly purchased by the cultivator are light iron ploughs of the Meston type capable of being drawn by a poor pair of bullocks and medium weight ploughs of the Monsoon type requiring better draught animals.

3. If we could arrange that in every village one individual or one organisation possessed one or other if not both of these types of ploughs and would allow the local demonstrator to demonstrate its use, it would save us a very considerable amount of trouble and expense.

4. There is another aspect of this question. Leaving out the Agency tracts there are some 40,000 villages in the Presidency. If 25 per cent of these took one light plough and another 25 per cent one medium plough we could, I am assured by distributing firms, obtain a substantial reduction in the price of the ploughs.

5. I should therefore be glad if you would be good enough to ascertain from Co-operative Societies whether they would be willing to purchase either or both of these two types of ploughs. For the actual make of plough we would hold ourselves responsible. In the case of paddy cultivating villages a special type of light plough is required and can be supplied.

6. The present price of a good Meston type plough is Rs. 8, of a good Monsoon type Rs. 23 and of a good paddy land plough Rs. 14. These are for iron parts only.

Copy circulated in continuation of Registrar's Circular No. C. 5824/29 dated 26-10-29 for information.

2. The information invited in para 5 of the Circular may be furnished at an early date through the Deputy Registrars.

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

To

The Deputy Registrars,
The Provincial Co-operative union.
The Federations.

XII

SUBJECT:—*By-laws—amendments—Credit societies—adoption of transmitting agency (No. R. Dis. B. 5759/29 dated 29-11-29.)*

In pursuance of resolution No. 4 of the departmental conference held on 29th March 1926 and with reference to the model rules, communicated in the Joint Registrar's circular No. C. 3013/26 dated 3-11-1929, regarding the creation and working of transmitting agency societies, the following amendment to by-law 2 of a co-operative credit society is suggested for adoption by such societies as desire to act as a transmitting agent of the central bank.

Add the following as an additional clause to by-law 2 under objects:—

"To act as agent of.....................central bank for the transmission of moneys to and from its affiliated societies situate within a radius of ....miles in accordance with the subsidiary by-laws which are in force in or may be enacted by the Central Bank for the purpose."

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

To

All Deputy Registrars and Sub Deputy Registrars including training institutes.

Copy to Central Banks, Federations and Unions.

" Madras Co-operative Journal for publication—

Tamil Nadu Federation.

" Registrars of Burma, Pudukottah and Cochin.

XIII

No. R. Dis: B. 6218/29 dated 30-11-1929.

G. O. No. 4640 L &M., dated 15th October, 1929.)

Accounts—Municipal and Local Board Employees' Co-operative Societies—Deduction of dues of members from their pay—Permitted.

In G. O. No. 399, L & M, dated 31st January 1927, the Government declined to accept a proposal to recover by deduction from the pay bills of municipal servants their dues to Municipal Employees' Co-operative societies. The Government now understand that the adoption of the procedure while throwing no additional work on audit offices will facilitate the work of municipal offices. In modification of the above Government order, they are now pleased to permit municipal councils and local boards to recover by deduction from pay bills of their subordinates their dues to the Employees' Co-operative Societies subject to the following conditions.—

(1) that a written undertaking is taken from the servant that he agrees to the recovery from his pay of his dues to the Co-operative society concerned; and,

(2) that an acquittance is taken from him for the full pay due, either in the last column of the pay bill or in a separate acquittance roll.

(By order of the Government, Ministry of Education and Local Self-Government)

HILTON BROWN.
Secretary to Govt.

Copy communicated to all Municipal Employees' Societies through the Deputy Registrars concerned.

To all Deputy Registrars, and Sub-Deputy Registrars including Training Institutes.

To The Tamil Nadu Federation, Provincial Co-operative Union, and Registrars of Co-operative Societies, Burma, Cochin, and Pudukottah.

(By Order.)
T. R. RANGANATHAN, *Ag. Manager.*

XIV

SUBJECT :—*Co-operative Societies—Cash facilities* : (*No.A.6485/29 dated 2-12-29.*)

The Registrar wishes to invite the attention of all banks to the following extract from the Administration Report for 1928-29.

2. The necessity for providing better facilities for cash to rural societies is an urgent one and has been on the whole inadequately met.

3. Attention is invited to the Registrar's circular No. C. 3257/27 dated 16-8-27. It is however useless to imagine that one system will meet all cases. Where there are strong Urban Banks it may be possible o distribute loans and receive repayments through them. In some cases it is desirable, where the business is sufficient to make it pay, to open branches of the bank. In a few cases there are rural societies of sufficient standing to be employed as agents though this is rare. In other cases it may be possible to arrange for agencies to be opened for 2 or 3 hours at a specified time on two or three particular days each week, a circuit of such agencies being visited by a cashier and clerk of the bank.

The necessity for providing cash more readily than is at present available in most districts has been emphasised on innumerable occasions. Enquiry showed that only in rare instances could a ryot rely on getting a loan within a month of his application to his village society.

This difficulty is partly the cause for the great preponderance of long term loans. It is partly the result, for which ryots and others could get long term loans in considerable quantities; no one troubled to find a method of getting money more quickly to embark on what was to the bank and the society officials the more troublesome business of smaller short term loans. It is intimately connected with the matter of overdue loans.

Several evils result from the absence of facilities for quick payments :—

(*a*) without money readily available, it is difficult to get ryots to save. Savings bank deposits are impossible unless there are cash facilities for no one will put his money into savings bank deposit if it takes a month or two to get the money back. On the other hand provision of facilities might result in considerable deposits coming in from the ryots in small sums and would provide an invaluble inducement to thrift and saving.

(*b*) without facilities for ready money, men will not readily repay loans because they feel that if they repay all their loans they will run short of ready money and will be unable to get cash again when they want it.

(*c*) Without ready money the finance of agricultural operations through co-operative societies is impossible for that requires short term loans to be obtainable at short notice. Similarly other small loans for urgent domestic needs frequently put the ryot in the hands of a money-lender. For this money must be available at once.

All this hinges on the availability of cash at short notice. For this

(*a*) a cash credit is possible and has been granted to a few good societies.

(*b*) forecast loans (say about 5 per cent of the market value of the total land of the members) sanctioned on a basis of the society in general, not for each individual, is possible in a larger number of cases, but this has not yet been much developed.

Even these require facilities for obtaining the cash and for this societies must be within reasonable distance of the Central Bank or a branch or agency from which cash can be got at any time or at 2 or 3 specified times in the week.

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

To

All Deputy Registrars, Sub Deputy Registrars, Institutes. Federations, Madras Journal of Co-operation, Tamil Nadu. Federation, Registrars of Pudukottah, Burma and Cochin.

XV

AUDIT—*Pass books and reconciliation with the Central Bank's figures.*
(*No. R. Dis. B. 6251/29 dated 9-12-29.*)

Ref:—(1) Registrar's Circulars No. A. 6110/28, dated 28th November 1928 and 12th June 1929.

(2) Registrar's Circular No. 3117/27, dated 12th June 1928.

In the first two of the Circulars quoted, the introduction of pass books for recording all the transactions of primary societies with central banks was commended to the latter and most of the Central banks have already agreed to give effect to the proposal. It was pointed out that one of the advantages of such a pass book would be to obviate the necessity of a separate reconciliation statement for the outstandings under each head referred to in paragraph 12 of the Registrar's Circular No. A. 3117/27 dated 12th June 1928 quoted, at the time of final audit, but the need for separate reconciliation statements will be avoided only if Central banks have the pass books written up to 30th June as soon as possible after that date.

2. To make the system work successfully.

(i) all pass books must be returned to the central banks by 30th June at the latest,

(ii) Sub-Deputy Registrars must send a copy of the audit programme so that the pass books of societies to be audited first will be written up first and sent back to the societies at once,

(iii) in cases when the pass book is not written up, the reconciliation statement must be filled in,

(iv) when a pass book is used for reconciliation, the auditor must certify that he has reconciled the pass book with the society's books, and

(v) the pass book should be writen up-to the actual date of writing, but the balance under each head on 30th June should be clearly shown.

3. The Registrar thinks it practicable to carry out these provisions and therefore the reconciliation statements so far as Central Banks are concerned, will be abolished, except in cases referred to in paragraph 2 (iii) above,

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

To all Central Banks and Federations.
Copy to all Deputy Registrars, Sub-Deputy Registrars and Extra Assistant Registrar, Vizagapatam.
Copy to the Provincial Co-operative Union, Madras, the TheCentral Bank's Standing Committee, Madras, Central Urban Bank Buildings, Mylapore, Madras.
Copy to the Editor, Madras Journal of Co-operation, Sahakari, Parasparasahayee.
Copy to the Registrars of Co-operative Societies, Cochin, Burma and Pudukottah.

XVI

SUBJECT :—*Model by-laws—Building Societies—By-law 53-A—amendment suggested* (*No. Dis. C. 6645/29 dated* 10-12-29.)

In accordance with the revised rule 8 of the rules governing the grant of state loans to Co-operative Building societies, by-law No. 53-A of the model by-laws of co-operative building societies will be revised as follows:—

53-A. It shall be open to a borrower to repay at any time a larger sum than the prescribed monthly instalment or to discharge the whole loan takan by him in a single payment. Repayments other than those made on the due date of the prescribed monthly instalment will be classed as follows:—

(1) Payment on the due date of a sum in excess of the amount due. Such excess payment should at once be credited in reduction of principal, interest being charged only on the balance of principal outstanding.

(2) *Payment before the due date*—Any sum paid before the due date shall first be credited towards the interest which has accrued up to the date of payment and the balance, if any, shall be credited towards principal, the borrower being required to pay on the due date the balance of interest due for the month and also the balance of principal, if any, due for the month.

2. The monthly instalment payable by a borrower in a year is fixed with reference to the amount outstanding against him on the last day of the previous year. Any sum paid in excess in the course of a year in the aforesaid manner will go to reduce correspondingly the amount of each future annual instalment and consequently such monthly instalment after each annual due date. No postponement of any instalment will be allowed nor will the number of subsequent instalments be reduced owing to any excess payments made.

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

To

All Building Societies.
Copy to Deputy Registrars and Sub Deputy Registrars.
,, the Madras Journal of Co-operation.
,, Tamil Nadu District Federation
,, Sahakara Sammelanam and the
Kannada Sahakari and Co-operative Institutes.

XVII

SUBJECT :—*Loans—pledge of produce* (*No. 6713/29 dated* 12-12-29.)

In Registrar's circular No. C. 3785/26 dated 3rd November 1926 and No. C. 6358/28 dated 19th January 1929 societies have been advised to advance loans to members on the pledge of standing as well as harvested crops. The Townsend Committee on Co-operation examined this subject and recommended that "loans on the security of harvested crops should be granted freely but only on crops actually grown by the borrower. They should not be granted unless loans for the cultivation of that crop have been repaid. There should be an adequate margin in the value of the crop which should be secured by the panchayat." The object is to enable ryots to obtain the maximum return from their cultivation and to execute any intermediaries whose profits are out of proportion to the services they render.

2. The Committee states that a borrower should not be given a loan on the security of harvested crop unless the first loan taken by him for the cultivation of that crop is repaid. The Registrar is of opinion that a member who takes a loan on the standing crops must either repay the loan obtained for the cultivation of the crop at the harvest or deposit the grain. If he deposits the grain he should be eligible for a loan not exceeding 60 per cent of the value of the grain pledged. This loan may therefore be either a new loan or an extension of the cultivation loan. The Government agree with the Registrar in this view and societies are advised to develop this line of business.

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

To

Deputy Registrars, Sub-Deputy Registrars including training institutes.
The Madras Journal of Co-operation.
Andhra Sahakara Sammelanam.
District Federations
Tamil Nadu Federation
Registrars of Burma, Cochin and Pudukottah.

XVIII

SUBJECT :—*By-laws—Model—Unlimited liability societies—amendment* (*No. R. Dis. B.* 5752/29 *dated* 13-12-29.)

It has been laid down in by-law 32 of Agricultural Primary Societies that a meeting of the general body may be convened whenever necessary for the conduct of business by the Panchayatdars. From the discussion the Registrar had with a number of ryots in the course of his tours, it has become quite clear that many of the members knew little of their society. It was discovered that when the objects and methods, of the reason for every provision and of the source and destination of its funds etc., were explained, it awakened a lively interest in them and a desire to try again to make their societies a success. There should be a constant genuine interest in a society among its members. At present a sense of orporate existence in the society is generally lacking. The members merely look to the society as an institution from which they borrow when they can and to which they repay when they must. The members in too many cases take no further heed for their society. It is therefore recommended that weekly meetings may be held on a fixed day at a stated hour. This will obviate the necessity for issuing notices for each meeting separately. At each such meeting there will no doubt be little business to transact, but the Secretary can explain what loans and repayments there have been since the last meeting and the members can get to know more of the society and its ways and ideals, while in the small town societies they would get to know each other and this is quite essential in many of the societies. If such meetings are conducted in an orderly manner, they would take only about a quarter of an hour and certainly, at least in the villages, the members can rarely complain that it is a hardship to meet in their society when they would otherwise have been sitting about gossiping. No expense need be involved.

The Registrar therefore suggests the following amendment to the model by-laws.

By-law 62.—" A meeting of the general body of the members may be convened every week on a fixed day, at a stated hour and may be covened at any other time, if necessary, for the conduct of particular business, by the panchayat. The panchayat shall convene a general meeting at the request of 15 or more members or at the instance of the Registrar or of a member of the Governing Body specially deputed by a resolution of the union to which the society is affiliated.

The following consequential amendment to model by-law 35 will be made.

By-law 35.—" No notice will ordinarily be given to members of the weekly general meetings but days' notice shall be given of other meetings called for a particular purpose and only in the case of a meeting specially called by a notice will it be necessary to state the business which is to come before the meeting.

(By Order.)

T. R. RANGANATHAN,

Ag. Manager.

To

All Deputy Registrars, Sub Deputy Registrars, Central Banks, District Federations, Unions—Societies.
The Andhra Sahakara Sammelanam.
The Provincial Co-operative Union (Madras Journal of Co-operation)
The Tamil Nadu Federation.
The Kannada Sahakari.
The Registrars, Pudukottah, Burma and Cochin.

XIX

SUBJECT:—*Inspectors—Junior—passing of book-keeping examination.*
(Circular dated 19-12-'29.)

All Junior Inspectors who have not passed the Book-keeping test should be sent to a special class at the Training Institutes for a month's instruction in Book-keeping immediately prior to the Government Technical Examination in Book-keeping. Provision should be made for this in the audit programme. This will involve some delay in the interim audit and will imply that no Inspectors can be employed on other duties, or example, collection work, but on the other hand the time spent will have to be made up by extra work during the remainder of the year and during this month the audit staff should be supplemented from the administrative staff up to its full extent.

2. This does not apply to Inspectors who have already attended or are attending the training classes or to those who are marked down to attend the next course.

3. No joining time can be given on account of any transfer involved in such arrangements. The training classes will be the temporary headquarters of these inspectors undergoing these courses.

4. The Superintendents of the training classes will make necessary arrangements to hold the special class in book-keeping.

(By Order)

T. R. RANGANATHAN,

Ag. Manager.

To

All the Deputy Registrars and Sub-Deputy Registrars.
Copy to the Provincial Co-operative Union.
" Secretary, Co-operative Institute, Coimbatore,
Vellore, Anantapur, Bezwada, Tanjore and Rajahmundry.

Circular of the Deputy Registrar, Madras.

SUBJECT :—*The City Training Classes.* (*Circular dated 10-1-'30*).

The attention of all the societies in the city is drawn to the circular C. P. No. 6 dated 5-1-30 of the Honorary Joint Secretary of the Provincial Co-operative Union regarding, the panchayatdars Training Classes and they are requested to interest themselves in the proposed classes and make them a success. That the classes and the majic lantern exhibitions will have an immense educative value cannnt be gainsaid. It is hoped that all the Co-operators will avail themselves of this splendid opportunity.

(By Order.)
MANAVALA NAIDU,
Head Clerk.

PARA 2 OF CIRCULAR NO. B. 3220/29 D. 2-8-29.*

SUBJECT :—*Liability registers—maintenance of—*

* * * *

2. The liability ledger is again another important register to be maintained under rule VII (a) by all credit societies.

It shows at one glance the total indebtedness of each member both directly and as surety. And if this is not maintained as and when loans are disbursed or recovered, it will not be possible to ascertain readily what credit has been allowed to each member in the society and how much he is eligible for on any given date.

It shows also to what extent there have been adjustments of new loans sanctioned against old loans due.

The Registrar considers that all supervising authorities should see that this ledger is maintained.

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

To

All Federations.

Copy to all Deputy Registrars who are requested to see that full attention is given to these suggestions and to keep themselves informed by fortnightly reports or otherwise of the progress made in both cases.

Copy to all Assistant Registrars.

Copy to Registrar's file.

* Appendix to Circular No. X on page 1 of this Supplement.

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Do	" 10	0	2	0
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Index Chart of Fixed Deposit Repayments		0	12	0
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Do. ...	30 "	0	4	0
Do. ...	40 "	0	6	0
Do. ...	50 "	0	7	0
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General current register... ...	4 "	4	8	0
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Do. English ...	4 „	3	0	0
Loan Ledger (Tamil or Telugu) ...	2 „	2	4	0
Do. English D.C.B. ...	4 „	3	0	0
Liability Register, (Eng., Tamil or Tel.) ...	2 „	1	12	0
General Ledger English	2 „	2	4	0
Overdue Loan Register Tamil or English	2 „	2	8	0
Averja Book (Statement of Receipts and Disbursements) Tamil	1 „	0	10	0
Fixed Deposit Ledger (Eng. Tam. or Tel.)...	2 „	2	4	0
Current and Savings Deposit Ledger Eng.	2 „	2	4	0
Recurring Deposit Ledger „ ...	2 „	2	4	0
Stock Book of forms and furniture „ ...	2 „	3	4	0
Property Statement Book revised (Tamil or Tel.)	1 „	0	10	0
Receipt Books, Tamil or Telugu with counterfoil	...100 pages	0	6	0
Do.	... 200 „	0	12	0
Do. English with Duplicate	... 100 „	0	8	0
Pass Book, Tamil or Telugu ...	each	0	1	0
„ English	„	0	2	0
File Book Foolscap size	„	0	6	0
Index Register	„	0	8	0
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Forms for Co-operative Societies.

		Rs.	A.	P.
Applications for admission and share ...	per doz.	0	1	0
	„ 100	0	8	0
Do. Tamil, ...	„ doz.	0	1	0
Application for Loan Tamil ...	„ 100	0	8	0
Do. Do.				

Forms—*Continued.*

		Rs.	A.	P.
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Do.	„ 100	1	0	0
Promissory Note form English ...	„ doz.	0	1	0
Do.	„ 100	0	8	0
Arbitration B I form (Tamil) ...	„ doz.	0	2	0
Do.	„ 100	1	0	0
Execution forms, (English, or Tamil)	each	0	0	3
Mortgage Bond, Single sheet (Tamil or Tel)	Dozen	0	4	0
Do. ...	100	2	0	0
Mortgage Bond forms, Double Sheet, Do. ...	Dozen	0	8	0
Do. ...	100	4	0	0
Loan application forms from Societies to A. R. Tamil	each	0	0	6
Application for extension of loan (Tamil)	„	0	0	3
Loan application, Short Term Do. Tamil	„	0	0	3
Notice Card to Members Tamil ...	per 100	0	8	0
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Reserve Fund Register ...	2 „	2	8	0
Register of Inspection of Affiliated societies.	2 „	2	8	0
Register of loan applications from societies.	2 „	2	8	0
Admission Register of affiliated societies ...	1 „	1	12	0
Fixed Deposit Register	2 „	2	8	0
Attendance Register of Governing Body Members	½ „	0	4	0