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Editorial Notes.

GREETINGS TO OUR READERS.

We wish all our readers, present and prospective, a happy new year.

The world is passing through a severe economic crisis which appears to be even worse than that which we had experienced during the course of the World War or immediately after that and we hope that the year 1931 will make its own contribution to the solution of the great problems that confront mankind.

We hope that all the old abuses however sanctified by age would disappear and give place to "sweeter manners and purer laws." The ancient form of "party strife, false pride in place and blood", "the narrowing lust of gold" and other evils so pathetically mourned over by the poet are still in existence and in full vigour. It is our duty as co-operators "to ring out the darkness of the land" and ring in "the common love of good" and "the thousand years of peace."

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WELCOME TO BANKING EXPERTS.

We extend a hearty welcome to the Bankers who have come from foreign countries to assist the Indian Central Banking Enquiry Committee. During their brief stay in Madras, they evinced genuine interest in the progress and future development of the Co-operative

Movement in India. We are delighted to find among them Mr. McDougall, the British Co-operative expert and Dr. Frederich, the German Co-operative expert. We hope official and non-official co-operators in various provinces will afford them ample opportunities to study the movement and get firsthand knowledge of Indian conditions and note for themselves our merits as well as defects. Whether their voice in the matter of expert advice is ultimate or penultimate—a question on which some discussion was raised—we hope that they will be able to make a lasting contribution to the development of a sound system of Rural Finance in India.

The foreign experts' task in India, so far as co-operation is concerned, has, in our opinion, been rendered somewhat difficult by the attitude adopted by the Managing Governor of the Imperial Bank. His evidence before the Central Banking Committee has rudely shaken the faith of the average Indian Co-operator in British Commercial Banking experts in India and we hope that the foreign bankers will so deal with the problem of Rural Finance as to rehabilitate the faith of India's Co-operators in world banking experts. Most Indian Co-operators are laymen. To their mind it is clear that the Indian agriculturist is unable to raise capital and credit by his individual effort on account of lack of tangible assets on the security of which ordinary commercial banks will advance loans to individuals. At the same time, it is equally clear to their understanding that what agriculturists are unable to attempt individually, they are able to achieve collectively through co-operative credit institutions. Again, it is clear to them that federation of primary societies into central co-operative banks, and of the latter into provincial apex banks, served to further strengthen the process of collective co-operative endeavour to obtain capital and credit on reasonable terms. Co-operators always welcome well-meant criticism and are ready to profit by expert advice and guidance in regard to the best way of working these institutions and purging them of the unbusinesslike methods that may have crept into them owing to lack of expert banking knowledge on the part of those who run them.

But what is so plain and simple to laymen has strangely befogged the vision of the Grand Moghul of the Indian Banking world. The orthodox British banking and commercial views on Indian Rural Finance are greatly clouded by two traditional beliefs, one in the hoarding habit of the peasant and the untold wealth [illegible] has thus accumulated and the other in the absence of thrift and prevalence of extravagance

on his part. So, the true remedy for the Indian peasants' financial malady lay in the opinion of that preeminent local expert in the teeming agriculturists of India bringing to the Imperial Bank's counter their gold ornaments and raising the necessary credit on their pledge. Most co-operators who have an intimate knowledge of rural economy are inclined to look upon the assertion of widespread extravagance on the part of a heavily indebted and poor peasantry as being itself extravagant. Even a unanimous recommendation of the Indian Central Committee under the guidance of the Imperial Bank and the foreign experts cannot possibly unfold the vast potentialities of thrift to the overwhelming proportion of Indian Agriculturists whose pockets are absolutely empty. We venture to doubt if the advocates of the theories of hoarding and of wasteful extravagance do not contradict themselves. If there is an untold hoarding of gold and silver, how came it about without thrift?

It is, therefore, our earnest hope that in trying to get local colouring the foreign experts will bring to bear a fresh mind on Indian Rural Finance and will not be overwhelmed by the orthodox British Banking opinion in India.

WOMEN AND CO-OPERATION.

In recent times women all over the world are attempting to play their own legitimate part in all the activities of the nation and it is time they turn their attention in this land to co-operation in particular of all the movements that work for the regeneration of the nation. We have women members in Municipalities and Local Boards, in Legislative Councils and Senates of Universities and His Majesty's Government have invited two ladies from India as delegates to the Round Table Conference. It cannot be said of our women that they are backward in any movement. The disabilities they have been labouring under for ages are slowly disappearing and even in this province where the old traditions are carefully preserved, the woman is coming forward to take her legitimate part in the broader fields of national life.

In Madras, except amongst a small fraction of the population, women are absolutely free and observe no Pardah system. Our women are comparatively better educated than in some backward provinces. It is time that our sisters recognise the tremendous potentialities of the co-operative movement and come forward in larger numbers to take a more active part in the working of the co-operative societies.

In western countries where Consumers' Co-operation has taken deep root, the woman is a mighty force, as she controls the purchasing power of the family and the success of the Consumers' Movement is almost entirely due to the loyalty to the Stores evinced by the 'Woman with the Basket.' Our readers would be interested to know that in highly industrialised western countries there is a movement afoot to induce ladies to go back to villages or to retain them there and institutions known as "Country Women Association" have been organised in most of the countries with the object of giving to the country women the amenities of city life and to make her enjoy in her own farm and rural surroundings as much of the advantages of the modern civilisation as possible. In India women can play a very important part in strengthening the Consumers' Movement. If as a result of propaganda amongst men, a co-operative store is started in a locality, it is the women of the household that often prove a stumbling block and once their enthusiasm is roused and enlisted on the side of Co-operative Stores' Movement, which remain exotic on the soil, it is sure to take root and flourish, as it has done elsewhere.

It is true that in certain rural societies and urban societies also some women are members and they obtain credit facilities which they require. But in majority of cases the woman is blissfully ignorant of co-operative societies and their working and thinks her duty ended with lodging a complaint to her husband, in case the household lacks anything, especially money. We do not advocate that women should be recruited in larger numbers to rural credit societies. But there is one characteristic of our women deeply ingrained in them and we want our co-operators to think seriously as to how this peculiar trait of our women can be utilised for furthering the co-operative movement in the land.

Rightly or wrongly, our women have a reputation as being extraordinarily fond of jewels and economists say that India consumes more gold and silver than any other country and a good deal of it is withdrawn from circulation and converted into jewels. The mania for jewels so often noticed by western critics is not a meaningless vanity, but is based upon a sound economic sense rooted in the natural instinct for self-preservation. In most of the Indian families the joint family system is prevalent. The lot of the woman who is so unfortunate as to become a widow is very pitiable, and if during the life time of her husband, she is able to convert a portion of the income into jewels, it serves as a sort of investment to her and the proverb only expresses the experience of the nation when

it says "that which you got as an ornament will serve you in times of need" (அழகிற்குபூட்டிக்கொண்டது ஆபத்திற்குதவும்). This tendency to save has to be harnessed to the co-operative movement and it can be done by educating our women to the advantages they derive by becoming members of Thrift Societies where they will be given facilities for saving and the savings so effected could be collected and made to grow and there would be no danger of someone knocking away their hard earned savings. They may also be taught to convert their small savings into Thrift Certificates such as those issued by the Madras District Co-operative Central Bank Ltd., on the occasion of the International Co-operators' Day Celebration in November last. The co-operative society may also try the experiment of furnishing the members with small homesafes for making deposits and by collecting these small amounts once a month or once a quarter, as the case may be, and issuing Thrift Certificates to the value of sums so collected.

In order to bring about real awakening amongst our women and in order to make them take a live interest in the co-operative movement, there must be a good deal of propaganda done. The Punjab has recongnised the wisdom and the need for such a step and appointed Lady Inspectors in the Co-operative Department. Madras does not lag behind the Punjab in the matter of women education, and we can easily train our numerous women graduates and under-graduates to do propaganda work amongst the masses of our women and to harness them all to the cause of co-operation. We commend this policy of appointing women officers and enlisting women workers to the non-officials, to the Department and to the leaders of co-operation in this province. This is our New Year's Gift to them.

APPEAL FOR HELP BY THE CITY CO-OPERATORS.

When we published an appeal from our co-operative brethren of Tanjore and drew the attention of our numerous readers by means of an editorial note thereupon, we never dreamt that we in Madras would be reduced to the same condition and would be forced to send an appeal ourselves. But mysterious are the ways of Providence and a severe cyclone blew over the city of Madras and created tremendous havoc. For three days the city was practically isolated; telephone and telegraphic wires were in many places cut off; tr... that have been standing for years were uprooted in hun... her tram traffic was brought to a standstill; and the river would over-flew its shallow banks. As a result of this ...al problem ...ole, realising elements, many cheries or slums, wherein the poorest of the poor live, have been very seriously affected.

It is only when a disaster like this occurs and the black-coated gentry go to the affected places and see for themselves, the apalling poverty of the masses is forcibly brought to public notice. Small thatched huts with low, mud walls which would be considered too bad for dogs and pigs elsewhere, are sometimes sub-divided into smaller rooms and each portion is occupied by a whole family. Most of the people lead a literally hand-to-mouth existence and have nothing to fall back upon. When such people are affected, the distress becomes unbearable.

We understand that about 3000 huts have collapsed and estimating very cautiously the cost of reconstruction with mud walls and thatched roofs would come to about Rs. 50,000 assigning on an average Rs. 15 per hut. The Corporation authorities and the Humanitarian League of Sowcarpet undertook to feed most of these destitute people for one or two days. The Labour Union is doing its best, the Servants of India Society is attempting to collect subscriptions from the charitable gentry and afford relief to the deserving poor. With this noble band of selfless workers have joined the Co-operators of Madras under the able leadership of Mr. V. Ramadas Pantulu. They held a meeting under the auspices of the Madras Provincial Co-operative Union and have formed an influential committee, whose appeal we print elsewhere. It is the object of this committee not to give indiscriminate charity, but to see how far co-operation can be utilised to afford relief to such of the poor people as have some earning capacity: They would make use of the existing co-operative machinery to afford them the necessary relief by advancing loans. But to those who are utterly incapable of laying by anything with a view to make repayments, not because they are unwilling but because they are unable to do so, the co-operators of Madras want to make out-right gifts. We commend their appeal to the charitable gentry and hope there will be encouraging response to this appeal made on behalf of a highly deserving cause.

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OPERATIVE YEES— IAL.

The non-official Co-operative employees of Tanjore deserve to be congratulated on the fact that in spite of the havoc committed by recent floods they have been able to command sufficient enthusiasm and public spirit and for holding their second conference.

They were also exceptionally lucky in getting Mr. T. Audinarayana Chettiar as their President. We have published elsewhere some extracts from Mr. Chettiar's address.

Our readers will find that in the portion we have extracted the President lays great emphasis upon the need for non-official employees organising themselves first in the district and then in the Province as a whole with their own official organ for giving vent to their grievences and for holding them all together. He also gives a lucid account of the actual work done by the District Bank of Salem under his own presidency and the inspiring leadership of Dewan Bahadur R. Ramachandra Rao.

We are not at all surprised to note that in spite of very adverse climatic conditions and crop situation and the general economic depression, the movement has been able to spread in certain selected areas of the Salem district where intensive work was done. We hope that other District Banks will take into consideration all these facts and though everywhere the cry is for rectification and consolidation, they would never altogether neglect well-planned expansion which also must be attended to, if the Movement is to be living and growing; otherwise a sort of atrophy will set in.

The important point in the whole address is the responsibility of the district bank to finance the whole system, a responsibility which many district banks are unable to realise and unwilling to act upon. Some district banks think that their responsibility to the movement is at an end by financing primary societies and that they are not ultimately concerned with the welfare of the villager. That co-operation is the most powerful agent for the village uplift both economically and otherwise and that the ultimate responsibility for using this instrument efficiently and effectively rests upon the district banks was brought home to Salem by Dewan Bahadur R. Ramachandra Rao, and we are glad to note that the lesson is being well learned and the experiment is being successfully tried.

When district Banks accept the conditions of the subvention scheme mooted by the M.C.U.B. they will utilise the resources available not merely for appointing new agents for reducing overdues and speeding up collections, but they will appoint men, actuated, as Mr. Chettiar points out, by service motive, men with higher educational qualifications and breadth of outlook, men who would become real village guides, and who will envisage the rural problem as one and indivisible and work for rural uplift as a whole, realising the supreme and significant position held by co-operation in that field.

We commend this address to the attentive persual of the non-official employees and offer our hearty felicitations to Mr. Chettiar for sounding such a clear note both to the employees and to the employers.

TRUTH STRANGER THAN FICTION.

It is well known that one of the important advantages of running the consumers' store in a proper way is to create capital for furthering economic activities. It has been humorously remarked that a person can "eat himself into a house" that is, continue to be loyal to the co-operative store and purchase all his materials from that institution and the rebate upon purchases called dividend or 'divi' in England accumalates in course of years to a respectable figure, so that he can be the proud owner of a small house himself. The following extract is taken from the "Manchester Co-operative News" where it is published as a part of propaganda literature issued by one of the co-operative societies in England:—

> "Ten years ago a man joined a society under free admission. He traded and allowed the dividend to accumulate—forgotten. Thrown upon the industrial scrap heap some weeks ago, as the result of old age, his rainy day arrived. Where to borrow £5? He timidly made application to our office for a loan. He never remembered having a pass book, and was even unaware of his share number. Imagine his surprise upon discovering that his dividend and interest had reached the amazing total of £ 78-3-9. His excitement was so great that he was unable to draw the required amount 'until after he had told the missus'".

AGRICULTURAL MARKETING.

We invite the special attention of our readers to the summaries of four lectures delivered by Mr. K. C. Ramakrishnan of the Economics Department of the Madras University on Agricultural Marketing. Mr. Ramakrishnan has dealt with the subject with characteristic thoroughness. Those who have known him intimately know that he has a wonderful knack of mastering details and presenting them in an easily understandable and attractive manner and these summaries though brief and bald still bear ample testimony to the mastery which Mr. Ramakrishnan has over his subject. We are concerned most especially with the last lecture wherein he discusses how far

co-operation can play its part in agricultural marketing. We have published them at the request of the author, who is anxious to get as much of intelligent and constructive criticism as possible.

Elsewhere would be found the second article on Agricultural Marketing by Mr. C. Gopala Menon who tackles the problem from the business point of view. We hope our readers will go through both of these contributions carefully and offer constructive criticism which would always be welcomed by this journal.

CRUEL TO BE KIND.

The administrative policy of some great men as Oliver Cromwell in England, has been often characterised as "Cruel to be kind." The loving mother has sometimes to incur the displeasure of the child by forcing unpleasant medicine down the throat, and the surgeon with the best of intentions has to lop off a diseased limb to prevent the rot from spreading to other parts of the organism. The propriety of any drastic action taken by any officer has therefore to be judged only with reference to the ultimate object he has in view.

We therefore welcome the policy enunciated by the present Registrar in cutting down the profits of district banks and carrying them over to a bad debt fund or to the reserve fund over and above the statutory fourth. The central banks have been following a policy of drift and not feeling concerned over the real state of affairs in the constitutent societies. It is well known how the net profit available to be declared as dividend is affected by the nature of assets shown as good, and often, debts which are admittedly bad or doubtful are usually treated as good.

This has been going on for years till at last we have almost come to a crisis in some areas and the Registrar has not applied the pruning knife a day too early. He has recommended the reduction of profits in certain district banks and this step, we hope, will open the eyes of the depositors and share-holders and make them realise the gravity of the actual situation in the primary banks and the economic condition of individual members who form the bed-rock upon which the whole structure is built. Hitherto they have been consoling themselves that so long as they get their 9 per cent dividend, things must be going on quite alright with District Banks. "Registrar is in his office and all is right with the banks" was their attitude and we feel no doubt the investing public will be grateful for his move in the right direction to safeguard their interests. We hope that this step taken by the Registrar will be viewed in the spirit in which it has been taken, that is, one of sympathy and desire for help and not of mere exercise of statutory or arbitrary powers.

The Anantapur Dt. Co-operative Central Bank was one of the banks dealt with by the Registrar in this manner. At the Bank's General Body Meeting held on 20th December last, the Registrar made a speech and we extract below the relevant portion of the speech, in which he justifies his action in cutting off dividends:

"I think you are all aware by this time that all is not well with the co-operative movement in this district. I have certainly done my best to bring that home to you by taking my sharpest weapon "to stab your spirit broad awake." I have cut off your dividend and I believe some of you are very dissatisfied over this and wish me to reconsider the decision. Now in the first place, I see nothing the least remarkable in a Bank in this District passing a dividend at this time. You are here as bankers in one of the poorest districts of the Presidency and at the end—and I hope it is the end— of 8 bad seasons. Your overdues—perhaps inevitably—have been mounting up and in last year, which agriculturally was rather better than some of its predecessors, your directors have not been able to check the rake's progress. *Prima facie* it seems to me that it was absurd to go on declaring dividends in these bad times. You ought, in my opinion, to have begun laying by a Reserve for bad debts long ago. After all, dividends are profits and people have no right to expect profits in bad times. It would be a different matter if it were a case of not being able to pay interest on deposits. Mercifully, we are still a long way from that stage; but in my opinion we would come to it if stringent steps are not taken now. You had 8 lakhs overdue at the end of 1929-30 out of a demand of 13 lakhs under principal and Rs. 20,000 out of 1,40,043 under interest, that, is 61 per cent and 14 per cent. Of the 8 lakhs principal, over 2 lakhs were overdue for more than 5 years and of the 2 lakhs about 70,000 were overdue for eight years. Now I ask you as serious businessmen, do you honestly believe that in Anantapur district this 70,000 is going to be fully collected? Is the ryot here who needs a helping hand for his current finance—to pay for his ordinary yearly cultivation expenses, to replace his bulls, and marry his daughters—is he going to be able to clear off the whole of the accumulated debt of 8 bad seasons? Personally I doubt it. Government have wiped off their dues in this district and I think you will have to do the same. I am not entirely depending on the general considerations. We examined the cases of some bad societies and in the audit report we mentioned four in which we thought the loss would be Rs. 16,000 as against your profit of Rs. 11,000. In addition there is Rs. 3, 521 which were shown as doubtful in previous year and which have not yet been written off. (Do any of you really pretend that you are going to recover—or rather that I am going to recover—Rs. 1,615 from the Anantapur Scavangers?) That makes Rs. 19,740 and other societies in which you are going to incur loss are constantly coming to light, *e. g.* only last night I learned for the first time of the case of Singannamala. My first point, therefore, is that assuming everything had been conducted perfectly, assuming that there were no benami loans and no misappropriations and no carelessness, this District Bank must face a certain amount of loss owing to the long spell of bad seasons.

2. And this brings me to my second point, that in my opinion everything has *not* been conducted properly. There have been benami loans, misappropriations, carelessness and slackness. To deal with the last point first, I am firmly convinced that proper action has not been taken to effect recoveries when they were possible. I have here with me a list of cases in which decrees were obtained by your Bank as long ago as 15th January 1929. In all these cases the execution of the decrees has in my opinion been unjustifiably delayed. In some of them execution proceedings have not been taken out. In others they have and it is possibly already too late. I consider that your directors have been to blame for delaying the execution of these decrees and that if they continue to administer your affairs in the same spirit there is little hope of recovery."

Rural Indebtedness and its Co-operative Remedy.

BY MR. V. RAMADAS PANTULU.

The co-operative credit movement in India owes its origin, mainly, if not solely, to the widespread belief in its efficacy to redeem agricultural indebtedness. The volume of rural debt, its steady increase from year to year, the ruinous terms on which it was generally contracted and the unproductive nature of the bulk of it, were naturally matters of great concern to the State as well as the people. No better solution of the problem could be found than to put the agriculturists' credit on a co-operative basis. If the Raiffeisan type of the rural credit society which we have installed in India had been properly managed and wisely used in the past, the expectations and hopes of the founders of the movement in India would have been largely realised. It must be conceded that to-day those expectations and hopes have, generally speaking, only been very partially realised and in certain localities have almost entirely failed. The reason for this does not lie in any defect or weakness inherent in the Movement, but in the use to which it is put and the manner in which the business of the rural credit institutions is conducted. It appears to me, with all respect, that the intentions and plans of the originators of the movement have been either largely lost sight of or substantially misunderstood by those to whose hands the working of the credit societies has been entrusted, both officials and non-officials. In order to illustrate my point, I shall on this occasion confine myself to a single aspect of the working of the Movement, namely, the extent to which Co-operative Credit has been used to redeem prior indebtedness.

Prior debt, carrying heavy rates of interest and, sometimes, other kinds of financial impositions in addition to interest, is undoubtedly a great handicap to the peasant and if it could be liquidated or replaced by a loan advanced on more humane terms, it will greatly conduce to his economic rehabilitation. But such rehabilitation is dependant on at least two conditions. For one thing, the peasant who is brought under the protective wings of the Co-operative Society shall learn the virtue of thrift and not lapse once more into his habit of contracting more unproductive debt; and secondly, his current financial requirements, which recur with each cultivation season, shall be adequately and promptly supplied by the credit society of

which he is a member and not by money-lenders on usurious terms. It must be remembered that, co-operatively speaking, discharge of prior debt is an unproductive purpose, although the difference in the amount of annual interest paid on the co-operative loan and that on the prior usurious loan goes to enhance to some extent the debtor's margin of annual savings. When most of the prior debt is itself unproductive, as it undoubtedly is, the unproductive character of the co-operative loan to discharge it becomes all the more pronounced. Coupled with this circumstance, when the current financial needs of the agriculturist are not derived from a co-operative source of credit and repaid from the harvest raised on such credit, further additions of usurious current debt to prior debt are inevitable, and with each such addition, the volume of unproductive debt grows.

The evidence that was tendered to the Townsend Committee and again to the Provincial Banking Enquiry Committee, in Madras, was almost unanimous to the effect that short term rural borrowings for seasonal purposes were effected on much more onorous terms regarding interest rates and collateral advantages to the creditor than long term borrowings on mortgage of land and other substantial securities. These short term usurious loans, which begin as hand-loans or loans on khata, when not punctually repaid develop into demand promissory note debts and after a few renewals of the notes with compound interest, often with annual rests, the accumulated debt becomes a pucca mortgage debt. The volume of these annual seasonal borrowings for current needs was never carefully estimated, but there can be no possible doubt about its huge magnitude, having regard to the fact that over 50 millions of acres of land are cultivated annually in this province by a peasantry which is mostly without reserve resources to draw upon for the cultivation expenses. The Madras Provincial Banking Enquiry Committee, while estimating the total indebtedness of this Province at Rs. 150 crores, calculates the volume of debt annually borrowed and repaid at about half that sum i. e. Rs. 75 crores. Whether the actual figures are accurate or not, the proportion that the annual seasonal borrowing bears to the total indebtedness is very significant. Nevertheless, the proportion of capital and credit supplied by co-operative credit institutions for the pursuit of agricultural industry proper is very small, almost negligible. It appears to me that the Co-operative Credit Movement would have fulfilled its purpose very much better if the rural credit societies had directed their activities to the supply of the floating and temporary capital on which not only unconcievable rates of interest are paid in money or kind, but to which some other exacting conditions are attached such as the sale of the produce to the creditor at much below the market price. Instead of adopting this course, in most areas in this province, undue emphasis was laid on the mere discharge of old debt. A co-operative loan advanced to repay prior debts must necessarily be of a much longer duration than that advanced for defraying the expenses of raising and harvesting the crop or for other productive purposes involving modest expenditure such as land-repair, purchase of manures or bulls or sinking small wells. The loan for 7 to 10 years to discharge prior debt and for other long term purposes has become an outstanding feature o the co-operative movement in many districts, while short term productive loans are almost entirely neglected. Loans for such long periods cannot safely be advanced on personal security or on the guarantee of sureties. The taking of real property securities, mostly mortgages of agricultural land, consequently became inevitable and was adopted, not in exceptional cases and sparingly but very widely. The co-operative character of the loan was thus obliterated and the necessity for members exercising mutual watch over each other's credit operations disappeared.

Notwithstanding these obviously unsound features, if in practice these long period loans really extricated the rural co-operator from the depths of his chronic debt and if the sums advanced to him and the periods allowed to him helped him to wipe out the old debt and repay the co-operative loan, say, at least in 10 annual instalments, then the foresight of the protogonists of this somewhat unforseen use of the credit society might have stood vindicated. But the punctual repayment of these long term loans has proved to be the exception and default has become the rule. The steady growth of overdues in these long period loans, the proportions such overdues have assumed to-day, the bitter experience of the difficulty in recovering them, specially in realising mortgage securities, the rapid increase in the number of references and suits against refractory debtors and the growing bulk of unexecuted awards and decrees are, I venture to say, irrefutable proofs of the utter failure of the experiment of redeeming substantial prior indebtedness by means of long period loans through rural credit societies. This unfortunate experiment has not merely failed but landed the Movement in an almost inextricable muddle. The normal functioning of many credit societies, perhaps 50 per cent or more of the total number, has ceased.

Those societies which committed serious default in their long term commitments have forfeited their claim to even short term finance to enable their members to carry on their daily avocations and productive occupations. The result is that the old unproductive debt is still there and for fresh productive credit the co-operative society is closed.

The credit dispensed by many rural societies has become absolutely frozen, though it may prove ultimately recoverable. As to ultimate recoverability of the entire outstanding loans of societies also, there is some genuine doubt. At least a fraction of such assets is definitely bad. The evaluation of securities and verifying of the titles by the panchayatdars of rural societies in advancing long term mortgage loans must be pronounced to be very unsatisfactory and it is mere self-deception to believe that all such long term mortgage loans are fully covered or well secured. Periodical valuation of land and demanding additional cover when the security has depreciated, is almost unheard of and must be very exceptional. In these circumstances, even such qualified fluidity as is associated with agricultural paper has disappeared and societies and central banks in this province are not now in a position to raise sufficient credit on the cover of their co-operative paper from commercial banks or even from the Provincial Co-operative Bank to adequately meet the financial needs of their members, when there is brisk demand for money as is the case at prevent. This deterioration in the liquidity, quality and value of co-operative paper will prove an almost insurmountable obstacle to linking up co-operative banking with the general banking system of the country and to utilise the machinery of the Reserve Bank, when it is set up, for the liberal supply of rural finance on the backing of sound short dated co-operative paper.

If co-operative credit has been diverted into the more fruitful channel of productive short term and intermediate credit, many of the misfits in the existing financial arrangements would also have been set right. If co-operative credit is dispensed during seasons of production and collected in seasons when the products are marketed, the busy seasons of the commercial banks and of co-poerative banks will not wholly synchronise and co-operative credit can be obtained with greater ease and on more facile terms. As it is, co-operative loans for purposes unconnected with propuction activities are disbursed throughout the year and demands are made on the central banks and the Provincial Bank even in seasons when, under a well-ordered economy, repayments should be coming into them. Even from the borrowers' point of view, the arrangement is un co-operative for collections are effected most vigorously, when debtors have nothing to pay out of. The Madras Registrar has drawn pointed attention to this feature of co-operative finance in these words: "I have had a series of graphs prepared showing collections, demand and overdues monthly for a number of years. These curves show what is reflected strongly in all of them that the work of co-operative societies is dominated not by harvests but by annual returns. * * * It is not ideal, for the nature of the business requires that demand and collection should both be made when it is most convenient for the ryots to pay, that is, in the month immediately following the harvest. At it is, there are great efforts in May and June followed by a great slump in July when every one turns and directs his attention to annual statistics and reports."

The more carefully the position is scrutinised the more convinced I feel about the unwisdom of persisting with those long period loans. I have examined the property statements of some credit societies and also made rough estimates of the indebtedness in the villages which are served by those societies. Even the total of the disclosed prior debts of the members was far lager in some cases than the aggregate maximum borrowing power of the society itself. How in such cases the credit society could ever attempt to liquidate prior debt, it is impossible to see. If the whole of the society's maximum borrowing power is absorbed in this form of unproductive financial accommodation, then nothing will be left for it to borrow against for the current productive credit needs of its members. The irrationality of such a scheme is patent. Nevertheless, one Central Bank has solemnly recorded in its latest administration report that a number of societies in its banking area have been closed down consequent on the discontinuance of 10 year loans as if the villagers there have no use for short term co-operative credit. If there is any truth in this statement, conditions of agricultural industry in that area must be ideal, and people should have no need to borrow for any current needs while they are under perpetual necessity to borrow for 10 years. This is not merely incredible but manifestly absurd. So much from the rural borrower's point of view. From the Financial Bank's point of view also, I consider thatthe position is grave to-day. The resources of these banks are almost entirely derived from short term deposits of one to three years' duration. If these sums are lent out for much longer periods than 3 years, there will be a real danger of the banks being unable to meet their

depositors' claims, when the deposits mature. The flow of deposits does not now follow the old course. With numerous forms of new investments now open to the public, such as attractive Government Securities, Treasury Bills, Postal Cash Certificates, Municipal and Port Trust Bonds, Stocks and Bonds of Electric Supply Corporations and Land Mortgage and Industrial Debentures, the deposits are more volatile and the outflow and inflow do not so synchronise as to keep the net inflow perennial. Moreover, assuming that deposits are maintained at a constant level, even then, unless the repayments to the banks are also maintained at a fairly constant level, the banks' calculation of their ability to meet their creditors' demands in time will surely go wrong. Already in some Central Banks the difficulty is being experienced owing to the paucity of repayments in due time. In times of depression, as at present, the situation is bound to become grave.

I am, therefore, definitely of opinion that the system of advancing long term loans through rural credit societies to discharge prior debts and for other long term purposes should be definitely abandoned once for all. The most effective way of reducing rural indebtedness and bringing down the exhorbitant rates of interest at which rural finance is still secured, is to develop a sound system of productive, short and intermediate co-operative credit. Produce loans and co-operative marketing facilities will materially add to agricultural profits of producers. The development of land mortgage banks is the only solution for the provision of long term credit. The advantages of this course are thus set out by the Bombay Provincial Banking Enquiry Committee, and there will be few co-operators who will not agree with the Bombay Committee. Most of the other Provincial Committees also have expressed a similar view. The Bombay Committee says: "The principal difficulty in the way of providing facilities for long-term credit is that neither *sowcars* nor indigenous bankers, neither joint-stock nor co-operative banks, are prepared or are in a position to invest funds on the mortgage of lands and allow their finances to be locked up for long periods, the former because they find finance for marketing or current needs more remunerative, the latter because their own borrowing are generally on a short-term basis; and, further, none of the agencies is able to provide capital at a low rate of interest. The mortgage credit of agriculturists has, therefore, to be mobilised in a form which creates a marketable instrument in which the investing classes can put in their money with confidence. This instrument is the mortgage debenture, secured on mortgages of immoveable property, mainly in land, executed by borrowers. The advantages of this machinery are :—

(1) It establishes a standard system of land mortgage credit for agriculture.

(2) It affords to holders of agricultural land credit facilities for redeeming their lands from mortgage, for liquidating prior unsecured debts or for effecting permanent improvements, secured on the mortgage of their lands, at a reasonable rate of interest, in a standard and universally acceptable form and free from the risk of uncertainty of demand for repayment.

(3) It affords the necessary opportunity, by provision of credit facilities to individuals, to purchase and develop lands or bring under cultivation cultivable waste or fallow lands.

(4) It creates a standardised security for investment and opens up a channel for the safe investment of capital in the agricultural industry."

The question, how far rural credit societies can advance long term money for discharge of prior debts, was examined by all the Provincial Banking Enquiry Committees from the banking point of view. These Committees have come to the conclusion that rural credit societies cannot safely advance loans for more than three years or perhaps for five years at the most. The practically unanimous opinion of these expert Committees ought to carry considerable weight with Co-operators. I, therefore, extract below relevant passages, intimately bearing on the question, from the reports of the Provincial Banking Enquiry Committees. They ought to throw new light on debt redemption through co-operation.

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1. **Assam** :—" There is nothing in the shape of a debt-clearing bank for the province. The only organisations which deal specifically with the clearing of debts are the Land Mortgage Banks. Rural societies, however, do lend money for clearing off old debts, but the difficulty is that a rural society is not the proper vehicle for such loans, as the society depends mainly on short term deposits or on loans from the Central Bank. But we have noticed that the time for repayment of such loans taken by members of rural societies is frequently extended. We cannot, however, commend this practice."

2. **Bengal** :—" The only other financial agency for long term agricultural improvements is the co-operative society. But, the existing co-operative societies, whether central or primary, are quite unsuitable agencies for making long term advances. The period for which a loan may be granted depends, on the one hand, on the term for which deposits and other funds have been attracted by the credit institution for financing the loan, and, on the other hand, on the time required by the borrower for fulfilling the object for which the loan was incurred. For repayment of old debts and for agricultural improvements, funds have necessarily to be tied for a longer time than funds supplied for current needs. Unfortunately, the rural credit societies in Bengal have not yet succeeded in attracting sufficient deposits even for short terms, and they are absolutely dependent on the central banks to which they are affiliated for financing their members. The central banks also do not or cannot attract deposits at a remunerative rate for periods exceeding five years, and as such they cannot grant any appreciable amount of long term loans to rural societies. It appears from the replies to our special questionnaire to central banks that most of them grant loans to rural societies for the repayment of old debts or for other capital improvements for 3 years only, a few for five years and one alone for a period of 10 years. Thus practically the entire loan is intermediate. But there is no effective check against such loans being utilised for long-term purposes, leading inevitably to arrears in repayment and dislocation of work throughout. Thus when a member of a rural society defaults, as he must, the society fails to pay its *kists* to the central bank, thereby rendering even the work of short term credit more difficult. Hence the necessity of having special land mortgage banks is becoming more and more accute."

3. ***Bihar and Orissa** :—" A conservative attitude towards long term assets was desirable in the earlier stages of the Movement, and this was in effect enjoined by the Registrar's circular of 1915 This advised that loans for seed, food, cultivation expenses and the like should be repaid within one year from the next harvest, loans for purchase of live and dead-stock, house building, social ceremonies and repayment of small debts within two or three years, and loans for improvements, purchase of land, and repayment of big debts in four or five years. It was not till 1927 that fresh instructions were issued, when the heavy accumulation of arrears had made the revision of *kists* imperative. It was then laid down that all loans for which the period of repayment is in excess of two years should be classed

*The Bihar and Orissa scheme for a separate long term department in Central Banks was at one time propounded in Madras also, but, after careful examination, was definitely abandoned in favour of developing a system of land mortgage banks.

as long term, and for these the periods might run from two to ten years according to circumstances. The limit for the grant of long term loans in this sense was set at the total of (i) the Central Bank's paid up share capital, (ii) its own reserve, (iii) the primary societies' reserve excluding the portion held as shares in the Central Bank, and (iv) 25 per cent of the Central Bank's deposits.*

"Every effort should be made to get back the really short-term loans, i.e., those for cultivation and maintenance, on the year's harvest, and extension to a second year should only be allowed when the crop is markedly below the normal. This is essential, if, as we recommend later, the central banks are to attract cheap money from urban sources, when it is not required for moving the crops. Next should come the medium term loans for all other purposes than those definitely assigned to short or long term. For these medium term loans a period of two to five years appears suitable.

"Lastly, for improvements, purchase of land and repayment of debts other than very small ones, including the redemption of mortgaged land, the period should be fixed so as to admit of repayment from the profits accruing on the transaction for which the loan is taken. In accepting this business the central banks are already performing the function of land mortgage banks, and should profit by the experience derived from such institutions, if they are to continue to operate safely. The period should never be less than five years and might well be extended to fifteen years, and it would be desirable to arrange equated payments so as to cover both principal and interest. It may also be necessary to let these loans run for the first one or two years without any repayment whatever.

* * * *

"We feel that if the central banks are to be allowed to become, as they are somewhat rapidly tending to become, the main agency for supplying credit to the small agriculturist for debt clearance and improvement, **it is essential that the long term loan business should be kept clear of the other business; otherwise serious trouble may be ahead.** It will be specially necessary to do so if as seems inevitable the central banks will shortly be obliged to supplement their long term capital by raising debentures."

4. **Bombay** :—" With the introduction of co-operative credit, hopes were entertained that village societies, with the assistance of their central banks, might be able to provide finance on a long-term basis, and

* A similar recommendation was made by a special Committee in Madras, but it failed to work in practice.

it was the appreciation of this point of view that led to the approval by Government of the scheme of debentures put forward by the late Sir Vithaldas D. Thackersey when he promoted in 1911 the Bombay Central (now Provincial) Co-operative Bank. These debentures are secured by means of floating charges on the general assets of the Bank, consisting primarily of advances to registered co-operative societies. They bear interest at 4 per cent., payment of which is guaranteed by Government until the debentures are redeemed. The debentures issued amounted till last year to Rs. 7,80,000 out of a maximum of Rs. 20 laks prescribed under the arrangements and *the Bank was not able, after the outbreak of the War, to issue any further debentures and extend facilities for long term credit.* One of the main grounds of objection to village co-operative societies and central banks undertaking responsibilities in this direction is that their resources for long term finance are limited and can expand only if long-term deposits are attracted at high rates of interest which would in turn raise the lending rate unduly. It is felt that there is no machinery available for verifying titles, evaluating the security and getting documents executed. Moreover, no large amount can be advanced to a single individual, when the other members are also made responsible for his debts. The introduction of mortgage security also saps the sense of personal responsibility on which unlimited liability is based. For these reasons, the Provincial Bank and co-operators, official and non-official, have been forced to the conclusion that the ordinary system of co-operative credit is unsuitable for long-term finance."

5. **Burma** :—" For brevity we use the term crop-loan to represent loans which are expected to be paid back at next harvest. To prevent misconception we mention that crop-loans may be used for household or other expenses apart form cultivation ; the name relates to the period of the loans, not primarily to their purposes.

"By long-term loan we mean a loan which is not expected to be repaid within five years of being granted : by intermediate loan we mean a loan which is not expected to be repaid at the first harvest but is expected to be repaid within five years of being granted.

* * * *

Co-operative credit societies ostensibly lending only up to four years and chiefly for crop-loans, have often in the past lent where there was no prospect of repayment in four years or less, so that they were really giving long-term loans ; a considerable amount has been lent on these conditions and is now irrecoverable and accordingly such loans are no longer given.

* * * *

" The causes of the crisis (in the movement in Burma) were set out in the Calvert Committee's report. The immediate causes appear to us to have been (i) a neglect of fundamental banking principles in failure to confine loans to proper amounts and uses. (ii) a neglect, largely through a mistaken preference for mortgage security, of the co-operative principle of lending only as the character and capacity of the borrowers and their mutual contact and influence with and over one another justify, (iii) an insufficient connection with the commercial banking system of the country, and (iv) an excessive tenderness in dealing with members and societies that did not repay their loans. Other important defects of the societies were the practice of locking up capital in long-term loans...

" The whole Calvert Committee agreed, and we have also agreed that crop-loans should be the principal business of primary societies and that all loans should be more adequately controlled."

6. **Centrally Administered Areas**:—" Since the deposits both in the primary societies and their financing institutions are generally for short periods of time, it is desirable to restrict the scope of the ordinary credit society to short term credit which may include crop loans as well as loans given for not more than 2 to 3 years in special cases. Statistics relating to the amounts borrowed for various purposes from the co-operative credit societies show that short term credit, intermediate loans or long period loans are all mixed up together, making it impossible for a society to adopt a strict policy of recovery of its loans to members. Long term loans can be given safely and freely out of only long period deposits, and we have therefore recommended elsewhere the institution of separate land mortgage banks for long term credit. If this recommendation is accepted we are of opinion that the agricultural co-operative credit societies should not admit to membership anyone whose previous debts and encumbrances will require more than 6 years to be discharged, unless he enrolls himself as a member of a land mortgage bank."

7. **Central Provinces**:—" But unfortunately, as has been explained earlier in this Report, attempts were made to discharge prior debts by advances through the primary societies. This was a very natural mistake arising from the very laudable desire to relieve those cultivators who appeared to be most in need of financial assistance. But such action was bound under the circumstances, as has been already explained, to result, in the majority of cases, in accumulation of overdues. The amortisation of old debts was in any case beyond the capacity of the financial machinery of the co-operative credit movement. The machinery was new; those in whose hands it was placed required time to understand its mechanism, and to learn how to work it. They should have started slowly on the relatively simple business of short term seasonal

loans. It was courting failure to start off with an attempt to amortize debts through a financial machinery, incapable of long term business, operated by persons unskilled in its manipulation.

" It has now been generally recognised that the Central Banks cannot devote more than a very small percentage of their working capital to long term business.

" But in considering the difficulties of the movement it is necessary to remember that this attempt to discharge prior debts is undoubtedly responsible for a considerable portion of the overdues which have since accumulated."

8. **Madras**:—" To facilitate payment, it is possible in many cases to convert the debt into co-operative debt at a lower rate of interest allowing more lenient and more specific term of repayment. There is a section which can at 9⅜ per cent be repaid within five years. The ordinary credit society can deal with these. There are others which would be repaid in 15 or 20 years at 9 per cent if a land mortgage bank could be organised to finance these debts. Beyond that, there is a limit of debt which cannot be liquidated by granting a fresh loan at any rate of interest at which it is practicable to grant such loans."

9. **The Punjab**:—" The maximum period of loan in the ordinary credit society is three years. This is because the basis of all loans is personal security reinforced by sureties and the unlimited liability of all the members. At present sureties and members willingly undertake their respective obligations, because the period of loan is short enough to enable them to measure and control their extent. With a much longer period the position would be different, and mortgage security would be necessary. But there are objections to village societies dealing in this form of security, and in the Punjab these objections have always been regarded as so weighty that mortgages are rarely taken.

" It is clear, therefore, that there are serious difficulties in the way of a systematic clearance of debt through the agency of primary credit societies.

" The period of loan should not exceed five years and should at the same time be long enough to enable the member to repay it without serious difficulty. But no loan should be advanced unless there is sufficient reason to believe that it can be repaid from earnings within five years.

" Experiments should not be made where there is a mortgage bank, for we consider a mortgage bank much better fitted than a village society to make advances of this kind."

10. **The United Provinces**:—"The question of special requirements, chiefly for unproductive purposes and other long term loans, is more difficult. On the one hand, it is urged by some that unless the societies tackle the whole problem of indebtedness of the villagers from the start and help them in clearing off their outside debts, they must continue in their present dependence on the money-lender. On the other hand, it is pointed out that such attempts have been made more than once in the past and have invariably failed. In the early days of the movement, money was given freely for the redemption of outside debts and societies were encouraged to give money for ceremonial expenses, in the hope that they would thereby be able to exercise a check on them; in practice, however, it was found that the amount borrowed from the society was in addition to what was taken from the moneylender, and the result was an increase in unproductive debt. We therefore recommend that credit societies should not ordinarily give long term loans, or loans for unproductive purposes."

Agricultural Marketing.

NEED FOR IMPROVED MARKETING

(BY C. GOPAL MENON)

II

In the previous article I showed how the present system of agricultural marketing is deficient, and in the present and subsequent articles, I propose to show what steps should be taken to remedy these defects. As a member of the Madras Provincial Banking Enquiry Committee, I have had ample opportunities of studying this aspect of agricultural regeneration, having toured throughout the Presidency for finding out the marketing conditions for agricultural products. It is beyond doubt that India is one of the richest countries in the world in the matter of resources, but the material prosperity has been retarded by lack of roads and the consequent cost of bringing these resources to a marketable centre. It is not enough if the objects of our natural desire needed for our enjoyment should be produced, it should also be distributed for the profit of all concerned. It is in this second process, which is as essential as the first, that marketing assumes the greatest importance.

SEARCH FOR THE MARKET

In this process of production and distribution, intelligence plays a great part. It is he, who by greater intelligence produces a useful article more easily and economically than others, that becomes rich. But it is not enough if he produces it. Our ryot is one of the most dexterous agriculturists in the world, as a result of a long ancestry accustomed to till the ground and combat the frequent droughts that prevail. Being accustomed to destitution, scarcity of meals and the meerest cloth for clothing, his wants are few and he is able to give his labour for the meanest return: in fact, the cost of his labour is cheaper than the use of mechanical machinery. But his knowledge and the facilities he possesses for distributing the commodities produced is deficient and he does not possess the means to distribute them to advantage. He is too ignorant to find out where the commodities which he has produced are deficient and will be bought at a high price. Intelligence and shrewdness on the part of the producer are essential not only for producing commodities, but also for distributing them by an economic method of marketing. Economic progress has been achieved at least as much by developments in marketing, transporting etc. as by changes in a factory house or on the farm. For the purpose of attaining this progress, it is essential that in an organised concern, there should be men employed in marketing as in the so-called productive process. Agricultural marketing is mostly conducted at present through middlemen, and they advance money to the ryots long before the crop is harvested; a good portion of the value of the produce, therefore, goes to the middlemen. It is essential, therefore, to bring into existence a policy of organised marketing, which will not only secure to the agricultural producer a higher price for his enterprise, but to the consumer, a cheaper and more ample supply of home produced stuff.

Not only there should be provision for regulated markets, but also there should be improvement in communications. The difficulty of marketing is accentuated by want of improved rural communications, such as bridges, ferries, inland waterways and roads; the difference between the value of the produce at the ports and in the villages represent a large fraction of the total value and the purchaser makes a disproportionate allowance in the purchasing price for the cost of transport. Thus the producer loses a portion of his value of the produce. Now that a road development scheme is before the Government, it is hoped that greater attention will be paid to the opening of village roads in order to create improved methods of transport facilities, which tend to mitigate the severity of famines, and enable producers to transport articles produced at a great ease. What the United States Department of Agriculture says in this connection, is well worth our attention:

"Improved roads are not a luxury to be enjoyed if we have the means and put aside if we have not. The fact is that we lose more by not improving them; so that we may say that we pay for improved roads whether we have them or not, and we pay less if we have them than if we have not".

LINES OF IMPROVEMENT

The most essential thing, therefore, is to see that the main roads of the country are adequate. We are urgently in need of roads, not so much from the point of view of pleasure motoring, but from the point of view of agricultural and trade needs. It must be borne in mind, which is also a factor on which the Royal Commissioners on Agriculture have laid stress, that for a revival of Agriculture in India and the development of a great nation, wide organisation for

the marketing of agricultural produce is very necessary. In order to achieve this, a regular system of collection of loads from individual farms must be organised. It is essential that the producer must be free from the trouble of marketing. For this purpose, there should not only be a complete organisation of selling arrangements, but there should also be a programme for the improvement of rural roads.

There is another matter to which attention must be directed. Agriculturist as a rule does not know the prevailing market rates in marketing centres and he has to sell his produce at a disadvantage, the difference in weights and measures and often false weights and measures taking away a good portion of his value. It is, therefore, that the Provincial Banking Enquiry Committee in their report suggests that some system should be organised for disseminating to the rural parts prices of commodities prevailing at market centres.

A further difficulty is gradually cropping up in the interior by the local bodies levying heavy market cesses on agricultural produce, without regard to the prosperity of the agricultural class—say for instance, heavy market cesses on arecanuts in Malabar.

What is really wanted is to place the producer, who is an isolated economic unit, in a position of acquiring the power of collective bargaining through organisations created, such as public warehouses, loan and sale societies, and thus enable him to acquire a control over the sale of his produce. The right method for this purpose is to have business organisations, leading to wholesale business to handle the sale of important groups of agricultural commodities.

A FEW SUGGESTIONS

The moment the crop is harvested, the commodities harvested and sorted should be brought to the Loan and Sale Society or bonded warehouses, the management of which should find out ways and means to advance money on the pledge of the produce. These organisations, in their turn, should keep themselves in touch with the buyers and sell the produce, preferably at an auction, paying particular care to the purity and grading of the article. Another suggestion is as to the formation of pools, but the obstacle in the way of forming pools is want of knowledge of markets and requirements of the consumers' wants.

It is further necessary to set up a Central Bureau of Information in all districts and issue pamphlets in all vernaculars. The subject of rural economics should form the study of University Curriculam. Dissertations should be selected from subjects of rural nature. The Royal Commission on Agriculture has suggested that Government should employ an officer or officers for marketing of produce. Gradually assistance must be given to this officer by training more young men by the Economics Department of the University by the grant of liberal scholarships.

There is another matter to which attention must be directed for the carrying to success of the agricultural regeneration of the country. The cultivator should be assured of a real security of tenure; otherwise, the saving derived from improved marketing will go to the benefit of the landlord solely. A sound policy for the improvement of agriculture to the benefit of all connected with land must consist of credit facilities, organised marketing, and security of tenure. Unless the cultivator can feel assured of the rewards of his skill and labour bestowed on the land, no far-reaching schemes of credit and marketing facilities will be of any avail. With security of tenure a good cultivator will be encouraged to develop his land to the greatest possibilities, both as regards production of food and employment of labour.

The problem of marketing without setting up Central Selling Organisations by means of co-operative credit facilities is not easy of solution. There should be an organisation set up in every district to contract with the producer his output at a price bearing relationship to the prevailing retail price. It is only then that the producer can be relieved of all responsibility of marketing; it should be done by an agency and the co-operative selling agency can perform this work better than any other intermediary. With marketing and credit facilities, better means of transport and security of tenure, cost of production will be reduced with the ultimate advantage of lessening the price of materials to the consumer.

The next article will deal with the various forms of credit facilities now in existence and what further facilities must be created for the marketing of agricultural produce.

Co-operation and the Bombay Banking Enquiry Committee.

III

BY J. C. RYAN, M.A.,

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C. CENTRAL FINANCING ORGANISATIONS.

1. *The Provincial Bank.*—The Provincial Bank in Bombay is not only a bank of the central banks but also a central bank for a good part of the presidency financing 1375 societies through its 22 branches. The Bombay Banking Enquiry Committee consider that the ultimate policy of the Provincial Bank should be to evolve a banking union out of every one of its branches and itself serve as an apex bank for the province. This is in accordance with the recommendations of the Maclagan Committee, which considered that each of the major provinces should have an apex bank. But, whereas the Maclagan Committee wished the apex bank to "co-ordinate and control the working of central banks", the Bombay Committee entrust this work to a "small committee", consisting of one representative of the Co-operative Department, one of the Provincial Bank, three of central banks, and one of urban banks. They say that this small committee will work "under the ægis of the Provincial Bank." It is not easy to comprehend this. The small committee cannot be a committee of the Provincial Bank since the latter is given separate representation on it and since it includes the Co-operative Department which is excluded from the Provincial Bank. Then, what is meant by the small committee working under the ægis of the Provincial Bank? Is it merely meeting under its roof and at its expense? If the intention is to graft the "small committee" on the Provincial Bank and make it part and parcel of the constitution of the latter, the control of central banks may, no doubt, be said to be done under the auspices of the Provincial Bank. But in practice the decisions of the small committee, which are not acceptable to the Provincial Bank, will not be carried out. It is not practical to ask one body to decide and another which is constitutionally different from it to give effect to the decisions. Either the

small committee should be given a separate constitution and clothed with the necessary sanction to enforce its decisions, or, as the Maclagan Committee suggested, co-ordination and control should be set down definitely as part of the duties of the apex bank in the by-laws of the Provincial Bank itself. The latter course is certainly the better; for, as the Bombay Registrar observed in his last administration report, "it is hardly advisable to add to the number of intermediate institutions when a most efficient Provincial Bank is already there, on whose Board the Central Banks themselves have ample representation."

Another matter in the recommendation of the Bombay Committee about the "small committee" is that it should include one representative of urban banks. This is contrary to the view of the Maclagan Committee according to whom the apex bank, which directs provincial finance, should be "obliged to confine its dealings with co-operative institutions to central banks and leave to them the work of dealing with societies." The Maclagan Committee's view cannot be regarded as out of date. It ensures efficiency in central banking as well as a close observance of co-operative principles. It is sometimes urged that urban banks have needs almost entirely different from those of agricultural societies and should therefore have a central bank of their own. It is also indicated in support of this contention that the Schulze Banks in Germany have not joined the Raiffeisen Central Bank or the Central Banks of the Imperial Federation, but depend upon the Dresdner Bank (a joint-stock organisation) for depositing their surpluses and drawing their requirements. The true explanation for this state of things in Germany is not that it was more advantageous for urban banks to have their own central organisation, but rather the unfortunate misunderstanding between Raiffeisen and Schulze who thought that they were introducing fundamentally different organisations. In our country, where from the start it has been made clear that urban banks and agricultural societies belong to one and the same co-operative stock, urban banks of a district cannot have any serious objection to join with agricultural societies in the Central Bank of that district. Very often the period of abundance of the agricultural societies in a district coincides with the period of want of urban banks in that district and *vice versa*. If the urban banks join the central bank, the latter can balance the seasonal collections and needs of the agricultural societies with the seasonal wants and surpluses of

the urban banks, and both kinds of societies will be benefitted. If the urban banks desert the Central Bank and join the Provincial Bank, the Central Bank can pass its periodical surpluses to urban banks, and satisfy its periodical wants from the urban banks, only through the Provincial Bank, and the urban banks also can obtain their needs and transfer their surpluses to the Central Bank through the same round about method. It is clearly more economical and more efficient for the central bank and urban banks of a district to deal with one another direct than to deal through the Provincial Bank situated far away in the metropolis. Besides, even from the point of view of the Provincial Bank, it would be easier for it to balance the excess and want of central banks alone than to balance the funds of both central and urban banks. It would find the direction of provincial finance, too, easier when it has to deal with district units alone than when it consists of both district and urban units. Apparently, the Bombay Urban Banks stand on prestige and consider themselves too big institutions to associate with small agricultural societies. But they should remember that it is a principle of co-operation that the strong should help the weak. Their entry into central banks will not only make for the financial strength of the latter but also furnish them with better man-power.

2. *The Central Banks.*—There are now 19 central banks in Bombay. When the Banking Committee's recommendation that a Banking Union should be evolved out of every one of the present 22 branches of the Provincial Bank is given effect to, there will be 41 central banks in all. The existing central banks have already opened 26 branches, and the Committee want branches of central banks to be started in the different talukas. Forty-one central banks with a branch in each taluka will bring credit almost to the door of the primary societies. What is more, they will provide the societies with the cash facilities which are indispensable for encouraging deposits of members. Not only can a member get his loans from his society a day or two after he applies for them, but he can invest his savings freely with it without fear of delays in getting them back.

In Madras, we have only 31 Central Banks in all. The following figures for various provinces for 1927-28 will show how few central banks we have in proportion to primary societies :

Province.	No. of Central Banks.	No. of society members.	Proportion of central banks to societies.
Madras	31	11,944	1 for 385
Bombay	19 (22 branches)	3,744	1 „ 91
Bengal	110	15,568	1 „ 142
Bihar & Orissa ...	65	8,427	1 „ 130
United Provinces ...	70	5,862	1 „ 84
Punjab	118	28,695	1 „ 243
Central Provinces and Berar	36	3,892	1 „ 108

Though a few of our districts have more than one central bank, it has been practically decided here that "one district, one central bank" should be the rule. But, if it is not possible to multiply central banks, is it not advisable to develop branch banking? The Bombay Committee sum up the advantages of branch banking thus; (1) It will develop the business of the central banks; (2) it will bring the central banks into more direct touch with the societies: (3) it will enable central banks to arrange for the proper inspection of societies and to evolve a policy of finance suited to the varying demands of different tracts served by them; and (4) it will make of the branch bank a co-ordinating agency for various co-operative activities in the taluka. To these four advantages we may add two more: (1) branch-banking will minimise the difficulties and expenses of making remittances to and from central banks' head-quarters; and (2) it will furnish societies with cash resources in the shape of cash credits etc. on the strength of which they can harness every bit of spare money as deposits and convert themselves from mere lending agents of central banks into borrowing agents as well. This last advantage is of very great importance. It is sometimes alleged that the co-operative movement is driving away the sowcar only to replace him with urban capitalists and capitalistic institutions. There is much truth in this allegation; for, the funds of our central banks are mostly the funds of urban depositors and public institutions like the local bodies, Government Departments, etc. On 30-6-'29, they constituted 60·9 per cent of their working capital, while societies

deposits amounted to only 12 per cent. The figures for previous years are worse. The object of co-operative credit is not to find an outlet for the funds of the monied classes and institutions, but to collect the idle money of small men and make it available to them for productive employment. Until and unless central banks open branches, and assist societies to cast their nets wide to catch every bit of money in the villages before it is put to an unproductive use, they cannot escape the charge that they do not promote thrift in societies but only provide them with credit. Many successful village societies do not now endeavour to collect deposits because they do not command ready cash to repay them when demanded.

One objection against branch-banking would be that our 31 central banks are now disbursing to societies nearly 3 crores of rupees per year, which is only less than what is disbursed in two other provinces (Bombay and the Punjab), and that therefore we might rest on our laurels. This is, to say the least, puerile. But it might be urged in extenuation that we have had enough overdues with these 3 crores to think of disbursing more loans every year. The answer is that branch-banking is advocated not so much to supply more funds to the societies as to supply them with greater promptness. A common explanation of overdues in societies is that members refrain from repaying their dues to societies on the appointed dates because they fear that if they repay they cannot get the funds again in time when they are in need of them. The opening of branch-banks will remove this fear. What is more, the more direct touch which the branch will have with the societies will enable it to whip up collections where whipping is needed, grant extensions where extensions are deserved, and direct rectification or liquidation where these are the only remedies. The present system of maintaining piles of the histories of societies and more piles of the copies of their audit reports, both of which are probably seldom looked up except to satisfy inspecting officers as to whether they are maintained, may even be modified: for, the personal touch of the branch with the societies will be a more effective substitute. Benami loans, insufficient securities, deceased borrowers, negligent panchayatdars, inadequate supervision, etc., which are the chief causes for the overdues in societies, will be sooner detected and acted upon on account of the direct touch which the branches will have with their few societies. The present tendency seems to be for the central banks to take over the functions of the Federations. The central banks of South

Kanara and Malabar have done this temporarily and the central bank at Coimbatore has amended its by-laws for the purpose. Nothing can enable Central Banks to take timely action against defaulting societies as branch banks.

Another objection against branch banking might be that branches would involve the central banks in heavy expenditure. The Bombay Committee have indicated that branch banking will increase the business of central banks; so that, in the long run, the increased expenditure will be more than compensated. Even apart from this, are we now spending over much on our central banks? The following comparative statement of central banks for 1927-28 shows that the working expenses of our central banks are less than those of central banks in most other provinces both in proportion to working capital and in proportion to profits:—

Provinces.	Working Capital.	Net Profits.	Cost of Management.	Percentage of Col. 4 to 2.	Percentage of Col. 4 to 3.
1	2	3	4	5	6
	Rs.	Rs.	Rs.		
Madras ...	5,46,12,814	12,19,327	2,75,214	0·50	22·57
Bombay ...	2,47,52,361	3,73,125	2,16,161	0·87	57·93
Bengal ...	3,50,63,269	8,24,022	4,82,386	1·37	58·51
Bihar and Orissa..	2,07,05,778	4,35,521	4,75,271	2·29	109·13
United Provinces.	85,40,809	2,15,703	2,74,835	3·22	127·40
Punjab ...	6,76,56,086	6,51,272	2,96,265	0·43	[illegible]
Central P. & Berar	2,14,46,463	4,00,624	1,90,482	0·88	47·54

Indeed, from these figures, one gets the impression that the cost of management in Madras is deliberately kept down so as to enhance profits; to put it in other words, our central banks are run with eyes more on profits than on service. Profits are certainly to be striven after by Central Banks; for, if they work at a loss they will be failures as business concerns. But to strive after profits above everything else is to run the Central Banks on the lines of joint-stock banks. A joint stock bank exists for the "acquisition of gain" for its members; so that if its profits are low it will be adjudged a failure. A Co-operative

Central Bank, on the contrary, exists for "the satisfaction of the needs" of its members; so that, even if its profits are low, it can be declared a success if the extent to which it meets the wants of its members is considerable. Nay more, a Central Co-operative Bank which piles up profits but fails to render adequate service to its members should be pronounced a failure since it misses its object. Our Central Banks, therefore, need not dread branch banking as an unwise expenditure. It may be admitted that not all central banks will be able to start branches at once. But every district bank can lay it down as its definite policy to open a branch in every taluk, and the larger and stronger banks like those at Conjevaram, Madura, Coimbatore and Trichinopoly—to mention only a few—might begin giving effect to the policy almost immediately. The Coimbatore Central Urban Bank has already opened a branch at Ootacamund, though the motive for doing so seems to have been more the feeling that the Nilgiris District, which could not afford a Central Bank, should at least have a branch than the conviction that the Central Bank should serve its constituents.

3. *Central Banks and New Functions.*—An ambitious proposal made before the Bombay Banking Committee was that Central Banks might be entrusted with the work of managing sub-treasuries. The Committee decide the matter thus: "Though there is nothing inherently wrong in this proposal, we would desire Co-operative Banks to develop their own arrangements for agricultural finance and raise the efficiency of their own credit organisation before assuming heavy responsibilities in a field of activity which will not be directly helpful in bringing them into close touch with their real customers." While there can be no gainsaying the latter part of the Committee's finding, one cannot be so sure about its earlier part, viz., that there is nothing inherently wrong about the proposal. Not only is there no precedent elsewhere in the world of co-operative institutions managing public treasuries, but also such business would involve central banks in so extensive dealings *with* non-members and *for* a non-member (the State) as to lead them to ignore that their primary concern is to serve the interests of their members. Really, the suggestion is the result of looking upon co-operative banks as but an arm of the general banking movement of the land. But co-operative banks have a definite sphere of their own, and cannot go beyond it. It is the normal function of the ordinary banks to *assist the community at large* by undertaking all such banking business as is conducive to the development of commerce and industry. But such a wide

function cannot be undertaken by co-operative institutions. One of the distinctive features of a co-operative institution is that it exists for its members alone, and this distinction must be retained by Central Banks if they wish to style themselves 'co-operative' and enjoy the privileges allowed by the statute on that account.

It is strange that even eminent co-operators of our country fail to realize this fundamental difference between co-operative banking and general banking. Recently, representatives of the All-India Co-operative Institutes' Association, whom we would expect to guard the interests of co-operation jealously, requested the Central Banking Enquiry Committee "that a co-operative bank should be permitted to undertake all kinds of banking business including inland exchange business and that it should be allowed to lend money to all persons including non-members". In fairness to them, we shall concede that they made the suggestion for the well-being of co-operation. But its acceptance will remove the basic difference between ordinary banks and co-operative banks and set the two in competition with one another for the custom of non-members. Not only is co-operation averse to competition, but, when co-operative banks compete with joint-stock banks the latter will certainly protest against the Government helping the co-operative banks in this competition by exempting them from income-tax. The result will be that just as in England, at the instance of private traders, co-operative societies registered under the Industrial and Provident Societies Act have been made liable for income-tax if they deal with non-members, so in India co-operative banks dealing with non-members will be assessed to income-tax. Co-operative banks cannot resist the tax; for, when they lend to non-members, lender and borrower will cease to be identical, and, instead of rendering services to the members at the actual cost of these services, they will be making substantial profits at the expense of non-members. Mr. Wolff's view on the subject of lending to non-members is as follows :—

> "As a general rule, lending must be confined to members. It would not however do to press such limitation unduly, in view of this not unlikely occurrence. The bank may have more money on hand than it knows how to employ in loans to members. Such cases have occurred and are likely to occur again, however carefully they be guarded against. In Germany, about 1895, there was a glut of money unasked for. Such money cannot be kept idle without loss of interest, such as the bank ought to desire to avoid. Under such circumstances a bank might refuse to take further deposits or might even pay off some of those that it holds, in order to ease itself. However, that is apt to unsettle business and is not invariably acceptable to members. Under such circumstances it ought to be permissible to place some of the surplus money, should the opportunity offer, in an exceptional way, in the shape of loans even to non-member institutions or capitalists of undoubted solvency. *The ordinary current loan business, which is what the bank was formed for, however, should be confined to members only.*"*

The exceptional circumstances referred to by Mr. Wolff are provided for already in section 32 of India Act II of 1912, which enables investments with certain classes of non-members, and to a larger extent under section 34 of Bombay Act VII of 1925, which permits loans to non-members subject to the special sanction of the Registrar. Because some central banks in Europe deal with outside business, it cannot be argued that Mr. Wolff's remarks can apply only to primary banks and not to central banks. There are several types of central banks in Europe. Mr. Wolff classifies them under three heads: (1) those that are purely banks of primary banks, (2) those that are primarily of the capitalist type, doing business of a general kind on their own account, though opening accounts also, as a special feature, to co-operative banks and (3) those formed altogether with outside capital, whether public or private, as wholly independent institutions for the benefit of co-operative banks, which they merely undertake to finance, as business of their own, to bring them profit, or else as an act of patronage. Between these three types, the first is the best. We have there "co-operation carried one step higher, from co-operation among individuals to co-operation among co-operative societies formed of such individuals."† The Indian central banks have been fashioned after this best type, and their professed object is "to facilitate the operations" of primary societies by "balancing" their funds and, if necessary, by "supplying" them with funds from outside the movement. If they propose to provide banking facilities to the general public in addition to what they provide to societies, they will conform to the second type of Europeon central banks which are branded by Mr. Wolft as "primarily capitalistic."

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*"Co-operative credit for the United States" by H. W. Wolff p. 47.
† Do. Do. p. 142.

Recent Utterances.

1. CO-OPERATION AND NON-OFFICIAL CO-OPERATIVE EMPLOYEES.

BY M. R. RY. T. ADINARAYANA CHETTIAR AVL.

After referrring to the havoc committed by the recent flood Mr. Adinarayana Chettiar pointed out how co-operation, though introduced by the foreign government is not an exotic on the Indian soil.

He then referred to the one lesson we have to learn from the west, i.e., that co-operation should not be confined to credit only and that the old village life was based on the ideal of co-operation instead of on competition.

THE TASK BEFORE US.

When the ryot has been freed from debt and his feet set firmly on the road to economic competence, the desire for other amenities such as promotion of sobriety, better housing, recreations, innocent amusements, sanitation, medical relief, and improved facilities for education will naturally occur and it will be our duty as enlightened leaders to satisfy these legitimate desires and ambitions.

RESPONSIBILITY OF NON-OFFICIALS.

When I thus state the work before us I am glad I am not preaching to deaf ears as it would certainly have been the case a couple of years back. The resolutions of all Co-operative Conferences and the Administration Reports of all the Financing Banks have laid stress on this aspect of co-operation. The efforts of the Provincial Co-operative Union and the writings of that veteran co-operator Rao Bahadur A. Vedachala Iyer have drawn attention to this matter, although we owe it to Dewan Bahadur R. Ramachandra Rao, C.S.I., that the Financing Banks were made to feel, that it is their duty to carry out this programme and not to leave it to Government and its staff to muddle through somehow, as long as they were getting maximum dividend of 9 per cent on their share-capital. It was his clarion call that roused the Financing Banks to the danger of neglecting the examination of soundness of investments, relying on the "Chimera" of Unlimited Liability which though sounding well on paper would be practically unavailable in practice and the enforcement of which in harsh and relentless manner would mean the death-knell of those finer principles which should underlie the practice of co-operation in its finer (and may I add, spiritual) aspects.

* Extracts from the presidential address of Mr. T. Adinarayana Chettiar at the Second Conference of Non-Official Employees in Tanjore District.

He referred to the crude attempts made by certain District Banks in the matter of rectification and consolidation, as they did not fully realise their ultimate responsibility in the matter.

Speaking of the agency available he mentioned the Supervisors of Unions and the Administrative Section and the Field Staff of District Banks.

A POSSIBLE SOLUTION.

Harmony is the rule of life and conflict is the way to death. The so called clash between the rural and urban interests, between the Financing Banks and Supervising Unions, between the Individual Members and Society Members of the Financing Bank and the subtle difference sought to be made out between inspection and supervision, resulted in the want of the necessary harmony. The Salem District Bank-on the advice of Dewan Bahadur R. Ramachandra Row-recognised this quite early in their attempt to leave a way to harmony amidst disharmony and hit upon a new system for a brief description of which I crave your indulgence.

THE SYSTEM IN SALEM.

The Salem District Bank watched in a friendly way the finances of the unions in the district, and wherever the income of the unions was insufficient to discharge their duties the Bank stepped in and extended its helping hand. If the governing body members were both willing and capable of undertaking more inspection of societies but did not do much owing to shortage of funds, the Bank gave an assurance of meeting the shortage up to a pre-determined extent. If the finances of the unions were insufficient to employ a full timed clerk so as to enable the supervisor to confine himself sloley to his legitimate duty of supervision, the Salem Bank came out with the offer of the necessary shortage. If the number of societies under a union was too much for its existing staft, the Salem Bank placed a trained inspector (maintained by the bank) under the union. Even then something remained to be done. The methods, policy and view point of the District Bank were often ununderstood or more often unappreciated by the unions with the result that differences or misunderstandings were likely to arise. This led the Bank to embark on its next step, *viz*, the appointment in each union of a trained and efficient man as the full timed manager of the union who acted as a sort of liaison officer between the union and the central bank, who controlled and co-ordinated the work of the supervisors and who looked' after the governing body members societies which the supervisors felt a natural delicacy in dealing with. Only one possible objection in such a system existed, viz, the so called danger to the automony of the unions. So the Salem Bank took care to state and to reiterate that once a man is appointed as manager or inspector under a union he becomes a subordinate of the union to all intents and purposes and the union has not only to allot the work and to supervise it and to grant or withhold leave of absence etc. In course of time when the expansion of business has resulted in increase profits, the union is expected to find the money for the pay and allowances including the provident fund contribution of the employee (manager or inspector) originally sent out by the District Bank and they cease to have any connection with the District Bank which originally sent them out. As regards the details of the manager's duties I shall dwell at some length presently. The system is on trial in 9 out of 13 unions in the Salem District and so far it has been a success. In one union the financial expansion has been such as to enable it to meet the manager's and Inspectors' pay from out of its own funds.

THE METHOD OF WORK.

Suppose there is only one supervisor in a Union, say of 40 societies, and that the District Bank lent such a Union the service of inspectors and a manager. The arrangement is the 35 societies are divided amongst the three out-door officers (2 Inspectors and 1 supervisor) and the work of directing, guiding, controlling and co-ordinating the work of these three people becomes the managers duty. He further retains in his charge the 5 (or so) Governing Body member societies and often the headquarter societies. The manager looks after the office routine and acts as an expert advisor to the Union Executive. The diaries sent in by the field staff are carefully checked by him. These diaries are then sent either to the Secretary or to the President of the Union for his remarks, and the papers are finally sent to the head of the Administrative Section in the District Bank. Fortunately in Salem, we have had the good fortune that Dewan Bahadur R. Ramachandra Rao has kindly come forward to check the diaries and make his most practical and invaluable remarks.

THE NOTE-BOOK SYSTEM.

A further improvement has also been effected. The field staff maintain "Note book Diaries", in which are noted from time to time their observations. These are not necessarily confined to purely co-operative matters. The state of standing crops, the scope for cottage industries, the fact of prevalence of any contagious diseases among men or cattle, any improvement as regards the drink habits, any desire expressed by the villagers for night schools or the formation of a Bhajana Choir are all noted by the staff in these note books. Being recorded in a book with numbered pages, they form one continuous unbroken and interesting record of the life history of the village so to say and are of practical help to the Union and to the Financing Bank in the grant of forecast, crop, and pledge of produce loans and in discriminative grant of extensions in deserving cases. As the Bank maintains a good library and encourages

its staff to make free use of the same, remarks on the books read by the Inspector are also asked to be entered.

THE KIND OF STAFF.

"This leads me to the next important question, viz., what is the right type of employee desired for this comprehensive and humanized form of co-operation ?

When inaugurating the experiment in Salem we had no precise ideas. We selected the usual type of S.S.L.C. men whom we suspected to have ideas of "service" in their hearts. We placed each of them in charge of ten or twelve societies and what is even more important we paid them a "living wage" from the very beginning. We had also, besides, the living example of Dewan Bahadur R. Ramachandra Rao whose inspiration counted for not a little. These men we expected to settle in their selected villages and become practically "village guides" and to identify themselves completely with the villagers. We counted on their influence and their moral persuasion to clear the overdues and renew time-barred loans.

THE SUCCESS OF THE SCHEME.

"In Salem in this particular area we have been remarkably successful. To add to this, Government were kind enough to close some drink shops and we are able to read prosperity and contentment in the eyes of several villagers. We are looking forward to similar expansion and improvement in other areas in the district. Not the least important feature of the system has been doubling of transactions in some cases resulting in an increase of profits. The people have become so very educated in co-operative principles that overdues are practically unknown and short term loans are the order of the day. Improvements in agricultural practice and cottage industries have also followed and all this have paved the way to the introduction of a system of One Rupee Hundis inaugurated by the Bank, by whose extended and general use the rural ryot can get his loan at almost a nominal rate of interest. I regret I have no time to dwelt on this important aspect. But I think I have said enough to explain the system."

He then referred to the recruitment of qualified staff and gave an account of their pay and prospects and pleaded for the employees being treated as gentlemen. He said :

The Non-offcial Co-operative Employees are at present a scattered lot holding their employment at the will and pleasure, if not the whim and fancy, of employers, who cannot, to put it mildly, all of them appreciate their needs and their sentiments. The variations in their pay and emoluments are based on no known or understandable basis. Their aptitude for the right kind of rural work is equally variable and their prospects are as uncertain as uncertainty can be. Many are inefficient and most badly require refreshing of their knowledge. Their scales of increment, grant of leave, bonus and payment of provident fund are sometimes scandalously unsatisfactory. There is at present not the much needed protection against unjust punishments or arbitrary dismissals. Last, though not least, there is no institution or association to make these scattered employees feel that they are units in a huge association which while promoting among them a spirit of emulation and friendly healthy rivalry will work towards security of employment and afford protection against unjust punishments. An association of the kind must arrange for the publication of a suitable journal and also formulate a scheme of Life and Unemployment Insurance for the benefit of its members.

THE NEXT STEP.

Organizations similar to yours should be created in every district and there should be a Presidency Organization encompassing all these institutions. It must be made a charge on the various Central Banks and the Apex Bank and Government should be approached for an adequate grant. You must impress on the Government that they must contemplate a time when they will altogether withdraw from the field and it is as much their duty to see that an organization is built up from now to take up the onerous duties.

NO RIGHTS WITHOUT RESPONSIBILITIES.

I have no wish to play to the gallery and when I have said all I have thought it necessary to say in safeguarding your interests. I do not want any one to go away with the impression that there are no corresponding duties on your part. In this work-a-day world there are no rights without responsibilities. Therefore, I want you to realise your responsibilities and I adjure you to do so because I know that some of the non-official co-operative employees do not at present realise their responsibilities. I am personally aware of not a few who accept such employment as a stepping stone for more lucrative jobs. There are others who are content with doing just the necessary minimum to earn their pay. There are again others who do not approach the members of a society in the true spirit of service but try to lord over them. Such people make the movement really unpopular. Not a few as soon as they reach a village demand the clearing of overdues while they never give a thought to the inducing of the other villagers joining the society as members. Some Inspectors and Supervisors I know never stay in a village at nights when alone they can conveniently meet the ryot members. One Union in my District cuts off a portion from the pay of an Inspector who has not stayed in the villages a certain minimum number of nights. You should, in the interests of efficiency, agree to such healthy and necessary restrictions.

EXHORTATION.

Lastly I would exhort you to realise the great responsibilities thrown on your shoulders and the humanitarian and even spiritual nature of the duties entrusted to you. Do not forget that you are the people who are in direct living touch with the thousands of villagers and who can be potent either for good or for evil. You are also easily the most educated men working among the illiterate masses. It should be your sacred duty to interpret the world movements to the masses entrusted to your care. Government is spending crores and crores of ryots' money in maintaining several Departments such as industrial, agricultural, veterinary, etc. The benefits derivable through these departments often do not reach the masses. May I ask you to carry the torch of such knowledge to illumine the darkness in the villages? It is said virtue is its own reward. But I ask you to earn this reward while having a living wage into the bargain. Do you think I ask you too much?

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2 CO-OPERATION—ITS IDEALS AND PRACTICE.*

By Mr. P. Chenchiah, B.A., M.L.

My knowledge of co-operation and village life are derived from two sources. My theoretical knowledge is from the Jerusalem conference. My practical knowledge of the problem is derived from what I regard as the happy sojourn which I made at Tiruppattur. A group of young people practically resided in the village in order that they may know the mind of the villager aright. The group consisted of two M.Ds. from Edinburgh, and B.As, some of them from Madras. It consisted of a lawyer and it consisted of many other men united together only in the desire to understand the village conditions. Our work was not easy. The group, being Christians, were always under suspicion as doing propaganda work. But any way it is natural under certain circumstances for such legitimate suspicion in a religion which is nevertheless propagandist.

Now, why are we so enthusiastic about co-operation in the year of our Lord, 1930. That must strike you as something extremely interesting. Ever since the drunkard said to the lamp-post "United we stand, divided we fall," we have the effects of co-operation. In the copy-book rules from which most of us derive our initial morality and in the fables of Æsop, and in the folk-lore, there have been praises of co-operation. How broad and infinite are the sources and how immeasurable are its possibilities and how limitless are its achievements.!

The reasons why the modern world is trying to know the value of co-operation are two. One is because the modern industrial and political systems which are built entirely on competitive systems are coming down with a crash on our heads. All through the world, you will realise that competitive system works, but is bringing its own retribution. And so people are looking forward for another method of life, another method of fighting life, another procedure of facing the issues of life. It is from the phase of what we may call the tyranny of competition that the world is looking for an escape.

Now, it is in the writings of Luther that what we may call the claim of individual conscience was recognised. It is in the time of the French Revolution, with its wonderful magic and potent works that what we may call the moral freedom from mediævalism and modernism was effected. Now, the essential conditions of mediævalism were that they emphasised the potency of co-operative solidarity. There was the solid and consolidated strength into one combined whole, in what were called guilds.

* Extracts from the lecture of Mr. P. Chenchiah at the International Co-operators' Day Celebration at Pudukkottah.

The present system requires a corrective. The bane requires an antidote. All the competitive systems are looking to co-operation for their salvation. And this is one reason why there goes the message that in co-operation lies the hope of the future world. What are our League of Nations, our Round Table Conference? They are but the expression of the great message which all the world is trying to understand—new method of orientation of the life from which we have departed for some time.

Another reason why we are to-day clinging to Co-operation as hopeful sign of improvement is this. Co-operation is the method of the poor, the weak, the dispirited, the powerless and the fallen. Now, people are in a situation so desperate that on the one side the people are getting stronger while on the other side they are getting weaker. In co-operation we have got therefore the method which is extremely suitable not to the strong or the rich, not to the intellectual and the cultured, but to the weak, the dispirited and the fallen. It is easy to establish a Co-operative Stores among lawyers. It is far more difficult to establish a co-operative society in a village. But remember this—that co-operation must succeed not among people who are competent, and who are qualified. If at all it is to be a weapon of universal emancipation, it must succeed exactly where the midnight is the darkest—where conditions are almost desperate. Do you find a village where people are unwilling to be enlightened? It is exactly the place where co-operation ought to succeed. It is in the modern age the weapon of the weak. It goes like a river. I do not know how many of you have seen the source of a river. I have seen the source of a river in Haridwar and co-operation is like that. It dwells among the houses of the poor. Mind, it is the gathering of the drops. It is the unification of the whole—everything into one. So it is among these that co-operation must succeed—under conditions which we call desperate. Co-operation is the message of comfort to the poor, something which will make their lives happier and better.

The world is now in the hands of an expert for everything. So also co-operation. But however technical a subject may be, its ultimate test must be its total effect upon the man in the street, who is the reader of human destiny. It is for him that co-operation exists. It is on the effects on the man in the street, the man in the village, the man behind the plough that the true test of this must be determined. The results must be such that the poor man in the village can be made a little happier, making his life worth living. It is therefore the grand aim and object of the co-operative movement to rebuild the villages. Remember that the genius of India, the workmanship of India, has been in the making of the village. Therefore co-operation is not where departments are started, where books are written and reports made. It is in the village where the results of co-operation are brought to bear upon the human life and human minds. That is the aim of Co-operation.

I may tell you, however, that of all the things, it is the mind of the villager that is difficult to understand. The villager prefers the Marwari to the co-operative society. Conservatism has been the chief trait of the villager. He has been so often exploited that he distrusts every one. So, the only way of tackling this problem is by understanding the psychology of the villagers. The results of co-operative societies have been negative and never positive. Has the villager become better? Now, if the villager is to pay 10 per cent interest instead of 15, he is not bettered in any way, though the former might ease his burden. The solution for the whole problem lies in understanding the mind of the villagers. It is the vision of better life that can reform him and not the mere preaching to him of the virtues of co-operation. It is not reconstruction but regeneration. Reconstruction implies building process and human beings are not bricks; and reforms in human character cannot be effected by the mere change of external conditions. It is something which appeals to the soul, something which quickens the pulse, something which makes the blood run quicker, something that makes the villager enjoy the things of life."

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3. AGRICULTURAL MARKETING.*

BY MR. K. C. RAMAKRISHNAN, M.A.

(Economics Department, University of Madras.)

I. PHYSICAL DISTRIBUTION

The lecturer began by contrasting the paucity of primary data on the subject in India with the amazing output of literature in the United States and latterly in Great Britain. The Agricultural Commission in India strongly recommended the organisation of market surveys, official and unofficial, as an essential preliminary to the building up of a marketing service. All the world over agricultural departments had begun to feel that their efforts to increase production, even where successful, did not necessarily lead to the economic improvement of the growers. Embarassed by the very success of their earlier efforts, they had been of late turning part of their attention to the reduction of cost of production, the better handling, grading and packing of products with a view to waste prevention and even to warn farmers, by an estimate of prospective prices, against overplanting which they were only too prone to do guided by past prices. Even propaganda in favour of demand-creation for agricultural specialities did not seem to be outside their purview. Some of the newer agricultural countries were forging ahead with revolutionary plans of regulating production and controlling the distribution of produce in the markets of the world.

India, however, is behind the times in this as in other matters. The average Indian ryot is more helpless than his confrere in other lands being a tiny holder in an isolated village, ignorant of outside demand and unserved by any market intelligence. But the introduction of modern methods of transport has drawn him into the vortex of international trade. He has ceased, in many parts of the country, to carry on subsistence farming and taken to commercial crops—may be almost involuntarily. The need for better marketing is all the greater on this account

The Role of the Shandies. The lecturer next discussed the role of the Shandies in the marketing of produce. While it is wrong to ignore the volume of trade carried on in several parts of the country by the network of these weekly fairs, it is necessary to recognise their limitations. In fact these fairs are not universal nor equally important everywhere. They are more common in the southern and eastern provinces of India than elsewhere; in the Madras Presidency they are far more important in the inland dry districts in the south than in the deltaic rice tracts.

* Summary of four university lectures delivered in November 1930.

They have not taken root in Telugu districts, particularly in Nellore and Guntur. A lot of local and retail trade is carried on in several shandies; not the wholesale trade in commercial crops or even foodstuffs. But by far the major part of produce is sold away in the villages to dealers as was disclosed in the case of cotton by the recent investigations of the Indian Central Cotton Committee. This may be partly due to financial or other pressure, but it is largely due to the wretched state of roads in the country side.

Rural Roads. Madras can boast of a very high proportion of 'surfaced' to total roads compared with North Indian provinces. But this is perhaps a measure of the relative neglect of village roads; for it is far behind the others in respect of mileage per unit of cultivated area. The Indian Roads Development Committee recognised the importance of good roads to villagers, if only to free them from the grip of the local dealers. But the question of the ways and means of their development was outside the terms of their reference, though the economic value of the arterial roads with which they were concerned is bound to be low as long as subsidiary communications from agricultural tracts are neglected. The Agricultural Commission emphasised the supreme importance of such roads and commended the policy of the Madras Government in its recent grants for the construction of village roads, but threw the onus of maintaining them on the villagers themselves, preferably organised in Panchayats with the tradition of corporate labour. There is so much leeway to make up and the initial capital needed is so large that it is difficult to stir local enthusiasm without an assurance that a major portion of the land-cess collected will be earmarked for the development of village roads. All this is not to minimise the importance of metalled motorable roads to agriculturists who are already contributing to passenger traffic and may in future utilise them for the quick transport of perishable produce to populous centres.

Railways. As for Railways, Madras was for long neglected by the distant central authorities. The post-war enthusiasm for branch—line development seems to be on the wane due perhaps to the rapid strides made by motor transport. This is understandable but unfortunate for the ryot. For the motor has not yet touched goods traffic except in cities and hill stations. The railway can always compete in long and heavy traffic, but there are still many tracts far from the railway. But even in tracts served by the railway small producers and dealers have not ceased to complain of the inadequacy and delay in the supply of wagons, the high freight rates in internal traffic, of the risks borne in transit especially in break of guages, and the *mamools* exacted by the railway staff. On the other hand, special vans for perishable and mechanical devices for the handling of traffic—" marvels of our machine age "—are

conspicuous by their absence, and even decent terminal facilities are often lacking.

Water-Transport. As for water-transport, said to be eminently fitted for heavy and slow traffic, Madras is blessed with a long coast line of 1,700 miles and with 1,500 miles of inland canals open to traffic during the greater part of the year. They are, however, ill utilised partly on account of the rate-cutting policy followed by the railways, of which the lecturer gave illustrations. A policy of co ordination pursued by States like Germany and Belgium, which would divert traffic suited to different channels, should not be beyond the range of practical politics here.

II. PROBLEMS OF STORAGE AND FINANCE.

The problem of storage was essential in agricultural marketing because much of the production was inevitably seasonal while consumption was spread over the year. Storage served to steady prices by preventing production peaks choking the market. There were on doubt cases of crops which were bettor sold earlier to suit demand or escape transport difficulties. And there were some products of animal husbandry and horticulture, of which the problem of storage was eclipsed by that of quick and safe transport. Indeed in tropical India a serious limitation to the expansion of dairying and horticulture was the absence of refrigerator and other facilities for preservation of quality even in the course of a few days' transit. The conversion of these highly perishable products into a form in which they could be kept on for gradual consumption, as well as their proper transport, was a fit field for research for the scientific departments. The loss of Gujerat's butter trade due to the competition of Australian butter should serve as a sufficient warning.

But little was done by way of investigation of the keeping qualities of even the major cereal crops and oil-seeds like copra and groundnut and of jaggery. Foreign countries, especially the newer ones, were miles ahead with their grain elevators and cold storage plants and bonded ware-houses for cotton etc; their rates and conditions of service were regulated by the State much as those of public utility services were and their receipts were developed into splendid securities.

Our Defective Storage. It was not contended that our country with a vast deal more of internal trade needed the same elaborate facilities. The Agricultural Commission dismissed the idea of grain elevators on the American model for Indian wheat. But this was not to say that our methods of storage were quite satisfactory. While large stocks of paddy were kept by wealthy ryots in sound condition by primitive methods, the risks of loss by theft, fire and flood were considerable. The generality of producers—such of them as could afford to store—were even more careless. The most serious drawback was the utter lack of uniformity of produce stored. Small and scattered holders, with perfect liberty to sow what they chose in often heterogeneous conditions, could not reap produce that could be easily graded or standardised —which was the essence of all modern mammoth pooling arrangements. Purchase by description or even by sample was impossible; close inspection was necessary. Wrangling over quality was a natural incidence of such individualistic cropping. Storehouses were of all shapes and sizes and materials. They were located with no eye to the convenience of transport to market centres and inspection of financing agencies.

It was too much to expect the commercial banks to seek out the producers and finance them. It was to their credit that latterly some of them had penetrated into rural areas and been advancing funds to ryots on produce kept in *pucca* granaries. The appreciation of rich ryots was evidenced by their anxiety to build more godowns to avail themselves of the new, though limited, facilities, while at first some of them had shied for reasons of prestige. The active pursuit of this policy by the Imperial Bank has indeed provoked the wrath of some joint-stock banks and particularly the indigenous bankers who, with their unrivalled personal knowledge and venturesome business spirit, had been financing a few producers and several dealers, though often on little tangible security. But the number of average ryots benefited by all these agencies was yet insignificant.

Public ware-houses. It was now the part of co-operative banks and sale societies to inculcate the importance of raising uniform produce and of storing the same in well-built public warehouses so as to serve as sound security for any bank to advance funds upon. The building of such warehouses might be a good business proposition not merely for co-operatives and private concerns but also for the State or municipality in certain cases. It might be a far cry yet to induce commercial banks to advance loans directly, or even discount bills drawn, on hypothecation of growing crops as in the recently developed system of chattel mortgage in the United States. This might be said to presume a high stage of development of agriculture and of business sense among the rural community. But it would be a tremendous advance if the enormous agricultural wealth in non-perishable crops actually reaped every year in this Province—which at a conservative estimate might be put down at Rs. 200 crores—were mobilised in the interests of producers and not merely of dealers.

It might be said that 75 per cent of the short-term credit advanced by commercial banks and bankers was for helping the marketing of agricultural produce directly or indirectly. But the immediate benefit was reaped by wholesale merchants and to some extent by dealers dependent on them. The help did reach the primary producers but often with a

vast accretion of interest and other charges or other onerous terms of repayment.

Financing and Forced Sale. The lecturer examined at length the contention that financing is followed by forced sale of produce with special reference to this province. He referred to the investigations of the Indian Central Cotton Committee whose optimistic inferences were refuted by the Madras Banking Enquiry Committee. But he was inclined to hold that the tyranny of the financer was exaggerated and he spoke of cases where the boot was on the other leg. On the whole, the tendency was for old abuses to go down due to the increase in the number of ryot-money-lenders, the slow but sure improvement of communications, the multiplication of commission shops competing for produce, of buying agencies of exporting firms anxious to fulfil contracts, and above all of processing factories hungering for griest to their mills. No wonder advances were sometimes thurst on, than sought by, producers.

It was not denied that there was exploitation where the opportunities were great, particularly among the backward classes like some hill-tribes and toddy-tappers. In fact the whole system seemed to be vicious for which no one particular party could be blamed unless a more careful enquiry was instituted. It might be said that abuses took new forms that defied detection by the unwary ryot. But the free farmers did not seem to fare distinctly better than'tied' farmers. This, the lecturer concluded, was due to market-practices resorted to by all but the very scrupulous and bred by the very multiplicity of middlemen—that would be dealt with in the next lecture.

III. MIDDLEMEN AND MARKET PRACTICES.

The Chain of middlemen. The lecturer said that the chain of middlemen in the produce markets of this country corresponded to that of agricultural countries in the West in their pre-co-operative days. He traced the march of produce from the grower to the village dealer and thence to the commission man (mandi keeper) who sold to the buying agent of the exporting house or the manufacturing or processing firm to the 'jobber' stocking goods for gradual release to retailers in the course of the year. There were no doubt cases where these main tracks were short-circuited due to the persistence of weekly shandies or the emergence of a few public markets; but they were not typical.

The commission man. The central link in the chain was the commission man who was the most railed at. He was supposed to be the representative of the seller from the village but he was often alleged to misuse his position and exploit the opportunities that abounded in the unregulated markets. The absence in many trade centres of an independent public yard to expose goods for sale led to dependence on the mandiman and further to abuses in the private compounds of mills where the final part of transaction in produce to be processed often took place. The commission man not only deducted from the sale proceeds his commission on sales, godown rent and interest on advances if any, but also fees for weighman and accountant and wages for labour and a charity cess to boot—much is excess of the actual expenditure on these. The commission itself was based on the quantity sold rather than on value, which offered him no incentive to bargain for a higher price. On the other hand, he was sometimes charged with colluding with the big buyer for a commission or in the expectation of a larger and steadier custom. In respect of the notorious 'deductions' made by the big buyer, after agreeing to a price, for the alleged inferior quality or adulteration of goods, the commission man put up a sham fight on behalf of his client. Another mystery of the market to the seller was the system of secret bids under a cloth between his representative and the buyer.

Weights and measures. The Lecturer went on to say that in the chaos of weights and measures lay another great opportunity. Local needs and customs perhaps gave birth to their bewildering variety but their survival in times of trade which passed all local bounds was a misery. It was unfair to attribute in all cases intention to deceit—as the Report of the Madras Banking Committee did—to the use of different weights and measures in the trade as between purchase and sale. The difference was open and was designed to allow a safe margin to the trader and this margin varied with the rate of deterioration of commodities. This was accompanied by the well-known reluctance to alter prices. It might be at the worst a crude method of calculating the risks and costs of marketing.

What, however, was dishonest was the passing by some of false weights and measurers for standard ones; either these were tampered with or they were so made of set purpose. The law did not seem to insist on the use of standard ones and penalise any other. The municipalities had no concern, with over-weights at any rate. Such a scandalous state of affairs in an elementary requisite of marketing should be ended and the halting recommendations of the Indian Weights and Measures Committee hardly met the situation. This was essentially a sphere for vigorous State action in the interests of not merely producers and consumers but of honest traders. It would appear that this problem had ceased to worry other countries judged by the modern literature on marketing which made scant reference to it.

Adulteration. Adulteration was another device resorted to in the trade, though the producer was not altogether free from blame. Careless methods of cultivation and harvesting and preparation of produce

over which the Agricultural or other departments had little control provided some excuse for the vending of inferior goods. The case of *ghee* was typical in which adulteration had been recently developed into a fine art by traders, thanks to the advent of vegetable *ghee.* While the facility of adulteration was a great temptation, the excessive shortage of supply of pure stuff in relation to the demand which insisted more on cheapness than on quality offered ample scope. It was not enough to educate the consumer; his means must be improved or the cost of production reduced and the supply increased. Mere legislation and even inspection to deal with adulteration might prove futile without the support of public opinion or the goodwill of a majority of producers and traders. It was significant that the reputation of Indian goods in European markets was not so bad as in the internal markets here, though their quality was said to be not so good as produce from countries like Canada and Australia with their growers' associations and Control Boards to see to the quality of goods exported.

The strenuous pursuit, in spite of difficulties, of a policy of standardisation of weights and measures and the prescription of certain grades in quality would, besides educating the producer and the consumer, help the determination and, what is more important, the recognition of the real cost of marketing. This was now concealed behind the variety of weights and measures and degrees of adulteration with the seemingly same prices in the wholesale and retail trades.

Wasteful Competition. The lecturer thought that a serious impediment to improvement was the competition among the middlemen who were too many for our population and our trade requirements. For in this country many growers consumed much of what they raised, and where shandies were held, they were partly the sellers of their surplus. The last Madras Census Report while recording a slight fall in the total number mainly engaged in trade pointed out that trade was the most important subsidiary occupation of agriculturists. While on the one hand this multiplicity of middlemen might mean cheaper service to the producer, on the other hand the struggle for existence among the many petty traders gave rise to a number of sharp practices referred to. Those who systematically resorted to them might be weeded out in the long run; but there was a continuity in the havoc wrought by several entrants into the trade that demoralised the market to the detriment of all parties. The majority of middlemen were living on modest margins with their low standard of living. The few dazzling successes should not blind us to the number of failures. The rate of mortality in trade was not easy to know; but it should be considerable especially in the wholesale trade, judged by the evidence before the recent Banking Committee, though only the extreme cases came to court.

The lecturer finally raised the question whether it was possible to eliminate this wasteful competition. In this country the fault did not seem to lie with the chain or series of middlemen who handled goods or transferred title; indeed specialisation had not proceeded far enough in some cases. But at each step, or in each of the series, there seemed to be too many men. The volume of trade handled by each was very small, which meant more marketing cost per unit of goods. Was it possible to integrate the services rendered by several middlemen, even while promoting specialisation among the smaller number that would have to carry on marketing, whether it be under an independent system or under co-operative control? The conditions under which this could be done would be dealt with in the next lecture.

IV. CO-OPERATIVE SALE.

The main theme of the last lecture of the series was co-operative sale of produce by organisations of agriculturists themselves. He said that the need for them might arise from the absence of private traders in particular areas or lines of produce, the exploitation by some, the inefficiency of many or the high cost of marketing due to excessive number of intermediaries. It was vain to expect the sheer working out of competition itself to eliminate the inefficient or the unwanted or to lead to the integration of middlemen-functions with producers as was unmistakably the trend in the marketing of manufactured goods. Unified control was not so tempting or easy in agriculture which was carried on by small and scattered holders with whom several points of contact were easily and naturally established by a multiplicity of traders. The strong point of the latter was flexibility; their expensiveness was ignored.

The Superiority of Co-operation.—The State might, by aiding the development of storage and transport facilities, by furnishing and interpreting market news, by standardising weights and measures and prescribing grades and by punishing all malpractices so improve conditions of trade as to reform the existing agency and to render co-operation less of a crying need. Still it was not possible for the State to prevent excessive or insufficient competition and to bring about reduction of marketing costs and stabilisation of prices as effectively as a producers' organisation could do by a proper control of its supply and the regulation of its flow to suit the demand of the market. The feeling of security and strength which the growers get by dealing with their own organisation would leave them free to concentrate their attention on improvement of production, while their touch with marketing problems and methods would widen their outlook and responsibility and consolidate their position in the country. This social development was not the least of the benefits conferred by producers' co-operation.

It was now recognised that co-operation though originally resorted to as a measure of salvation might be well applied as a means to greater efficiency and profit; and it was a fetish to demand of would be co-operators the condition of desperate need. But there was no gainsaying that initial success was very important and it was wise to be sure in the first instance of some substantial saving or improvement that could ensue from co-operative sale.

Lines of Success.—The lecturer said that in foreign countries co-operative sale succeeded most in the case of perishables like fruits and milk, often converted before sale into products more easily marketable. It was only recently that staples like cotton and wheat, where they were standardisable or gradable, were taken up. In all such commodities the exportable surplus was far more than what was needed for local consumption; and generally they passed through a narrow channel of trade—a 'bottle-neck' as it were—which facilitated exploitation but which it was easy for a strong and well-knit co-operative organisation to get control of.

He applied the above criteria but thought the prospects for sale in certain lines of commodities in India were not so poor as imagined: particularly in luscious fruits going long distances, milk from concentrated areas of production to populous centres of consumption, *ghee* from districts noted for dairy animals and even grains in which there was a lot of inter-district trade as in the case of the Circars.

The case of commercial crops like cotton and groundnut was by all admitted to be different from the above as the major part of production was exported or sent long distances to millers in the country with whom the producers had no contact. Opinions, however, differed on the part played by the exporting or manufacturing firms. There was scope for exploitation by intermediaries and therefore need for co-operation. The problem of effective sale was more important than timely loan unlike in the case of grain.

Loan and Sale Societies. The lecturer next reviewed the work of the few live loan and sale societies in this Province. The amount advanced on crops was negligible—6 lakhs for 1928-29—but more funds could have been released by Central Banks if produce was pledged in well-secured godowns. State aid was recommended for the latter; but these would be built in vain, if some of the ryots were not given advances prior to harvest, lest they should become 'tied' to the trader-cum-lenders. Four sale societies for cotton received the special attention of the Co-operative department while the help of the Agricultural department was sought in the distribution of improved seeds to members and might be sought also for the grading of cotton before sale. Pooling was not yet tried in any produce on account of the lack of standardisation and the difficulty of grading. But much of the benefits of co-operative sale could not accrue without bulk handling or collective bargaining. It might be impossible to achieve absolute uniformity in the heterogeneous conditions of our country, but the varieties ought to be far less numerous. High quality should be encouraged by the offer of sufficiently attractive premius which the big buying agencies were not willing to do in the absence of large quantities. The vicious circle must be broken.

Linking with final consumers? The next question raised by the lecturer was how far should co-operation proceed in the marketing chain; whether it should content itself with getting over the head of the village dealer and the commission man and deliver the produce to the wholesalers or big buying agencies or go further ahead to the manufacturing or exporting firms or even take up the work of distribution to consumers at home and abroad. Co-operative terminal marketing was generally a failure even in other countries, and it would not do for our infant organisations to incur the displeasure of the established agencies in the wholesale market which were strongly organised and were said to make only "a few annas a bag" profits. There were not wanting cases in other parts of India where the bigger firms and whole-salers developed a definite hostility to societies and boycotted them when these developed their transactions. It was perhaps too soon to contemplate this contingency in our Province; but when it did arise, how far the situation could be met depended upon the efficiency of management and the abiding loyalty of members.

A question which was recently much discussed in co-operative circles abroad was the linking up of producers' societies with consumers' wholesales. But we had developed neither rural nor urban stores except in very few centres. The sale societies too were organised more for commercial crops—which were raw materials for manufacture—than for the sale of directly consumable goods wanted by our stores. Even granting the latter at some time developed manufactures auxiliary to distribution, geographical differences were bound to prevent the attainment of co-operative self-sufficiency within a nation. The problem was fit to be worked out on an international scale, but this did not absolve us from exploring the possibilities of mutual aid between producers and consumers co-operatively organised.

Management.—The crying need of our sale societies was efficient management, particularly as our private trade was run by men who had inherited business instincts or acquired skill by hard apprenticeship. Official aid was looked forward to not merely in the inception but for running sale societies and their effective supervision; but the present type of official was admittedly ill-equipped for the task apart from the complaint of lack of time and lack of hands even for 'legitimate' credit

work. Policy also should dictate the handing over of administration to a non-official agency specially chosen for the purpose or trained as by the U.S.A. Office of Markets. Non-officials now entrusted with the general looking after of such societies were either gentlemen of distinction, but innocent of business, or were active businessmen whose sympathy was at best lukewarm. No wonder cases of petty traders using loan and sale societies at the expense of ryots were freely cited, which the authorities had not been able to repudiate; perhaps they had to wink at them in the initial stages. Was it not better, the lecturer asked, to engage the services of honest men who had not done particularly well in business for no fault of their own but due to lack of adventitious aid which their rivals had? There might be men who would like to exchange a life of instability or insufficiency to one of moderate but assured comfort in a public cause instead of in private gain. The selection of proper men to manage was indeed the crux of the problem.

Loyalty. Lack of loyalty was a common complaint except perhaps after the first flush of enthusiasm. But loyalty more often followed than caused business success, though there were not wanting cases of loyalty through thick and thin in other countries. This was due to the high and true education of farmers as in Denmark or to the missionary leadership of the peasantry as in Belgium and Holland. On the other hand, the newer countries were enforcing 'iron-clad' five years' contracts' and experimenting with "compulsory co-operation" by means of legislation, which might sound a paradox to orthodox co-operators. But this was really a sign of the growing strength and solidarity of the farmers as a class in those young countries with spacious farms. A similar upheaval was by no means easy, if it was desirable, in this old country of tiny holdings and poor farmers with a fatalistic turn of mind. A scientific study of marketing problems, a constant endeavour to improve services by a full trial of schemes, and patient and persistent propaganda were all needed to win the ryots over to a better organisation of themselves in the interests of not merely better business and better farming but also of better living.

CO-OPERATIVE LIBRARY AT PERIYAKULAM MADURA DISTRICT

Opening Function on 30th November, 1930.

BY MR. T. N. KRISHNAMURTHI AYYAR, M.A.L.T.,
Deputy Inspector of Schools, Periyakulam.

The idea of having a library is generally associated with educational institutions; but it is indispensable to every institution in as much as no subject or activity under the sun is without its literature. It is with the help of books or periodicals or other journals that we are able to know how and under what circumstances the various movements are started and worked out to success or failure as the case may be; and a clear grasp of the pitfalls and difficulties that have been met with by pioneers of such movements would enable us to feel our way better and place our feet firmly on the road to success. This is especially the case in regard to the Co-operative movement which, in spite of its existence in this country for the past quarter of a century or so, has not been developed and systematised in such a way as to lead to a promising goal.

Although the spirit of co-operation is there inherent in human nature itself, yet the co-operative movement of to-day as an organised movement based on principles of thrift, self-help, etc. and being worked out as an effective weapon against capitalism and profit-interest, has not been thoroughly grasped and placed on a systematic basis nor has it been worked out always having the moral aspect view. The want of proper and popular education on the subject is the main cause of its failure and I hope this library I am going to declare open will, I am sure, satisfy this need to a great extent. The dearth of books in vernacular is really a handicap and I would appeal to you to devote a part of your leisure times to get some of the standard works on the subject, translated into Tamil. A good deal of propaganda work is necessary, to awake the villager to avail himself of the opportunity thus offered to him. Gentlemen, it will not be out of place to mention here, he added, what a tremendous and useful propaganda the library association is carrying out to spread the library movement in this presidency and it will be a very good thing if this institution chooses to affiliate itself with it.

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Correspondence.

CONTROL OF RECTIFICATION AND CONSOLIDATION WORK IN CENTRAL BANKS.

BY RAO SAHIB T. SRINIVASA RAO.

This subject having come under discussion at a conference of Co-operators in Krishna District held at Musulipatam on 23rd November 1930 (Vide report in the "Hindu" of 27th item-page 15) it was proposed that the control should vest with a joint committee composed of some directors of the Bank (already forming its administrative section) and two representatives from the district federation. Mr. Krishnamurthi, the President of the bank, and also of the Conference, raised the question of the legal status of the proposed joint committee. The conference, however, left the question undecided; and finally resolved upon co-option of two representatives from the federation to the administrative section of the bank, as a *via media* course for the present.

2. The decision arrived at was perhaps the best under the circumstances, when a certain amount of warmth prevailed over the controversy on the subject. The question raised, however, is one of importance and will have to be suitably settled sooner or later. I think Mr. Hood, the late Registrar of Co-operative Societies, raised the question in connection with a similar joint committee in Nellore, as regards its competency to be entrusted with the disposal of monies allotted for the work of rectification and consolidatien. I do not know how the question was dealt with by Mr. Hood.

3. Want of legal status is one thing. Though some may be disposed to brush it aside as technical, there is another difficulty which is even more important in kind and arises in practical working. To which legally constituted and responsible body now existing, is the joint committee responsible, and are its resolutions and recommendations binding on any such body? Neither question appears to admit of an answer in the affirmative.

While dealing with this question, as the Vice-President of the Madras Central Urban Bank, in connection with the grant of subsidy to central banks for the work of rectification and consolidation, I offered certain remarks, which are relevant to the question at issue and contain an answer thereto; and which I accordingly quote below:

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

5. The very essence of any scheme of rectification and consolidation is to make the movement *financially sound* and *really serviceable* to members. The interests of depositors should be duly safeguarded and the business run on sound financial lines, while at the same time the credit requirements of members should be duly and adequately provided for and promptly met. In other words the interests of the "lender"—the initial depositor—and "borrower"—the ultimate borrowing member of the primary society—should both be well protected. These two *interests* should thus be duly represented on the administrative committee. (And it is the want of such express representation that in no small measure accounted for the present state of things.) And two best men, (in every sense of the term) representative of each of these interests should I think be on the committee, with the President or the Vice-President of the Bank as the chairman, such men being elected out of the board of management of the bank and the committee itself held responsible to the Executive Committee.

6. Any other arrangement will, I am afraid, be unreal. New committees ormed without any principle underlying their constitution on a binding responsibility to existing legal bodies cannot fit in with the organization or be of any real service.

No. B. 6718/30

OFFICE OF THE REGISTRAR OF
CO-OPERATIVE SOCIETIES, MADRAS,
CAMP AMALAPURAM.
18th November, 1930.

SUBJECT :—*Conference Unions in the East Godavari Dt.—Proceedings.*

Sir,

There is a feeling among certain co-operators in East Godavari district that the District Federation should be dissolved and possibly my views on the question will be of interest. *Prime facie* it would appear to be unwise to liquidate the Federation, for in this district it is impossible to replace it by any other central oganization. Insted of there being one large Central Bank for the District, there are four comparatively small banks, with one, three, five and six unions under them respectively. Administrative sections in the various banks could not meet the needs of the situation, for their areas of jurisdiction are too small to enable them to build up a proper cadre of Union Supervisors and effect the transfers that are so often inevitable if good work is to be done. If therefore it be granted as I think it must be—that some special central organization is necessary for this district, the question remains whether the existing Fedaration should be replaced by some other organization. I have inspected its work both at its head office and at three of the Banks and I can find no serious fault with it. The head office is managed better than the offices of many non-official bodies and better even than some Government offices. All is not perfect with the co-operative movement in the district, but the Fedaration is certainly making an honest attempt to set matters right and its endeavours have in some cases been successful. I have no hesitation, therefore, in advising that this Federation should be continued and I hope the Banks and Unions will realise that it can be of real help to them and will co-operate freely with it.

2. The only suggestions I have to make is that the headquarters of the Federation should be moved to a more central place—Rajahmundry would seem the best. There is no reason why this need involve any change in the directorate. The daily routine work of a Federation must be done by a paid officer and all the leaders of the movement likely to be elected as office-bearers in the Federation are passing through Rajahmundry sufficiently frequently to enable them to exercise the necessary control.

I have the honour to be,
Sir,
Your most obedient servant,
(Sd.) D. N. STRATHIE,
Registrar

To all Central Banks and Unions in East Godavari Dt.

Insurance Scheme.

EXTRACTS FROM THE INDIAN INSURANCE YEAR BOOK 1929

Published by the Government of India Actuary

I. NUMBER OF COMPANIES AND THE NATURE OF THEIR BUSINESS

There are 245 companies which have complied with the Acts of 1912 and 1928. The nature of the business which is carried on in India by the companies constituted in each different country is shown in the following tabular statement.—

Country in which head office is situated.	No. of companies transacting insurance business of different classes as under noted.					Total No. of Companies.
	Life only.	Life and others but not Fire or Marine	Life and Fire or Marine and others.	Fire or Marine and others but not Life.	Other than Life Fire & Marine.	
India ...	66	9	5	11	6	97
United Kingdom ...	4	...	12	52	4	72
Australasia ...	1	...	...	9	...	10
Canada ...	2	...	...	5	...	7
Hong Kong ...	...	1	...	7	...	8
Straits Settlements ...	1	...	...	2	...	3
South Africa ...	...	...	...	1	...	1
United States of America ...	...	...	...	13	...	13
Switzerland ...	...	...	...	6	...	6
Germany ...	...	...	1	5	...	6
Holland ...	...	...	..	3	...	3
France ...	...	...	...	2	...	2
Italy ...	...	...	...	1	...	1
Austria ...	...	...	...	1	...	1
Japan ...	...	...	...	10	...	10
Java ...	...	...	...	5	...	5
Total ...	74	10	18	133	10	245

II. COMPANIES ARRANGED COUNTRYWAR.

It will be seen that—

97 companies are constituted in India,
72 in the United Kingdom,
29 in the British Dominions and Colonies,
13 in the United States of America,
19 in the Continent of Europe,
10 in Japan, and
5 in Java, and that most of the companies carry on more than one classs of insurance business; for instance—
Lif assurance is carried on by 102 companies,
Fire or Marine insurance by 151 companies, and
Other classes of insurance by 171 companies.

III. INDIAN PREMIUM INCOME.

(*a*) The net Indian premium income under all classes of Insurance exceeds 8¾ crores, and of this sum nearly three-fourths is derived from life assurance.

Of the sum of 6½ crores of premium income received in India in respect of life assurance—

335 lakhs	is paid to companies constituted	in India.	
138 lakhs	,,	,,	in the United Kingdom.
152 lakhs	,,	,,	in the British Dominion and Colonies.

This ignores premiums amounting to nearly half a crore paid under Indian Postal Insurance Scheme.

(*b*) Of the sum of 2½ crores of premium income received in India in respect of all classes of insurance other than life assurance—

41 lakhs	is paid to companies constituted	in India.	
173 lakhs	,,	,,	in the United Kingdom.
18 lakhs	,,	,,	in the British Dominion and Colonies.
14 lakhs	,,	,,	in the United States of America.
5 lakhs	,,	,,	in the Continent of Europe.
3 lakhs	,,	,,	in Japan and Java.

IV. INCOME AND EXTENT OF BUSINESS.

(*a*) Of the companies with a larger premium income than 10 lakhs—

5 are Indian life companies.
12 are non-Indian life companies.
4 are Indian non-life companies.
2 are non-Indian non-life companies.

More than half of the Indian life assurance companies have a total premium income of less than one lakh each, these small concerns being unable to make headway against the efforts of their better established Indian rivals. It is these latter, rather than the non-Indian companies which are the principal rivals of the unsuccessful Indian life offices.

(*b*) The life assurance policies effected in India and remaining in force in 1928 numbered over 5,64,000 assuring the total sum of 124 crores and having a premium income of $6\frac{1}{2}$ crores.

V. OBSERVATIONS.

1. It is sometimes overlooked by critics that a considerable proportion of the annual Indian premium income of non-Indian companies is expended in this country in settlement of claims and in payment of commission, salaries and general expenses and that a large sum out of this un-expended balance remains invested in the country as a provision for payment of future claims. At the end of the year under review the value of these investments was 30 crores.

2. Some of the non-Indian companies, it may be noted, have been transacting life assurance business in India for many years before any of the existing Indian companies were established.

3. In the case of the less firmly established companies much of the new business, unfortunately, lapses and where, as often in the case, it has been secured at an exorbitant initial cost, the company's financial position is weakened still further instead of being strengthened by the new business actually written. The heavy rate of lapse experienced by the unsuccessful companies is largely due to the ruinously high rate of agency commission which they allow on the first year's premium. In such circumstances agents are apt to neglect to secure payment of the renewal premiums and confine their activities to obtaining as many new cases as they can secure.

4. From a study of the available records it appears that in the majority of the cases their growing into liquidation was mainly due to their having started business on actuarially unsound lines, their general mismanagement and extravagance and in not a few cases to indiscriminate granting of loans to Directors and officers and to other interested persons.

5. Those contemplating the formation of any new life assurance companies would do well to study the table in my Report showing the lengthy periods during which no dividends were paid by many of the existing companies, especially by those established in the past 18 or so years, and realise that the companies shown in that list are the survivors of a larger number, the remainder of which have been unsuccessful. Further, as some of the younger companies have been much handicapped by having too small an amount of paid-up capital, I suggest that no company should commence business until at least 2 lakhs of paid-up capital has been secured. In the meantime, however, I think it undesirable for any more new life assurance companies to be established as their advent can only add to the reckless and

indiscriminate endeavour to secure new business' regardless of cost, which now-a-days has become too prevalent.

6. But ignoring this extra expenditure it will be seen that nearly half of the proprietory Indian life offices are conducting their business at such a ruinous cost, that unless a reduction in their expenditure be made they will be unable to fulfil their contracts. It is to be hoped they will realise the seriousness of the position and abandon a method of business which must inevitably result in insolvency.

7. If, therefore, the reserves be calculated by a gross premium method, instead of by a net premium method of valuation provision of future expenses should be determined by the Actuary with the greatest care and deliberation and should not be based on the assumption that the rate of annual expenditure will be less than what the company is actually experiencing without a full explanation in justification of this assumption being given. Some of the valuations of Indian companies may be weak in other respects, but their greatest weakness is with reference to the provision which is made for future expenses when the valuation is made by a gross premium method. The more dangerous features of these valuations can be avoided when the valuation is made by a net premium method, but unfortunately that method is adopted in the case of only a few Indian companies.

8. But would it not be preferable to adopt some plan which, while acting as an incentive to the companies to pay the claim quickly, would at the same time, tend to discourage claimants from delaying production of title for lengthy periods? A plan which might have that merit would be for companies to allow interest at say $1\frac{1}{4}$ per cent on the amount of each claim which remained outstanding until the 4th month, and to increase the rate by $\frac{1}{4}$ per cent for each complete month's delay thereafter to a maximum rate either of 3 per cent for settlement at any time after 10 months or $3\frac{1}{2}$ per cent at any time after one year. At present the older and better managed Indian Life Offices settle nearly one-third of their death claims within the first three months, and one-third in the next nine months—while one-sixth are not settled till the 2nd year and it is not until the third year or a still later period that the remaining one-sixth of the claims are all paid.

9. A study of such of the returns of British Companies as are available indicates that in the case of British claimants resident in Britain the proportion of claims outstanding is about one quarter of what is the case with Indian claimants resident in India. The problem of how claim payments to Indians can be expedited seems a suitable one for the recently formed Indian Life Offices Association to consider.

District News.

1. RECTIFICATION AND CONSOLIDATION IN NELLORE DISTRICT.

A meeting of the directors of the Nellore District Co-operative Banking Union and of the Governing body members of the Federation and Unions in the area of the Nellore District Banking Union was held on 22—11—1930 and the following resolutions were passed: —

1. That the scheme of the Inspection of societies introduced in this district in December of last year and so far applied to some societies (which scheme has since been explained at length by its author Rao Sahib T. Srinivasa Rao in his recent pamphlet entitled " Inspection of societies ") be extended to all societies affiliated to the Banking Union.

2. That the entire area within the jurisdiction of the Banking Union be divided into convenient circles, each circle comprising about fifteen societies.

3. That each of the circles be placed in charge of a Bank Inspector or Union Supervisor.

4. That the Unions in whose jurisdiction Bank Inspectors are now working be requested to report within a month with regard to division of societies between the Bank Inspectors or Union supervisors and the control of the former by the Union and that the administrative committee of the Bank deal suitably with the subject and that one of the 9 Bank Inspectors be a reserve Inspector :—

5. That the Unions be requested (if they have not already done so) to divide the societies affiliated to each Union into as many convenient groups as there are governing body members and that each group be placed in charge of a particular governing body member.

6. That the Unions be requested to give their opinion to the Administrative committee with regard to the following proposals also :—

(*a*) That each governing body member be requested to be so good as to say what specific item or items of work appertaining to the societies in his group he is willing and prepared immediately to undertake and perform.

(*b*) That the form of report brought into use in respect of inspection couducted by Bank Inspectors be brought into use in regard to inspection by Union Supervisors also.

(*c*) That Inspection reports made by bank inspectors as well as Union Supervisors be passed to the Banking Union through the Unions concerned.

(*d*) That the Unions do undertake to pass on the reports within three days of receipt by them to the Banking Union.

(*e*) That the governing body members of Unions and Directors of Bank and Federation be requested to be so good as to adopt the form of report proposed by Rao Sahib T. Srinivasa Rao in regard to inspections conducted by themselves.

7. This meeting is of further opinion that Mr. Srinivasa Rao's Pamphlet headed " Inspection of Societies " be translated into Telugu and that Telugu copies be supplied to all Governing Body members of Unions as well as Union Supervisors and recommends to the administrative committee to give effect to it.

8. The meeting exhorts all union governing body members and directors of the Banking Union and the Federation to do their utmost to bring the scheme of inspection into fruition.

In view of the fact that under the present scheme of inspection statements of undertakings in regard to payment of dues by members are prepared by Bank Inspectors at their initial visit to societies (this being done after holding an enquiry into the economic condition of members and in consultation of the panchayatdars of societies be requested to be very vigilant in seeing that the payments promised by members are made at the appointed times and that no defaults are allowed to occur.

10. This meeting further resolves, mainly with a view to arrest the further growth of loss in loss societies, that primary societies should endeavour their utmost to collect interest due as it falls due (special endeavours being first made to collect the present heavy arrears under this head) and to see that these payments to the Central Bank on account of interest due are made only out of realisations made from their members on that account, that is, on account of interest and that this resolution be sent to the Bank.

11. This meeting is of opinion that union supervisors should be given a special course of training in the work of rectification and consolidation and that Bank Inspectors be given a refresher course of instruction ; and that for these purposes the Bank be requested to hold a conference of Bank Inspectors and Union Supervisors at an early date. The administrative committee do take necessary steps in this matter at an early date.

2. CO-OPERATIVE PROPAGANDA

(i) Mr. A. Rajabadar Mudaliar

(In Chingleput and N. Arcot District.)

Mr. A. Rajabadar Mudaliar attended the meetings of the Executive Committees of the Co-operative Central Bank and the Council of Supervision at Vellore on the 22nd and 23rd July 1930 respectively and noted several systems of work adopted in North Arcot which were worthy of consideration for adoption in the Chingleput District, and some of which North Arcot might adopt from Chingleput. Among the latter he noted the systems of repayment of loans in North Arcot which required all repayments (both principal and interest) to be made once in the year in March while in Chingleput the payment of interest was half yearly (March and September) and that of principal was fixed for various dates throughout the year according to the harvest and other facilities for repayments. He spoke to the Vellore Bank on the advisability of revising the time of repayment by Societies suitably to facilitate collections. He was glad to find during his subsequent inspection of the Vadakaliakkam Union in North Arcot on the 4th November 1930 that the Vellore Bank had issued a circular recently fixing the time for repayment of loans given between January and June for March following and that for loans disbursed between July and December for the following September. This wholesome change is expected to improve collections appreciably. He spoke to the Vellore Bank also on the desirability of developing the system of granting short term produce loans in that District which had not yet been attempted there, but was in progress in various parts of the Chingleput District with satisfactory results.

Mr. Mudaliar visited Uttiramerur in Chingleput District on the 12th August 1930 to study the causes of the unsatisfactory working of the Bank there which was one of the earlier Societies started in the District and once commanded such large public confidence as to attract Fixed Deposits amounting to nearly half a lakh of rupees but failed latterly owing to very heavy accumulation of overdues by the members to necessitate the Department taking charge of its management in view to rectify it. Mr. Mudaliar noted the causes of the unsatisfactory working and the results of the new working under a departmental Inspector in order to advise the other societies similarly situated to get over their troubles.

He attended the meeting of the Governing Body of the Vadakalpakkam Union in the North Arcot District with the Executive Officer of the Council of Supervision on the 14th November and noted several points of improved working in the North Arcot District with regard to various matters such as (1) the revision in reasonable time of the property statements of unlimited liability societies (2) the timely despatch of the specimen signatures of panchayatdars to the Central Bank (3) the regular verification by Union Supervisors of the entries in liability registers (4) the special measures taken

to overhaul without avoidable loss of time in all cases of time-barred loans in societies, (5) the system of communicating to Unions copies of all resolutions of the General Body, the Board and the Executive Committee of the Council of Supervision in view to educate Unions and (6) the system of the Executive Officer obtaining a monthly progress report from each Union in respect of all important matters affecting societies. He communicated his notes to the Chingleput District Federation with suggestions of what he considered worth adopting in the Chingleput District.

He visited Uttukottai on the 23rd November in company with the Deputy Registrar of Co-operative Societies for the purpose of examining the scope for developing produce loans in that area for which it had been considered specially suited. His enquiry disclosed however that with the present atmosphere there with heavy overdues of members and lack of satisfactory human material it was undesirable to attempt the grant of produce loans till after a Loan and Sale society was established at Uttukottai with suitable godown attached to it to secure the pledged produce, under the control of suitable directors.

Last though not the least, he undertook to propagate the principles and ideals of thrift by starting on 4th October '30 a Thrift and Loan society of a new type in Conjeevaram with provisions of rules to facilitate all classes of poor people as well as others to secure their savings in the society and to prevent their taking any loans for at least six months from the date of their admission and making it compulsory for a member to subscribe to the Thrift Fund monthly according to his income. This Society is reported to give promise of a good future.

(ii) MR. V. VENKATASUBBAIYA

(In Alamuru, East Godavari District.)

A pleasant function was witnessed at Alamuru in the East Godaveri District on the 16th November. It was the opening of the "Co-operative Building" owned and built by the Alamuru Co-operative Credit Society. Almost every householder in the village is a member of the society. Its working capital is about 1¼ lakhs; its reserve fund exceeds Rs. 11,000. During the last few years it has given liberal grants to the Village Panchayats for forming and maintaining a library. The new building was declared open by Mr. D. N. Strathie, who expressed very great satisfaction on the working of the Society and its being able to own a building of this kind within a dozen years of its starting. It was one of the best societies in India, he said, and those who were working for it might well be proud of it. He was glad to say that though the leading co-operators in the area had their own political opinions, they had never introduced politics into the co-operative societies.

As a part of the function Dr. P. Gurumurthy unveiled the portrait of Mr. N. Satyanarayana, the President of the Society. Our province has very few workers of his earnestness and capacity and the society did a very fitting thing in installing his portrait in the new building. Mr. Chilakamarti Lakshmi Narasimham Pantulu, the well known Telugu author, declared open the library located in the new building, and Mr. A. Rama Rao, Principal of the Training College, Rajahmundry, opened the reading room. There was a short lecture by Mr. B. Satyanarayana on Adult Education and another by Mr. Y. Mangayya on Insurance and Co-operation. Mr. V. Venkatasubbaiya of the Servants of India Society who presided over the function, paid a glowing tribute to Mr. Satyanarayana and his co-workers for having so excellently served the area by means of co-operative societies, Panchayats, libraries and other institutions. He said that having shown the example of how to develop a small area, Mr. Satyanarayana had persuaded the Provincial Co-operative Conference, the M.C.U.B. and the District Banks to start several rural reconstruction centres on the model of Alamuru and that they were all making earnest attempts to walk in the foot-steps of Alamuru. The proceedings of the day terminated with a group photo and tea.

The Madras Provincial Co-operative Union has employed a trained physical demonstrator Mr. M. Rajah Narasinga Rao, for being sent round to the different rural reconstruction centres to start physical activities in them. Mr. Narasinga Rao has undergone training in the eastern and western systems of physical culture and also in scouting. He has been sent to Alamuru and perhaps he will stay there for about three or four months. He will teach Indian exercises in the mornings and Swedish drill and corrective exercises and games to school children in the evening. He will organise one or two scout troops in the area and will train up a few masters in scouting. For making our boys alert, both physically and mentally, and teaching them social service and developing citizenship in them, nothing can equal the Scout movement, and co-operators will do well to encourage their children to become scouts. The experience gained at Alamuru will of course be applied to the other rural reconstruction centres.

Reviews.

1. YEAR BOOK OF AGRICULTURE, 1930.

BY MR. G. HARISARVOTTAMA RAU, M.A.,

This is the annual publication of the Department of Agriculture of the Government of the United States of America. This publication was begnu in 1894. Its form has undergone material changes with the development of the American agriculturist. Previous to 1926 the Department sought to educate the farmer on the economic aspect of agricultural production. Therefore every year's annual dealt mainly with the development of one such subject, as for example, grains, livestock, fibres, dairy products, tobacco, forestry, forage resources etc., etc In 1926 a distinctive change appeared. The American Government claimed that the farmer knew the basic principles of his business. The typical American farmer was intelligent. He needed not to be told elementary facts. What the farmer wanted to know was the new discoveries made in agriculture, experiences of Farmer Marketing Organisations, authentic data on quantity and quality of Agricultural production, in short, results of scientific research. To satisfy this developed need of the American agriculturist the publications from 1926 have taken a new direction. The customary report of the Secretary to the President takes the leading place. As one of the Secretaries put it, this report endeavours to interpret contemporary agricultural conditions. The Report is followed by a very large number of articles giving uptodate information on every phase of agriculture. These articles are arranged in alphabetical order. The heading of this alphabetical section from 1928 onwards is characteristic. It is "What is new in Agriculture". This Section in the 1930 issue before us covers 456 pages of a publication of 1080 pages and contains about 193 individual articles with good illustrations. A list of Departmental publications is then given. Prices of farm products are graphically pictured. Statistics follow covering about 467 pages. Then we have the Indices.

The foreward to this annual states that its circulation is among every-day farmers. It is no wonder that it is so, because we see from an article in the Annual that no less than 400,000 copies of this voluminous publication are printed in addition to 25,000,000 bulletins, circulars, periodicals and other literature distributed free. However much authors like James Truslow Adams, from the standpoint of abstract ideals, may turn their search-light on America and try to expose the far-reaching effects of what they characterise as false ideals, to us in India, always fed on ideals that have practically driven us into hopeless turning away from the fight of life, the huge effort that America has made to rehabilitate its Agricultural Industry must serve, for long, as an example to follow. The energy of it all is worth admiration.

There is a very fair comparison between the United States of America and India in the sphere of agricultural resources. The United States have 139,321,000 hecatres of arable land and we have 123,096,000 in British India and 32,138,000 in the Indian States totalling 155,234,000 hecatres. From the year book under review the following table of the comparative positions the U.S.A. and India occupy in the production and trade of some select agricultural products is compiled. From that it would easily appear what great advantage both the countries may derive by a study of each other in this field of activity. From this standpoint certain articles in the year book, more especially those dealing with cotton, are truly illuminating. While we are next only to United States of America in the production of cotton, America has no need to think of any competition from us, because in the first place America uses up her own cotton for her own purposes and secondly because our cotton is very much shortstapled. We produce but less than a third of America's production of cotton but we export on a par with her in proportion to the production. America manufactures 51,702,000 lb of cotton seed oil and we produce no oil at all. Even a country like Peru which comes very far behind Russia, the fifth in the list produces its own oil. These countries have learnt to conserve their own natural resources. When we shall be able to do it, is yet a problem. Still, to know ourselves is probably the first step. We cannot know ourselves until we have something to compare ourselves to. No other country is really more worthy of comparison in the field of Agriculture than America.

We would earnestly draw the attention of those in power, here in our country, to the Sections in the Year Book which specially deal with the informational services that the Government of America renders to its Agricultural population. What care is being bestowed on providing the ryot with information is evident from the attempt made by the Bureau of Plant Industry library to issue two mimeographed lists of current literature on botany and agronomy every alternate week. The Year Book points out that in this field publications in English predominate as they include journals not only from England proper but also from Canada, West Indies, South and East Africa, Egypt, Australia, India, the Malay States and other smaller States in the British Empire. Add to this America, and we have a conception what we may get, if only here, government choose to follow a policy of intensive informational service.

Before concluding this review, attention may be drawn to one more point in the annual. The Secretary in his review points out how the bye-products of the citrus agricultural industry are being utilised. We are told that in a recent year one of two large bye-product plants utilised more than 40,003 tons of cull lemons and produced 2,000,000 pounds of citric acid and 65,000 pounds of lemon oil and 30,000 lbs of pectin. In value these products exceeded 750,000 dollars or Rs.2,250,000. Do we not produce lemons? May

we not produce them with our tropical climate in greater abundance than America? But where are we? Where? answers echo.

Reviewing such an excellent production as this year Book, one may easily be tempted to carry on without looking at the space available. It is enough to say that in all Departments of Agricultural Industry—covering as it does, Tillage, Pasturage, Forests, and Animal husbandry, this Year Book will be found of the highest upto date assistance to any interested in the subject.

COMPARATIVE POSITIONS OF INDIA AND U.S.A. REGARDING SOME IMPORTANT PRODUCTS.

	United States of America.		*India.*	
Wheat ...	807,000,000	Bushels ...	318,000,000	
Corn ...	2818,901,000	" ...	90,160,000	
Barley ...	357,487,000	" ...	97,720,000	
Flax ...	2,638,000	Acres ...	3,311,000	Acres
...	16,838,000	Bushels Seed ...	12,880,000	(Seed)
Linseed (oil) ...	49,327,000	pounds ...	576,000	(Oil)
Rice (Acreage)	977,000	acres ...	82,126,000	(Acres)
Yield per acre ...	1,229	lbs. ...	864	(lbs)
Cotton ...	14,478,000	Bales ...	4,718,000	Bales
...	51,702,000	(oil) ...	...	
...	7,890,000	Bales (Export) ...	2,528,000	(Export)
...	367,000	" (Import) ...	167,000	(Import)
Sugar (cane) ...	208,271	Short tons ...	2,968,000	(tons)
(beet) ...	1,119,000	(Import) ...	...	
(General) ...	3,858,804	" ...	930,251	(Import)
...	122,587	" (Export) ...	445,674	(Export)
Tobacco ...	1,894,000	acress ...	1,275,000	(acres)
		(726 lbs per acre) ...		(1,058 lbs. per acre)
Peanuts ...	930,700,000	lbs (yield) ...	...	
...	268,327,000	(Import) ...	1,676,871,000	(Export)
Oil-cake and Oil-cake meal	250,786,000	(Import) ...	320,000	(Import)
	1,186,934,000	(Export) ...	699,241,000	(Export)
Coffee ...	8,520,000	(Export) ...	28,556,000	(Export)
	1,456,527,000	(Import) ...	3,943,000	(Import)

AN INTRODUCTION TO BANKING AND CURRENCY

BY

Mr. L. N. Doraiswamy Iyer, B.A., B.L., with a foreward by Mr. M. K. Dandekar, Principal Government Institute of Commerce, Madras, and an introduction by Mr. S. K. Sarma, B.A., B.L., Price Rs. 2.

As the name itself suggests, it is an elementary book treating in popular language with the fundamental principles of Economics in its relations to Banking. Unlike other treatises which deal with the same subject in a thorough way but have a tendency to repel the beginner, Mr. Doraiswamy Iyer's book allows the student to have a fair view of the subject without much mental effort. The book is chiefly intended for students appearing for the Government Technical Examination in Banking (lower grade) and Co-operative Training Examination. The author has made an earnest effort to adhere to the syllabus prescribed for the above courses in writing out his book.

In the first five chapters Mr. Doraiswamy Iyer deals with general topics in Economics. On going through these pages the student gains an insight into the working of these laws of Economics in our daily life. The author discusses at some length economic laws such as the " Law of Diminishing and Increasing returns " the law of " Demand and supply " etc. Towards the end of Chapter V after discussing at some length about the elasticity of demand he passes on in the next chapter to the necessity for associations for large scale production and their advantages.

The next two chapters are devoted to the advantages of Joint Stock companies over private concerns: The difference between the two is briefly stated under three main heads, Capital and Management, Liabilities of share holders and Liabilities of partners. The author's remark that " A trading company would even be more benefited than the individual traders, by adopting some course, if it were practicable, which would give the labourers a pecuniary intrerest in their work for, in this manner, the energy and skill of the workmen might with greater certainity be secured " is not without much significance.

The next four or five chapters are devoted to the subject of Banking. A fine and brief sketch of the evolution of Banking is given before dealing with the functions of commercial Banks. The functions of modern commercial banks are discussed to a certain extent under the following heads viz., Receiving money on deposits, Issuing notes, Lending money and transferring money from place to place. The necesssity for commercial Banks for succesfully running business concerns is well demonstrated in these pages. Mr. Doraiswamy Iyer closes these chapters with some general precautions to be observed by Bankers in dealing with their customers.

Chapter XIV is the only chapter devoted to Currency. Currency, the author defines as "That part of the circulating medium which is legal tender."

The author gives a short account of the history of paper currency in India and the advantages thereof.

Chapter XV dealing with "The Law of Negotiable Instruments in India" forms an important part of the book. It is a survey of the Negotiable Instruments Act of 1881. The main provisions of the Act have been summarised with explanations wherever found necessary.

In the closing chapter of the book Mr. Doraiswamy Iyer gives some of the methods in Bank Book-keeping, just to give an idea of how accounts of various customers are kept and how the balance sheet of the bank could be easily drawn. At the end of the book an appendix of questions selected from the papers set for the Government Technical Examination (lower grade) and the Co-operative Final Examination, has been appended to enable the students to revise the subject at the end of their course.

The book gives in a nutshell an idea of the principles of Banking and Currency and will be found very useful to students appearing for examinations in these subjects.

M. D.

Extracts

GERMANY

THE SHARE OF THE CO-OPERATIVE SOCIETIES IN RESIDENTIAL BUILDINGS IN 1929.

From the recently published statistics on residential buildings in Germany during 1929, such buildings appear to have slightly increased, the figures for the year being 2½ per cent higher than those of 1928.

The statistics also make it possible to distinguish the relative importance of the various builders. Among these, private undertakings are still to the fore, but they have again lost ground. In 1927 they accounted for 60·3 per cent and in 1928 for 59·6 per cent of all dwellings, but in 1929 only 55·5 per cent. This year the decline is absolute as well as relative.

The authorities are in similar case to the private undertakings, but here the decline, from 11.8 to 10.4 and to 9.6 per cent, for the three years under consideration was in proportion to their small output.

In each of these cases the loss meant a gain for the co-operative societies which built 1,09,121 dwellings in 1929, or 18,300 more than in 1928, and whose percentage of the total number of dwellings built rose from 30 to 34.9 per cent. The importance of the co-operative societies as builders is made still more apparent by comparison with 1927, when their share of the total was only 27.9 per cent.

The different classes of locality show wide fluctuations from this general average for the country. Thus, the share of the co-operative societies in rural districts amounted only to 9·4 per cent, but in large towns to 52·3 per cent, while private undertakings accounted for 83·9 per cent in rural districts and only 40·3 per cent in large towns.

It should also be mentioned that residential building has progressed only in the large and medium sized towns, having fallen off in the smaller communes.

INTERNATIONAL LABOUR OFFICE, GENEVA,
(*Co-operative Information No. 13 (113)*

Special Types of Societies.

1. LAND MORTGAGE BANKS, NORTHERN CIRCLE

Subject :—Annual statistics and Administration report Land Mortgage Banks, Northern Circle—submission of.

Reference :—Registrar's No. 3626/30 dated 24—6—1930.
Para 33 of the Circular under reference.

1. The following are the old banks which have been in existence for sometime :

	Name of Bank.	Date of starting.	Amount of arrears on 30—6—'30.	Remarks.
1.	Gudalavalleru ...	3—10—25	...	...
2.	Vadlamannad ...	9 - 10—28	Rs. 100 Prl. Rs. 165 Int.	This arrear fell due only on 1--6--30 and steps are being taken to recover it.
3.	Alamuru ...	29— 5—28	...	...
4.	Pithapuram ...	31— 7 - 28	2,298 Prl. Rs. 645 Int.	The arrear is due to the date of instalment due having been fixed without regard to the date of actual disbursement of the loan *i.e.*, before the expiry of 12 months from date of disbursement. The bank is taking steps to recover the amount.

During the year under report, the area of operations of Alamuru bank has been extended by the addition of 32 villages and that of Vadlamannad by the addition of 10 villages. The total number of villages in the two banks at present is 71 and 45 respectively.

2. New banks have been started in Nellore, Bhimavaram and Amalapuram, in the year. They commenced work only in the last week of June 1930 and hence they could show no progress in the year. These centres have

* Copy of the letter No. Dis No. 216/30 D. 28 8-1930 to the Registrar of C.S. Madras from the Dy. Registrar, Land Mortgage Banks Northern Circle.

been selected after careful consideration and there seems a fair prospect of their working satisfactorily.

3. Five Sub Deputy Registrars have been so far allotted to this circle and they joined on different dates between 17—2—30 and 24—8—30. Three of them (drafted from the Revenue Department) have been deputed to inspect the lands and scrutinise the loan applications in the old banks and the remaining two (promoted from the Senior Inspectors' cadre in the department) to assist in organisation of new banks. The work turned out by the former during the year is detailed below:

Name of bank.		Applications checked and lands inspected in different villages and documents scrutinised in respect of.
Gudlavalleru	...	12
Vadalamannad	...	24
Pithapuram	...	8
Alamuru	...	51

They inspected the lands covered by the applications and examined the titles and valuation of the lands and recorded detailed notes on each application.

4. Consolidated loan applications to the extent of Rs. 22,200 from the Vadlamannad bank were sanctioned by the Central Land Mortgage Bank during the year.

5. The Central Land Mortgage Bank scheme came into existence only in December last and some time had to be taken up in settling all preliminaries. Good progress is expected to be shown in the currrent year.

V. SIVA SUBBARAO,
Deputy Registrar.

2. LAND MORTGAGE BANKS, SOUTHERN CIRCLE.*

SUB.—*Annual Statistics and Administration Report compilation and submission.*

REF.—*Para 33 of your circular No. 362/30 dated 28th June 30.*

A list of land mortgage Banks that were in existence at the beginning of the year, that were started during the year under report, and those that were under organisation is appended.

*Copy of letter No. Nil dated 22—9—1930 from the Deputy Registrar for Land Mortgage Banks, Southern Circle, Madras to the Registrar of Co-operative Societies, Chepauk, Madras.

Special Deputy Registrars. Out of the Six Sub-Deputy Registrars assigned to this circle, one was in charge of the Central Land Mortgage Bank, Madras, and two of the rest joined duty in February 1930. Thus during the year two sub-Deputy Registrars were doing field work for 5 months and the other three for a little over two months. . . . . The Sub-Deputy Registrars had to spend a good deal of their time in visiting the old banks and to find out measures to be adopted for devolping them. Many of the banks were whether dormant or not doing any work at all, and the question of winding up such banks as had no chance of success was receiving attention.

Loan application. A statement is appended showing loan applications sent up by the Special Deputy Registrars from among the loan applications investigated by them in each bank and sanctioned by the Central Land Mortgage Bank. There was a tendency for too free a flow of loan applications from persons who were not quite deserving of the help contemplated by the scheme and the Sub-Deputy Registrars had to check the tendency by a strict adherence to the Registrar's instructions issued to them in regard to the security of loan applications.

Arrears in older banks. There were no arrears in any of the banks except in Conjeevaram Bank where it amounted to Rs. 8,126-7-4. This was mainly due to carelessness on the part of the borrowers and failure to enforce collections on the part of directors of the bank.

New Banks Started During the Year. Three new banks were started during the year, Perundurai in the Coimbatore District, Trichinopoly and Lalgudi in the Trichinopoly District. A Bank at Mayavaram was registered at the end of June and it started on its work on 12—7—1930. The investigation for a bank at Uttamapalayam in the Madura District and two banks (one at Watrap and another at Rajapalayam) in the Ramnad District were contemplated and they have, since been registered and started.

As a rule new banks were organised in tracts where irrigation was well assured such as deltaic areas. The compactness, the extent to which the existing credit societies were successfully worked and the availability of men competent to manage were among the points kept in view in registering new banks.

It might appear that the quantity of the work done was not commensurate with the period for which the scheme had been in operation but it has to be remembered that a large volume of preliminary work had to be done in settling the rules of procedure, forms and registers to be maintained by the Central and Primary banks, in laying down a clear cut working policy in regard to the methods of business and in educating the public and the primary banks about the essentials of the scheme. The prospects of future development are hopeful.

1. NAME OF THE BANK AT THE BEGINNING OF THE YEAR.

District.		*Place.*
Chingleput District	... ...	Chingleput Madurantakam Conjeevaram
North Arcot	... ...	Ambur Sholingur Kilacheri Thiruvannamalai Chengam
South Arcot	... ...	Kattumannargudi Kallakuruchi
Tanjore	... ...	Tanjore
Tinnevelly	... ...	Tinnevelly
Coimbatore	... ...	Peelamedu Kambiliampatti Bhavani

No. of old banks=16.

2. BANKS NEWLY STARTED.

District		*Place.*
Trichinopoly	... ...	Tricinopoly. Lalgudi.
Coimbatore	... ...	Perundurai.

Banks Newly Started=3.

3. BANKS UNDER ORGINASATION.

District		*Place.*
Tanjore	... ...	Mayavaram.
Madura	... ...	Uttamapalayam.
Ramnad	... ...	Rajapalayam. Watrap.

No. of Banks under organisation=4.

No. of old Banks	16	
Bank newly started	3	
		19
No. of old banks liquidated		1
Total No. of banks at the end of the year		18

Statement showing Loan Applications sent up by the Sub Deputy Registrars and sanctioned by the Central Land Mortgage Bank

(Up to 30—6—1930.)

Name of the Primary Bank.		No. of loan applications sent up.	Amount of loan covered by them.
			RS.
1 Chingleput	...	16	... 22,150
2 Kilacheri	...	8	... 8,305
3 Madurantakam	...	1	... 1,500
4 Kulitalai	...	23	... 64,150
5 Tanjore	...	3	... 2,528
6 Peelamedu	...	6	... 7,650
7 Perundurai	...	9	... 13,000
8 Kambiliambatti	...	2	... 3,000
Total	...	68	1,22,283

3. THE TAMIL NADU CO-OPERATIVE FEDERATION*

The accounts of the Tamil Nadu Co-operative Federation No. K. 599 in the District of Coimbatore for the Co-operative year ending 30th June 1930 as audited by M. R. Ry., M. Sarangapany, Senior Inspector of Co-operative Societies are passed.

The statements showing (1) the receipts and disbursements (2) income and expenditure and (3) assets and liabilities are hereto appended.†

MEMBERS AND DELEGATES.

There are at present 18 members comprising 8 Central Banks' 8 Federations and two individuals co-opted. The total number of delegates representing member institutions including two individuals is 45.

INCOME AND EXPENDITURE.

Income.—The total demand of contribution due from member institutions for the year, was Rs. 1,615, and an amount of Rs. 1,241 was collected including an advance of Rs. 603 received last year leaving a balance of Rs. 374 to be collected. There is an arrear of Rs. 648 still due as subscriptions for the Tamil monthly Journal after writing off V. P. returns.

Expenditure.—The total working expenses for running the journals amount to Rs 1,766-14-0 mainly under printing and postages.

* Copy of Audit Certificate for 29-30.

† Statements not reproduced here.

An amount of Rs. 555-2-0 is due to be paid under printing charges as on 30-6-30. The total amount spent on establisment consisting of a Manager on Rs. 100 and a peon on Rs. 13 comes to Rs. 1,277-15-0.

Other main items of expenditures are

	Rs.	A.	P.
(1) T. A. to Directors	193	4	0
(2) G. Expenses	71	14	0

The working of this year shows a surplus of Rs. 592-9-0 and adding last years balance of Rs. 598, it has at present a surplus of Rs. 1,190-9-0.

ACTIVITIES.

During the year, the publication of the Tamil Monthly journal has been the main activity of the Federation and as a result, it has increased its subscribers from 1,000 to 1,700 nearly.

The Federation also publishes books in Tamil relating to Rural Economics and Co-operation and two books namely (1) Cottage Industries and (2) The 'Village' are printed some more are under print.

It undertook propaganda work in Co-operation by distributing leaflets or Co-operative Literature in rural areas.

MEETINGS.

There were two meetings of the working Committee alone held during the current year and neither a general body nor governing body meeting was convened.

ACCOUNTS.

The Federation maintains a Day Book and a ledger. It has not maintained a general ledger and a stock register of journals received and issued. These may be opened at once.

(Sd.) V. SWAMINATHA IYER,
Deputy Registrar.

To
The Secretary,
Tamil Nadu Federation, Coimbatore.

4 THE ANDHRA SAHAKARA SAMMELANAM *

The accounts of the Andhra Sahakara Sammelanam Ltd. No. 4331 for the Co-operative year 1929-30 as audited by M.R.Ry. K. L. Narasimham, B.A., Acting Senior Inspector of Co-operative Societies, Bezwada are passed. The three statements of (1) Receipts and Disbursements (2) Profit and Loss and (3) Assets and Liabilities as furnished by him appended †to this certificate.

2. The Sammelanam was registered on 11-12-1919. This is therefore the 11th year of its working. As regards membership there were at the end of the year 188 members consisting of 163 societies and 25 individuals as against 177 members at the beginning of the year comprising of 16 individuals and 161 societies. The paid up share capital at the end of the year amounted to Rs. 7,561 as against Rs. 7,751 at the beginning of the year. The fall is wholly due to the conversion into a donation of the Rs. 500 of share capital of the Krishna Co-operative Bank Ltd., Masulipatam wrongly shown as such on 30-6-29.

3. The Sammelanam has during this year earned a net profit of Rs. 1,806-13-0. This profit is mainly due to the taking into account of Rs. 2,345 of subscriptions overdue to the "Sahakaram". The whole of this profit was not sufficient to recoup the loss of past years amounting to Rs. 2,087-8-0. So there is on 30-6-30 a net unrecouped loss of Rs. 280-11-0. The Directors are therefore requested to take immediate steps to collect the arrear subscriptions.

4. Since the change in the headquarters from Rajahmundry to Bezwada during August 1929 there has been marked improvement in the working of the Sammelanam though it has to be stated that all the work that the Sammelanam was able to do during the year with its restricted finance was to publish the monthly journal Sahakari regularly. The account keeping which was hopelessly bad till last year has been considerably improved and all the accounts have been brought up to date. It is a matter for gratification that the present directorate are making sincere attempts to achieve the other objects contemplated in by-law 3.

5. During the year 2 general body meetings, 6 directors' meetings, 6 Executive Committee meetings and 1 meeting of the Editorial Committee were convened. Two directors' meetings and one executive committee meeting had to be adjourned for want of quorum.

K. S. PRAKASA RAO,
For Deputy Registrar.

To
The Sammelanam. The Registrar of C. S. Madras,
The Provincial Union.

*Copy of Audit certificate for '29—'30.
†Not reproduced here.

5. THE GRAY CO-OPERATIVE INSTITUTE LTD.*

The accounts of the Gray Co-operative Institute Ltd., No. C. 1152, Vellore for the Co-operative year ending with 30th June 1930 as audited by M.R.Ry. C. Sankaralingam B.A., Ag., Senior Inspector of Co-operative Societies, Vellore, are passed.

2. The Institute was registered on 5-9-29 and started on work on 12-2-30 although it had its inception so early as August 1928 and had been run by the North Arcot District Council of Supervision Ltd., Vellore, till it was formally started. It completed 3 sessions before its formal starting, began the 4th on 2-12-29 and completed it during the year under report. The 5th session opened on 21-6-30 and is running now with 38 students on the rolls'

Of the 232 students who received instructions during the last 4 sessions 182 appeared for the Examination, and 132 came out successful, 35 of them having been placed in 1st class.

3. The staff of the Institute consist of a Superintendent who is a Sub Deputy Registrar of Co-operative Societies on special duty, a commercial instructor, an Audit Instructor, a departmental Senior Inspector on deputation, a clerk and 2 peons. Of these the Commercial and Audit Instructors are paid by the Institute, the cost of the rest being borne by Government.

4. The Institute arranged for a course of special lectures by eminent Co-operators on subjects Co-operative in principle and law. A list of special lectures delivered is attached with the names of gentlemen who delivered them duly noted against them. Besides these special lectures, the debating society of the Institute conducted many debates and also a drama written by Mr. O. A. Narayanasawmi Iyer of Tanjore.

5. The Institute convened one general body and 4 Board of Management meetings during the year.

OFFICE OF THE DEPUTY REGISTRAR OF CO-OPERATIVE SOCIETIES,
Vellore, dated 30th September 30.

Sd. M. R. BHUPATHI,
Deputy Registrar.

SPECIAL LECTURES DELIVERED.

I SESSION.

1.	Rao Sahib V. Krishna Menon Calicut ...	Inaugural address of the debating society.
2.	Mr. K. Raghavachari, Tinnanur ...	Duties of Supervisors.
3.	„ K. L. Narasimha Rao B.A., B.L., ...	Non-credit Co-operation.
4.	„ do. ...	do.
5.	„ V. T. Rangaswami Iyengar B.A., B.L.	Law of limitation.
6.	„ E.N. Damodara Mudaliar B.A., Deputy Collector, Vellore ...	Revenue law and procedure.
7.	„ De Valois, Katpadi ...	Agricultural Co-operation.

*Copy of Audit certificate for '29—'30.

II SESSION.

1.	Mr. P. Chinnasami Aiyar ...	Inaugural address.
2.	„ V.T. Rangasami Aiyangar B.A., B.L.,	Law of execution.
3.	do. ...	Negotiable instruments.
4.	„ De Valois, Katpadi ...	Agricultural co operation.
5.	Agricultural demonstrator, Gudiyattam ...	Agricultural and Co-operation.

III SESSION.

1.	Mr. V. T. Rangasami Aiyangar B.A., B.L., Vellore. ...	Inaugural address of the debating society.
2.	„ T. P. Govindaraja Mudaliar B.A., B.L., Vellore. ...	Law of contracts.
3.	„ T. Padmanaba Naidu ...	Transfer of property.
4.	„ V. A. Nageswara Aiyar B.A., B.L., Vellore. ...	Law of limitation.
5.	„ De Valois, Katpadi ...	Agricultural Co-operation.
6.	Agricultural demonstrator ...	Agriculture and Co-operation.
7.	„ Natesa Naicker, Tahsildar, Vellore ..	Revenue recovery Act.

IV SESSION.

1.	Mrs. Cousins Madras ...	Inaugural address.
2.	Mr. De Valois ...	Agricultural co-operation.
3.	„ Swami Rao, Agricultural officer, Vellore. ...	Agricultural Improvements.
4.	Agricultural demonstrator ...	Magic lantern lecture.
5.	„ A.B.Ranganatha Mudaliar, Advocate	Law of execution.
6.	„ V. T. Rangasami Aiyangar „ .	Law of limitation.
7.	„ A. V. Gangadara Sastri „ .	Law of contracts.
8.	„ V. A. Nageswara Aiyer „ .	Negotiable Instruments.
9.	„ S. K. Yegnanarayana Aiyar „ .	Non-credit co-operation.
10.	„ Rao Sahib O. N. Ramaswami Iyer Deputy Registrar for Land mortgage banks.	Duties of the students.

G. Os. and Circulars.

No. R. Dis. 6878/30

OFFICE OF THE REGISTRAR OF
CO-OPERATIVE SOCIETIES,
Madras, Dated 26th November 1930.

D. N. STRATHIE ESQ., I.C.S., *(Registrar)*

MEMORANDUM.

Stamp duty—Arbitrators' awards—Exemption,

Copy of the notification of the Government of India, Finance Department (Central Revenues) No. 6, dated 25th October 1930 is communicated to all Deputy Registrars in independent charge and Superintendent Training Institutes and Lecturer on Co-operation, Government Institute of Commerce, Madras for information.

2. The Notification has been published on pages 1654—1655 Part I of the Fort St. George Gazette dated 6th November 1930.

(By Order)
K. SUBRAMANYAM,
Manager.

FINANCE DEPARTMENT (CENTRAL REVENUES).

NOTIFICATION.

STAMPS—*Simla, the 25th October 1930.*

No. 6.—In exercise of the powers conferred by clause (a) of Section 9 of the Indian Stamp Act, 1899 (II of 1899), and in supersession of the notifications of the Government of India in the Finance Department, No. 940 I., dated the 22nd June 1916, No. 80 F.; dated the 15th January 1917, No. 1245 F., dated 16th May 1919, No. 3182 F., dated the 17 December 1919, No. 4 Stamps dated the 2nd June 1928, and No. 4 Stamps, dated the 10th May 1930, the Governor-General in Council is pleased to remit the duty chargeable under Article 12 of Schedule 1 of the said Act on the decision and awards of the Registrar of Co-operative Societies, for the Central Provinces and the awards of arbitrators in all disputes in which co-operative societies in British India are parties.

A. TOTTENHAM,
Joint Secy. to the Govt. of India.

To

All Deputy Registrars Sub-Deputy Registrars in independent charge, Superintendents Training Institutes and the Lecturer, on Co-operation, Government Institute of Commerce, Madras.

Copy to the Editor, Madras Journal of Co-operation.
" Tamil Nadu Federation

No. R. Dis. C. 6797/30

OFFICE OF THE REGISTRAR OF
CO-OPERATIVE SOCIETIES,
Madras, 22nd November '30.

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

CIRCULAR.

Co-operative Societies Membership in two credit societies—Land reclamation societies.

Ref:—(1) Letter from the Deputy Registrar, Trichinopoly No. G. 2497/30, dated 5th November 1930.

(2) Registrar's Circular R. Dis. B. 5046/29, dated 15th December 1929.

The second sentence of by-law 5 of the primary credit societies prohibits a person who is a member of one society from admission as a member into another society. An exception was made in the case of members of land mortgage banks in the Registrar's circular quoted above. It has been suggested that the position of the members of Land reclamation societies is similar to that of the members of land mortgage banks. The Registrar accepts this view. By-law 5 of credit societies may therefore be amended as shown below.—

Add after "a land mortgage bank"
"or a land reclamation society"

(By Order),
K. SUBRAMANYAM,
Manager.

To

All Unions and Federations.
All Deputy Registrars, Sub-Deputy Registrars and the Extra Sub-Deputy Registrar, Vizagapatam.
Copy to the Provincial of Co-operative Union, Madras.
" Tamil Nadu Federation.
" Andhra Sahakara Sammelanam.

No. D. Dis. B. 7259/30

OFFICE OF THE REGISTRAR OF
CO-OPERATIVE SOCIETIES,
Madras, 9th December 1930.

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

CIRCULAR.

Subject:—Inspections—Duplication—audit reports—summaries.

In Registrar's circular No. R. Dis. B. 5269-30 dated 2-9-1930 it was ordered that audit Inspectors should immediately after audit write in English on a separate sheet a brief summary of the defects noticed in the society and that copies of this sheet should be made in the office of the Deputy Registrar and communicated at once to the Banks and the Federations for necessary action. It has been suggested that a copy may be sent simultaneously to the supervising unions concerned. The Registrar accepts the suggestion and requests the Deputy Registrars to send a copy to the supervising unions also.

(By Order)
J. C. RYAN,
Manager,

To

All Deputy Registrars, Sub-Deputy Registrars and Extra Sub-Deputy Registrar Vizagapatam (in duplicate).

Copy to all District Banks and Federations.
Copy to Provincial Co-operative Union, Royapettah, Madras.
Copy to the Journal of Co-operation, Madras.
Copy to the Tamil Nadu Federation, Coimbatore.
Copy to the Andhra Sahakara Sammelanam.

CO-OPERATION AND FLOOD RELIEF.

Under the auspices of the Madras Provincial Co-operative Union, a meeting of the City Co-operators was held at its premises, Royapettah, at 4 P M., on Suuday the 7th December 1930 with Mr. V. Ramadas Pantulu in the Chair. Among those present were Messrs. A. Sivarama Menon, G. Sriram Babu Naidu, V. Manicka Mudaliar, L. C. Guruswamy, Rao Saheb Dharmalingam Pillai, V. Venkatasubbaiya, C. Narayanan Nair, S.M. Shah Saheb Bahadur and many other co-operators.

The meeting discussed proposals to alleviate the sufferings and distress of those who were affected by the recent storm and floods in the city and resolved to take the following measures in that behalf :—

In the case of those who can obtain and repay the loan the meeting resolved to request the Madras District Co-operative Central Bank Ltd., to make an estimate of loans that may be advanced to members of Co-operative Societies who are affected by the recent storm and make arrangements to advance loans to them without avoidable delay.

In the case of others who cannot afford to repay, it resolved that a committee consisting of :—Messrs. V. Ramadas Pantulu, A. Sivarama Menon, L. C. Guruswamy, Rao Sahib Dharmalingam Pillai, G. Sriram Babu Naidu, V. Venkatasubbaiya, V. Manicka Mudaliar and H. M. Jagannatham, be appointed to appeal to the Co-operative Societies in the city and to co-operators and others to contribute to a relief fund to help members of the Co-operative Societies who are too poor to obtain loans to rebuild their houses and to administer thefund so raised.

In pursuance of the above the following appeal has been issued by the P. C. U.—

THE APPEAL.

CO-OPERATORS' RELIEF FUND.

LADIES AND GENTLEMEN,

The havoc committed by the recent storm and floods is well known to you all. It is the poor people that have suffered most. Their tiled houses, constructed at great sacrifice by loans raised through co-operative effort, have been flooded and in many cases levelled to the ground; their huts—the abodes of the poorest even among them—have been entirely washed away. The inmates have been rendered destitute. Most of them have no alternative left but to look to the beneficience of the enlightened and generous public.

The City Co-operators met at a meeting convened under the auspices of the Provincial Co-operative Union, Royapettah, Madras, and resolved to do their mite by appealing to all co-operators, co-operative institutions and the generous public for donations for the purpose of ameliorating the condition of the suffering people.

We have been appointed by the City Co-operators as a Committee to go into every case and afford relief to those who are too poor to be financed by Co-operative Societies in the ordinary way. We make this appeal to you to contribute liberally towards this Relief Fund, so that we may tangibly demonstrate that co-operation is not merely borrowing and lending, but is actuated by high ideals as well.

All remittances may kindly be made to :—

THE SECRETARY,
THE MADRAS DISTRICT CO-OPERATIVE CENTRAL BANK, LTD.,
20, Second Line Beach, MADRAS.

Yours Sincerely,

V. RAMADAS PANTULU.
A. SIVARAMA MENON.
L. C. GURUSWAMY.
V. DHARMALINGAM PILLAI.
G. SRIRAM BABU NAIDU.
V. VENKATASUBBAIYA.
V. MANICKA MUDALIYAR.
H. M. JAGANATHAM.

PUBLICATIONS OF THE P. C. U.

	Rs.	A.	P.
1. **A set of Nine Pamphlets** published in the previous years	4	0	0
2. **Pamphlet No. 10—Banking**—Lectures on— By Mr. T. R. Nagaraja Rao	0	4	0
3 **Pamphlet No. 11—Rural Reconstruction in Alamuru Area**— By Mr. V. Venkatasubbayya, BA., ...	0	2	0
4. **Pamphlet No. 12—Agricultural Finance and Co-operation**— (Chapters XII and XIII of the Report of the Royal Commission on Agriculture reprinted for the special use of Co-operators) ...	0	4	0
5. **Pamphlet No. 13—The Report of the Royal Agricultural Commission in India**—(Debate on the resolution in the Council of State) ...	0	2	0
6. **Indian Co-operative Studies**— (A Collection of valuable articles by prominent Co-operators in previous issues of the Madras Journal of Co-operation) ...	1	0	0
7. **Notes & Proceedings of Provincial Co-operative Conferences**—			
(1) XII Madras Provincial Co-op. Conference— Notes ...	1	0	0
(2) XIII „ „ „ ...	2	0	0
(3) XIV „ „ Report ...	1	0	0
(4) XV „ „ Notes ...	2	0	0
(5) „ „ „ Report ...	1	0	0
(6) XVI „ „ Notes ...	1	0	0
(7) XVII „ „ Report ...	0	8	0

TAMIL.

	Rs.	A.	P.
The Maclagan Committee Report— (The portion relating to rural primary societies translated : 2nd Edition) Per Copy ...	0	12	0

***For copies please apply sharp to*:**

THE JOINT SECRETARY,

The Madras Provincial Co-operative Union,

ROYAPETTAH, MADRAS.

THE CENTRAL BANKS' CONFERENCE

IXTH SESSION

(Held on Friday the 31st October 1930
At the Madras Central Urban Bank Ltd.,
Luz, Mylapore.)

CHAIRMAN: DEWAN BAHADUR R. RAMACHANDRA RAO, C.S.I.

The following Central Banks were represented by their delegates noted against each :—

1. *The Madras Central Urban Bank, Ltd.*
   (1) Mr. V. Ramadas Pantulu
   (2) Dewan Bahadur R. Ramachandra Rao
   (3) Rao Saheb T. Srinivasa Rao
   (4) Mr. N. Satyanarayana
   (5) Rao Saheb R. Aiyakutti Iyengar

2. *Anantapur District Co-operative Central Bank, Ltd.*
   Mr. L. Gangadhara Sastry

3. *Chittoor District Co-operative Central Bank, Ltd.*
   (1) Mr. M. Balarama Iyer
   (2) „ C. Venkataramana Iyer

4. *Coimbatore District Urban Bank, Ltd.*
   (1) Rao Saheb K. M. Chinna Rangayya Gounder
   (2) Mr. T. S. Venkataramana Iyer

5. *Co-operative Central Bank, Ltd., Kumbakonam.*
   (1) Mr. V. Rangachariar
   (2) „ V. Panchapakesa Iyer

6. *Co-operative Central Bank, Ltd., Conjeevaram.*
   (1) Rao Saheb C. Sambasiva Chettiar
   (2) Mr. A. Rajabadar Mudaliar

7. *Co-operative Central Bank, Ltd., Vellore.*
   (1) Mr. K. M. Singaravelu Mudaliar
   (2) Rao Bahadur V. Murugesa Mudaliar

8. *Cuddapah District Co-operative Central Bank, Ltd.*
(1) Mr. J. Krishnamurthi Rao
(2) „ K. Lakshminarasayya

9. *Hospet Co-operative Central Bank, Ltd., Hospet.*
(1) Mr. P. Uddaniah
(2) Dr. R. Nagan Gowda

10. *Kurnool District Co-operative Central Bank, Ltd.*
(1) Mr. S. Balaji Singh
(2) Rao Bahadur S. V. Narasimha Rao Pantulu

11. *Madras District Co-operative Central Bank, Ltd.*
(1) Mr. G. Sriram Babu Naidu
(2) „ M. S. Sabesan

12 *Malabar District Co-operative Bank, Ltd.*
(1) Mr. M. P. Govinda Menon

13. *Nellore District Co-operative Banking Union, Ltd.*
(1) Mr. O. Viswanatha Rao
(2) „ V. Narasinga Rao

14. *Madura—Ramnad Central Co-operative Bank, Ltd.*
(1) Mr. L. Dharmaraja Iyer
(2) „ S. Nagaswamy Iyer

15. *Trichinopoly District Urban Bank, Ltd.*
(1) Mr. P. Srinivasaraghavan

16. *Salem District Urban Bank, Ltd.*
(1) Mr. T. Adinarayana Chettiar

17. *South Arcot District Co-operative Central Bank, Ltd.*
(1) Mr. V. Srinivasachariar

18. *South Canara Central Co-operative Bank, Ltd.*
(1) Rao Saheb M. Ananta Rao

19. *Srivilliputtur Co-operative Banking Union, Ltd.*
(1) Mr. P. S. Kumaraswami Raja
(2) „ G. Alagiriswamy Naidu

20. *Tinnevelly District Co-operative Banking Union, Ltd.*
(1) Mr. T. M. Pandiperumal Pillai
(2) „ M. Sankarapandia Reddiar

21. *West Godavari District Co-operative Central Bank, Ltd., Ellore.*
(1) Mr. Ch. Seshagiri Rao Pantulu
(2) „ E. Krishna Rao Naidu

MR. D. N. STRATHIE, Registrar of Co-operative Societies, Madras, was also present.

PROCEEDINGS.

Mr. V. Ramadas Pantulu proposed DEWAN BAHADUR R. RAMACHANDRA RAO to the chair.

The convener Mr. V. C. Rangaswami read a short report with regard to the action taken on the resolutions of the last conference and it is appended to these proceedings.

Subject No. I.—Inspection, Duplication, Audit Reports and Summaries.

The Secretary read out the circular of the Registrar R. Dis. B. 5269/30 dated 2-9-'30 on the above subject and the President brought before the House the three points raised in the circular:—

(i) That, as the audit report is voluminous and is received belated, it is not necessary to press the Government to supply the reports free of cost as with the establishment under the Registrar's control he is unable to supply them in time.

(ii) The summary of defects proposed by the Registrar is desirable and it may be accepted with gratitude.

(iii) The necessity of further inspection and the nature of the report required by non-official authorities may vary and he thought it best to leave these questions to each local authority to decide.

MR. J. KRISHNAMURTHI RAO, while thanking the Registrar for promising to expedite the information regarding the defects found in the audit of the societies, suggested that a specific form may be prescribed detailing the heads under which the various defects may be classified. He pointed out that all the defects in the societies are not brought out in the audit. The departmental auditor is likely to omit certain serious defects which may be found in the working of the societies. Various inspecting bodies are therefore necessary. There are supervisors, audit inspectors, federation inspectors, administrative inspectors and now the central bank has come into the field with its own inspectors, and these different persons may point out defects and, from his own experience in his district, he could state that the final audit defects reported by the departmental inspectors are not exhaustive, in some cases the real defects are not pointed out at all and there was need therefore for the non-official agency conducting its own inspection.

RAO SAHIB T. SRINIVASA RAO followed and emphasised that the acceptance of the Registrar's suggestion by banks and federations would in effect tantamount to belying their own declarations made during the past five years and more in regard to the need for a thorough overhauling of the societies by individual examination of overdue debts and valuation of the security for each outstanding loan and the collection of the ever increasing overdues. Year after year, session after session, meeting after meeting, and since 1925 the Provincial Conference, the Central Banks' Conference and the Board of Management of the M. C. U. B. have been constantly urging that the state of affairs in societies should be thoroughly overhauled; and that for this purpose they should employ such additional hands as may be necessary, in addition to the staff of supervisors in unions.

The auditor's point of view was only technical while the administrator's point of view required attention to every loan and to every individual member. The view-point of the non-official agency was one of perfecting the institution. The duties of "inspection" by non-official agency and Audit by government agency must be kept distinct. He also proposed the revision of the form of audit report.

MR. T. ADINARAYANA CHETTIAR stated that the circular was only advisory and not mandatory.

The Registrar explained his position and cleared the misapprehension. He said that he never wanted to do away with the non-official inspections. His only idea was to facilitate work and saving of time of the inspectors, federation supervisors and other inspecting bodies and with regard to the suggestion of revising the audit form by Mr. Srinivasa Rao, he stated that it was only revised last year by his predecessor and that he had not yet got an opportunity of examining the form suggested by Mr. T. Srinivasa Rao.

RESOLUTION.

1. *Resolved that the request to apply for free supply of verbatim copies of audit reports be dropped.*
2. *The Registrar's proposal to send summaries of defects from the inspection reports inclusive of audit reports be accepted with thanks.*
3. *As regards the form of report for the non-official staff, the subject be left to the local controlling authorities concerned.*

Subject No. II.—Claim of the West Godavari District Co-operative Central Bank Ltd., Ellore, for a share in the reserve fund of the Krishna Co-operative Bank Ltd., Masulipatam, on account of the liabilities of certain societies having been transferred from the latter bank to the former.

The representative of the Krishna Bank was not present and the Chairman stated that this was a matter which involved a great deal of discussion and scrutiny. The plaintiff alone was present and the defendant was absent and it was not therefore fair to decide the question. He therefore proposed that Mr. V. Ramadas Pantulu be requested to arbitrate and, the representative of the West Godavari Bank agreeing to the proposal, the following resolution was passed:—

RESOLUTION.

Resolved that the matter be remitted to Mr. V. Ramadas Pantulu for enquiry and advice to the banks concerned.

Subject No. III.—Destruction of records in Central Banks.

The suggestions of the Co-operative Central Bank Ltd., Vellore, had been circulated to all the members. It was urged that the decision of the sub-committee appointed by the Central Banks' Conference in 1924 be accepted with the recommendations in the dissenting note of Mr. T. Adinarayana Chettiar. As, however, the house desired that the suggestions of the Vellore Bank and the report of the sub-committee required a comparison and definite rules should be framed thereafter, it was resolved to send a copy of the Vellore Bank's suggestions to the Registrar.

Subject No. IV.—This meeting, while regretting the decision of the Government of India that the Imperial Bank of India could not be induced to accept the co-operative paper to cover even a portion of the overdraft with the Imperial Bank,

Resolves to request the Madras Central Urban Bank Ltd., Madras, to make necessary arrangements with the Imperial Bank of India for the entire overdraft required by all the Co-operative Banks affiliated to it, and distribute the same among the several central banks according to their requirements.

The representative of the Amalapuram Bank who gave notice of the above resolution, being absent, the matter was not moved.

Subject No. V.—Under section 20 of the Act, a registered society shall have a charge upon the share and deposit of a member or past member in respect of any debt due and may set off any amount towards payment of any such debt. It would appear that any other creditor of that member or past member cannot claim a rateable distribution out of the paid up share capital or deposits of the member. In the light of this provision in the Act, Sub. No. 15 of the last conference may be taken up for consideration.

In moving the above proposition, MR. NAGASWAMI IYER of the Madura-Ramnad Bank stated that the Act was not quite clear and requested that the House do give a definite lead in the matter.

The representative of the Malabar Bank also pointed out that there was no uniform procedure in the application of the above rule and that the practice varied in different localities.

RAO BAHADUR M. K. VENKATACHARIAR explained the scope of the section and how it was applied by the department. With regard to the share capital, the Central Bank had the right to adjust it towards the dues of the liquidated societies, as it was in the position of a guarantee money for the central bank. With regard to reserve fund, it is a deposit which has been placed with the Central Bank at the requisition of both the Registrar and the Central Bank and on a certain understanding, and the Central Bank before adjusting the amount towards its dues had therefore to take the permission of the Registrar. In the case of other deposits, the position of the Central Bank was that of any other creditor being entitled only to a rateable dividend.

After some discussion, it was thought that the best course was to take legal opinion in the matter.

RESOLUTION.

As the matter involves an examination of the present legal position, it was unanimously resolved that legal opinion be taken in the matter.

Subject No. VI.—The frame of suit and the form of decree in suits by Central Banks against unlimited liability societies. The practice seems to be varying in various districts. Some Central Banks get decrees against panchayatdars. Some Central Banks take decrees against the society as represented by the President alone. Such latter decrees present difficulties in execution. It is thought desirable that bye-law 3 of unlimited liability societies should be made enforceable even under the decree.

After some discussion, the matter was allowed to lie over.

Subject No. VII.—The question whether a panchayatdar of a society who is in arrears of share capital to the society may join in execution of a valid bond under bye-law 25 of a primary society. This may be discussed in the light of Sec. 12 of the Act.

The subject was allowed to be withdrawn by the mover with the leave of the House.

Subject No. VIII.—Whether the Registrar has the power to cut down the maximum borrowing power of an unlimited society even if there be no provision to that effect in the bye-laws of the society (model bye-law 18)? Even if there be such provision, whether the Registrar can so cut down without giving notice to the society or to its creditors. How and when this power should be exercised and the procedure, if any, to be followed in such cases may also be discussed.

MR. NAGASWAMI IYER pointed out that, in certain cases, the Registrar cut down the maximum borrowing power of an unlimited society without giving notice either to the bank or to the society and pointed out the difficult situation in which the Central Banks are placed by such arbitrary action.

The Registrar gave an assurance that he will look into the matter and Mr. V. Ramadas Pantulu pointed out that the Townsend Committee have discussed the question in all its bearings. He read out the relevant portions.

It was resolved that the Central Banks' Conference do endorse the recommendations of the Townsend Committee in Sub-para 3 of para 52 of the Townsend Committee Report reproduced below :—

"The Registrar can now regulate the borrowing power of societies by virtue of the power vested in him under sections 29 and 30 of the Act and Rule VIII-B. Some doubt has been expressed to us as to whether the Registrar has power to reduce the borrowing power, when once embodied in the sanctioned by-laws of a society, without first getting the by-law amended. The amendment cannot be effected without the consent of the society expressed in a formal resolution. If the society neglects or refuses to pass the resolution, the Registrar may be helpless. To obviate this possible difficulty, we consider it advisable to invest the Registrar with power to make the amendment suo moto in cases where default has occurred, so that his order reducing the borrowing power may validly and legally replace the old by-law. This power should be exercised solely for the better regulation of the business of societies, and should not be used as a disciplinary power. The reduction of borrowing power as a form of punishment is in practice worthless, for a bad society which is not functioning does not care to borrow, and a good society which is doing business ought not to be visited with such punishment. The power should generally be used to prevent improvident borrowing, and in such cases, it will operate as a healthy check. We recognise however that it involves real interference with the autonomy of societies. It should therefore be exercised only under definite safeguards. Firstly, it should be exercised by the Registrar personally and should not be delegated by him to any subordinate officer. Secondly, it should be limited to primary societies, rural and urban, and should not extend to central banks. Thirdly, the Registrar should not pass his order without previously consulting the local union, the federation, and the central bank to which the society concerned is affiliated. He should normally refrain from taking action when there is consensus of opinion among these bodies against doing so. Finally, the Registrar should state his reasons for the order in writing."

Subject No. IX.—There are instances where copies of reports of Enquiry under Section 35 have been refused to the Bank. The Registrar be requested by a resolution of the Conference to supply copies of such reports in all cases to the Central Banks.

MR. L. DHARMARAJA IYER of the Madura-Ramnad Bank pointed out that the Deputy Registrar of his place refused to give copies of reports of Enquiry under Section 35 and therefore it was thought necessary to passa resolution requesting the Registrar to supply copies in all such cases; as it was the opinion of the House that such copies are usually supplied by the Department and the instance quoted by the Madura Bank representative might be an exception, the subject was dropped.

Subject No. X.—RAO SAHEB T. SRINIVASA RAO had given notice of the following propositions :—

1. In view of the responsibility undertaken by the Board of Management for the work of Rectification and Consolidation in all districts of the presidency—vide its resolution No. 6 dated 18—4—30; in view of the

scheme for the grant of subvention to Central Banks for the said work, sanctioned by the Board in its resolution No. 5 of the same date and since brought into operation by reason of which the responsibility for the regulation of the work in question is all the greater; and in view of the Executive Committee's Res. No. 8 dated 10—10—30 to discontinue the present general scheme of inspection of Central Banks and in partial modification of the said resolution which restricts future inspections of Central Banks to each case as necessity arises;

Resolved that the Executive Committee of the Madras Central Urban Bank be requested to make arrangements for early visits to all Central Banks with a view to find out whether the working of the administrative section is properly organised and whether the work is progressing on right lines.

2. Resolved that in compliance with clause VIII of the resolution of the Board of Management, No. 6 dated 18-4-30, the form of report for initial inspection of societies, originally introduced in Nellore and subsequently adopted in five other Central Bank areas (of which copies are being circulated to all Cental Banks), be brought into use in the remaining Central Bank areas also.

3. Resolved further, that in compliance with the same clause No. VIII of the resolution quoted above, the memorandum prepared by Mr. T. Srinivasa Rao on "Inspection of Societies" be supplied to all inspecting officials and that the form of report thereto appended and intended for adoption at second and later visits to societies, as well as another form also appended thereto and intended for adoption by honorary workers, be also introduced in all the Districts of the Presidency.

4. In view of the recent suggestion of the Registrar that Banks and Federations should dispense with separate inspection reports from their inspectors and supervisors; in view of the ever-growing need for close non-official inspection, in respect of which the Central Banks' Conference and the Board of Management of the M. C. U. B. have been taking the necessary steps

for some years past and in view of the vigorous measures in adoption at the present time for giving due effect to past resolutions on the subject :—

Resolved that the Registrar be informed that, while thoroughly sympathising with the object which has persuaded him in making that suggestion, the Conference is of opinion that the course suggested for the achievement of that object is not calculated to be attended with success; and that the Registrar be requested to kindly withdraw the suggestion.

5. Resolved further that, notwithstanding the above request, there exists in the opinion of the Conference great necessity for co-ordinating the efforts of the official and non-official agencies in the direction of saving dupli-cation of work and enhancing the utility of efforts of both agencies, and that a small committee consisting of the Registrar and two other members to be nominated by the Conference be appointed to report how best such co-ordination may be attained.

In moving the above, Rao Saheb T. Srinivasa Rao pointed out that, though the inspection of Central Banks was undertaken as early as 1928, only 17 Banks had been inspected so far and final reports on the inspection of some of them are still not forthcoming. He explained the need for continuing inspection especially at this time as the Apex Bank had undertaken to shoulder the responsibility of incurring a heavy expenditure on the work of rectification and consolidation. The Bank had a right to know whether the Administrative Section is being properly organised and whether the work is progressing on right lines.

Mr. V. Ramadas Pantulu, in opposing the resolution, pointed out that the Executive Committee had not committed itself to any particular proposition nor had it completely abandoned the inspection of central banks. Mr. Srinivasa Rao was aware that the Executive Committee only resolved to keep the general scheme of inspection in abeyance and, in cases where there was need, the Executive Committee reserved to itself the right to inspect Banks as and when necessity arose. Mr. Srinivasa Rao had no need for any alarm in the matter. The main question that confronted the Executive Committee was one of cost. The bank had already committed itself to a heavy expenditure by liberal grants for rectification and consolidation work, and the implication of the Rao Saheb's resolution was to appoint a

number of inspectors without which it would not possible to get through the work of inspecting every Central Bank. We are now getting quarterly progress reports of the work done and whenever there is any apprehension that the work is not proceeding on right lines, the bank will be prepared to send one of its Executive to look into the matter and do the needful. Knowing all this and having been a party to the resolution of the Executive Committee that Mr. Srinivasa Rao should have thought it so soon—barely twenty days have elapsed since—to bring this resolution is to say the least very premature.

Rao Bahadur M. K. Venkatachariar suggested the desirability of mutual inspection of Central Banks instead of hanging on the Apex Bank for the inspection. The Central Banks will be more fitted for and will profit more by the mutual study of each other's conditions and difficulties. No two societies have the same difficulties nor the same difficulties in different societies could be solved in the same way. Different medicines have to be administered to each kind of disease according to the locality and the nature of the particular society and the central banks do stand to gain by a mutual knowledge of the working of the Administrative Section, more than they could from a study of the reports, however clear and precise they may be.

Rao Saheb T. Srinivasa Rao replied as follows :—

"The Executive Committee had resolved in explicit terms that the present general scheme of inspection of central banks be discontinued and that future inspections undertaken with the executive committee's sanction in each case as necessity arose. Though, in view of what had transpired since the inauguration of that scheme, namely, the introduction of scheme of grant of subsidy to central banks for the work of rectification and consolidation, the lines of future inspections may have to be varied from those of previous ones, that reason does not in my opinion do away with the need for an initial inspection. When the scheme of inspection was introduced in 1928, the understanding was that the inspections were to be conducted, not by Inspectors, but by the Madras Central Urban Bank directors, and should be made once every year. A director of the Madras Central Urban Bank even urged at the time that there should be half yearly inspections. My resolution only proposed that there should be at least an initial inspection of the remaining banks also, not by Inspectors but by the Madras Central Urban Bank directors as contemplated by the original scheme. The necessity in their case was no other than what it was deemed to be in the case of the banks already inspected. There is another reason yet. Central banks not already inspected happened to be left uninspected, not because their inspections were deemed unnecessary for some such definite reason as being governed by same economic conditions as related to the inspected banks, but because other banks had earlier been taken up for inspection and their turn did not come".

Mr. Srinivasa Rao then withdrew resolution No. 1 with the leave of the House and declined to move resolutions 2 to 5.

RAO SAHEB T. SRINIVASA RAO moved the following resolution :—

Subject No. X—6. "With a view to arrest the further growth of loss in loss societies, the Conference is of opinion that Central Banks should not, out of remittances received from societies, take credit for interest due by any society, to a larger extent than the amount of interest collected by it in cash (exclusive of book adjustments, if any) from its members.

He began by saying that he has been harping upon this question time and again in successive conferences and whenever there was an opportunity, but the attitude of the conferences has been "Srinivasa Rao heard, matter adjourned". The time has come when every central bank has to give its utmost attention to this question and the Burma Committee on Co-operation has given a lead in the matter. He had also a discussion with the President of the M. C. U. B. As Chairman of the Reception Committee of the last Provincial Co-operative Conference, the President had commented on this question. In the memorandum of rectification and consolidation, he had again laid special emphasis on the question of unrecouped losses. The amount is mounting up year after year. In certain societies, the position may be such that the share capital and reserve fund have already been wiped off and the interest is now being paid out of the borrowed money. It is for this conference to suggest ways and means to improve the state of loss societies and arrest the further growth of unrecouped losses. He desired the House to give its best consideration to the question.

MR. N. SATYANARAYANA placed before the House the statistics he had collected in the societies in the area of the Ramachandrapuram Central Bank and quoted instances that in certain societies where no interest was collected from the members, the societies had paid large amounts to the central bank towards interest. That clearly showed that advance collections under principal in societies were utilised for payment of interest to the central banks.

Messrs. V. C. RANGASWAMI, M. K. VENKATACHARIAR, NAGASWAMI IYER and several other members took part in the discussion.

Mr. V. Ramadas Pantulu pointed out the danger that was facing the societies and said that there would come a time when the societies would not be able to pay even interest on deposits. He would not advocate appropriation of collection towards principal as proposed by the mover but he would make a suggestion that the Registrar may be advised to prescribe that definite amounts be set apart towards bad debts when declaring profits. The principle that is now followed is of appropriating collections towards first interest due and then to the principal, which is in accordance with sound banking principles.

The REGISTRAR opined that the position was becoming serious and that something should be done to arrest the growth of unrecouped losses. He agreed with Mr. V. Ramadas's suggestion as it would strengthen his hand in the matter of dealing with profits.

MR. SRINIVASA RAO in replying to the discussion said that co-operators should open their eyes to the gravity of the situation and undertake an investigation as to how the position of affairs in this respect stood in individual central banks, with a view to improve the same and then decide what course should be adopted.

As the opinion of the House was in favour of the suggestion of Mr. Ramadas, that the Registrar should examine the position, the Chairman, in winding up the debate, asked the mover to withdraw the proposition and the same was withdrawn by leave of the House.

Subject No. IX.—Central Banks' Manual.

The proposal of Rao Saheb T. Srinivasa Rao for expediting the preparation of the Manual, having been circulated to all the members previously, was taken as read. The Chairman suggested that this was a question which ought to be taken up by the Department. He requested the Registrar to undertake the compilation of the Manual as it would be far more easy for the department to compile the Manual than for the non-official agencies.

RESOLUTION.

It was resolved that the Registrar be again requested to shoulder the work in connection with the preparation of the Manual.

R. RAMACHANDRA RAO,
Chairman.

Action taken on the resolutions of the last Conference.

The Resolutions passed at the last session were communicated to the Registrar. Orders have been received from him on all the resolutions.

Resolution No. II regarding the maximum rate of interest payable by Central Banks on the Reserve Fund investments of societies has been accepted by the Registrar and he has circularised all the Central Banks fixing 6 per cent as the maximum.

Resolution No. III regarding the training of apprentices in the M. C. U. B. has been given effect to, but only one Central Bank namely, Aska, has taken advantage of the privilege.

Resolution No. IV:—The question of the Central Banks' Manual was adjourned to this session. The Registrar has made no attempt to prepare a Manual for Central Banks as it was understood that it should be done by Rao Saheb T. Srinivasa Rao. The Rao Saheb's letter stating his inability to complete the work without adequate facilities was already reported. This subject will be discussed now. The proposals of Rao Saheb T. Srinivasa Rao have been already circulated.

Regarding the free supply of audit reports to Central Banks (which forms *Resolution V*), the Registrar found it impossible to comply with the request, but suggested three alternative courses, which have been communicated to all the Central Banks. Hospet, Madura, Salem and South Canara have decided to get from their respective Deputy Registrars office copies to be returned after perusal. Coimbatore, Malabar, Ramachandrapuram, Tanjore, Kumbakonam, Vellore, Cuddalore and Amalapuram are prepared to purchase copies at four annas each. Vellore and Cuddalore will supply copies to the Unions and Federations free of cost while Amalapuram will ask them to share the cost.

The Registrar has proposed to issue orders to audit inspectors to furnish (immediately after audit) a brief summary of the defects discovered. Tinnevelly is prepared to be satisfied with this and has discontinued purchasing copies. It is added that audit reports are received by the Central Banks too late to be of value.

The Registrar's replies in respect of resolutions VI, VIII & IX have already been circulated to all the Central Banks.

Resolution No. VI:—Regarding the liability statement attached to audit reports, Registrar regretted his inability to waive the trifling

cost as no other satisfactory arrangement could be made with the limited establishment at his disposal.

Resolution No. VIII:—Adequate arrangements have been made by him to dispose of arbitration cases and execution of awards expeditiously and correctly.

Resolution No. IX:—In well conducted institutions under sufficient safeguards gold loans have been permitted.

Resolution No. VII:—The Registrar reports that 10 Land Mortgage Banks have been started and applications from others are under scrutiny.

Resolution No. X regarding the maximum amount of interest to be allowed on Local Board Deposits was referred to the Executive Committee and they see no reason to go back on the previous resolutions.

Destruction of records:—The Registrar suggests the adoption of the proceedings of the Sub-Committee appointed in 1925 with the dissenting note of Mr. T. Adinarayana Chettiar. The proceedings of the Sub-Committee are placed on the table along with the suggestions of the Vellore Central Bank.

The Central Banks' Conference

31—10—1930.

AGENDA.

1. Registrar's Circular R. Dis. B. 5269/30 dated 2-9-'30 on the subject:—Inspections, Duplication, Audit Reports and Summaries.

2. Claim of the West Godavari District Co-operative Central Bank, Ltd., Ellore, on behalf of the societies transferred from the Krishna Bank for a share in the reserve fund built by the Krishna Co-operative Bank with the help of the societies transferred from the latter Bank to the former for the period they were financed by the Krishna Bank or for such reasonable amount which would cover costs of collection and bad debts.

3. Destruction of Records in Central Banks.

4. *Amalapuram.*—This Meeting, while regretting the decision of the Government of India that the Imperial Bank of India could not be induced to accept the co-operative paper to cover even a portion of overdraft with the Imperial Bank,

Resolves to request the Madras Central Urban Bank, Ltd., Madras, to make the necessary arrangements with the Imperial Bank of India for the entire overdraft required by all the Co-operative Banks affiliated to it, and distribute the same among the several Central Banks according to their requirements.

5. *Madura.* Under Section 20 of the Act, a registered society shall have a charge upon the share and deposit of a member or past member in respect of any debt due and may set off any sum credited or payable to a member or past member towards payment of any such debt. It would appear that any other creditor of that member or past member cannot claim a rateable distribution out of the paid up share capital or deposit of the member. In the light of this provision in the Act, Sub. No. 15 of the last conference may be taken up for consideration.

6. The frame of suit and the form of decree in suits by the Central Bank against unlimited liability societies. The practice seems to be varying in various districts. Some Central Banks get decrees against the panchayatdars. Some Central Banks take decrees against the society as represented by the President alone. Such latter decrees present difficulties in execution. It is thought desirable that by-law 3 of unlimited liability societies should be made enforceable even under the decree.

7. The question whether a panchayatdar of a society who is in arrears of share capital to the society may join in execution of a valid bond under by-law 25 of a primary society. This may be discussed in the light of Sec. 12 of the Act.

8. Whether the Registrar has the power to cut down the maximum borrowing power of an unlimited society even if there be no provision to that effect in the by-laws of the society (model by-law 18)? Even if there be such provision whether the Registrar can so cut down without giving notice to the society or to its creditors. How and when this power should be exercised and the procedure if any to be followed in such cases may also be discussed.

9. There are instances where copies of reports of Enquiry under Section 35 have been refused to the Bank. The Registrar may be requested by a resolution of the Conference to supply copies of such reports in all cases to the Central Banks.

10. *Rao Saheb T. Srinivasa Rao.*—In view of the responsibility undertaken by the Board of Management for the work of Rectification and Consolidation in all districts of the presidency—vide its resolution No. 6 dated 18-4-30; in view of the scheme for the grant of subvention to Central Banks for the said work sanctioned by the Board in its Resolution No. 5 of the same date and since brought into operation, by reason of which the responsibility for the regulation of the work in question is all the greater; and in view of the Executive Committee's Resolution No. 8 dated 10-10-30 to discontinue the present general scheme of inspection of Central Banks, and in partical modification of the said resolution which restricts future inspections of Central Banks to each case as and when necessity arises;

Resolved that the Executive Committee of the Madras Central Urban Bank be requested to make arrangements for early visits to all Central Banks with a view to find out whether the working of the administrative section is properly organised and whether the work is progressing on right lines.

II. Resolved that, in compliance with clause VIII of the resolution of the Board of Management No. 6 dated 18-4-30, the form of report for initial inspection of societies, originally introduced in Nellore and subsequently adopted in five other Central Bank areas (of which copies are being circulated to all Central Banks), be brought into use in the remaining Central Bank areas also.

III. Resolved further, that in compliance with the same clause No. VIII of the resolution quoted above, the memorandum prepared by Mr. T. Srinivasa Rao on "Inspection of Societies" be supplied to all inspecting officials and that the form of report thereto appended and intended for adoption at the second and later visits to societies, as well as another form also appended thereto and intended for adoption by honorary workers, be also introduced in all the Districts of the Presidency.

IV. In view of the recent suggestion of the Registrar that Banks and Federations should dispense with separate inspection reports from their inspectors and supervisors; in view of the ever-growing need for close non-official inspection, in respect of which the Central Banks' Conference and the Board of Management of the M. C. U. B. have been taking the necessary steps for some years past, and in view of the vigorous measures in adoption at the present time for giving due effect to past resolutions on the subject;

Resolved that the Registrar be informed that, while thoroughly sympathising with the object which has persuaded him in making that suggestion, the Conference is of opinion that the course suggested for the achievement of that object is not calculated to be attended with success; and that the Registrar be requested to kindly withdraw the suggestion.

V. Resolved further, that notwithstanding the above request, there exists in the opinion of the Conference great necessity for co-ordinating the efforts of the official and non-official agencies in the direction of saving duplication of work and enhancing the utility of efforts of both agencies, and that a small committee consisting of the Registrar and two other members to be nominated by the Conference be appointed to report how best such co-ordination may be attained.

VI. Resolved, with a view to arrest the further growth of loss in loss societies, that the Conference is of opinion that Central Banks should not, out of remittances received from societies, take credit for interest due by any society, to a larger extent than the amount of interest actually collected by it in cash (exclusive of book adjustments, if any) from its members.

11. Preparation of the Central Banks' Manual.

The Central Banks' Conference.

IXth Session, Friday the 31st October 1930.

RESOLUTIONS.

I. *Inspection, Duplication, Audit Reports and Summaries*—

(a) Resolved that the request to apply for free supply of verbatim copies of audit reports be dropped.

(b) The Registrar's proposal to send summaries of defects from the inspection reports inclusive of audit reports be accepted with thanks.

(c) As regards the form of report for the non-official staff, the subject be left to the local controlling authorities concerned.

II. *Claim of West Godaveri District Central Bank for a Share in the Reserve Fund of Krishna Co-operative Bank*:—

Resolved that the matter be remitted to Mr. V. Ramadas for enquiry and advice to the banks concerned.

III. *Destruction of records in Central Banks*:—

Resolved to send a copy of the Vellore Central Bank's suggestions to the Registrar.

IV. *Amendment of Rules under the Act to give Co-operative Societies a lien on share capital and deposits of a member*:—

Resolved unanimously that as the matter involves an examination of the present legal position, legal opinion be taken in the matter.

V. *Registrar's power to cut down the maximum borrowing power of an unlimited society*:—

Resolved that the Central Banks' Conference do endorse the recommendations of the Townsend Committee in sub-para 3 of para 52 of the Townsend Committee Report.

VI. *Preparation of the Central Banks' Manual*:—

Resolved that the Registrar be again requested to shoulder the work in connection with the preparation of the Manual.

Model By-laws of Co-operative Thrift and Savings Societies in the Punjab.

By-laws of the.......................................Co-operative Thrift and Savings Society, Ltd ,................Tahsil,..................District.

NAME.

1. This society shall be called the________________________ Co-operative Thrift and Savings Society, Limited.

2. Its registered address shall be at________________________Post Office, ______________Tahsil,____________District.

OBJECTS.

3. The objects of the Society are to promote the economic interests of its members, and more particularly (*a*) to encourage thrift and small savings by providing means whereby such savings may receive a reasonable interest without risk, and without being removed from the control of the members; and (*b*) to afford relief to members in need by enabling them to obtain loans for really necessary purposes at reasonable interest and with easy terms of repayment.

MEMBERSHIP.

4. The members shall consist of—

(*a*) persons who join in the application for registration ; and
(*b*) persons admitted in accordance with these by-laws.

5. Every member of the society must be—

(*a*) ordinarily employed in__________________;
(*b*) of good character ; and
(*c*) ________________________.

6. Members shall be admitted after election by the managing committee, subject to the confirmation of a general meeting.

7. Every member on admission shall sign his name or make his thumb-mark in the register of members.

8. Membership shall be terminated by—

(*a*) death ;
(*b*) withdrawal after three months' notice to the Secretary ;

(*c*) permanent insanity; or

(*d*) expulsion by a two-thirds majority of a general meeting at which not less than half the members are persent and vote.

Where membership terminates owing to permanent insanity or expulsion, the society shall pay to the legal representative or nominee in the former case, and to the expelled member in the the latter case, the sum at his credit, less any sum due to the society, provided that the society need not pay any such sum until the accounts for the year have been balanced and audited.

9. Every member shall nominate a single person to whom on his death the balance at his credit shall be paid, and shall attest the nomination by making his signature or thumb-mark in the register of members.

10. A member may withdraw at any time after giving three months' notice to the Secretary.

A member withdrawing with effect from the end of the financial year shall be entitled to receive the sum at his credit, together with interest and dividend up to the end of the year, less any sum owed by him to the society.

A member withdrawing in the course of the financial year shall not be entitled to any dividend or interest for that year or any part thereof; he shall be entitled to the sum at his credit, less any sum due by him to the society.

A member withdrawing during the first year of his membership shall not be entitled to any interest or dividend in respect of the sum contributed by him, but only to the actual sum contributed, less any due to the society.

By "Financial year" is meant such period of twelve months at the end of which the balance of the accounts of the society is struck.

11. A member may be expelled for—

(*a*) failure to pay contributions or debts due from him to the society;

(*b*) conviction of a criminal offence involving dishonesty or resulting in his imprisonment for three months or more;

(*c*) bankruptcy or application for bankruptcy;

(*d*) any action which may be held by the managing committee to be dishonest or contrary to the interests of members or to the stated objects of the society, such as misapplication of a loan, gambling, etc.

12. Any money due on any account from the society to a member or past member or a person claiming through a former member may be set off in payment of any sum which he owes to the society.

LIABILITY.

13. The liability of every member shall be limited to Rs. 10.

CONTRIBUTIONS.

14. Every member on joining shall agree to pay an entrance fee once, and contribute from his earnings monthly a sum calcutated as follows :—

Monthly earnings.	*Entrance fee*	*Contribution.*
Rs. 100 and over	Four annas	Rs. 4 per month.
" 75 " "	Three "	" 3 "
" 50 " "	Two "	" 2 "
" 30 " more	Two "	Re. 1 "
Under Rs. 30	One anna	Annas 8 per month.

The society may levy simple interest at a rate not exceeding 6¼ per cent. on any overdue contributions.

15. Any member may contribute on a higher scale than the above, provided that he agrees to do this for not less than one year, and lower contributions may be permitted by the general meeting, provided that each monthly contribution shall be a multiple of 8 annas.

16. Any member may make special contributions for a specific purpose, such as marriage, expenses of holidays or festivals, etc., and may withdraw the sum contributed on the occurrence of the event referred to, together with interest to date of withdrawal.

17. Any member may deposit his savings in the society for periods not less than one year; on such deposits he shall receive interest six monthly at a rate that shall be 1 per cent. less than the last dividend declared."

N. B. The interest should be simple and not compound.

18. Any member may deposit his savings for periods less than one year on such conditions as the committee shall determine.

19. Any member may at any time, on giving such notice as the committee may prescribe, withdraw the whole or any part of the sum at his credit, for any purpose that accords with the spirit of thrift or which the committee may decide to be in his permanent interest, namely,—

(*a*) the purchase of a pension or annuity for himself, or his wife, or his children; or

(*b*) the acquisition of a dwelling-house for himself, or his family, or of land; or

(*c*) the purchase of a single payment policy of insurance or any provident insurance benefits, or of an endowment policy; or

(*d*) investment in any Trustee Security; or

(*e*) any other purpose approved by the Registrar.

LOANS.

20. No loan shall be made to any person other than a member of full age.

No loan to any member shall be such as to bring his debt to the society in excess of the sum at his credit in the society.

(*d*) is convicted of any offence involving dishonesty or is imprisoned for three months;

(*e*) holds any office or place of profit under the society or receives any honorarium;

(*f*) lends money on his own account.

35. Meetings of the committee shall be held, when necessary. The attendance of at least three members shall be required for the disposal of any business. The President or Vice-President, or in their absence one of the other members, shall preside. Each member shall have one vote. The Chairman shall have a casting vote.

36. The committee shall exercise all the powers of the society, except those reserved for the general meeting, subject to any regulations or restrictions duly laid down by the society in a general meeting or in the by-laws; and in particular shall have the following powers and duties:—

(*a*) To observe in all their transactions the Act, the notified rules and the by-laws.

(*b*) To maintain true and accurate accounts of all money received and expended and all stock bought and sold.

(*c*) To keep a true account of the assets and liabilities of the society.

(*d*) To keep a register of members correct and up to date.

(*e*) To prepare and lay before the annual general meeting an audited profit and loss account, and an audited balance sheet.

(*f*) To examine the accounts, sanction contingent expenditure and supervise the maintenance of the prescribed registers.

(*g*) To consider the inspection notes of the Registrar and the Inspector and take necessary action.

(*h*) To elect new members, subject to the confirmation of a general meeting.

(*i*) To arrange for the recovery of contributions.

(*j*) To summon general meetings in accordance with by-law 28.

(*k*) To decide the terms on, and the periods for, which loans are to be given, to arrange for the recovery of loans and profit, and to sanction renewals, when necessary.

(*l*) To decide the terms on, the periods for, and the rates of interest at which deposits are to be received, and to arrange for the payment or return of deposits.

(*m*) To watch that loans are applied to the approved purpose for which they were made.

(*n*) To invest the surplus funds of the society in accordance with section 32 of the Act.

(*o*) To assist the inspection of the books by any person authorized to see them.

(*p*) To appoint, suspend or dismiss employees.

(*q*) Through any member or officer or employee of the society or any other person specially authorized to institute, conduct, defend, compromise, refer to arbitration or abandon legal proceedings by or against the society or committee or the officers or employees concerning the affairs of the society.

(*r*) To acquire on behalf of the society shares in the ——————— ——————————— Central Bank.

(*s*) Generally to carry on the business of the society.

In their conduct of the affairs of the society the committee shall exercise the prudence and diligence of ordinary men of business, and shall be responsible for any loss sustained through acts contrary to the law, the notified rules and the by-laws.

37. All business discussed or decided at a meeting of the committee shall be recorded in a proceedings book which shall be signed by the Chairman of the meeting and all the members of the committee present.

SECRETARY.

38. The committee shall appoint a Secretary who, if he is not a member of the committee, may receive pay or an honorarium with the sanction of a general meeting.

39. The powers and duties of the Secretary shall be as follows:—

(1) To maintain correctly and up to date the prescribed papers and registers.

(2) To procure from borrowers the due execution of bonds.

(3) To prepare all receipts, vouchers and documents required by the notified rules or the by-laws or called for by the committee.

(4) To sign on behalf of the society and conduct its correspondence.

(5) To summon and attend general meetings and meetings of the committee.

(6) To record the proceedings of such meetings and have them duly signed.

(7) To prepare the annual statements.

(8) To certify copies of entries in books under section 26 of the Act.

REGISTERS.

40. The following registers and papers shall be maintained:—

(1) A register of members, showing the name, address and occupation of every member, the date of his admission to membership, and (if minor) his age at that date, the date of termination of membership and the nominee appointed under by-law 8.

(2) A cash book showing the receipts, expenditure and balance on each day on which business is done.

(3) A ledger account for each member and for miscellaneous and contingent expenditure.

(4) A register (kistbandi) showing instalments for repayment of loans.

(5) A minute book showing the proceedings of general meetings and committee meetings and the notes of inspecting officers.

(6) An account showing the monthly contributions.
(7) A book of bonds showing all loans issued.
(8) A pass book for each member.

41. The registers and papers of the society shall be open to the inspection of any one interested in the funds, except that no one shall be allowed to see the ledger account of any person without that person's consent in writing.

Copies of the by-laws and of the balance sheet shall be supplied free on demand to any member.

TREASURER.

42. The Treasurer shall take charge of all money received by the society from the Central Bank and from members, and shall make disbursement in accordance with the directions of the committee. He shall sign the cash book in token of its correctness and produce the cash balance whenever called upon to do so by the committee or Auditor.

DISPOSAL OF PROFITS.

43. Out of the annual profits of the society there shall be set aside 5 per cent to the reserve; out of the remainder the committee may pay such dividend on contributions as may seem justifiable; the balance may be carried forward to the next year or added to the reserve. In no case shall the dividend on contributions exceed 10 per cent.

44. The reserve fund shall be indivisible, and no member shall be entitled to any specified share in it. It may be utilized in the business of the society or invested in accordance with by-law 27.

45. Any dispute concerning these by-laws or the business of the society between members or past members of the society, or persons so claiming and the committee or any officer, shall be referred to the Registrar as provided in the rules notified by the Local Government.

LIQUIDATION.

46. The society shall be liquidated only by order of the Registrar under section 39 of the Act. In case there be any surplus after meeting all liabilities of the society and repaying all sums at the credit of members, such surplus shall be disposed of in accordance with any rule framed by the Local Government in this behalf.
