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THE
Madras Journal of Co-operation

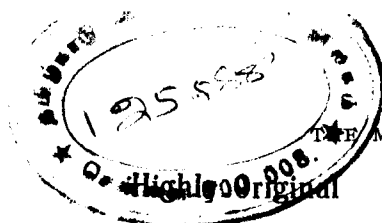
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Editorial Notes

God Save Mother India

We allowed ourselves the liberty of deviating from our usual practice of avoiding politics altogether, on one previous occasion when the Round Table Conference first met in England. Of course we did not go into details of any political problem, but only expressed the sentiments of millions of our men and women which were ably voiced forth by Sir C. V. Raman who, when asked on the eve of his departure to Europe to receive his honours, said in the significant words "God Save Mother India". We are now to refer again to this topic, because the Round Table Conference which is about to sit is going to be of far greater importance than the one which went before. At this table will sit a representative of the great institution of the Indian National Congress. It is going to be a meeting between India and England. On this important occasion, the destinies of a mighty Empire hang upon the deliberations, and we again express our fervent hope that agreements would be reached, and that the results achieved by both parties. "God Save Mother India"



It is a truism to say that there is no end to the application of the fundamental principles of co-operation to human needs. You can have as many forms of co-operation as there are aspects of human activity. But some strikes the ordinary man as being quite out of the way and extraordinarily original. Last month we referred to a highly commendable American enterprise of owning a co-operative park. We are informed that in the United States of America there are 17 Co-operative Burial Associations. The oldest and the largest had 400 members when it was started in 1927. Now it has 1300 (living) members on its rolls. The members own a good funeral home, two hearses and other necessary equipment and employ two undertakers. The old proverb has it that, if a thing is worth doing, it is worth doing well. We shall modify it and say that if a thing is worth doing, it is worth doing co-operatively. After all there is the prosaic fact that death does take place in our homes and we have to incur expenditure in connection there with. "Why not do it co-operatively" ask these Americans? Their enthusiasm is highly commendable and we hope the spirit of their example will be appreciated and imitated.

Where are the Consumers' Savings?

That the present economic crisis is one of unparalleled magnitude is what every school boy knows. America the wealthiest country in the world has not escaped its devastating effects. The number of unemployed in the United States is running into millions. The Government, call for retrenchment of the most drastic kind. The President of the United States, we understand, has been described as "perhaps the most drastic economy man from the White House" calling upon all Government departments for a reduction or postponement of "all such activities without serious detriment to the public welfare." If America should feel the pinch, we need not look for a similar situation in India. But this dark cloud has descended upon India, it is true, has affected men who have never really benefitted some. The prices of goods at the time they were thirty years ago and in the present time the salaries every month their expenses have been considerably reduced. We are not sure if the employees are either disbanded or their salaries cut in their salaries. But there are

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many who have not been subjected to this, and they have been enjoying a favourable season of price for the past six months and more. Have they saved the difference between the old price and the current price on articles purchased? Has the co-operative movement which is preaching thrift and economy been able to tap this particular source of money? Have deposits, recurring and fixed, risen up in urban societies, in employees' societies and in district banks? This is a matter on which we should like to have definite information. If the societies mentioned above have not been able to attract the money which the salaried employees have been saving, they have culpably neglected their duty to their members. We hope they would at least hereafter attract the spare cash and enable the members to provide against the contingency of prices going up, as they have already shown a tendency to do. Co-operative Banking should attract to itself the surplus amount which the consumers' have saved during this favourable season.

Consumers' Co-operation for American Negroes

The American Negro has got a peculiar problem. He is a free citizen of the richest country of the world and yet he is often subjected to a social boycott of the worst type. In the sphere of economics also, he is subject to this boycott, because the white labourer looks upon the coloured one as an undesirable competitor, who with his lower standard of comfort is prepared to accept smaller wages. Hitherto the Negro has been looked after by the philanthropically inclined white men. They used to hold up before him the ideal of being a sober, hard working, thrifty individual. In fact, they placed before him the common bourgeois ideals. The unsophisticated Negro took this advice in good earnest and tried to be a sort of docile younger brother to the big white brother. But in spite of his best efforts to be friendly, he is generally not wanted by the whites. The recent economic depression has made him realise the actual facts of the case as nothing else did before. It is fortunate that the leaders amongst the Negroes themselves who are able to grasp the grim significance of the situation and give sound advice are men like Mr. G. S. Schuyler, who believes that for the Negro the only friend is no better friend to enable him to effect economic emancipation through consumers' co-operation. He hopes to create an army of missionaries who will preach the gospel amongst the oppressed population of America, especially in the industrial centres

The International Co-operators' Day

It may not be out of place if we remind our readers of the fact that the All India Co-operative Institutes' Association circularised all its constituent members in British India and Indian India and in consonance with the opinion expressed by the majority resolved to celebrate the International Co-operators' Day so far as this subcontinent is concerned on the first Saturday in November, instead of on the first Saturday in July. We carried on some correspondence with the Secretary of the International Co-operative Alliance on this matter. He seems to be anxious to have one day for all the world, though according to the bye-laws of the Alliance each constituent national association has got the liberty to fix the day to suit its own convenience. We are perfectly within our rights, when after consulting our constituent association we have resolved to celebrate the day on the day suitable to us taking our climatic and agricultural conditions into account. We hope co-operators all over India will make it a point to celebrate the day on the first Saturday of November, as the Indian International Co-operators' Day and celebrate it in a fitting manner.

Our Young Hopefuls

Elsewhere* would be found a brief note upon what the Madras Students have done in the matter of organising a Young Co-operators' League. Not being satisfied with merely dealing with the theories of co-operation, they wanted to start a Consumers' Society for the benefit of students in the metropolitan city dealing, to begin with, in books and articles of stationery. We wish this young association a bright future. We hope that not only will it grow in course of time into a wholesale for the various students co-operative societies found scattered all over the province in schools and colleges, but would accomplish the far more important task of infusing the spirit of co-operation in the hearts of young men, so that, when they go out into the world, they may carry with them not only their enthusiasm, but a good stock of working knowledge of co-operation.

We hope that this would pave the way for the promotion of activities all over the province. It is well known that in other parts of India credit co-operation alone has not been able to attract credit co-operation students and even young men

* See page 183 of this journal.

just at the threshold of life could have very little direct contact. If on the other hand, they are trained in consumers' co-operation, and they are convinced of its extreme usefulness and immense potentialities they will be able to carry this gospel into the wider world outside and utilise their co-operative enthusiasm in this field which has hitherto been completely neglected. We wish our young co-operators all success.

Russia's Examples.

So many contradictory rumours and impressions are given about Russia's Famous Five Years' Plan. Recently one of the directors of the C. W. S. visited Russia and has given impression in the pages of the Manchester Co-operative News. He lays emphasis upon the improvement of housing conditions of the workmen in Leningrad and Moscow. He also has noted how there is a feverish activity and intensive enthusiasm on the part of workers. Agriculture is being brought more and more under the machine and commensurate with the industrial development there is improvement in the condition of workers. He found workers, men and women, well fed, contented and happy and is advising English co-operative societies to resume commercial relationship with Russia. "It is my firm conviction" adds Mr. Davies, "that to retard trade operations with this great country is a short sighted policy" and "political prejudices ought not to be allowed to stand in the way".

It is interesting to note that Russia is encouraging distinguished foreigners to visit her and give them all opportunities and facilities for making a careful study of the Russian situation. Not only this. She is also giving opportunities to her own men to go abroad and see other lands. We are informed that 300 Russian Co-operators have arrived in London in a ship of their own and that they are living in the ship, seeing the city during the day and returning to the ship at night. What interests us more is the fact that the company consists of factory hands, agricultural workers, others who have earned merit by their industry and this is a reward for special distinguished service. We commend this example to Indian Co-operative employers. We wish that progressive employers will give their employees the pleasure and opportunity of a trip to any other province or country. Such a trip will only strengthen the bond of affection between workers of different provinces, but also will widen their horizon and make them more efficient.

Farm Accounts.

There is an old proverb in Tamil about the camel and the boy. The young boy who happened to see a camel for the first time, being struck by its curious appearance cried out "Are you O! Camel bent only in one place?" to which the camel replied frankly, "Not so, my boy, I am bent all over."

Our agricultural problem is like the proverbial camel bent all over and each little bent requires super human energy to make straight. Elsewhere * would be found a review of "Farm Accounts" in the Punjab, a book belonging to a series published by the Punjab Economic Board. The modern tendency in Economics is not to attach much importance to *a priori* theories deduced from some fundamental principles accepted as truth. Parallel to the progress of physical and natural sciences this young social science also is attaching greater importance to the gathering of data and is building its theories on a solid and substantial basis of facts. A clear statement of accounts maintained with regard to income and expenditure of farms, especially farms of different sizes and cultivated under different systems of irrigation and growing different kinds of crops would form an inexhaustible mine of economic information. A good deal of the present unsatisfactory condition of the Co-operative Movement in the province is due to the fact that no correct investigation was made about the repaying capacity of the needy agriculturist. He did not keep any accounts of his income and expenditure. The lending authorities had only a crude and rough method of ascertaining his assets and liabilities and fixing to their own satisfaction his repaying capacity. Until the farmers themselves become literate enough to maintain for themselves satisfactory accounts, it would be one of the duties of the co-operative workers to help the farmers in the matter of maintaining such accounts. The authorities of rural societies would do well to take up this task and their own self-interest the district banks and financing agencies do well to devise some method of helping the farmer to maintain statistics about his income and expenditure.

Our Commission and Co-operation

It is well known that the Co-operative Movement was started with the chief object of ameliorating the condition of the agriculturist. It was decidedly agricultural in outlook and aim. The movement was taken up by the urban population

* See page 191 of this Journal.

it was more or less confined to the educated section of it, such as salaried servants of Government, Local Boards, Municipalities, teachers etc, except when some persons organised as a piece of social service co-operative societies for the benefit of the menials. There are, of course, urban banks which have thriven well and have been catering to the needs of the middle classes, upper and lower, but the poor classes like factory hands and coolies have been generally neglected.

The Labour Commission enquiring in particular into the general condition of life led by such people and suggesting methods of improvement have dealt with co-operation under three headings. There is in the first place ample space for the spread of the credit movement among these people. Some of these poor workmen are within the clutches of sowcars and pay an unconscionably high rate of interest. Mr. B. Siva Rao, the well known labour leader of Madras, mentioned the other day in one of the public meetings held to discuss the Whitely Commission Report that it came to his notice how a comparatively educated man holding a decent post in the Madras Harbour Trust was paying something between 50 and 70 per cent interest on a small amount he had borrowed from a "Shark." If that be the case with a literate man the utterly helpless condition of the poor illiterate "hands" can better be imagined. Not that these people are dishonest and therefore the "shark" is charging high rates of interest to cover the risks he may occasionally run; only these poor people are not at all organised and this disorganised state of their economic life is being exploited by clever fellows. A co-operative society which would take away their pay and be a bank to them and lend them at a reasonable rate of interest would be a great boon to them. Employers, will, it is hoped, heartily co-operate with any organisation that will tackle this problem.

The second line along which much useful work can be done is co-operative housing. Housing societies in the Province are mainly mostly by upper middle classes. We know of some housing societies where the Government loan of about Rs. 3,000 was utilised for foundations and the owner spent the trifling extra sum of Rs. 100 and built the superstructure himself. We are not at all sure whether the Government ever meant that their loan should benefit such people. We are not unaware of the fact that in places, as in Sivanandapuram in Cuddalore, to take for example, there have been houses constructed by the lower classes who could never have constructed their own.

enjoyed the privilege of living under their own roofs but for the fact that a substantial portion of the money required for house construction was available as Government loan repayable in easy annual instalments spread over 20 years. In spite of such exceptions we venture to state that house building co-operative societies have not touched the fringe of the problem as regards poorer classes. Factory hands especially live either in lines constructed by capitalists or in *chawls* about which the less said the better. Even in Madras where there is plenty of scope for the expansion of the city the housing condition is not better than in Bombay though we have not the curse of *chawl* system. One has to take a walk to the houses around Perambur where coolies working in the Choolai and Buckingham and Carnatic Mills live to see under what impossible conditions life is being lived. If there be a scheme whereby these poor mill hands and others of the same status could be given the privilege of living in a decent house (not big in size) in return for a small rent which alone they would be in a position to give, it would be a great boon to them. Such a scheme can be worked under the co-operative act and this would be the only thing feasible and not the ambitious scheme of making these poor folk ultimate owners of their own cottages. Even such a thing is possible provided we have proper facilities for it, cheap land, building materials and labour and an enthusiastic friend to guide and help the labourers. It may not be out of place if we add that around the paper mills of Punalur in Central Travencore there have sprung up many cottages owned by "hands" working in the paper mill and it was possible for those men to own houses because all the facilities mentioned above were fortunately present there.

Thirdly, and this is the most important aspect, consumers societies can well be started for the use of workmen. Those who have gone into the question know very well that these poor folk pay A₁ prize for C₃ quality. Great is the pity. Here and there the management is running a social welfare centre and under its auspices they supply food materials to coolies and deduct their costs from the pay due to them. There is a good deal of leakage in this and what with the unscrupulous contractor and indifferent management sometimes workmen may have to pay higher prices for the very poor stuff sold to them than even the bazaar rate though that itself would be sufficiently bad. In fact the consumers movement has not been a fair trial in this country. It has appealed to the intelligentsia and sometimes make their store the arena of acute discussion and fighting by parties. It has not been tried by people corresponding to the twenty-eight Rochdale Pioneers of immortal memory. It is a vast and practically unexplored field.

Our Commission has stressed the need for co-operation in all matters and we hope enthusiasts in the field will take up these questions and work them out in all the different parts of

The Public Debt of India.

The place of honour this month is given to an article by Mr. V. Ramadas Pantulu on a subject of absorbing interest at the present time. Co-operation is a sub-section of the economic life of the nation and, modifying a well known statement of the Latin poet, we may say, "Economists we are and nothing economical is alien to us". We are like "minnows in the gulf" and it does us good to get an occasional glimpse of the big ocean of which our gulf is a part.

We are moreover directly affected by the borrowing policy of the Government. The Government of India has developed in the postwar period the practice of floating short term loans bearing comparatively high rates of interest and, in the opinion of all competent financiers, it has affected Indian industries and commerce adversely. We, co-operators, are also hard hit, because our financing banks depend for their finances mostly on public deposits which, hitherto, we have been getting at rates ranging from 4 to 5½ per cent which leave our banks a decent margin of profit. But, the Government are offering from time to time on their loans a slightly higher interest and thereby making the newer loans more attractive. So the savings of the country, which used to flow hitherto into co-operative coffers, are flowing into the Government Treasury. Post Office cash certificates have become a permanent feature and the rate of interest is tempting to small investors who otherwise might have resorted to co-operative banks to some extent.

There comes the latest notification about 6½ per cent Treasury Bonds repayable in four years. Sir Purushothamadas Thakurdas, a well-known authority on financial matters characterises this as "another mile-stone in the policy of drift adopted by the Government of India regarding finance and currency" and shows how instead of heading towards the Port of Stability, the ship of Indian Finance is speeding towards the Port of Chaos. No wonder that Diwan Bahadur M. Ramachandra Rau, the President of the Madras Central Land Mortgage Bank, Ltd., feels diffident about the proposal of the Government to float Debenture Loans, to be floated by his bank and which would carry 6½ per cent interest, a rate which the Imperial Government is willing to pay on their loans. The full repercussions of such a loan on co-operative banking cannot now be envisaged. But, it requires no profound wisdom and insight to see that these repercussions will be very serious and, in general,

Mr. Ramadas Pantulu's article gives a brief account of the public debt of India (confining the term 'debt' to that incurred by the Central and Provincial Governments only). He shows how we get the impression from a general study of the situation that things as they stand to-day are not unsatisfactory, because to cover our interest-bearing liabilities amounting to Rs. 1,171.96 crores we have also interest yielding assets worth 937.44 crores. There are, however, other features which raise some fundamental problems about our public debt. Firstly, whether it was contracted on reasonable terms, advantageous to us; secondly, how much was borrowed for the good of the country seeing that in earlier stages, when the East India Company was ruling the land, they mixed their commercial and territorial accounts and saddled India with debts incurred for our own conquest and subjection and in later years the Ministers of the Crown saddled India with debts contracted for advancing Imperial schemes. Thirdly we have to apportion the liability of the debt between India and Great Britain, as India has all along been but a Department of British Government, "the policy of Indian administration having been, in the main, determined by the British Ministers."

Mr. Ramadas discusses the relative advantages of borrowing in India and in outside markets and shows how this is a real problem which even the Swaraj Government will have to face. He points out the disadvantages arising from the absence of independent institutions like "national debt commissions" and "Loan councils" for regulating the borrowing and lending operations of the State.

Interested parties have set up the cry that Congress is repudiating the country's responsibility in the matter of public debt. Mr. Ramadas shows clearly how the Congress far from doing it is pledging the assets of two nations, India and England, as a guarantee for repayment to the creditors of the Government, as the Congress demands that England should bear such portions of the debt as may be agreed upon or may be decided as due solely to England by an independent tribunal that may be set up. The responsibility of England is emphasised by quotations from "international" foreign authorities like Mr. Jenks, the author of "Migration of British Capital". Mr. Ramadas quotes the precedent set in the matter of amicable apportioning of financial responsibility and concludes his extremely luminous survey of an intricate and stirring problem with the words: "India claims no more than was conceded to Ireland and will not be satisfied with less. It is not only political freedom, but economic justice as

The Public Debt of India¹

BY V. RAMADAS PANTULU

The public debt of India and India's foreign indebtedness should not be mixed up. Public or national debt of India means the aggregate of debts contracted by the Central and Provincial Governments in India and local authorities like Municipal Corporations, Port Trusts, or Improvement Trusts. Private investments of foreign capital in India are not part of her public debt. There is no official estimate of such private investments and they are believed by competent authorities to be somewhere between £ 600 and £ 700 millions or roughly Rs. 800 or 900 crores. The public debt, that is, the interest-bearing obligations of the Government (Central, Provincial and Local authorities) is a definitely ascertained sum. It, of course, varies from year to year, but it has been growing steadily. In ascertaining the total public debt of India on any date, certain considerations are to be borne in mind. The public debts of Indian States are not yet ascertained. There is no regular public debt system in the Indian States worth mentioning. Recently, Mysore floated loans to the extent of Rs. 3 crores. There are a few instances in which the Government of India have made advances to Indian States. Again, the Provincial Governments have independent borrowing power, but they do it mostly through the Central Government, who still finance them largely. The Provincial Governments, in their turn, finance the Local Bodies in their areas. The debt figures, therefore, overlap to a certain extent. In the published estimates of public debts of India, the independent borrowings of large local bodies like Presidency Town Corporations, Port Trusts, City Improvement Trusts and the like, are sometimes omitted. We may, therefore, confine our attention to the debt of the Central and the Provincial Governments.

THE VOLUME OF PUBLIC DEBT

The following statement will show the position of

¹ Reprints from *TRIVENI*.

from 31st March 1914 to 31st March 1931 (the sterling obligations contracted in England are converted into rupees at 1sh. 6d.):—

Year	Crores of Rupees	Year	Crores of Rupees
1914	... 510.19	1926	... 996.36
1918	... 693.91	1927	... 1,006.19
1922	... 832.48	1928	... 1,026.37
1923	... 881.74	1929	... 1,074.46
1924	... 919.00	1930	... 1,136.48
1925	... 970.02	1931	... 1,171.96

In order to understand the nature of this debt, that is to say, the character of the interest-bearing obligations of the Government, it is necessary to analyse the composition of the figures quoted above. The details of the interest-bearing obligations of the Government of India on 31st March 1914 and on 31st March 1931 may be exhibited side by side. (*See next page*).

What do the figures show? The public debt of India, which was a little over 510 crores of rupees in 1914, rose to nearly 1,172 crores in 1931; in other words, it has more than doubled itself. The public debt is partly borrowed in India in rupees and partly in England in sterling. There has been an increase in both sections of the debt. But, the increase in Indian borrowings has been larger than that in foreign borrowings. The rupee debt, which was 179 and odd crores in 1914, has become nearly 654 crores in 1931. It means that the Indian money-market has contributed more to the Government borrowings than the British money-market during these years. These figures also show that the resources other than the funded rupee loans, that is, receipts from postal savings banks, cash certificates, provident funds etc., were comparatively small before the War (1914), while they contributed substantial sums to Government's capital expenditure during the War and the unfunded, that is, other obligations in 1914 were only 23 crores, while they were Rs.180 crores in 1931. When these rupee debts are further analysed and the details of the various kinds of loans which were raised by the Government, are set out, it is clear that the short-term loans of the Government have been more than the long-term loans. No long-term loans were

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ON 31ST MARCH 1914				ON 31ST MARCH 1931			
FUNDED IN INDIA		FUNDED IN INDIA		FUNDED IN INDIA		FUNDED IN INDIA	
Loans ...	145.69	Loans ...	417.85	Loans ...	417.85	Loans ...	417.85
Treasury Bills with public ...	—	Treasury Bills with public ...	—	Treasury Bills with public ...	—	Treasury Bills with public ...	—
Treasury Bills in P. C. Reserve..	—	Treasury Bills in P. C. Reserve..	—	Treasury Bills in P. C. Reserve..	—	Treasury Bills in P. C. Reserve..	—
	145.69		145.69		5.89		479.12
UNFUNDED IN INDIA		UNFUNDED IN INDIA		UNFUNDED IN INDIA		UNFUNDED IN INDIA	
Viz: "Other Obligations"		Viz: "Other Obligations"		Viz: "Other Obligations"		Viz: "Other Obligations"	
P. O. Savings Banks	23.17	P. O. Savings Banks	37.03	P. O. Savings Banks	37.03	P. O. Savings Banks	37.03
P. O. Cash Certificates	—	P. O. Cash Certificates	—	P. O. Cash Certificates	—	P. O. Cash Certificates	—
Provident Funds etc.	10.93	Provident Funds etc.	—	Provident Funds etc.	—	Provident Funds etc.	—
Depreciation and Reserve Funds.	—	Depreciation and Reserve Funds.	—	Depreciation and Reserve Funds	—	Depreciation and Reserve Funds	—
Provincial Balances	—	Provincial Balances	—	Provincial Balances	—	Provincial Balances	—
	34.10		34.10		6.11		175.83
Total ..	179.79	Total ..	179.79	Total ..	—	Total ..	654.95
IN ENGLAND		IN ENGLAND		IN ENGLAND		IN ENGLAND	
Sterling loans	177.10	Sterling loans	315.97	Sterling loans	315.97	Sterling loans	315.97
War contributions	—	War contributions	—	War contributions	—	War contributions	—
Railway annuities	70.60	Capital value of liabilities under-	16.72	Capital value of liabilities under-	16.72	Capital value of liabilities under-	16.72
India Bills	—	going redemption by way of	—	going redemption by way of	—	going redemption by way of	—
Provident Funds etc.	—	terminable Railway annuities.	—	terminable Railway annuities.	—	terminable Railway annuities.	—
	—	Imperial Bank of India Loans ..	50.32	Imperial Bank of India Loans ..	50.32	Imperial Bank of India Loans ..	50.32
	—	Provident Funds etc.	4.05	Provident Funds etc.	4.05	Provident Funds etc.	4.05
	—		0.70		0.70		0.70
Total in England in pounds	£ 247.70	Total in England in pounds	£ 387.76	Total in England in pounds	£ 387.76	Total in England in pounds	£ 387.76
“ Rupees at 1sh. 6d. to	—	Total in Rupees at 1sh. 6d. to	—	Total in Rupees at 1sh. 6d. to	—	Total in Rupees at 1sh. 6d. to	—
the rupee	330.40	the rupee	517.01	the rupee	517.01	the rupee	517.01
Total interest-bearing obliga-	—	Total interest-bearing obliga-	—	Total interest-bearing obliga-	—	Total interest-bearing obliga-	—
tions, in crores of rupees, on	510.19	tions, in crores of rupees, on	—	tions, in crores of rupees, on	—	tions, in crores of rupees, on	—
31—3—1931 ..	—	31—3—1931 ..	—	31—3—1931 ..	—	31—3—1931 ..	—
	—		—		—		1,171.96

floatated during some years, and in years when both long and short-term loans were floatated, the short-term loans yielded larger volume of money. In order to make long-term loans popular, it was necessary to have recourse to devices like making them income-tax-free and giving facilities for conversions. Short-term borrowing on a larger scale is a post-war feature of public finance and has now become a normal feature of the Government's borrowing policy. The Treasury Bill, as an instrument of short-term public credit, is a post-war development. The figures further show that, though not in the same proportion as the rupee debt in India, there has been also an appreciable rise in the sterling debt contracted in England. It was £ 177 and odd millions in 1914. In 1931, it has gone up to £ 316 millions. The figures relating to this sterling debt, in its equivalent rupees in published literature, sometimes appear to be discrepant. The discrepancy is due to the different rates of conversion. Since 1921, the Government of India have been keeping their accounts on a rupee basis, and since 1925, the conversion rate has been 1sh. 6d. Before the War, it was 1sh. 4d. This rise in the exchange value of the rupee from 1sh. 4d. to 1sh. 6d. has naturally had the effect of bringing down the figure of the principal (equivalent in rupees) of the sterling debt and also of decreasing the interest charges in terms of rupees. For example, the total of the sterling obligation of £ 247.70 millions in 1914, converted into rupees at 1sh. 4d., was Rs. 371 crores and 55 lakhs. The same sum converted at 1sh. 6d. was shown in the figures quoted above as Rs. 330 crores and 40 lakhs,—a decrease of over Rs. 41 crores as a result of the rise in the rupee exchange. So the pre-war sterling obligations were thus reduced by 41 crores by the exchange. To this extent, the advances of the Government have gained in terms of rupees. It is not, of course, mean that the actual burden of that debt on has diminished, for it is discharged ultimately in the form of and services.

Before we proceed to examine the origin and the growth of and its reactions on the public finance and economic India, it is necessary to state that, as against these long obligations, the Government hold certain interest-

THE PUBLIC DEBT OF INDIA

yielding assets. There has been a steady rise in these assets also, as the following figures show:—

INTEREST-YIELDING ASSETS AS ON 31ST MARCH

Year	Crores of Rupees		
1914	...	524.71	These three figures are calculated at 1sh. 4d. to the rupee.
1918	...	551.54	
1922	...	616.53	
1923	...	633.04	
1924	...	663.58	
1925	...	716.64	These figures are calculated 1sh. 6d to the rupee.
1926	...	749.82	
1927	...	786.90	
1928	...	829.45	
1929	...	875.51	
1930	...	913.74	
1931	...	937.44	

Besides these interest-yielding assets, the Government also hold some cash, bullion, and securities held on Treasury accounts, ranging roughly between 40 and 50 crores of rupees. To ascertain the nature of these assets a little more fully, it is necessary to analyse their composition in 1914 and in 1931, as we did in the case of the interest-bearing obligations.

These assets as on 31st March 1914 and as on 31st March 1931 were as follows:—

	ON 31ST MAR. 1914	ON 31ST MAR. 1931
	(In Crores of Rupees)	
	At 1 sh. 4 d.	At 1 sh. 6 d.
1. Capital advanced to Railways	438.63	445.29
2. Capital advanced to other Commercial Departments, like Posts and Telegraphs	14.08	23.41
3. Capital advanced to Provinces	71.99	149.14
4. Capital advanced to Indian States and other interest-bearing loans	...	19.45
Total	524.71	937.44
Cash, Bullion & Securities held on Treasury accounts	...	46
Total	524.71	983

PRESENT POSITION OF PUBLIC DEBT

What do the figures show? They show that out of the total debt of Rs. 1,172 crores, a substantial portion, namely, Rs. 937 and odd crores, is invested in productive assets earning revenue, such as Railways, Posts and Telegraphs, Loans to Provincial Governments, Indian States and the like. Between 1914 and 1931 the capital advanced on Railways increased by about Rs. 320 crores. The loans to Provincial Governments also have increased in the same period from nearly 72 crores to 149 and odd crores. These figures further show that there has been all through this period some tangible public debt not covered by productive assets, that is to say, a portion of the debt is "Ordinary" or "Unproductive."

The following figures will give an idea of the position of the unproductive debt before the War in 1914 and after the War up to 31st March 1931:—

Debt not covered by productive assets on 31st March.

Year	Crores of Rupees	Year	Crores of Rupees
1914 ¹	... 26.580	1926	... 194.58
1918 ¹	... 194.7	1927	... 181.81
1922 ¹	... 216.47	1928	... 172.66
1923	... 203.90	1929	... 170.11
1924	... 204.98	1930	... 176.38
1925	... 196.03	1931	... 199.34

These figures show that the unproductive debt before the War, which was about Rupees 26 crores, has risen to about Rs. 200 crores after the War. This is accounted for by the post-war budget deficits of about Rs. 100 crores and the War contribution of 100 million pounds to England. In the productive assets, there are certain items like the cost of construction of New Delhi and Bombay development. Some of the advances to Commercial Departments, Provincial Governments and Indian States are said not to sufficient revenue to pay the interest charges on the amount advanced by those advances. However, even deducting 30 or 40 per cent on such heads, the fact remains that about 80 per cent of the bearing obligations are covered by real productive assets.

¹ For three years the conversion rate is 1sh. 4d. For the other figures it

The *prima facie* impression produced by the above analysis of the figures is that the public debt position of India today is on the whole quite satisfactory. 5/6th of the interest-bearing obligations of the country are covered by productive, that is, interest-yielding assets. The provincial loans include capital expenditure on irrigation works, which are productive in a real sense. The distribution statement of the public debt, no doubt, does not imply that any part of the debt is "specially charged or connected with any particular assets" except, Railway annuities. It may also be true that a portion of the current revenues of the country were invested on some of the productive assets, chiefly Railways, and that, in the past, much unproductive debt was also paid out of the revenues of the country, to the disadvantage of the tax-payers of India. It is also true that much of that unproductive debt, which was paid up from the taxes, was incurred on expeditions beyond the frontiers and to meet budget deficits arising from warlike preparations, high military expenditure, famine relief and the like. As already stated, the present unproductive debt of Rs. 200 crores is mainly attributable to the budget deficits of about Rs. 100 crores and the War contribution of £ 100 millions. Notwithstanding these justifiable comments, the position of the public debt, *as it stands today*, must be admitted to be not unsatisfactory, apart from its origin and ancient history. The Report of the Congress Special Committee also admits that, of the total value of productive assets of Rs. 915 crores, in round figures as on 31st March 1930, a sum of Rs. 850 crores "*can be taken to be really productive in the sense of yielding both interest and surplus sufficient to provide for capital redemption of the debt.*" (Vide page 19 of the Report).

According to the modern theory of public finance, public debt is supposed to be contracted ordinarily for the creation of productive assets and to develop the material resources of the country. Democratic Governments are credited with the desire to use public credit for objects which will promote national progress and improve the economic efficiency of the people. How this ideal is pursued in practice is a different matter. That is the case of the leading self-governing countries of Europe and

fact that even their so-called popular Governments had to burden their countries with huge deadweight loads of public debts, sunk on armaments, preparation for wars, conduct of wars and obligations which resulted from wars. The men placed at the helm of affairs of those self-governing countries naturally plead that expenditure on armaments and defences is essential to ensure the economic development of the country by protecting it from the danger of external aggression. Where wars result in accession of territories or acquisition of valuable property rights in oil-wells, gold mines and the like, the debt incurred on such wars is accepted by the people as legitimate. Part of the war costs in the case of victorious countries is recouped by tributes and indemnity obligations from the defeated countries. When war is forced upon a country by its aggressive neighbour, the defence of the country against such attack and the preservation of its political independence makes the contraction of public debt inevitable. The justification for any item of public debt in each case, is 'a question of fact,' as the lawyers put it, and must be judged on its merits. So, it is not necessary to complicate the examination of the public debt position of India by an incursion into the ethics of War and Defence in the abstract.

The *prima facie* conclusion that the present position of the public debt of India is on the whole satisfactory does not, however, dispose of the problem of the public debt of India in its entirety. There are certain definite problems bearing on the public debt question, which require careful and impartial examination, before India can be justly saddled with the entire burden of her public debt. *Firstly*, whether the public debt of India was contracted on reasonable terms which are advantageous to India, whether due precautions were taken to desist from avoidable foreign borrowing, whether sound and adequate measures were adopted for the remission or reduction of the debt, specially the unproductive part of the debt. These are the questions which must be answered, before we pronounce the present position is *really* satisfactory. *Secondly*, comes the question of the origin and the subsequent history of the public debt of India, which is a little complicated by the two-fold character of the East

India Company as a Trading Corporation and as a Sovereign Power and the mixing up of its commercial and territorial accounts in the early days. *Thirdly*, arises the question of such apportionment of the financial obligations between Great Britain and India in the matter of India's public debt. The necessity for the apportionment arises from the fact that, in theory as well as in practice, the Government of India has been a department of the British Government, the policy of Indian administration having been, in the main, determined by the British Ministers. The Indian public debt has really been incurred by the Government of Great Britain. Writing on this subject several years ago, Sir George Wingate, in his book on "Our Financial Relations with India," rightly said: "Good faith and justice alike hold Great Britain accountable for the obligations incurred by the Indian Government, just the same as the obligations contracted by the Imperial Government." It is with these three aspects of the problem that I propose to deal.

GOVERNMENT AND CAPITAL EXPENDITURE

The manner in which the Government of India utilised the money-markets in India and England may now be examined. In dealing with the Government's borrowing policy we need not enter into a consideration of such fundamental questions as whether the State should find the capital expenditure to be invested on communications, irrigation, hydro-electric schemes and the like, instead of leaving it to private enterprise; and whether it is more advantageous to borrow in the country or outside, if the State has to borrow for capital expenditure. Both these questions may now be treated as being outside the range of controversy. The State has come to be looked upon in India as the chief agency for the development of the country by undertaking direct expenditure upon these public works and utility services. It is also accepted as a sound financial proposition that it is more advantageous to borrow in the country, to the extent possible, by mobilising the savings of the people. Sir Basil Blackett, speaking in the Legislative Assembly in 1925, said that the large amount of external debt which India owed (£ 341 millions = 455 crores at Rs. 15 per pound) is

drain on India's production of goods and services in the future, up to the value of the principal, together with the future further drain of these goods and services for interest during the interval, until principal is paid for." The present Finance Member has also endorsed this view as being generally correct. As a general proposition in public finance, it may be taken for granted that external debt ought not to be resorted to except in so far as the requisite capital is not available internally. Mr. E. D. Friedman, author of "International Finance and its Organisation," says: "A foreign debt requires annual interest payments, which may be effected by an exportation of goods, and to that extent, the debt represents a diminution of the real wealth of a country; but an internal debt is a paper debt; it does not diminish the wealth of the nation as a whole."¹ It will, therefore, be necessary to see whether the Government of India could have met their capital requirements from Indian resources; in other words, whether it was absolutely necessary for them to have borrowed in the London Market, thereby exposing India to the disadvantages of foreign debt set out above.

BORROWING IN INDIA

The answer to the question whether the capital resources of the country will be found equal to the capital requirements of the Government depends upon several factors, some of which are not easily ascertainable. The requirements of the Government vary from time to time, even eliminating abnormal demands resulting from wars and other unforeseen causes. The Government's programme in respect of fresh borrowing, conversion of maturities, provision for gradual reduction of sterling debt and for annual payments for purchase of Railways, is not definitely ascertainable for future. But, during the next few years to come, the annual expenditure of the Central Government, the Provinces and Bodies is computed to be somewhere in the neighbourhood of Rs. 100 crores, by some who claim to possess the data. On the basis of the figures for the last decade or so, it is expected that the Indian

¹ p. 296 of Dubey's 'Indian Public Debt.'

money-market will yield annually about Rs. 20 crores. The Railway reserves and debt redemption scheme will yield about 10 or 12 crores yearly. So, if the Government is to rely solely for their requirements on India, an additional sum of about Rs. 30 crores must also be found in India to make up the estimated annual expenditure of Rs. 60 crores. Whether it can be found or not is difficult to say. It is indisputable that banking development, with a strong Central Bank at one end and a network of joint-stock banks with branches spread all over the country at the other, and with the establishment of other mobilising institutions, there will be much larger facilities for the collection of the savings of the people and diverting them into productive channels. It is also true that, with strenuous effort on the part of the Government and with the co-operation of the Presidency Banks, and later, of the Imperial Bank, it was found possible to raise unprecedentedly large loans in the closing years of the War and in the years that immediately followed it. Including the proceeds of the postal section, Rs. 39 crores were raised in 1917-18, Rs. 57 crores in 1918-19, Rs. 49 crores in 1921-22 and Rs. 47 crores in 1922-23. But the conditions under which such success in borrowing was achieved, should not be lost sight of. The necessity of the Government during that period to explore the potentialities of the Indian market was great, as they had no access to the London market during the War, and for 2 or 3 years after its close. So, exceptional facilities and very attractive terms were offered to investors in the shape of high rates of interest, exemption of some issues from income-tax, discount on long-term issues, redemption premium on short-term securities and the like. The Banks also offered accommodation to intending investors to buy the securities. Above all, it must not be forgotten that people had at that time more savings to invest than at any time before, as a result of the war-time gains, the high prices of agricultural products that ruled in those years and consequent favourable balance of trade.

Even assuming that recourse can be had to terms calculated to tempt investors in future also, whenever the Government

necessity to get money at any cost, it is certain that the trading and industrial interests of India will not acquiesce in such a borrowing policy of the Government. It must be conceded that in their attempt to find money for their capital expenditure, the Government should not dry up the sources of supply of capital for trade, industry and agriculture. Such tempting loans will also depreciate the bonds bearing lesser interest, to the detriment of the old investors. My esteemed friend, Sir Maneckjee Dadahboy, who is generally a supporter of the policies of the Government, sometimes complained in the Council of State against the Government, in regard to the high rates they offered on their loans. Speaking of the $6\frac{1}{2}$ per cent Bombay Development Loan, he once said that, "It temporarily ruined Bombay because merchants and other people withdrew all their money from the joint-stock companies and banks where it was deposited, and invested and employed it in the purchase of the $6\frac{1}{2}$ per cent Development Loan, with the result that there was no money left at a critical time for the purpose of carrying on the trade of Bombay." I have heard the same view expressed by other prominent businessmen in regard to the repercussions of the tempting rates offered by the Government on private enterprise in this country in the field of trade and industries. So, it is difficult to hazard an opinion on the question whether the yield in the closing years of the War and those that immediately followed it, can be taken as a reliable index of the future potentiality of the Indian market to supply the entire capital needs of the Government, without starving trade and industries.

There are some in this country who hold that India has large hoards of gold and silver which may be tapped. We come across very extravagant statements in this connection now and then. Recent calculations, however, show that 30 per cent of the aggregate output was eaten up by Europe and America for non-monetary uses, while India, with $\frac{1}{5}$ of the population of the world, had no more than 14 per cent, that is, 6 per cent less than share on population basis. What, after all, is the result of the distribution of this 14 per cent of the total output of the world among the people of India? The average Indian

household is credited with possession of no more than Rs. 100 worth of gold and silver ornaments. These are mostly worn by the women folk, according to social customs, on their bodies which are their banks. Gold and silver consumed for industrial uses, lost by wear and tear, and exported across the borders to Thibet, Persia and Afghanistan, must be set off against the imports. I am satisfied, after a careful examination of the question, that the theory of the existence of large gold and silver hoards buried in the ground or hidden in the houses is baseless. The Princes may have some gold and a few middle-class families may have some sovereigns. But, they cannot be transformed into bankable assets. The proposal frequently made by the Editors of the "Indian Finance" for the issue of gold certificates will not, in my opinion, bear fruit and bring out appreciable hoards of gold, for the simple reason that they do not exist.

If all the capital required by the Government as well as trade and industries be not forthcoming through the Indian market, from the savings of the people of the country, the problem whether it is more advantageous to the country to let the Government borrow elsewhere (more cheaply than traders and industrialists can be expected to do), leaving more internal capital to be absorbed by trade and industries, or to let the Government derive all its capital requirements from savings in the country, making import of external capital for trade and industries inevitable, is one with which the future responsible Indian Minister is sure to be faced. The difficulties of the Indian Government in the matter of finding their capital are not such as will disappear, the moment power is transferred from the hands of a British Finance Member to those of an Indian Finance Minister. These difficulties are cogently and fairly stated by Mr. D. L. Dubey and I beg leave to quote his passage: "If the Government holds up its capital programme and suspends borrowing, it is charged with bankruptcy. If it raises a loan in London, a high price has to be paid, and sterling obligations increased. If the Government offers a long-term loan, however, the yield is very small; if short-term loans they prove embarrassing as regards repayment or conversion."

time of maturity. If it borrows in the open market, money comes from commercial centres, and trade and industry suffer as a result of financial stringency; if it offers a high price to attract money from the small investor, such as the holder of Cash Certificates, the banks complain of competition. If low rates of interest are offered in India, loans are not successful, and the danger arises of capital being exported abroad, by private investors permanently, and by bankers and businessmen for short intervals, to places where higher yields are obtained. On the other hand, if attractive terms are offered, they are likely to bring about a "clean sweep" of funds, deflation of the currency, stringency in the money-market and high bank-rate, difficulties in the way of transfer of funds to London where the greater portion of the capital expenditure is incurred, and finally, a weakening of exchange."¹

Notwithstanding these difficulties, it is not seriously denied even in official quarters that the organisation of the Government in the matter of raising their loans is not quite satisfactory, and that, with a better organisation, the borrowings would have been wider and on better terms. In many countries which have public debt, organisations called National Debt Commissions, Loan Councils and so forth, exist to regulate the States' borrowing and lending operations. At present, the substantial interest-bearing and loanable funds (such as the proceeds of the Post Offices, provident funds, famine insurance funds, reserves and deposits of various kinds) are not entrusted to an independent organisation to look after their proper investment. In the matter of assignment of these funds to the several borrowing institutions like Railways, Provincial Governments and Local Bodies, the rates of interest charged and the terms are not governed by any definite principles. It is urged that for these purposes an independent organisation would prove helpful. It will also be in the matter of "issue of direct loans and the issue of early maturities, the distribution of loanable between Central and Provincial Governments, the purchase of securities, and the creation of facilities for the sale

¹ Dubey : *The Indian Public Debt*. pp. 294-95.

of sterling paper in India."¹ All these functions are now concentrated in the hands of the Finance Department of the Government of India, though they are departmentalised and distinguished. Speaking of the Provincial Loans Fund, Sir Basil Blackett said that he looked forward to the day when the Fund may be administered by an independent Indian body similar to the National Debt Commission, and that considerable benefits would accrue to the finances of India, if the advances made by the Central Government to the Provincial Governments are excluded from the public debt of the Government of India. He further stated that not only the Provincial loans but also the Railway debt of the Central Government might be ultimately separated from the ordinary debt, and that the funds raised for these two purposes might, with advantage, be raised not on the general credit of the revenues of India, but respectively on the security of the assets of the Provincial Loan Fund and the Railway undertakings of the State, subject if necessary to a guarantee of the Central Government. He concluded by saying that, when such arrangements are completed, "the true facts regarding the public debt of India would be less obscure than they are and the facilities for raising new capital would be widened."² In their chapter on Provincial Debts, the Simon Commission also made similar proposals and recommended the formation of a Provincial Loan Council.³

BORROWING IN ENGLAND

Let us now turn to the way in which the sterling debt of India is raised and managed. The statement of the sterling obligations for the year 1931 given at page 7 shows three important items. Firstly, direct loans are shown at £ 315.97 millions. Secondly, war contribution is shown at £ 16.72 millions. The third item requires some explanation. It is well-known that India promised a war gift of £ 100 millions to England. The whole of it was paid by raising special loans known as War

¹ D. L. Dubey : *The Indian Public Debt*. page 336.

² Vide *Legislative Assembly Proceedings* 1925, Budget Speech.

³ Vide Chapter III of the Report.

The balance was agreed to be paid to the British Government in instalments. The Government of India agreed to treat that unpaid balance as part of a particular issue of 5 per cent British Government War Loan. The liability of the Indian Government to England under this head, which was brought down to £16.72 millions on 31st March 1929, remained at the same figure on 31st March 1931. Thirdly, the capital value of liabilities undergoing redemption by way of terminable Railway annuities is shown as £50.32 millions. This item also, requires some explanation. The Government of India agreed with some Railway Companies to purchase their lines and to pay the price in instalments spread over a large number of years. Funds permitting, payments are made every year. The liability under this head is reduced gradually. This liability which stood at £70.6 millions in 1914, has been reduced to £50.32 millions in 1931. So, while the liabilities under the War contribution and Railway annuities have decreased, the direct loan obligations have increased from about £177 millions in 1914 to nearly £316 millions in 1931. From the figure of £316 millions, a sum of £22 millions has to be deducted to arrive at the actual amount of direct loan. This sum of £22 millions represents the debenture liabilities of the E. I. Railway and the G.I.P. Railway, which were taken over by the Government in 1924 and 1925, as a result of the assumption of the management of those Railways by the Government. These liabilities were those of the Companies to their debenture holders (the E. I. Railway, £18½ millions; and G.I.P. Railway, £3½ millions.) and the interest on these is paid out of the earnings of those Railways. So, it is not really an increase in the public debt of India, though its inclusion in the sterling obligations of the Government may be technically correct. So the real sterling loan on 31st March 1931 was about 294, and the net increase in direct sterling loans between 1914 and 1931 is about £117 millions. Most of it was borrowed between 1921-22 and 1931. Sterling borrowing, therefore, during the last decade was fairly working out on an average to over £11 millions a year. Sterling borrowing in London was particularly heavy in 1930. During the last one year and a half, loans to the tune of

£52 millions were raised including the most recent issue of £10 million 1933-34 bonds at 6 per cent, of which 62 per cent were said to have been left on the underwriters' hands.

Whether these loan operations of the Indian Government in the London market were prudent and beneficial to India is a matter which is not free from controversy. It is an incontrovertible fact that, in recent years, borrowing in London was more expensive to India than borrowing in this country. It is also indisputable that India is treated by London as a less-favoured customer than Dominions like New Zealand, South Africa and Australia. The higher rates offered by the Indian Government on sterling loans provoked severe comment from the Indian public. The £7½ million loan raised in 1921-22 at 7 per cent and repayable in 1926-31, was described even by moderate and friendly critics of the Government as a "financial scandal." In the same year, the Government could raise Rs. 49 crores in India at 6 per cent. In 1921 and '22, New Zealand, South Africa and Australia paid much less than India. They got their money in London at about 5 per cent on the average. The 6 per cent rate offered by the Indian Government on their sterling loans in London during 1929-30 and 1930-31, also provoked strong adverse comment. This attitude of the London market towards India is very strange, particularly so, having regard to the fact that the bulk of the sterling debt borrowed in London is spent in England itself on the purchase of Railway materials and for payment of old Railway stock, thus helping the British trade and industry, which the Dominions do not do. The assets of India are also any day more secure.

There may however be cogent reasons for the London money-market not feeling enthusiastic over the Government of India's sterling loans in recent years. The forecasts of the Indian Government in respect of their borrowings, made in connection with the annual financial statements, are not adhered to in practice. To cite the latest performance, 28th February this year, the Finance Member said that the requirements for capital expenditure on Railways for the year 1931-32, would be £2.4 millions. But, within the

the London Market was approached for a loan of £ 10 millions for Railways in India and general purposes. Borrowing for the conversion of £ 15 million $5\frac{1}{2}$ per cent loan, which matures in January 1932 and to which the Finance Member referred on the same occasion, is yet to come. The bulk of the public debt in London is contracted for expenditure on Railways. The lenders cannot be altogether indifferent to the consideration whether borrowing at 6 per cent or 7 per cent in London for investment on Railways in India, is a prudent operation. The return on Railways has been diminishing in recent years. Even in prosperous times, the Railways in India rarely yielded more than 5 per cent. Nevertheless, the rate of interest charged to Railways in 1929-30 was 5.31 per cent. It cannot be said that the London financiers let down India if they did not feel enthusiastic over loans at 6 per cent or 7 per cent to finance capital expenditure on Railways which hardly yield 5 per cent.

Indian public opinion always looked upon the soundness of the Government's Railways programme with a certain amount of scepticism. In times when money was available and was actually being raised in India and in England at $3\frac{1}{2}$ per cent or 4 per cent, the Government of India's guarantee of a 5 per cent return to the Companies which invested foreign capital in Railways in India, in addition to numerous other concessions, lacked justification and it has yet to be vindicated. The Congress Select Committee on Indian Public Debt complain of "the wastefulness of the guarantee system, which made the Guaranteed Companies utterly indifferent to considerations of economy in constructions or operations of their enterprises." This heavy interest guarantee had the additional disadvantage of putting up the price of the share or stock of the Companies, when the time came for the Government to acquire the ownership of those lines. The Committee, after instituting a comparison between direct State enterprise and Guaranteed Company enterprise in the construction of railways in the earlier years, found the former to be more economical. It seems to be now the turn for the State-managed Administrations to outshine the Company administrations

in the matter of operation ratio. Mr. L. A. Natesan, M.A., B.L., of Calcutta, writing to the pages of the 'Capital,' adduces very cogent arguments to prove that the operating ratios of State-managed Railways in India are higher, compared with those of Company-managed Railways, by 6 to 9 per cent. He says that the "Railway Board has embarked on a scale of expenditure without due regard to its ultimate effects on the profit-earning capacity of the lines under their control." (Vide page 224 of the 'Capital' of 6th August 1931 and page 271 of the same of 13th August 1931.) It is, therefore, difficult not to see the force of the regret of the Congress Select Committee that "the result is that the asset, which had been built up at such heavy sacrifices, still failed after fifty years to bring relief to the people of India; and instead served only to impose on them additional burdens."

There are certain other anxious features of the borrowing in London, to which a reference, however brief, cannot be omitted. There are already substantial short-term liabilities which will mature in the near future, that is, between 1931 and 1938, and in order to meet them, it will be necessary to go in for large borrowing of somewhere about Rs. 150 crores in India and £ 60 or 70 millions in London. This, in itself, is a bad enough commitment. To aggravate it by fresh short-term borrowing in London on the present scale seems to be risky and not quite prudent. There is another feature of these operations of which I heard something during the progress of the Indian Central Banking Enquiry. It was stated that, in recent years, there has been migration of Indian capital abroad, by no means negligible in volume, and that the high-rated short-term loans raised in London had something to do with it. Some knowing men also hinted that the prospect of a windfall, if the 1sh. 6d. ratio were brought down (as it is bound to be, sooner or later), also acted as an additional stimulant in the case of some who could afford to keep fringing in sterling investments in England, until that happy day. Whatever may be the degree of truth in these conjectures, can be no doubt that the large and frequent sterling loans in London at high rates have had very deleterious effects on

Why the London Market has become dearer to India than to the Dominions, is a matter into which it will not be easy to probe in a brief popular exposition like this of the outlines of the Indian Public Debt question. All that I feel concerned to say in this connection is that the allegation that the credit of India suffered in the London Market by the threat of debt repudiation, uttered at the Gaya Congress in 1922, is baseless. It will be remembered that a similar reason is discovered in the resolution of the Lahore Congress for the unsatisfactory response of the London Market to the latest sterling loans attempted by the Government of India. It is well to realise that the Congress, as a matter of fact, never said, or intended to say, that the investors in England or India will be refused repayment of their investments. The claim of the Congress has all along been that the burden of the obligations to the Indian and British lenders should not be thrown entirely on India, but that England should bear such portion of it as may be agreed upon between the two countries, or may be settled by an impartial and independent tribunal, in case an agreement is not reached. The claim is based, as already stated, on the fact that the British Government in England is responsible for the financial policy of the Indian administration in the past, in the matter of contracting and reducing public debt since the time of the East India Company. Why this claim of the Congress that not India alone, but India and England, shall bear the burden, should disturb the equanimity of the investors, it is impossible to imagine. Indeed, the safety of the investors becomes considerably enhanced by the proposal of the Congress to pledge the credit of both the countries for the Indian public debt. Therefore, it seems to be not unreasonable to suspect that the propaganda in this behalf against the Congress is interested.

REDUCTION AND AVOIDANCE OF THE DEBT

The Government in the past, that is, before the Great War, had the policy of using the surplus revenues, which were a prominent feature of the first decade of this century, to reduce the productive debt. In the year 1888, to go back to a quarter of a century before the War, the *unproductive* debt was almost equal to

the *productive* debt. In that year, the total debt was £149.5 millions. Out of that, the unproductive debt was £73 millions and the productive debt was £76.5 millions. The unproductive debt was thus nearly one half of the total debt. Twenty-five years later, in 1913, the pre-war year, out of the total debt of £274.5 millions, the unproductive debt was only £25 millions, the rest being productive. The unproductive debt was just 1/11 of the total debt. So, in twenty-five years, it was reduced from 1/2 to 1/11. Indeed, we would not have had any unproductive debt at all today, but for the Rs. 100 crores of post-war budget deficits and the war gift of £100 millions.

But that method of reducing the unproductive debt from surplus revenues naturally came in for vehement adverse criticism from economists like the late Mr. Gokhale. His point was that persistent surpluses of revenue were really got from the funds taken out of the pockets of the tax-payer. Surpluses were created by under-estimation of revenue, over-estimation of expenditure, and high level of taxation. Such surpluses should legitimately have been returned to the people through remission of taxation or devoted for objects like the spread of education, improvement of sanitation, etc. (Vide 'Gokhale and Economic Reform,' page 219-222; and Prof. Kale's 'Indian Economics,' Vol. II, page 966).

Some portion of the capital sunk in State Railways was repaid out of Railway earnings by means of Railway annuities and sinking funds. A portion of the annual famine insurance grant used to be diverted to reduction of part of the ordinary public debt. This, of course, ceased after 1921, as the administration of the famine insurance fund became a provincial concern under the Montagu reforms.

During the War and for half-a-dozen years after its close there were no surpluses, but deficits in some years. It was until 1924 that the budget was balanced. The surpluses in subsequent years were largely devoted to the reduction of the productive debt. At the time of the presentation of the financial statement for 1924-25, the then Finance Member evolved and set on foot a regular programme for the next five years for reduction

is not proposed to enter into the technical details of that scheme. The particulars of the scheme were embodied in a resolution issued on the subject with the sanction of the Secretary of State for India. The main provisions of that scheme were that a sum of Rs. 4 crores *plus* certain additional sums shall be charged against the revenues of India in each year for the purpose of making provision for the reduction or avoidance of debt, and that such debt charge should be applied to meet Railway sinking fund, certain depreciation funds, capital portion of Railway annuities and so forth. The scheme has been subjected to some comment since then.

The present Finance Member introduced some minor changes in his predecessor's scheme. A re-examination of the provision for reduction or avoidance of debt was due in 1930. But it had to be put off owing to its intimate connection with the question of the adequacy of the contribution from Railways to the general finance under what is known as the Railway convention set up in the wake of the separation of the Railway budget from general budget, and the question of re-distribution of the central and provincial sources of revenue in connection with the impending constitutional reform. The following passage from the Finance Member's speech in which he announced the postponement of the revision of the scheme, will be found interesting:—

"According to the present convention, the Government receive, in addition to the refund of the actual interest which the Government have themselves to pay on loans raised for Railway purposes, a contribution, which, although it is made up of various elements, may be regarded as a percentage on the capital advanced to the Railways. Looked at in this way, it represents the distribution of even less than 1½ per cent on the Government debt, which forms the basis of the present provision for reduction or avoidance of debt. In fact, I think it is, on broad lines, correct to regard the one as balancing the other, and we shall arrive at a picture of what the Government draw from the Railways if we realise that in fact, the Government get no profit but apply practically what they receive, apart from a refund of their own interest payable for the amortisation of their capital. When, therefore, the contribution falls below a certain figure, the Government, if they look at their accounts on a profit and loss basis, would actually be incurring a loss on the year. This is not the occasion for me to examine

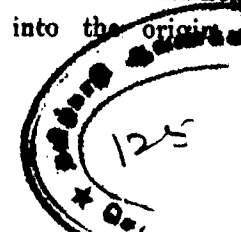
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the justice or otherwise of this arrangement, but I think that what I have said is enough to show that the two arrangements are closely inter-connected. I may say that, when I represented this close inter-connection to the leaders of the various parties, the response, so far as I received any, appeared to me to indicate a general agreement with my view that the two Conventions must be considered together. I feel, moreover, most strongly, on general grounds, that this is not the time when, keeping in view our credit in the world, we ought to attempt any substantial diminution in our provision for reduction or avoidance of debt. Anything that savours of a "raid" on a public Sinking Fund is normally—and, I think, quite rightly,—viewed with disfavour. I hope, therefore, that I shall have general agreement from Honourable Members that it is better to leave this provision substantially untouched and to bring it under review at the time of the general revision of finances, including a re-distribution of the sources of revenue as between the Central Government and the Provinces, which must be a sequel to the proposals of the Constitutional revision which will shortly be before us."

INDIA'S LIABILITY FOR HER PUBLIC DEBT

The necessity to examine the *origin and development* of the Indian Public Debt arises from the stress of public opinion in India that the time has come for the financial obligations between Great Britain and India in the matter of Indian public debt being settled. The enquiry into the history of India's public debt and the way in which it was discharged in the past is, therefore, not one of antiquarian or academic interest. It is true that matters of present concern to us in the field of financial administration of India are the nature and extent of our interest-bearing obligations in India and England, the nature and extent of the interest-yielding assets held against those obligations, the volume of ordinary or unproductive debt, provision for reduction or avoidance of the debt, and the Government's policy and programme of borrowing. If, however, it is proved that the resources of this country were, as a matter of fact, utilised by the British administrators of India to discharge liabilities which should have been imposed on India and should legitimately have borne by Great Britain herself, then Great Britain becomes accountable to India for such funds. For the ascertainment of these obligations a careful investigation into the *origins*

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quent career of the Indian Public Debt is inevitable. The Congress Select Committee's endeavour to ascertain "the fitness and propriety, the equity and justice of liability for obligations hitherto placed on India" must be said to be the first systematic enquiry of its kind and the methods of the Committee's approach to the subject and the data collected by them deserve careful study. The principle adumbrated by the Committee is that India shall not accept liability for any item of the public debt, "if any taint attaches to its creation or growth, which would render any part of it not binding." Mr. Kumarappa, one of the members of the Committee, in his separate note, states the principle in a somewhat different manner. According to him, "if the original debt of India is proved to be wrong, then it is but right to demand restitution of all payments made in respect of such a debt." The difference between the formula of the Committee and that of Mr. Kumarappa is clear. Mr. Kumarappa wants England to refund the misapplied funds with interest. He takes his stand on the business view-point that, if the liability for the "tainted" debt was originally laid on the right shoulders, and was met out of the British Exchequer as it should have been, the interest charges would have fallen on Britain, she being the right party who should have originally paid. In so far as any such debts were paid from Indian revenues and resources, India shall, in his view, get credit for them with reasonable interest.

It must be acknowledged that, in the investigation of this difficult problem, the Committee have manifested a desire to be impartial and to bring a judicial frame of mind to bear on the delicate task set before them. With the best of goodwill, the Committee could not have exonerated the British trustees of India from all liability in respect of their management of India's public debt in the past. Moreover, the Committee's conclusions do not come to us as a surprise. The story of the origin and growth of Indian debt has come under review before, though not with the same thoroughness or with any definite financial aim. Prof. Kale, an able and balanced Indian Economist, narrates the story of our debt in these brief but significant words:—

"In the time of the East India Company, political and commercial functions of the State were mixed up together. The continued wars which the Company had to undertake, went on adding debt to debt steadily from year to year, though a part of the deficit was supplied from the commercial profits of the Company. The British acquisition of India cost England nothing and was secured out of Indian resources; and the cost of the conquest was the main cause of the growing public debt. The total 'territorial debt' of India in 1792 was £ 7 millions and increased to £ 30 millions in 1829, to more than £ 51 millions by the middle of the 19th century, and to £ 69½ millions in 1858. The Mutiny made huge additions to the public debt, and it went up to about £ 129 millions in 1876."¹

The debt stood as follows during the subsequent years:—

31st March				In millions of Pounds
1888	...	...	...	149.5
1898	...	...	...	197.8
1908	...	...	...	245.0
1913	...	...	...	274.3

The figures for the years subsequent to 1913 have already been given.

A picture given by a foreign economist also may be presented in this connection. The American Professor, L. H. Jenks, writes:—²

"The burdens that it was found convenient to charge to India seem preposterous. The cost of the Mutiny, the price of the transfer of the Company's rights to the Crown, the expenses of simultaneous wars in China and Abyssinia, every governmental item in London that remotely related to India, down to the fees of the charwomen in the India Office and the expenses of ships that sailed but did not participate in hostilities, and the cost of Indian regiments for six months' training at home before they sailed,—all were charged to the account of the unrepresented ryot. The Sultan of Turkey visited London in 1868 in state, and his official ball was arranged for at the India Office and the bill charged to India. A lunatic asylum in Ealing, gifts to members of Zanzibar mission, the consular and diplomatic establishments of Great Britain in China and in Persia, part of the permanent expenses

¹Vide 'Indian Economics' by V. G. Kale Vol. II, p. 959.

²Vide 'Migration of British Capital' by L. H. Jenks, p. 223—224.

Mediterranean fleet and the entire cost of a line of telegraph from England to India, had been charged before 1870 to the Indian Treasury. It is small wonder that the Indian revenues swelled from £33 millions to £52 millions a year during the first thirteen years of Crown administration, and that deficits accumulated from 1866 to 1870 amounting to £11½ millions. A Home Debt of £30,000,000 was brought into existence between 1857 and 1860 and steadily added to, while British statesmen achieved reputations for economy and financial skill through the judicious manipulation of the Indian accounts."

The public debt of India, by a natural historical division, falls into two parts: that incurred under the East India Company's rule (1783-1857) and that incurred under the direct rule of the British Crown (1858-1931). The public debt of India on the 30th April 1857 was £51 and odd millions according to the Indian Expenditure Commission, popularly known as the Welby Commission. As to the manner in which the public debt accumulated to £ 51 and odd millions by 1857, the Congress Select Committee has the following observations to make:—

"Since the year 1783, the surplus revenues from the territories administered by the East India Company were, for all practical purposes, appropriated by them towards the commercial side and must have eventually been distributed amongst the share-holders, while the deficits in the territorial side were allowed to accumulate and ultimately became a part of the item of 51 million pounds which was the public debt as at 30th April 1857. The said public debt was largely caused by the expenses of warlike operations and acquisitions of territories."

The unproductive debt incurred after India came under the direct rule of the British Crown (1858-1931) is placed by the Committee in four categories: (i) debt that is caused by the internal wars and foreign wars and expeditions, (ii) debt arising from financial mismanagement or incompetence resulting in budget deficits traceable to many factors, of which the heavy cost of civil and military administration is one, (iii) debt occasioned by or traceable to famine relief, and (iv) debt due to loss on account of exchange, (a fruitful source of budget difficulties and indebtedness.) In dealing with items (i) and (ii), the Committee have subjected military expenditure of India to a very critical examination. An interesting observation of the Committee is that, in the ratio of

military expenditure to the total expenditure, India stands first in the world. The places occupied by the principal militarist countries on a list of 41 countries, prepared on the basis of the ratio of their military expenditure to their total expenditure, will be seen from the following table:—

Rank	Name of Country	Percentage of military expenditure to total expenditure
1st	India	45.29
5th	Japan	26.57
9th	Italy	23.46
14th	France	19.75
25th	U.S.A.	16.09
30th	Great Britain	14.75
37th	Germany	7.16

Regarding the nature of the obligations incurred on account of external wars, the Committee quote the following opinion of Sir George Wingate, who says:—

"Most of our Asiatic Wars with countries beyond the limits of our Empire have been carried on by means of the Military and Monetary resources of the Government of India, though the objects of these wars were, in some instances purely British, and in others but remotely connected with the interests of India. They were undertaken by the Government of India in obedience to instructions received from the British Ministers of the time acting through the Presidents of the Board of Control; and for all consequences they have involved, the British Nation is clearly responsible."

Another piece of interesting information in connection with these items is that of the cost to India on account of the Great War. The total contribution of India in men was 1,470,000 of whom 9,53,000 served overseas. The casualties amounted to 1,06,500 which included 36,969 deaths. In terms of money, the war cost India is put by the Committee at Rs. 170 crores, besides a gift of £ 100 millions. In regard to the war gift, the Committee raised a constitutional point of first-rate importance, when they said that, "The Government of India under the statutes by which it is regulated had no power whatever to make a gift to the

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out of the revenues of India." Having regard to the presence of an eminent lawyer and ex-Advocate-General like Mr. Bhulbhai Desai on the Committee, the observation deserves serious examination.

Dealing with the third item of famine relief, the Committee comment on the manner in which Government borrowed heavily for relief of distress before regular financial provision was made for famine relief, but end by saying that "whatever may be the immediate reason for this debt and whatever its amount and burden, India cannot object to accept liabilities to meet the debt."

Dealing with the fourth item, the Committee point out that the loss on Reverse Councils (in 1920-21) alone was Rs. 23½ crores. Securities which were purchased from Indian funds when the rupee stood at 16d. were sold by the Secretary of State when the rupee stood at 35d. to provide funds for the Reverse Council Bills (Bills sold upon him by the Government of India).

As a net result of the Committee's investigation, the aggregate claim of India against England is put at Rs. 729.4 crores and the following summary gives the details thereof:—¹

Year	Subject of claims	Crores	Amount
Prior to 1857	External wars of the Company ...	35.000	
	Interest on Company's Capital stock paid, 1833—57 ...	15.120	50.120
1857	Cost of 'Mutiny' ...		40.000
1874	Interest on Company's Capital Stock paid, 1857—74 ...	10.080	
	Redemption of the Capital Stock of East India Company ...	12.000	22.080
1900	External Wars ...	37.500	
1920	European War-gift ...	189.000	
	European War Cost ...	170.700	397.200

Figure does not include the additional claims made by Mr. J. C. in his separate notes 1 and 2 appended to Vol. I of the report, and which in his separate note published in Volume II. The figure Rs. 729.4 which the Committee were unanimous.

THE PUBLIC DEBT OF INDIA

Year	Subject of claims	Crores	Amount
1857—1931	Miscellaneous charges ...	20.000	
	In respect of Burma ...	82.000	102.000
1916—1921	Reverse Councils Losses ...		35.000
	Premium paid to Railway Companies on acquisition by the State ...		50.000
	Cost of Strategic Railways.		33.000

Total Claim (Crores) Rs. 729.400

It may be conceded that this is not the last word on the subject of India's claim against Great Britain in the matter of the apportionment of financial obligations between them. I do not think that the Congress itself has taken such an attitude. The case for India is presented in the report. It is for those who dispute the accuracy of the data, or the tenability of the conclusions of the Committee, to come out with their case. The report at all events has made out a case for a discussion of the problem between the two countries with a view to see if an agreement can be arrived at, and, if no agreement is come to, for setting up an independent tribunal to investigate the matter and make such apportionment as may be found to be just and equitable. The present time, when a self-governing constitution for India is in the making, is the most opportune for the examination of the problem of Indian public debt with a view to ascertain whether any and what portion of it is not binding on India. We have a clear precedent for this course in the case of the Irish Free State. It is essentially a matter for adjustment when the constitution is radically overhauled. Clause 5 of the Ireland (Confirmation of Agreement) Act runs thus:—

"The Irish Free State should assume liability to the service of the public debt of the United Kingdom as existing at the date hereof and towards the payment of War Pensions as existing at that date, in such a proportion as may be fair and equitable having regard to the fair and just claim on the part of Ireland by way of set-off or counter-claim, the amount of such sums being determined in default of agreement by the arbitration of one or more independent persons being citizens of the British Empire."

By the Act of 1925, the Free State was released from the obligations imposed by the clause quoted above, and England not only "bore all the costs of the great struggle between Ireland and England, but also took over the liabilities of Ireland's proportion of the national debt."

India claims no more than what was conceded to Ireland and will not be satisfied with less. India demands not only political freedom, but economic justice as well.

Financial Depression and Rural Credit Dues.

By M. R. RY. RAO BAHADUR A. VEDACHALA AIYAR, AVL.

As Mr. Subramanyam of Mayavaram has pointed out in his article in the "Hindu," there is very little chance of collection of dues in primaries (rural societies) especially arrears of previous years, principal and interest, even though the staff for collection has been considerably augmented by the non-official agency by the entertainment of extra-staff and by the Registrar deputing some of his auditors between March to June 1931 for collection work.

The prices of all food grains and all local productions have fallen by one half. The yield has got affected by heavy rains and floods. In a very large number of cases, the produce obtained was not even sufficient to meet the kist dues. Sales of land, privately or through court, are not practicable for want of buyers and the flow of credit from the private money lenders has practically stopped. Hence co-operators have desperately become defaulters from causes beyond their control. The only remedy for them is to secure extension of such time as will enable them to pay back their dues to co-operative organisations. The period of repayment should be fixed with reference to the annual saving which each ryot can be expected normally to secure. Considering the present financial depression all round, the period of repayment for the co-operators has to be determined also with reference to the possibility of clearance of this financial depression.

2. The defaulters in co-operative organisations may be classified as follows and steps would seem to be required to be taken in such cases as detailed.

(1) Defaulters who have offered immoveable property as security but whose repaying power is suitable only if they are allowed a long number of years to discharge the loan. The security will be sound and free from previous encumbrances. The defaulters can pay back the loans under the annuity system if the loan is made repayable in 10 to 20 years.

In such cases, I would suggest the grant of such loans by central banks for the requisite period and clear the overdues by a regular book adjustment and conversion. The title deeds and all other

documents should be closely examined by the central bank and the primary society should transfer such mortgages to the central bank to be negotiated later on.

(2) Defaulters who have pledged immovable property as security but who have alienated the property subsequently. In such cases, the property should be brought to sale through the *civil court*.

(3) Defaulters who have pledged immovable property as security but who have to clear the dues by the sale of a portion of the holding and have not repaying power to extinguish the loan in easy instalments can be given extension for 3 years before which they should clear up the dues by the sale of their property.

(4) Surety loans which are overdue can be given extension for 1 to 3 years provided the principal and surety are solvent and provided the loan is below Rs. 100, while if the loan is above Rs. 100, immovable property security should be obtained giving adequate period for repayment. In all other cases, legal steps should be taken.

3. The working of the scheme will no doubt land the movement in locking up a very large amount as long term loans on the security of immovable property. This can be safely allowed till the present financial crisis is over,

(1) up to the extent of the reserve fund of the central bank and the primaries together with the paid-up share capital of the central bank,

(2) up to the extent of central banks being allowed to negotiate long term mortgage documents with the Central Land Mortgage Bank for 10 or 20 years, the latter allowing such a course as a special case for tiding over the crisis or up to the extent of central banks obtaining long term accommodation as loans from Government directly or through central land banks or from depositors. The balance of dues has to be converted into liquid form within a year by recourse to law, leaving off the extension cases.

4. The rectification and consolidation staff should be advised by central banks to follow the above scheme wherever necessary and desirable with the previous sanction of the central bank.

5. It is also desirable to note that in cases of misappropriation or loans on benami bonds or on no bonds, the borrower should be

The Triplicane Urban Co-operative Society.

CONSUMERS' CO-OPERATION IN MADRAS

By MR. S. SUBBARAMA AIYAR, M.A.,

(Senior Lecturer in Economics, the Madras Christian College.)

II

Now there are broadly speaking two kinds of activity in every type of co-operative society, the *business* side and the *educational* side. A brief description of the business side of the Consumers' Co-operative Society as seen in the T. U. C. S. may be attempted here.

The business side of a Consumers' Co-operative Society ordinarily consists in (1) retail sale of goods to members; (2) the wholesale purchase of goods in the market and (3) with the progress of years and success production of goods by the society itself, or in case there is in existence a sufficiently large number of societies by a special wholesale society which is usually one federated for the purpose by the constituent member societies. This last not only purchases wholesale but undertakes production on its account. We shall describe these in order.

I. RETAIL SALE.

The principles of retail sale of the T. U. C. S. are the same as those laid down by the Rochdale Equitable Pioneers. The sale is for cash only and not for credit; the sale is at the retail market rate so as to leave a margin or surplus between the price at which the Society buys and the price at which it sells to members. This

(Continued from page 158.)

fixed up and the amount of such loan or loans should be found and proper security obtained. The question of prosecuting the miscreant is a different matter. The first step to be taken in such cases is to secure the amount by a loan with adequate security even though the amount of the loan exceeds the borrowing power of such member. Until this debt is discharged, that member will get no more loans, long or short term. The mechanical process of prosecution gives scope for members of rural primaries alienating their properties to escape unlimited liability.

margin (which is usually $6\frac{1}{4}$ per cent of the wholesale rate) is utilized (1) to pay a fixed rate of interest on the share capital which was for a long time $3\frac{1}{8}$ per cent but which has been fixed in recent years at $6\frac{1}{4}$ per cent; (2) to meet the cost of establishment, rent charges etc.; and (3) the balance, if any, is paid as dividend on the amount of purchases made after setting apart 10 per cent towards Reserve Fund and 25 per cent towards the Common Good Fund. The Common Good Fund to the credit of the Society is Rs. 37,000 and the Reserve Fund amounts to Rs. 84,000; part of the latter is utilized to purchase or build houses for locating the Branches.

There are three points connected with retail sale which deserve attention, viz. (1) the number and importance of articles retailed; (2) the mode of distribution of goods from the Head Office godown to the Branches; and (3) the price at which goods are sold to members.

(1) *The number of articles.* The Society deals at present mainly in food grains (cereals and pulses), oils, oilman stores and some toilet requisites. The chief articles and their approximate annual value are as follows:—

Statistics for 1928-1929—	Articles.	Volume.	Value in Thousands.
	Nellore Rice	... 35,727.	... 368'4
	Coffee seeds		... 88'2
	Gingelly oil		... 53'8
	Ghee		... 43'8
	Dhall		... 52'6
	Chillies		... 22'0
	Boiled Rice		... 15'0

Though 140 articles are enumerated in the sale list, the varieties are so few; the chief item of business may be said to be with food materials. It was so 25 years ago; it is so now. Some new lines were tried from time to time such as washing or laundry work in 1913—16 and the piece goods department during 1918—1920. But both had to be closed for lack of patronage. The question of supplying firewood and charcoal is now being considered by the Management and that of cloth supply is being revived. The supply of medicines and the free services of a Doctor which was once canvassed did not pass beyond the stage of discussion. It is true that the needs of the Madras consumer are neither numerous nor varied, but even these he does not purchase in full through the store. A

modest attempt that was recently made to popularize stationery (paper, pencils etc.) did not catch. The T. U. C. S. remains down to the present day a mere provision store in groceries.

(2) *Distribution of goods to Branches*:—Goods are in the first instance stocked in the Head Office Godown. Besides the Society's own building at 109, Big Street, Triplicane some 10 to 12 *mundies* (bazaar houses) have been rented for the purpose in the Triplicane High Road, at a distance of 75 to 100 yards from the Head Office.

The problem of distributing them to the Branches which are scattered over the whole length and breadth of Madras and even outside it naturally assumes some importance. For this purpose some contiguous branches are grouped together. There are altogether six groups, one group for each of the six working days in the week; every Wednesday is a holiday for the Head Office and the Branches. Regular weekly indents in the prescribed form are sent to the H. O. by the Branch Accountants on the days specified and they are attended to, as far as possible, the very next day. The Godown staff attends to this work. Goods are carried to Branches in Society's own motor lorry.

Stocking of goods is an art and up to the present owing to lack space and perhaps also to absence of a trained staff, the work is not well done. Complaints about deterioration of quality in goods are sometimes found to be due to defective stocking at the Head Office godowns as well as in the Branches. When the new godown which is proposed to be constructed at the Head Office premises is completed and the Branches possess houses of their own suited to their needs, the position is bound to improve.

(3) *The Retail or Market rate*:—Not a little of the worries and woes of management arise from the principle of selling goods to members at the *market rate*. It is true the General Body has defined the market rate as the rate ruling in the Kothwal Bazaar (the premier Vegetable and Groceries market in Madras). So it may be thought that the Management has simply to depute an agent to ascertain the prevailing rates there and sell the goods to members accordingly. No doubt this is attempted to be done. For some time now the Secretary of the Society is deputed to note down every Monday the ruling Kothwal bazaar rates for the information of the Purchase Committee which issues a price-alteration list at least once a week to take effect in the Branches from every Thursday; this list is

seldom altered in the currency of the week. Even this reform was objected to by a certain section of our members who found fault with it because a weekly list did not make provision for interim changes in price.

"The charge is frequently levelled that the prices charged by the Society are higher than the market rates while the quality is not equal to the best in the bazaar". Indeed this has become a slogan which is very often passed from mouth to mouth so that it has become rooted in the minds of some of our members. There is indeed a psychological explanation for this. If, at any time, as may well happen when dealing with a changing market and in a number of articles, the prices of some articles for some time remain above the bazaar rate much is made of it; but if the prices are lower a discreet silence is maintained. When articles are good in quality, members take the fact as a matter course; when it happens that certain articles are found to be inferior—with the best of vigilance such a contingency cannot be avoided—much is made of it as members think that they are entitled to get the best of things at the lowest possible rates. The Management has attempted to explain their difficulties. In the first place, agricultural products—food grains and raw materials—are not standardised; qualities are numerous; and even the same quality grown in different localities yield different results. Take Coffee Seeds, for example. The Society deals in two varieties, the peaberry or round seeds and parchment or flat ones. The peaberry Coffee grown in the Malnad tracts (coorg,) the Nilgiris the sheraroy and the Annamalais are different in appearance, weight of seed and flavour. In the estates themselves different qualities are picked out and sorted before despatch to the market. To add to the confusion, light weight, cheap, inferior peaberry from Singapore and Java floods the Madras Market. In 1929—30, 21 lakhs of Rupees worth of this quality was imported into Madras. All these are differently priced, the wholesale rates showing a range of difference of Rs. 25 to Rs. 30 per cwt. In 1929—30 the average export value of Indian Coffee was Rs. 79 per cwt. while the declared import value of Ceylon and Java Coffee was Rs. 55 per cwt. The easiest thing to do is to mix the different varieties in any proportion you like to suit any price. The Indian retail bazaar flourishes on such practice. Take again Ghee—an important article of diet among our members. To get pure butter and ghee has become a commercial impossibility. In the first place the supply is not equal to the demand. Secondly adulteration with Vegetable Ghee (known as Marvo) is very widely

practised. In 1928—29 Madras imported nearly Rs 19 lakhs worth of vegetable ghee from Holland. The difference in price between ghee and marvo is about Rs. 1-8-0 to Rs. 2 per viss. So you can have ghee at any price. I can multiply examples, but since we meet here not as *Consumers* but as *economists* I must refrain from description of facts. Now if the retail rates are to be reduced to members, the Wholesale rates that the Society Offers to dealers should also be reduced. If the Wholesale rates are reduced, quality cannot be guaranteed. Nor is this all. The bazaarman has recourse to rather dubious methods such as selling underweight, adulteration, discrimination of prices between customer and customer etc, which are not open to the Society. Moreover in the retail trade in the Madras City price-cutting has been carried to such a pitch that the margin of profit is very much below normal; as a result many a retail dealer closes down his shop. This, of course, the members of the T. U. C. S. do not care to know, but it is to be hoped that they do not desire that the Society should follow the example of the private retailers even to the point of extinction. In spite of occasional deviations from the normal which are inevitable in the business dealings of a large organized Society, the members can on the whole get better terms from it in the long run—as regards quality and price—than they can from a private store. Not the least among the benefits rendered by the T. U. C. S. have been the fostering of the habit of cash purchase among members and saving of their self-respect and pockets too by charging a uniform and fixed rate for all.

II. PURCHASE.

Perhaps the most difficult problems, from the business point of view, relate to the question of *purchase*. The General Body has given the necessary direction in the following words :—"Purchases shall be made as near the centres of production as possible and, through a Co-operative Society, if available." Excellent advice! But let us look a little more closely into the matter to acquaint ourselves with the practical difficulties of the task.

The problem of purchase may be said to involve the following six questions :—(1) When to purchase; (2) How much to purchase; (3) Where to purchase; (4) from whom to purchase; (5) at what price to purchase; and (6) in what form to purchase. I shall take them in turn.

(1) *When to purchase* :—Since the Society deals mainly in food grains and food materials it will be thought that economy could be gained by making seasonal purchase of as many of them as possible. Our experience has been that the variations of prices of agricultural products that enter into the market do not wholly bear out the theory that prices of all agricultural products are low during the harvest season and begin to rise as the season proceeds and are the highest during the sowing time. Absence of wide variations in prices may be due to three circumstances :—

In the first place the staying power of the ryots, especially of the big ryots, is not so poor as is generally thought. I have seen with my own eyes big ryots in the Nellore District holding out their stocks of paddy in anticipation of a rise in price. Secondly, the market cannot absorb all the produce during the season itself; money is generally tight and the difficulties connected with the stocking of goods in the merchant's godown are much greater than with the producers themselves. Thirdly, there is the loss of interest due to the locking up of capital.

Still seasonal purchase of some articles at least for a few months' supply at a time is not without advantage.

(2) The problem of how much to purchase is closely bound up with the amount needed for the use of members. In this respect a Co-operative Society has superior advantages for the demand of members is known and definite. Thus there is no difficulty in forecasting demand. What is being done now is to review the demand once a fortnight having regard to the stock on hand and the probable quantity required for the coming fortnight, or month, or for three to four months; we have not gone beyond that period so far. For this purpose the godown keeper prepares an indent for goods in a prescribed form giving details of stock on hand, quantity required etc., which is placed before the Purchase Committee on the 10th and 25th of every month. On receipt of this the office prepares again in a prescribed form an articlewar statement—one sheet being devoted for each article containing the following particulars :—Stock on hand; average monthly consumption; quantity now required; previous purchase rate; present retail rate; names of dealers with quotations. Orders for goods are thereupon passed by the Purchase Committee and they are issued to dealers by the Secretary in prescribed form. They are generally expected to comply with the orders in the course of the next fortnight

(3) The next group of problems relates to the question—where to purchase. Reference has already been made to the General Body resolution which says that goods should be bought as near the centres of production as possible with a view to eliminate as many middle men as possible. It is not easy to carry out this policy. Firstly, production of goods is not always confined to one centre. Even in one centre production is *dispersed* and not centred or concentrated, but when a crop becomes of commercial importance it is usually taken by ryots, or the agents of merchants to a *mundi* (Tamil word for the market) which is a distributing centre where alone the wholesale rates are settled. The *mundi* merchant is usually a commission agent charging 1½ to 2 per cent in the value of goods supplied; he has a godown and through his agents he gets into touch with producers who are induced to bring the goods to this godown. In some important markets like Bangalore there is a further specialization. The commission agent himself buys in the local *mundi* in his customers' behalf and charges 1 per cent commission on the value. It is usually enough therefore to get into business connection with the *mundi* merchants or commission agents in these distributing centres rather than with the production centres. These distributing centres or *mundis* attract goods from a radius of 20 to 40 miles. Thus in recent years the society has got into touch with the following markets (*mundis*) :—

(1) Shimoga (for peeton nuts); (2) Bangalore (for tamarind, cheekai or soap nuts and Ravi or wheat powder); (3) Mysore (for horsegram); (4) Vellore (for tamarind, cheekai and Jaggery); (5) Tirupattur (for Dhol and tamarind); (6) Panruti (for cashewnuts); Nellore town and Kasargode in S. Canara also supply cashewnuts; (7) Kaveripatnam in Salem district for gingelly oil; (8) Trichur and Ernakulam in Cochin State for cocoanut oil; (9) Koilpatti and Virdhunagar for chillies; (10) Kurtalm and Papanasam for Tanjore boiled rice; (11) Nellore for Nellore rice; (12) Cocanada for boiled rice, red gram and black gram; (13) Tuni in the Godavari district for gingelly oil and butter; (14) Warangal in the Nizams Dominions for gingelly oil; (15) Pandharpur in the Bombay Presidency for wheat samba; (16) Bombay city for assafoetida and Kumkumapoo (saffron). The rest of the articles are bought in the local wholesale market. There is a respectable wholesale market in the city for certain kinds of food-grains in the wharf (near the Harbour); Gujarati and Cutch merchants import them from various places and stock

(See bottom of Page 166)

Sir Daniel Hamilton Prize Essay.

By Mr. K. SRINIVASAN, B.A.,

II

ii. Banking. A National Asset..

"All these marvellous results which have raised Scotland from the lowest state of barbarism up to her present proud position in the space of 150 years are the children of pure credit".

—Elements of Banking by MacLeod.

16. That bullion is not real capital, but the labouring hands, is indeed widely recognised, but rarely confessed to, by the leisured upper classes who live by the ignorant suffrage of the toiling masses. Even so, modern governments have understood that for sound finance, not bullion is required so much, as a sound policy of currency; by which is meant no more nor less than the providing of just the sums of money necessary to draw out and employ to the utmost the energies of society on productive lines. An excessive issue of money will raise prices and dissipate production as an under issue will depress production and increase poverty. It is this art of judiciously regulating the flow of money that is called the Science of Finance and Banking.

17. That all progressive nations have understood the value and importance of sound finance, and attended to its proper organisation as the first step in reconstruction, will be evident even to a casual student of the history of modern banking. Let me quote MacLeod with the approval of Sir D. Hamilton as to what banking has

(Continued from page 165)

them in their extensive godowns. There is a market for spices in Govindappa Naick Street in G. T. and another at Chinnatambi Mudali Street G. T. for chillies, curiander, turmeric etc. Boiled rice is sold wholesale in Wall Tax Road near the Central Station as well as at Alandur (St. Thomas Mount). Thus it will be seen that the ramifications of the Society's purchasing centres are indeed very wide coterminous with the boundaries of the Presidency of Madras and even going beyond. To maintain this business connection, it is obvious, requires the greatest vigilance and alertness on the part of the management, for it is easy at any moment to fall into the hands of the city merchants who will import these things for the Society charging the usual commission for themselves

(To be continued.)

SIR DANIEL HAMILTON PRIZE ESSAY

done for Scotland. * "All these marvellous results which have raised Scotland from the lowest state of barbarism up to her present proud position in the space of 150 years are the children of pure credit. Her system of banking has been of infinitely greater service to her than mines of gold and silver. Mines of precious metals would probably have demoralised her people. But her banking

system has tended immensely to call forth every manly virtue. In the character of her people, in their steadiness, their integrity and in their honour, Scotland has found wealth infinitely more beneficial to her than the mines of Mexico and Peru".

What is true of banking in Scotland, is true of several other nations also like Japan, modern Germany and postwar France.

18. In all the above countries the state, being national, readily understood its obligation to uphold the prosperity of the people and kept its finance abreast of the times. The financial system of a country is called sound when there is a free flow of money just sufficient unto the needs, the rate of interest is low, and the application of capital productive. Several agencies have to combine to achieve the above. The state must provide the required credit to the national bank by issuing notes or authorising the bank to issue notes according to the hourly needs of trade. The national bank in turn will feel the market and fix the rate of interest in such a manner that the nation may favourably compete with others; without being encouraged to waste its capital cheaply in useless pursuits. The other banks in the country will, aided by the national bank, watch and regulate the application of credit to productive lines.

19. In the advanced and educated countries of the west where banking is highly developed and universal, the duty of the state is not only less important, but also easy. It is true that in England a private agency 'The Bank of England' is in entire charge of national finance, and the state but a passive co-operator. But in such countries, even though the state does not print notes or credit money, commercial banks usually grant liberal overdrafts and see to it that merchants make the best use of them. The people also being educated, commercial cheques pass freely and serve the purpose

* Elements of Banking—by Macleod.

of a note currency and adequately fulfil the needs of trade. But in India, unfortunately the masses are illiterate, and banking is in the control of foreign interests. Even the Imperial Bank, true to its name, is imperial in its outlook and not yet national. Therefore, it is plainly the duty of Government alone to step in and help the people to rise from their present state of poverty and sloth, at least till such time as national organisations arise to take up this work.

vi. *The duty of the Indian Government.*

"The people do not ask money from government but they do ask and must insist through their representatives in council and assembly that government will monetise their labour to whatever extent may be required to keep any able bodied man fully employed on productive and constructive work—work which will feed the people and will not fatten the wolves".

—Sir D. Hamilton.

20. If the need of state aid to sound finance is felt even in the advanced countries of the west, how much more is it necessary in a poor and illiterate country like India, where yet trade is backward and indigenous banking undeveloped? Especially when

THE GOVERN-
MENT ALONE
CAN BEST
HELP PEOPLE.

we consider that the administration of national finance, difficult enough in an industrial country, is doubly so in the case of an agricultural country, the duty of the state to take up this work becomes

imperative. In an industrial country, there are no risks of season to depress the chances of a return on capital, and so the amount of money required for circulation at any time can be fairly estimated and manipulated. In the case of an agricultural country, however, an intended productive investment on agriculture may totally fail owing to adverse seasons at any time, and thus quite unexpectedly add to the locked up capital and increase the indebtedness of cultivators. Quite inversely a bumper crop may call forth prodigious quantities of money before finally the goods reach the intended consumers. Under the circumstances who is qualified to keep a steady hand on the pulse of the nation and judge the needs unerringly than the Government of India?

21. However so, the Government of India is sitting tight, claiming to regulate note issue, not according to the nation's needs, but on a principle of cash reserves. It is well known how government had deviated from it during the World War to suit

its needs. If nothing evil had then set in, where is the reason to believe the reverse will be the effect now in times of peace and trust?

THE GOVERN-
MENT CAN
SAFELY DO IT

On the other hand, Government may well count on the support of the leaders, in the furtherance of this scheme to promote the welfare of the people, provided it will agree to play the game with cards open.

22. In the modern world, the real money or labour of a country cannot be utilised without the help of the nominal money in the form of silver or gold or paper. The nominal money being the instrument for setting men to work, or for exchanging the products of their work, in order to reach its maximum of production a country should have as many of these monetary instruments in active operation as will keep every able bodied man employed fully in the production of the necessities and conveniences of life. *

INDIA LACKS
MONEY.

But how does India stand in regard to these monetary instruments? She does not stand at all; she lies prostrate. Though the greatest real money power in the Empire, yet for want of these token money her productive capital is hampered in its working. Like Scotland of 150 years ago, India is starving for money. Consequently India to-day is a land of poverty instead of the land of plenty and employment that she will be, when she is supplied with the requisite money to keep her a-doing.

23. It would be by no means difficult to find a way how to do it, provided government would agree in principle to issue currency not backed up by gold but by the certain assets of organised reliable labour. It is difficult in matters like these to argue the case beyond a point. Governments are generally the last to be moved by mere reason devoid of public opinion. As pointed out elsewhere, by position, prestige and organisation, the Government of India is singularly fitted to undertake the task. If the poor Scottish banks of those

NO HARM WILL
COME IF
GOVERNMENT
ISSUE NON-ME-
TALLIC MONEY.

days with the assets of only a few share-holders behind them could safely manufacture all the credit money required to regenerate Scotland, cannot the Government of India with the entire property of 320 millions manufacture with safety all the money required to send India on her way rejoicing.

* Cheap Capital and land are wanted for more jobs, and lands that no man is using should be free for the unemployed.

Kt. Col. J. Wedgwood.

vii. *How it can help us?*

"There is no better machinery through which the peasantry can be organised, and the basic industry of the country, agriculture, can be improved than Co-operation".

—The Honorable V. Ramadas Pantulu—Opening Address,
8th Salem Dt. Co-operative Conference, 1929.

"The monetising machine is the paper currency department of Government, and the currency note is the only possible form of credit for a people who have no bank accounts and who can neither read nor write".

—Sir D. Hamilton.

24. Supposing Government agreed to the above suggestions, the question will next arise how to execute them. Reply to this question, though not difficult, is rather technical, and would demand the greatest skill, talent and judgment in its practical working. The first thing that will be required is money—enough money though in paper—to turn the labour of every reliable man to something useful and wealth giving. It may be weaving, agriculture, digging of canals or making of roads, but it must be something productive. Further the currency must be enough to keep everyman doing. It should not be less; and in no case in excess. An excessive issue, by

GOVERNMENT
SHALL ISSUE
BUT NOT EX-
PAND THE
MONEY.

giving men the power to purchase goods without producing or giving anything in exchange for such goods, will defraud the country. Our experience of Government as a manager of expenditures—with the Backbay scheme still fresh in public minds—is not happy to inspire confidence in its economy.

Whilst therefore it is best Government should issue the required paper money, there should be however another agency to fix the amount of money that may be required for application from time to time.

25. The agency that suggests most naturally for the purpose is the co-operative machinery. It is governmental in control and popular in its working. It lends money to ryots, advises its proper application, recovers the debts in due time and repays the investors. It is the agency that has amongst its protagonists some of the

choicest souls of the country, the reliablest of men. The work of disbursing the new currency and looking after its proper and productive application requires an elaborate yet efficient department composed of reliable men. In the present day, the Co-operative Movement being the only nearest approach fulfils the requirements, we might presume that the task of regenerating the country on the above lines can and must only be carried out through the aid of the co-operative movement. Sir Daniel Hamilton also holds similar views. He writes, "As it is a physical impossibility for a joint stock bank to reach individually the tens of millions of small men who are crying out to save them from the money lender, it is the imperative duty of government through its Co-operative Department to do so". In his opinion indeed the agency is so important, that he says, 'the masses must be financed co-operatively in groups or not at all'.

26. At present cultivators in villages are financed through rural credit societies by the co-operative central bank in the several districts. The central banks normally receive deposits and lend out to societies. However, there is also an apex bank in each province that receives deposits direct from the public and undertake to help central banks with funds as and when they require its help. It is the lending rate of the apex bank, which is dependent at present on the money market, that generally regulates the interest payable by the final borrower in the village. At present in India most provincial banks lend to central banks at six per cent, and rural societies lend to their members finally at 9 3/8%. Especially when we consider that the profits of agriculture do not generally work out

THE SCHEME OF
CO-OPERATIVE
FINANCE.

beyond six per cent, not only is the above rate high, but is also ineffective to relieve the cultivator's indebtedness. Furthermore, even at the present high rates, capitalist investors are not

forthcoming to invest for sufficiently long periods. The result is that the co-operative department had recently to confess its inability to undertake any long term schemes of land reclamation or debt redemption. Loans even for ten years are refused by the Townsend Committee, in accordance with whose recommendations the co-operative department of Madras has already begun to put pressure on central banks not to lend for more than five years. Townsend Committee may be justified in its conclusions; but is the government

justified in so abruptly and unco-operatively reducing the currency of loans to within five years? The mounting of overdues even when loans were for ten years, can show if at all only that at the present rate of interest borrowers' repaying margin requires still longer term of credit.

27. That however hesitantly, even government has recognised the truth of this contention, will be evident from its agreeing to start long term Land Mortgage Banks, to be financed out of the proceeds of long terms debentures issued. Whatever experts might say in justification, this new enthusiasm of the department to land mortgage banks, seems to a lay mind to be only an attempt to cover its inability to provide the entire long term needs of all the existing rural societies. Several land mortgage banks in this (Madras) Presidency issued recently long term debentures at five per cent. The inconspicuous success that attended the issues clearly showed that there was no use in trying to create a separate agency for long term mortgages without making sure of a central source of finance.

28. It is in circumstances like these the opportunity of Government to help the people is demonstrated. Suppose Government agreed to underwrite the entire issue of Co-operative debentures at three per cent, people may feel to that extent emboldened to subscribe also. The result will be the final borrower will get his required credit at five to six per cent at least. But the question might be asked, if the public did not subscribe, are the government to borrow in the market at a higher rate and give it to the co-operative banks? Certainly not. All people know that co-operative loans are secured by the unlimited liability of the several borrowers, and further the amounts are borrowed for the people and spent by the people, and for objects purely productive. No one would therefore feel anything if the government were to come forward and set to work its press and give over the entire subscribed sum in paper money. The Government forthwith will be readily making a three per cent. At the same time thanks to the new currency, the productive power of large masses of people will be switched on, and new and great productive works undertaken. As though by magic there will be no one idle; no one poor. Of course government and co-operators

must see to it through proper supervision, that money is disbursed, only as work progresses; so that neither the government nor the country would run the slightest risk of the money not being made good in valuable and solid assets. Thus let the money be only properly spent, the borrower will yearly repay without difficulty a part of the principal with interest. The interest less working expenses and cost of printing will go to augment the revenue of government.* The principal having provided homes with comfort and men with employment having transformed the face of the country and enriched the nation, would return back yearly to the treasury and disappear. Is this speculation, or the vagaries of metallic exchange? Is paper money that thus feeds and enriches a starving nation a dying asset or is it the mines of Midas to which conventional financiers would like to tie India? Let the starving millions of India answer and the voice of humanity.

29. No one can say there is no need in India to try such an experiment? There are millions and millions of able bodied without work, left starving and famished to find an early grave; who given work will not only earn their livelihood with respect but also enrich the nation. There are millions of acres of arable land uncultivated for want of capital.† Even so there are schemes of development, irrigation projects, bridges and roads of utmost need and importance to the country held back by Government for want of funds. Yet these when completed will not only develop the country, we are told, but also pay back its cost with interest. If so these are items that deserve to be financed by Government in the manner aforesaid. If will help to give work to the unemployed, and besides add permanently to the wealth of the country. There is another channel also in which money can be spent in accordance with the above scheme. There is an enormous, but avoidable waste in human life and work-time by sickness and consequent death which can be escaped by adequate expenditure on

* It may at least cover the cost of administering the Co-operative Department.

† Prof. C. N. Vakil on Poverty Problem published in Young India.

health and medical relief.* At present Government is hesitating for want of funds even though it well knows such expenditures, in terms of man power saved will more than repay its first cost. Another is mass education. All civilised governments agree that mass education on sound lines though costly is the best and the only means of improving a nation's efficiency and thereby its productive power. Are these so unimportant disease and inefficiency that Government can afford to take it up at leisure? It is well every one is impressed that this is arguing in a vicious circle. With the present death rate, sickness and inefficiency, India cannot afford to bear more taxes; and the Government on its part cannot guarantee adequate relief or universal education without the people coming forward to pay increased taxes to meet its cost. How long can a civilised government continue to say this without a blush before the bar of humanity?

30. There is discontent and agitation in the country, communal discord and wide spread dissatisfaction with the present state. It is a pity Government is satisfied with tracing it to disgruntled politicians, ambitious agitators, religious fanatics and Bolshevik emissaries in India. The villagers of India are not such fools to play the game for these agitators and fanatics. Loyalty is still deep down in their hearts, but smothered by the growing pinch of poverty, sickness and unemployment they have met with only in the latter years of British rule. Logically therefore remove their poverty, sickness and unemployment, by giving them the only thing they need to set them adoring viz, enough money on the lines aforesaid; then India will be saved to the Empire and through the Empire to the world. But who shall be that gifted saviour of the Empire and of the country of our birth is indeed hard to prophecy.

(To be continued).

* The last All India conference of medical research workers records this:—"The average number of deaths resulting every year from preventable disease is about five or six millions; the average number of days lost to labour for each person in India is not less than a fortnight to three weeks in each year; and the percentage loss of efficiency from malnutrition and disease is not less than twenty per cent. It is certainly possible to prevent a great proportion of this waste at a cost which will be small in comparison with the value of men and labour saved.

Recent Utterances.

SPEECH OF MR. S. SUBBARAO, SECRETARY OF THE RURAL RECONSTRUCTION TRAINING SCHOOL, RAJAHMUNDRY, (at the opening Ceremony of the Training School on 19—7—31).

After referring to the various attempts at rural reconstruction in India and outside he went on to say:—West Godavary and Chingleput District Boards have appointed rural supervisors and have achieved great results.

In our Presidency we have to start a Panchayat in each village according to the present Local Boards Act. To work these Panchayats workers are necessary who have a thorough knowledge of the Local Boards Act. There are co-operative societies in many of our villages and for them too workers are necessary who have a thorough knowledge of the Co-operative Act and also of the working of these societies. If the villagers were to receive the full benefits of these two institutions of their village all the adults of the villages must have some education. Thus if every village were to prosper and were to be re-organised it is necessary that it should have a guide, pracharaka or propagandist who will teach them the advantages of the institutions and induce them to start, who see that those institutions that are started are working well and who will impart adult education to the elders and thus put them in possession of the most up-to-date knowledge and methods of progress. If under these conditions of economic depression each village cannot maintain one, at least four or five villages must combine, employ a trained pracharaka and receive the full benefits of his work, teaching and guidance. The District and Taluk Boards should employ Firka and Taluq supervisors to report about the work turned out by these guides. Thus if a net work of these institutions with their Pracharakas and supervisors is organised, we are sure that the people will attain a high degree of efficiency, culture, and character which will put them on the way towards economic, social, moral and political progress. We are sure that under the guidance of these workers, who are actuated more by public spirit and patriotism than the pursuit of wealth and material happiness, the villagers can learn to live a life of plain living and high thinking. It is to train such workers that this school is started.

He then referred to the initial difficulties he had to overcome before the scheme could be made a part of the Training Institute. I express here my thanks to those few institutions which have been good and forward enough to send stipendiary students.

In the coming constitution for India, the village is going to play a very prominent part. Under these circumstances it is these village guides who will have to be of much service to the working out of the new constitution, with fresh rights as the young village workers were responsible for the speedy upliftment of the people in Russia, Ireland, Turkey and Japan.

We have to suppose that several of our students have joined the classes with employment as their main aim. Let them understand that to make a person get an employment is not the chief aim of our institution and that our training only gives him the initiative and power necessary to create a profitable and noble avocation for him. This is the first Institution of its kind in Andhradesa and we are sure that it will become an example for several others that should be started in its wake to effect a complete change in the aims and outlook of our race. The responsibility of making this Institution a success lies, I believe on the shoulders of Sjt, Garimella Satyanarayana. We may take it that he accepted this office not with a view of employment but to work out the ideals of our Institution which were so dear to his heart. I exhort all the students trained under him to follow his footsteps and live a life of sacrifice and suffering for the eternal advancement of our Bharatvarsha. We also hope that through the eighty youngmen that have come to our institute to receive training we can spread our gospel and extend our work through the various parts of Andhra Desa.

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Second Co-operative Union Conference held at Chirala.
EXTRACTS FROM THE PRESIDENTIAL ADDRESS

OF

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

(Director Madras Provincial Co-operative Bank.)

Having referred to the heavy indebtedness of our rural populations he said :—To relieve indebtedness many valuable suggestions have been made from several quarters. Suffice it for our purpose to mention three of them. The first is that all should strive to achieve Swaraj, when everything including the problem of indebtedness could be solved easily. The *Raison de etre* of this arrangement is that India has become poor through alien administration and she will be rich again if swaraj is attained. Perhaps for this reason it is, that many of our first rate men have not paid much attention to the development of the co-operative movement which is trying to tackle the problem of relieving indebtedness directly. The second is, the suggestion to pass special legislation which will help the ryots to shake off their burden of indebtedness, if not all at once, at least in due course of time. In this connection the name of Mr. V. Ramadas Pantulu should be mentioned, first, as the exponent of Legislative measures, such as Rural Insolvency Act, the Land Revenue Act. etc. Where ryots cannot actually pay their debts out of their existing properties, they should all be given the relief under an Insolvency law which will be simple and workable. And for this, what may be called a Rural Insolvency Act, may be passed. Under the Act there will be a Debt conciliation board whose function it shall be to settle and fix the individual debts in accordance with the repaying capacity of the individual ryots, irrespective of the actual amounts of debt. The Co-operative Societies can also materially help in the working of the Act by taking a transfer of assets and liabilities of the individual ryots as may be fixed by the Board instead of being handed over to an officer of court. Further Instead of the borrower paying the creditor as and when the creditor pressed in the manner demanded by the creditor, under this system, the borrower goes to the society and requests it to discharge his loan in consideration of his paying the dues to the society in a fixed number of instalments. The society can also arrange with the creditor so as to make him receive his amount as a deposit payable in instalments; and if there is to

be any default, the society is first to make good to the creditor the amount, and the society has later on to recover it from the defaulter. By this, the society can help both the borrower and the creditor. This suggestion of a Rural Insolvency Act is a matter which eminently deserves to be considered by you all, as it deals with the well being of the rural population. The third suggestion is what it concerns us most. The Royal Commission on Agriculture after an elaborate enquiry have found that the salvation of the Indian ryot lies in the development of the Co-operative Movement, and in the end they remarked that if co-operation fails, the hope of India fails.

He gave a detailed account of the Co-operative Movement (consumers') in Modern Russia etc., and went on to say;

Addressing ourselves to this noble task of working the Co-operative Movement, we have to ask ourselves what have we done up till now and what have we to do in future? In reply to the former query, we have to say that we developed the credit side of the co-operative movement, and neglected very much the non-credit side of it. This has given us strange and unique experiences which serve the purpose of a warning guide. Credit as purely, an instrument of 'borrowing and lending' has no charm about it. Nor has it any real utility, when it is regarded as such. Credit movement which was started as a money lending concern in countries where people were deeply indebted had failed, as in the cases of Ireland, Denmark etc. The cause is obvious. People become indebted when they have no income to meet their expenditure. And when debts are contracted, they cannot be wiped off, by fresh borrowings, even though it be for arguments' sake, without interest. They can be wiped out only through increased earnings and savings. Increased incomes will come only if borrowed moneys are used for productive purposes, whatever they may be. If we fail to do that, then the credit movement is bound to fail, sooner or later. The main principles of co-operation, namely, thrift and self-help are forgotten by our co-operators, at any rate, they have not practised to any degree, the virtues of thrift and self-help. What is the result? Beginning with the cases of benami loans, adjustment etc the Movement is now full with cases of embezzlements and prosecutions. Why does all this happen? The answer is simple. Having no money, and having no source of earning money, people resort to all tricks to make somehow money. Fortunate few escape and the unfortunate lot will be caught and punished in the attempt. If we wish to avoid all pit-falls, the only

way is to harness the credit movement to the non-credit work. It is true, non-credit work is more difficult, and it requires more skill and honesty than the credit work. But yet, if we wish to materially benefit our ryot population, we have no alternative but to take up non-credit work, such as the co-operative marketing of agricultural produce co-operative stores and Co-operative dairy farms etc. In fact, when we speak of co-operation in Western countries, we mainly say either of co-operative marketing or of co-operative store, but not so much of credit societies. Even barren Denmark has grown rich through the development of the non-credit side of the movement, and so let fertile India follow and emulate the example.

The unit of administration is the village co-operative society. If the village co-operative society works well, then all others also work well. If the village society does not work well, then even when others work well, the whole edifice of the co-operative pyramid falls to the ground, sooner or later like a pack of cards. So it is the duty of every one of us to see that the foundations of the village society are well and truly laid. But how? Under the bye-laws of the primary society, there is practically nothing which we cannot do. Besides borrowing and lending, the village society can do stores business, by indenting goods for members, whether they be clothings, foods stuffs, manures or implements. Likewise the society can act as a selling agent of members' goods whether they be agricultural produce or industrial manufactures. With the common good fund the society builds, and the spirit of *esprit de corps*, it would be possible to start libraries, open hospitals and night schools, and improve tanks and roads. In short, by the good work of the village co-operative society, it is quite possible to turn a squalid and dirty village into a neat and habitable one. No time is more opportune than now to do this work for our village communal life has begun to disintegrate, and emit bad odours. If we care to prevent disintegration we can do so through the Co-operative Movement. So let the Co-operative Movement be our guiding star, in the reconstruction of a newer and happier India.

The Madras Provincial Co-operative Bank Ltd.,

*Extracts from the Proceedings of the Board of Management
meeting held on Friday the 19th June 1931 at 8 a. m.*

* * * *

The Secretary made the following statement regarding the financial position of the Bank.

"After the last meeting of the Board of Management held on the 1st November 1930, the Imperial Bank of India raised its rate on demand loans to 6 per cent and in January to 7 per cent. During this period the Bank had with it about Rs. 30 to 35 lakhs of interbank call money placed with it by the local Indian Bank and the Bombay Provincial Co-operative Bank Ltd., and other institutions. At the end of January the Indian Bank and the Bombay Provincial Bank gave notice of withdrawing the call money placed by them and the M. C. U. B. had to pay the amount kept by these Institutions at call. At the same time, owing to the demand of kist in the province, loan applications from central Banks were coming in large numbers with the effect that at the end of March, the total of the loan applications reached nearly 43 lakhs. At this time, the overdraft with the Imperial Bank of India stood at about Rs. 18 lakhs. After meeting the call money demand, the margin left in the over-draft account with the Imperial Bank of India was not sufficiently large; and further the M. C. U. B. had to keep 7 to 8 lakhs for its day-to-day business.

The Executive Committee considered the financial position in February, and finding the large demands for loans from Central Banks, decided to apply to the Imperial Bank of India for a short term loan of Rs. 10 lakhs on Co-operative paper in order to tide over the situation then present. The Registrar considered the proposal favourably and an application for a short term loan of Rs. 10 lakhs repayable in six months was sent to the Imperial Bank of India through the Registrar. The Imperial Bank, on receipt of the application, replied to state that the Central Board had to be consulted, and promised to write later on. After some more correspondence, the Imperial Bank of India finally said that the Local Board were not prepared to sanction the loan of Rs. 10 lakhs on the terms proposed. While the situation was like this, the Executive Committee decided that an increase in the rates of borrowing was likely to put the Bank in possession of more funds. Accordingly at the meeting held on 17-1-31, they decided to pay 4½ and 5 per cent for one and two years' deposits respectively. It was advertised in the local papers. At their meeting on 27-2-31, the Committee, finding

THE MADRAS PROVINCIAL CO-OPERATIVE BANK LTD.

that the revision did not meet with very favourable response, increased the rates to 5 and 5½ per cent for one and two years' deposits which rates are still subsisting. As by the end of February the call deposits amounting to Rs. 30 lakhs were returned to the respective parties, it was found impossible to meet the needs of the Central Banks. Under these conditions, the Executive Committee decided to grant loans to Central Banks only for the purpose of keeping their credit going in the matter of repayment of deposits; and they also decided that, owing to the stringency of the money market, it might not be possible for the bank to finance Central Banks for loans to primary societies. By the middle of May, things improved on account of many of the central banks, keeping their engagements in the matter of repayment of their dues. The present position, I am glad to say, shows that the Bank has repaid not only the large outstandings in the overdraft account but has surplus of about 17 lakhs, which will be available for disbursement of loans to Central Banks."

After the above statement, the budget of expenses for the year 1931-32 was presented and in adopting the same, Mr. M. K. Venkatachariar proposed that, instead of giving subvention to the Central Banks loans be granted at a reduced rate of 6 per cent instead of 7 per cent that was being charged. He also explained to the House that the increase in rates offered by the M. C. U. B. was not all round and that, having large amounts in current accounts, the effective borrowing rate was very much less and that therefore, there was no need to put up the lending rate.

Mr. Bhashyam Iyengar desired to know the reason for the large overdues outstanding against primary societies in the respective areas financed by the central banks.

Mr. V. Ramadas Pantulu explained the reasons for the heavy overdues.

Mr. Venkatachariar desired to know whether Local Boards had withdrawn their deposits. He was replied to that the withdrawals were not very heavy.

At this stage, Mr. V. Ramadas Pantulu explained to the meeting that, out of the total deposits, fixed deposits from institutions and individuals were about Rs. 65 lakhs, reserve fund investments of Central Banks amounted to Rs. 20 lakhs and current account about Rs. 35 lakhs. He also said that, owing to the enhancement in the rates of deposits, a larger amount of interest had to be paid on the deposits, and as such the suggestion of Mr. M. K. Venkatachariar for the reduction of the rate of interest chargeable on loans to 6 per cent was not a feasible proposition.

Co-operation and Law

INCIDENTS OF UNLIMITED LIABILITY.

Suit against a Rural Co-operative Society.

Judgment was delivered by Their Lordships in two applications taken out for the issue of a writ of certiorari to call for and quash the proceedings of the Sub-Deputy Registrar of Co-operative Societies, Chingleput.

It was stated that the Oothukottai Co-operative Society used to borrow monies from the Conjeevaram Central Bank and in respect of such borrowings, the Sub-Deputy Registrar had passed fifteen awards aggregating to Rs. 20,000. In execution of the awards execution proceedings were taken out against individual members of the Society for the entire amount and Mr. Rathnam Chetty, a member of the Society and Mr. Govinda Chetty, the President of the Society whose properties were sought to be attached, moved the High Court for the issue of a writ of certiorari for quashing the proceedings of the Sub-Registrar.

On behalf of Rathnam Chetty it was alleged that notice of the arbitration proceedings was not served on the Society at its address as required by the Co-operative Societies Act, but was taken out in the name of the President and in his absence, was affixed on his door. It was also alleged that two days prior to the date of the arbitration the President had resigned and, therefore, he could not represent the Society. It was further contended that Rule 14 of the Co-operative Societies rules required the arbitrators to proceed only after hearing all the parties and that if any one of the parties was ex-parte, no arbitration proceedings could go on and the remedy was only by way of a civil suit.

Their Lordships held that the President knew of the arbitration proceedings and that he left Oothukottai to evade service and therefore, the Society was bound by the knowledge of the President. Their Lordships, also held that Rule 14 empowered the arbitrator to proceed even when some of the parties were exparte provided due and proper notice had been given. Their Lordships remarked that it was no doubt hard upon any one member of the society to be called upon to pay the entire sum but, the society being an unlimited society, it could not be helped and it only showed the necessity for the members to be vigilant over the affairs of the Society. In the result the two applications were dismissed with costs.

Mr. J. A. Pinto appeared for Rathnam Chetty, Mr. Gnanasambandar for Govinda Chetty and Mr. C. S. Venkatachariar for the Conjeevaram Bank.

District News.

PROCEEDINGS OF THE ANDHRA SAHAKARA SAMMELANAM LIMITED, No. 4331, BEZWADA.

Passed at the Directors' meeting held at the Viziavada Co-operative Central Bank Ltd. Bezwada on 12-7-1931.

PRESENT :—M.R.Ry., C. Rajagopalachariar Avl. and 5 others.

Resolutions.

1. M.R.Ry. N. V. L. Narasimharao Pantulu garu has been elected as the 'President' of this Society.
2. „ C. Rajagopalachariar Avl. and Veerapaneni Basavayya garu have been elected as "Vice-Presidents" to this Society.
3. „ Iyyauki Venkata Ramanayya Pantulu garu has been elected as "Secretary" of this Society.
4. The following gentlemen constituted the Executive Body of the Sammelanam :—
(i) President, (ii) Secretary, (iii) C. Rajagopalachariar Avl. Treasurer, (iv) Veerapaneni Basavayya Garu, (v) Guduri Ramachandrudu Garu.

YOUNG CO-OPERATORS' LEAGUE, MADRAS.

Some of the young students of Madras, graduates and post-graduates, have formed themselves into a Young Co-operators' League with the object of diffusing co-operative knowledge among the students of the city. The League itself was brought into existence at a meeting of young men held at the Y. M. C. A. on Tuesday the 11th of August 1931. It is the object of the League to enroll as many members as possible from among the college students and with a view to give the members healthy contact with the realities of the problem a co-operative stationery and book supply society is intended to be started for the city of Madras. A preliminary meeting has already been held and the model bye-laws discussed and suitable amendments and alterations accepted. The Young Co-operators' League has been fortunate enough to secure Mr. V. Ramadas Pantulu as its President.

NORTH ARCOT SUPERVISORS' CONFERENCE.

A meeting of the Senior and Junior Supervisors working in the district of North Arcot was held at the office of the District Council of Supervision, Vellore on the 20th of July 1931. The Deputy Registrar and the Sub-Deputy Registrar of the district were also present. The

THE MADRAS JOURNAL OF CO-OPERATION

Chief Executive Officer of the Council, Mr. M. Nagappa Chettiar presided. The following subjects among others were considered. (1) Submission of periodical returns by supervisors, (2) Submission of special returns about (a) time-bar loans (b) bad and doubtful debts (3) Inspection and supervision, (4) Registrar's circular about maintenance of rectification register, (5) Awarding of medals to good societies, (6) Introduction of bye-law No. 62, (7) D. C. B. Statement, (8) Rectification and Reconstruction Staff.

The officers of Government and the Chief Executive Officer gave necessary advice to the supervisors, Junior and Senior and recruits and told them that they should always remember that they are friends, philosophers and guides of the co-operative movement and are expected to work conscientiously and honestly.

OPENING OF THE BUILDINGS OF THE BHUPATHI RAJU CO-OPERATIVE CREDIT BANK, LTD., RAJAPALAYAM, RAMNAD DISTRICT.

The above mentioned co-operative bank intended exclusively for the benefit of the Raju community has put up a new fine building of its own at a cost over Rs. 25,000. The President of the Bank, Mr. P. S. Kumaraswamy Raju welcomed the guests assembled including Mr. Dandu Narayana Raju, B.A. B.L., ex-M.L.C., Mr. Dandu Narayana Raju in declaring the building open dwelt at length on the present economic crisis and repudiated the idea that the Congress was to some extent responsible for this state of affairs. He, on the otherhand, attributed it to the exchange policy followed by the Government. After a vote of thanks proposed by Mr. Chinnavenkata Raju, the pleasant function came to a close.

RURAL INDIA.

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Correspondence.

We have received a communication from the President of the Co-operative Audit Union Ltd., Srivilliputtur about the apportioning of the Bank rebate between the said Union on the one hand and Supervising Unions of the same area on the other. As we understand that the matter has been referred to the Registrar, we await his final decision and make no comment.

[Editor.]

RURAL RECONSTRUCTION IN ALAMURU

IN ENGLISH AND TAMIL

BY

MR. V. VENKATASUBBIAH, B.A.,
(Joint Secretary and Convener, Rural Reconstruction Sub-Committee,
The Madras Provincial Co-operative Union.)

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Reviews

CO-OPERATIVE SOCIETIES IN THE BOMBAY PRESIDENCY (YEAR ENDING 31st MARCH 1930.)

THE ADMINISTRATION REPORT

(We regret that the review of the Administration Report of the Co-operative Societies in Bombay should have been very late. Pressure on our space has been responsible for this delay.—*Editor*.)

The Annual Report on the working of the Co-operative Societies in the Bombay Presidency (including sind) for the twelve months ending 31st March 1930 makes very interesting reading. The Registrar Mr. V. S. Bhide writes about the subject he handles with an enthusiasm and fervor which is really rare in official publications.

THE BROAD FEATURES OF THE MOVEMENT.

Discussing the broad features of the movement Mr. Bhide makes observations which are worth considering. He tells us that the 'Cry for more and more de-officialisation of the movement is raised every now and then but that very few new people are actually coming forward to accept responsibility.' He somehow feels that the older generation of workers was capable of more sustained effort. There appears to be more pre-occupation for the people to-day. Politics has attracted the attention of the best men in the Country and the complaint of the registrar may be partly true. His remarks about Gujerat are in point in this connection. "Since 1927" he says "repayments in Gujerat are extremely bad and during the current year the increase in overdues can only be explained partly by the repercussions of the political Situation and partly by the rush of marriages in anticipation of the application of the Sarada Act. The Registrar appears to have overlooked the most important contributing factor, the economic situation in the world.

The Report under review draws attention to another General feature that is surely developing in certain areas. It points to the danger of local patriotism. This is really a serious situation that Co-operators should guard against more especially in Provinces like Bombay and Madras in which populations of diverse linguistic areas are thrown together. Co-ordination of activities of institutions of the same class is a great necessity. If headway has to be made against the dense ignorance that surrounds us. If in this attempt people are unable to take larger and wider views and sink individual opinions to a certain extent waste may result and effective work may really be a rarity.

REVIEWS

ARBITRATION AND LIQUIDATION.

For us in Madras, who are entering upon a new phase of Co-operative Legislation, some of the remarks made by the Registrar under the heads 'arbitration' and liquidation' as well as in regard to execution are of special value. It appears the system of nominating certain persons as Registrar's nominees for specific areas who functions almost like Co-operative Civil Courts is giving very good results. People concerned do not ask for a Board of Arbitrators in such cases. The system of payment to arbitrators has given the necessary impetus to the work of disposal. But for purposes of execution a very large amount of work has to be thrown on the Collectors. This work is taking up enormous amount of time. Therefore, the Registrar says that special staff must be provided at Taluka Headquarters at the expense of Societies, wherever this work is heavy. This according to him is an inevitable necessity because of reckless loans. In regard to liquidation the Report says that the policy of appointing special liquidation officers has wholly proved to be a success. It suggests to the Government that the Special liquidation officers may be given additional powers to get the awards of the arbitrators executed within their jurisdiction.

BANKS AND BANKING FINANCE.

The Report under review discloses that Urban Banking in the Presidency has been very well developed and there is an Urban Bank in almost all the Taluka Towns and even in the larger villages. There were 19 District Central Banks with a share capital of Rs. 29,05,674, working Capital of Rs. 2,65,58,230 and Reserve fund of Rs. 4,41,502. According to the Registrar all the three Banks in the Southern Division had a plethora of funds on their hands and a large portion had to be invested outside the movement. The Provincial Co-operative Bank is though big enough in dimensions is nothing as compared with the Madras Provincial Bank. It is not close knit with the central Banks. The share capital held by individuals is twice as great as that held by Societies. The Bank has its own branches. It transacts directly land Mortgage business, debt redemption schemes, advances to individual members on the security of agricultural produces, gold and silver pledge loans etc., so that there is no organised relationship between the several Co-operative Banks. The Registrar naturally therefore comes to the only conclusion possible. He says, the work of financing the Societies and administering an effective System of controlled credit to the rural agriculturist is becoming more and more specialised and complex and the individual units must be prepared to sacrifice a part of their individual liberty by consenting to obey the advice of a central expert body created conjointly by themselves. It is to be hoped that the great and reputed business capacity of Banking will evolve a scheme that will be satisfactory.

We must specially congratulate Sind on all its banks covering A class distinction in audit. The Registrar remarks they are well-managed and in spite of the tightness of the money market, the General economic distress and the failure of some other Banking firms deposits are coming into the Co-operative Banks freely and there have been occasions when it became necessary to refuse some deposits.

CONSOLIDATION.

The work of consolidation has been intensively followed in Bombay for two years. The constant aim there has been to reduce membership of societies to 50. Non-member's deposits are being eliminated as far as possible. The registrar at one place states that even societies which were once thought to be absolutely hopeless have shown improvement under constant supervision and tactful handling. However he considers that the department is short handed.

They have still the system of Honoray organisers in Bombay. There are 144 of them altogether. The Registrar finds that it becomes extremely difficult for the Assistant Registrar to Co-ordinate their work and fit in with that of the official staff unless the gentlemen concerned have genuine love for the movement and are prepared to devote a large part of their time and every fit. In sind it appears they are particularly devoted. In parts of Belgaum the position of honorary organisers is looked upon more as a personal distinction and is used for consolidating personal exparty advantages. In the Bombay division it is not giving expected results. We are glad that the Registrar says there is no great change immediately contemplated and asks co-operative opinion to express itself on the matter. It can only be suggested that a system which is doing such good work in sind cannot fail to do equally good work elsewhere provided strenuous effort is made. A little more educative work and propoganda by Registrars like Mr. Bhide will certainly achieve results. It is to be hoped that non-official Co-operative leaders of Bombay will take steps to retain a system which is found to redound to their great credit in time, if properly worked.

SOCIETIES.

In the operation of varied classes of Societies the Bombay Presidency Shows very much greater signs of life than even Madras where the number of Societies and total transactions thereof certainly in larger proportions than in any other part of India. The Non-credit side of both the agricultural and non-agricultural societies is fairly well-developed and speaks well of the greater business aptitude of the Citizen of Western India. There were twenty-five Cotton Sale Societies. On the whole they sold 352, 518 maunds of Cotton and realised Rs. 45, 30, 136. The Gadag Co-operative Cotton Sale Society Sells almost all the cotton grown

in its area. At the sales of the Society Rs. 15 more per *naga* on an average was realised. This is just a sample. It is worth nothing more especially by our cotton tracts. Purchase and Sale Unions are some of them working very well. The West Kandesh District Union is now able, by means of arrangements with some mills, Weaving Societies, and the Provincial Bank and its branches to supply almost all the requirements of the agriculturists. Land Improvement Societies, though not many, are still functioning well. The Yalavgi Land Improvement Society with Vaddars as constituents has brought in 5 years 186 acres out of 210 under cultivation the rest being rocky. This is also a sample for others to copy. Of cattle breeding Societies, Sideum Cattle Breeding Society is said to be the best. It has 127 good cows and two aurrit Makal premium bulls. It has a grazing area of 265 acres. Societies of this type have a vast influence over the surrounding area in eliminating bad cows and animals from their herds and in promptly attending to measure of prevention during epidemics. In this report we read of Seven Co-operative dairies dealing only in milk. The Registrars' conclusion is noteworthy. "The dairy business can be more successfully organised if the Municipalities in the urban areas take interest in the work and give facilities for building cattle sheds and loans at low rates of interest if possible. The Report frankly states in regard to cattle insurance there is not much scope.

Though all this may not be much as compared with other lands in India itself other Provinces may derive some lessons easily from Bombay.

In regard to Non-agricultural Non-credit Societies Bombay does not seem to be happy except probably in its Housing Societies. The Registrar compliments the real Triplicane spirit displayed by the South Indian Co-operative Consumers' Society at Matunga which sold goods to the extent of Rs. 75,000 with a profit of Rs. 2,100 on a share capital of Rs. 4,427. He concludes the section on Consumers Societies as follows 'No fresh attempts should be made to organise any Consumers Stores. The only people who show good aptitude for this kind of business seem to be South Indians'. It is to be feared that Mr. Bhide gives an unnecessary compliment to South India, for it must be conceded that with the sole exception of the Triplicane Urban Stores, no other store on any appreciable scale has made a notable success.

In regard to Housing Societies the Report lays down an interesting proposition. It says that "it will not be possible to solve the problem of the poor people through Co-operative housing; it is essentially a plan for the middle class people." It would be an interesting study for Co-operative research to test the truth of this dictum. Considerations of space prohibit further entry into the interesting issues discussed in the Report in regard to these societies and their work. Just a word as to how a small technical omission at the time of Legislation has affected the

work of Societies. The Bombay Act VII of 1925 replaced the India Act of 1912. But a consequential amendment announcing this was not introduced in the Central Legislature. The Societies registered under the Bombay Act were deprived of the benefits given to the Societies registered under the 1912 Act. The work of the societies has been held up by decisions of courts.

When we turn to the producers movement we are told that it is not flourishing. The Registrar says that members of Producers Societies vote themselves more wages than are justified by the conditions of the trade and make reckless purchases of raw materials.

There are many other matters in the Report to which reference may be made but this review must now close. Nothing better can be fitting as a finish than the following words of the report itself.

"Arrears are concentrated in a comparatively small number of societies in all the divisions. The liabilities are amply covered by the assets and year by year with the increase in the owned capital, the dependence on the societies 'on outside resources becomes less and less.'

Hope and fervor are characteristic of this Report.

G. HARISARVOTTAMA RAO.

The Salem Weavers' Co-operative Society Ltd.

No. 5, 362.

FORT, SALEM.

(Registered under Act II of 1912 India.)

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This society was started in August 1930 with the object of giving a living to the Weavers of Salem who were thrown out of employment. Yarn is purchased wholesale from the Indian Mills dyed in **Fast colour** and Woven in hand-loom by members to a **Standard Texture**. Profit making not being the object of the society, the prices are naturally cheap. The society consists of expert work men who can weave to any pattern. The following patterns are always ready for sale:—

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Sannanju, Mysore Gundanju, Bavanju borders etc., in cotton or silk, with or without lace.

SAREES:—of 40, 60 and 80 counts.

Card, Pate, Poona Pate borders; Bangalore, Poona, Dupta Heading in mercerised yarn silk or lace.

Handkerchiefs Angavastrams etc., etc.

S. THAMMANNA CHETTIAR B.A., B.L.,
President.

2. THE BOARD OF ECONOMIC ENQUIRY - FARM ACCOUNTS IN THE PUNJAB, 1928-29

BY

H. R. STEWART, F.R.C.S.C.I., D.I.C., N.D.A., I.A.S.

AND

S. KARTAR SINGH, B.SC. (AGRI), N.D.D., L.A.G.

The present publication is, it is stated, the fifth of a series of publications on Farm Accounts in the Punjab. The first three dealt entirely with accounts relating to canal irrigation farming, whilst the 1927-28 book included some little information as to the costs of irrigation by lifting water from wells by means of Persian wheels. During the past year much more detailed investigations have been made into this aspect of farm accounts and the information collected is embodied in the present publication. Moreover, a comparison between the costs of raising water by bullocks and Persian wheels as against small electrically driven pumps has been made. The authors admit that the data for their conclusions are not sufficient and therefore the subject requires more careful and detailed investigation. The use of electricity for drawing water from wells is a subject of considerable importance not only for the Punjab but also for the rest of India. We await with special interest the further progress of their investigations. Their provisional conclusion is full of hope for the future. They think that it is considerably cheaper to pump water by good iron Persian wheels driven by electric energy than it is to raise water by bullocks.

The rest of the book deals with the accounts of several typical holdings under well irrigation in some districts of the Punjab. The value of the publication is much enhanced by the wealth of facts and figures it provides in regard to each of the holdings. They will form a reliable source of information on which we can shape our future agricultural policy.

In fact it is time that we look around us and chalk out a definite method of rationalising our agriculture. The days of isolation are gone for ever. The Indian farmer, be he in the remotest corner, cannot escape the influence of world conditions. He has to adjust himself to the new circumstances if he is not to be driven to the wall. To meet competition he has to reduce his production

costs by a scientific organisation of his industry. Farm accountancy makes it possible for him to calculate with exactness the different items in his expenditure and in the results he obtains. Hence it is the first and most essential means of rationalisation of agricultural industry. Besides this there are other advantages of equal significance from maintaining farm accounts. If the accounts are impartial their results are a protection against fiscal exactions. The peasant can present his case boldly before the Government and demand, as of right, reduction of taxes if the burdens on the farm are too heavy. Then there will be no more biased discussions upon land revenue problems. Drawn out over a number of years, the farm accounts form a kind of economic history of the undertaking reflecting its vicissitudes. Moreover accountancy is becoming one of the most important empirical bases of the science of rural economy. It can tell us what the producers, agricultural and non-agricultural, earn and spend, the savings and the consumption of workers, officials and peasant farmers. It supplies elements capable of giving support to the principles of agrarian policy, to the claims of the peasant class and to the measures to be taken to protect their interests.

All these presuppose keeping of accounts by every farmer. Looking at the Indian peasant of these days, what with his hopeless ignorance and helplessness, one doubts very much whether he will be able to keep such an account of his cultivation as the present book provides or the time requires. We can at least expect the enlightened landlords to do so and to educate their ignorant confreres to follow them. Many an educated man who has to stay in his native village can devote himself to this interesting work of collecting valuable data as regards the cost of cultivation and the net yield from the land. In that case much loose talk on the agrarian problems may be avoided and the position he takes up will be unassailable. We therefore commend this book to one and all of them for careful study and hope that they will follow the methods therein described. Until and unless the farmers do so, it will be impossible for them to stand up boldly in the world market and meet the keen competition from other countries. It is time that they wake up and bestir themselves. We are sure the present book and the series to which it belongs will sound the clarion call to wake them up from their age long slumber.

Y. S.

3. SILVER JUBILEE SOUVENIR VOLUME OF THE MADRAS CENTRAL URBAN BANK LTD.,

The Silver Jubilee Souvenir Volume of the Madras Central Urban Bank Ltd, now called the Madras Provincial Co-operative Bank deserves to find a place in every co-operative library in India. It contains a mine of information about what was popularly known as Madras Central Urban Bank. Mr. V. Ramadas Pantulu, the present President of the Bank shows in his preface how the apex bank is the only agency of the country that tries to direct the flow of accumulated capital back to the country whereas other banks including Government are engaged only in depleting rural areas of all their money. There is a short history of the institution dividing its 25 years of life into three periods, the first period 1905-1917 when it was owned and managed by individual members, the second period from 1917-1920 when co-operative societies were admitted as shareholders, and the third period when it has evolved itself into a real Provincial Co-operative Institution. The original individual shareholders have practically dwindled into insignificance by the side of district banks that have taken up a major portion of its shares. The statistics regarding paid up share capital, deposits and other borrowings, book profits and reserve fund given on page 33 and the same graphically represented on the reverse are absolutely romantic. It is interesting to note that the book profit during the first year of its working was Rs. 20 and reserve fund Rs 5, whereas now for the year ending 30th June 1930 they were nearly 2½ lakhs and 10 lakhs respectively. There are messages received on the happy occasion of the Silver Jubilee celebration from co-operators, official and non-official, and there are one or two interesting articles sketching the history of co-operation and suggesting future lines of development. The volume contains a detailed account of the Silver Jubilee celebration. Its beautiful printing, magnificent illustrations and nice get up in general are the least important of its features. We congratulate the bank on the excellent volume which they have published.

S. K. Y.

Special Types of Societies.

1. REPORT ON THE WORKING OF THE ASKA CO-OPERATIVE FEDERATION FOR THE YEAR 1929-30

This Federation was registered only in October 1928 and hence the year under review is the second year of its working. The management vests in a Board consisting of 11 members of whom 8 are the representatives of the affiliated Unions and 2 of the central banks. The Deputy Registrar of the District is an ex-officio member.

During the year under review the General Body met once and the Board of Management 5 times, the Executive Committee of the Board also met 5 times, and no meeting was adjourned for want of quorum.

The Federation appointed a paid Executive officer whose services have been secured from Government, and there was an increase in the number of ministerial and menial staff employed by the Federation. The supervision fund has been centralised and though there is plenty of scope for expansion, owing to the present policy of caution, many societies were not registered.

Much propaganda and education work was done by the Federation and the touring done by officers also was satisfactory. We are glad to note that cordial relation exists between the Federation, Central Bank, Department and the Unions. Government officers who inspected the Federation speak well of its work. The Federation hopes in the year to come to concentrate its attention upon the collection of overdues, of big unions and rectification work. The authorities of the Federation thankfully record the excellent work done by its energetic Secretary Sreeman Durga Madhab Pattanaik Mahasayo.

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SPECIAL TYPES OF SOCIETIES

2. THE ANNUAL REPORT ON THE WORKING OF THE ANANTAPUR DISTRICT CO-OPERATIVE FEDERATION FOR THE YEAR 1930-31.

The year under review is the 6th year of the existence of the Federation and second year after the pooling of finance was introduced.

The Board of Management consists of 17 members, 15 elected from the Unions and 2 from the Central Bank. Of this the Board elects an Executive Committee consisting of the President, Secretary and 3 other members.

The Federation was responsible for getting two taluk conferences held. It also conducted two training classes for panchayatdars. Both the conferences were presided over by Mr. G. Harisarvottama Rau, who also opened one of the training classes. Mr. V. Venkatasubbaiya opened the other training class and attended one of the taluk conferences.

The Federation maintains a library of books and we are glad to be told that the students of the Co-operative Training Institute and even of the Government College have been making good use of this library. The work of the Federation was mainly Consolidation and Rectification. Its financial position is not unsatisfactory, thanks to the hearty co-operation of the Central Bank, though its constituent Unions have not shown the same spirit to the fullest extent possible. The Federation has been co-operating heartily with the Bank and the Department, though in the matter of its relation with Unions, there is some hitch, as Unions think that their autonomy is interfered with. The Federation hopes that it would be able to do for town banks and limited liability societies what it has been doing for village societies.

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REPORT OF PROPAGANDA WORK BY P. C. U.
MEMBERS.

Mr. N. Satyanarayana, one of the Joint Secretaries of the Provincial Co-operative Union toured in Tanjore District and visited the District Banks at Tanjore and Kumbakonam, the Land Mortgage Banks of Tanjore and Mayavaram and the Urban Banks of Tanjore, Kumbakonam and Mayavaram.

He discussed the problem of overdues and the working of the rectification scheme with the secretaries and members of the administrative section of Central Banks. He also lectured to the students of the Hood Co-operative Training Institute, Tanjore on the principles and ideals of the co-operative movement. In the course of his speech he dwelt upon the following points. (1) Progress of the movement in our country, (2) the cause of alarm at the present moment, (3) Co-operation the only method of salvation, (4) how other countries have helped themselves by means of co-operation, (5) Evils of capitalistic civilisation and ethics of co-operation.

CO-OPERATIVE INDIA

BY

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

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Rural Reconstruction Centre, Lepakshi.

REPORT FOR THE THIRD QUARTER, FROM 1st
JANUARY TO 31st MARCH, 1931.

Education.—School gardens are being maintained at Lepakshi, Kallur Kodipalli, Bisalumanepalli Kanchisamudrum, Manepalli. A small garden has been begun at Cholasamudrum. The boys sell the produce and regular accounts are maintained. Out of the sale proceeds of the gardens at Lepakshi and Bisalumanepalli, contributions for prizes for sports at the one and for the anniversary celebrations at the other were made. The flowers etc. are given away to the temple at Manepalli. Proceeds of the gardens are given in the appendix. No gardens could be raised at Kondur and Sirivaram for want of space.

The aided schools started in the last quarter at Nayanipalli for caste Hindus, at Kodipalli for Adi-Andhras, and at Gowraganipalli for Korichas are gaining strength.

There has been no appreciable increase or decrease in the strength of the schools in the villages.

The morning Bhajana with the school children is conducted at Lepakshi. Manepalli, Kallur and Kodipalli, Bisalumanepalli, and Sirivaram schools run the Bhajana on Saturday and Wednesday respectively.

Adult Education.—The night school at Manepalli has been closed temporarily as the teacher who was running it, having left the village on business. The Kallur Night School which was waning was revived by supplementing the school actively with staging a drama.

The Night school at Lepakshi, Galipipalli, Sirivaram and Kondur are working as usual.

Magic Lantern Lectures.—7 Magic Lantern Lectures were delivered and the attendance was 900. The Committee are thankful to Mr. T. Sivasankaram who lent the slides on the views of England and English life. 13 lectures to the aid of gramophone on temperance, Education, Handicrafts, co-operation, social service and other allied subjects.

Harikathas.—Three Harikathas were performed at Kallur, Kondur and Lepakshi respectively and the attendance was at about 200 at each performance.

Puranam.—Reading of Mahabharata was continued at Manepalli from the last quarter till the end of February and the attendance daily on the average was about 30; The Supervisor himself, was the Puranika

in other villages whenever he visited. Gajendramoksham, Kuchelopaky-anam, Krishnarayabaram, Sri Ramacharitam were dealt by the Supervisor, Mr. P. Ramachar also assisted whenever he visited the centre; The Mohemmadan Khaji at Manepalli has been induced to read and explain Quoran and other books relating to Mohamadanism at Manepalli, and even the Hindus attend. The work was begun in the last week of March and is continuing. Adult Bhajanas are being conducted as usual on Saturdays at Kallur Manepalli, Lepakshi, Bisalumanepalli, Sirivaram regularly while at other villages they are irregular. The Bhajana Association at Bisalumanepalli get Andhrapatrika weekly and have raised a fund of Rs. 16 so far.

Village Panchayats.—The Supervisor assisted the village Panchayats in preparing the Budgets and explaining the provisions in the new act. Elaborate rules for irrigation Boards were framed and got approved in the Panchayat at Kallur and Manepalli, which have been given the control of irrigation. The Panchayats at Manepalli, Kodipalli, and Kollur got each a Hundred Rupee grant for books this year. The village Panchayat at Korur in spite of the advice of the Supervisor, refused the grant for library.

Sanitation.—A regular sweeper has been maintained at Manepalli while at Kallur the Panchayat sweeper is engaged to clean the streets for two days in a week. The village Panchayats at Cholasamudrum, Koudur and Kodipalli did not engage a sweeper though they adopted resolutions to that effect. Two pit latrines and two earthen dustbins were got erected at Kallur and 3 pit latrines at Manepalli. A few more are being got ready at Manepalli. The Agricultural Demonstrator at Hindupur has promised to get the Boring set for latrines in the centre.

Other Works.—The Adi-Andhras at Manepalli have agreed to contribute labour and they have so far removed pricklypear, and closed up pits in their neighbourhood; the cost of labour contributed may amount to Rs. 10. The village entrance was cleared and repaired and at the other end two trees are being grown. Small repairs were effected to the road at Venkatapuram. The Rural volunteers at Kallur closed up a depression in the main street which held about 40 cart loads of earth. Repairs at the village entrance by building up a ramp are being executed at a cost of Rs. 6.

A sum of Rs. 4 and 100 stones have been raised at Cholasamudrum to put up a ramp at the entrance of the village.

Water Supply.—Repairs of the Taluk Board wells have been taken up by the village panchayats themselves instead of allowing other contractors. Two wells at Kanchisamudrum, two at Lepakshi one at Bisalumanepalli are being repaired by the panchayats of Lepakshi and Cholasamudrum.

A labour well has been completed for Malas and a well for Madigas at Nayanipalli is being dug at a cost of Rs. 500. Rs. 15 were contributed for the well at Koudur by the villagers themselves.

Voluntary effort of the village.—Ramanavaratri festival was celebrated for 9 days at Manepalli by the contributions raised from the villagers.

The public of Lepakshi have by introducing half anna ticket system, been able to maintain a servant for the Temple which is now cleaned daily and watched by him. A small flower garden also is grown in the temple. A ryot at Mallireddipalli is maintaining a light at the village temple, of the hamlet.

Co-operation.—7 societies out of the eight societies in the area are virtually moribund, and the Reduction of overdues is the only problem. And it has been aggravated by the economic depression caused by the sudden fall in prices of the agricultural produce and consequently of land. However the collections in this year so far, are better than in the previous year though severe coercive action had to be taken in a good many cases.

The supervisor personally attended to the execution of long pending decrees of the Kallur, Cholasamudrum societies, in addition to touring round the villages to assist the Executive Officer of the Co-operative Federation and the Consolidation Inspector. A detailed report of the affairs of the Kallur R. C. S. was submitted by the Supervisor to the Lepakshi Co-operative Union Ltd. with a suggestion for converting the R. C. S. into a land Society on the Japanese model in view of the fact that Kallur affords favourable opportunities by its unfailing spring wells.

Propaganda also is being carried on by explaining foreign co-operation to the Panchayatdars and members at the General Body meetings. The result has been some stir among the members who have begun to question the propriety of the action of the Panchayatdars who used to have their own way.

Temperance work.—The additional propagandists who had been maintained from the temperance grant of Rs. 200 was disbanded from 1st March. Many of the middleaged youths have abstained from drink and a few have reduced their drink expense. A Bhajana also has been organised at Kodipalli and Kallur for the youths and though prohibition was not possible, the drinking classes are realising the evils of drink.

General.—The Supervisor prepared a report of the existing fragmentation and division of the agricultural holdings for the conference called

by the District Collector in the matter of consolidation of holdings. Hon'ble the Chief Minister, Madras was pleased to grant an interview wherein the Supervisor brought home to the Hon'ble the Minister, a few problems relating to irrigation facilities, Education and the working of the Panchayats.

The Taluk Board Penukonda was approached for funds for running a summer school during the ensuing vacation, and a sum of Rs. 200 was sanctioned for the school to be run at Madakasira. The President of the Taluk Board has promised a weaving instructor for the centre.

Propaganda for poultry breeding, and improved sheep breeding was undertaken, and about twenty families have promised to take up poultry farming. But the work could not be begun as the eggs could not be had. The work will be taken up in the following quarter as soon as the eggs are got. 5 Kurubas have shown their willingness to get improved breed of rams from the neighbouring villages in Mysore and they will be got in the course of the following quarter after the rains.

The Supervisor was appointed for the Census work and the Census work occupied his time during February.

The Committee are thankful to Mr. Gudur Ramachendrudu for kindly consenting to preside over the anniversary of the Panchayat schools at Bisalumanepalli; Messrs P. Ramachar and K. Seshachar for touring in the villages and helping the Committee in their work.

REPORT

OF THE

XVII Madras Provincial Co-operative Conference

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* Story in brief was published on page 135 of August 1930 issue of the Madras Journal of Co-operation.

SUPPLEMENT TO THIS ISSUE.

CENTRAL BANKS' CONFERENCE XTH SESSION

*(Held on Thursday the 18th June 1931 at 11 a.m.
at the Madras Central Urban Bank Ltd.,
Mylapore.)*

PRESENT:

*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) Rao Saheb T. Srinivasa Rao
(3) Mr. T. Adinarayana Chettiar
- 2 *Anantapur Dt. Co-operative Central Bank, Ltd.*
(1) Rao Saheb H. Narayana Rao
(2) Mr. L. Gangadhara Sastry
- 3 *Coimbatore Dt. Urban Bank, Ltd.*
(1) Rao Bahadur T. A. Ramalingam Chettiar
(2) Mr. S. K. Krishnaswamy Gowda
- 4 *Christian Central Co-operative Bank, Ltd., Madras.*
(1) Mr. S. Krishnaswami Aiyangar
(2) Dr. M. S. Mariadoss
- 5 *Co-operative Central Bank Ltd., Conjeevaram.*
(1) Mr. A. Rajabadar Mudaliar
(2) „ K. Rangaswami Aiyangar
- 6 *Co-operative Central Bank Ltd., Kumbakonam.*
(1) Rao Saheb C. R. Lakshminivara Aiyangar
(2) Mr. N. Rathnasabapathi Pillai
- 7 *Co-operative Central Bank Ltd., Tanjore.*
Mr. R. Sundaram Aiyar
- 8 *Co-operative Central Bank Ltd., Vizianagram.*
Mr. C. Subba Rao
- 9 *Cuddapah Dt. Co-operative Central Bank Ltd.*
(1) Mr. V. Pichaiya
(2) „ B. Narayanaswami

- 10 *District Co-operative Bank Ltd., Cocanada.*
(1) Mr. L. Subba Rao
(2) „ K. Sitaramayya
- 11 *Chittoor Dt. Co-operative Central Bank Ltd.*
(1) Mr. C. Venkataramana Aiyar
(2) „ C. Parthasarathy Mudaliar
- 12 *Ganjam Dt. Co-operative Banking Union Ltd.*
Mr. G. Dharma Rao
- 13 *Guntur Dt. Co-operative Bank Ltd.*
Mr. C. Venkata Rao
- 14 *Hospet Co-operative Central Bank Ltd.*
Mr. Natesa Mudaliar
- 15 *Krishna Co-operative Bank Ltd.*
Rao Bahadur S. Hanumantha Rao Pantulu, (Chairman).
- 16 *Kurnool Dt. Co-operative Central Bank Ltd.*
Mr. V. B. Chench Reddy
- 17 *Madura-Ramnad Central Co-operative Bank Ltd.*
(1) Mr. L. Dharmaraja Aiyar
(2) „ E. S. Sunda
- 18 *Madras Dt. Co-operative Central Bank Ltd.*
(1) Mr. S. S. Sankara Mudaliar
(2) „ G. Sriram Babu Naidu
- 19 *Nellore Dt. Co-operative Banking Union Ltd.*
(1) Mr. M. Ramakrishna Rao
(2) „ O. Viswanatha Rao
- 20 *Ramachandrapuram Co-operative Central Bank Ltd.*
(1) Mr. B. Venkataratnam
(2) „ B. V. Krishna Rao
- 21 *Salem District Urban Bank Ltd.*
(1) Mr. S. C. Venkatappa Chettiar
(2) „ K. Sundararaja Aiyangar
- 22 *South Canara Central Co-operative Bank Ltd.*
Rao Saheb M. Ananta Rao
- 23 *South Arcot Co-operative Central Bank Ltd.*
Mr. V. Srinivasachariar

- 24 *Sree Konaseema Co-operative Central Bank Ltd.*
(1) Mr. V. Ramamoorthy
(2) „ K. Venkataratnam
- 25 *Srivilliputhur Co-operative Banking Union Ltd.*
Mr. A. Srinivasachariar
- 26 *Tinnevely Dt. Co-operative Banking Union Ltd.*
(1) Mr. L. M. Kandaswami Chettiar
(2) „ P. Nelliappa Pillai
- 27 *Trichinopoly District Urban Bank Ltd.*
(1) Mr. R. Srinivasa Aiyar
(2) „ P. Sreenivasa Raghava Aiyangar
- 28 *Vizavada Co-operative Central Bank Ltd., Bezvada.*
Mr. P. V. Krishna Sastry
- 29 *West Godavari Dt. Co-operative Central Bank Ltd.*
Mr. D. V. Krishna Rao Pantulu
- 30 *Rajahmundry Co-operative Central Bank Ltd.*
(1) Dr. P. Gurumurthy
(2) Mr. N. Satyanarayana
- 31 *Malabar Dt. Co-operative Bank Ltd., Calicut.*
Mr. P. Govinda Menon

Mr. D. N. Strathie, Registrar of Co-operative Societies, was also present on invitation.

Mr. V. Ramadas Pantulu proposed Rao Bahadur S. Hanumantha Rao to the Chair. It was duly seconded and Mr. Hanumantha Rao took the Chair.

Mr. V. C. Rangaswami, Convener of the Conference, read a report on the action taken on the resolutions of the last Conference, which was recorded. (The report is appended).

Subject No. 1 :—Consideration of the Bill to amend the Co-operative Societies' Act.

Mr. V. Ramadas Pantulu moved that the consideration of the above subject be adjourned to the Joint Conference of the Boards of Management of the M. C. U. B. and the P. C. U. to be held on the 19th at 2 P. M. in the premises of the M. C. U. B. The motion was unanimously accepted. The delegates to the Central Banks' Conference who were not members of the above two bodies were also invited to participate in the proceedings of the Joint Conference.

Rao Sahab T. Srinivasa Rao: "The Co-operative Societies' Bill is to come up for the consideration of the local Legislative Council before the next session of this conference; and it is necessary that, if the centralised audit has to be approved, this House must clearly define its position on the proposal put before it. It is found that often the Registrar's considered views are not palatable to non-officials and many a time they are vetoed. The Registrar has got the duty to certify banks as being fit enough to receive large sums of deposit money from local boards. Will the Registrar assure this House that the Bill will not be passed into law until this House considers this proposal? Otherwise all our discussions will be in vain. Is it likely that the Registrar will agree to share his responsibility for audit with others?"

Mr. V. Ramadas Pantulu: "The proposed scheme does not in any way infringe the existing Act or the proposed Bill. The wording of the Act is that 'the Registrar should audit or get audited the accounts of the co-operative societies'".

Mr. Srinivasa Rao: "I do not want that the Registrar should abdicate his function for the appointment of auditors. I want the direct responsibility for audit should rest with the Government."

Mr. S. Krishnaswami Aiyangar (Christian Central Bank): "It is better if the delegates assembled here discuss the subject at present."

The President: "The discussion, I fear, may be premature in one sense. Some of the delegates have not come fully prepared with the subject. Further, the discussion in the central banks will be more profitable and the delegates will be in a better position to express the views of their respective banks."

The proposal of Mr. V. Ramadas Pantulu to postpone the consideration of the circular was carried.

Subject No. III: Letter from the South Canara Central Co-operative Bank regarding the use of Remittance Transfer Receipts.

The convener read the above letter, and the representative of the South Canara Central Co-operative Bank spoke upon the use of the remittance transfer receipt by his Bank.

The Registrar explained the matter and said that he had been receiving a number of complaints about the use of free R. T. Rs. by the South Canara Bank. The issue of free R. T. Rs. was intended only for genuine co-operative purposes. In

the case of the above bank, the bank had been using these transfer receipts for remitting funds to the Bombay Provincial Co-operative Bank. In cases where the R. T. Rs. were used for genuine co-operative purposes, he said he was not interfering with them. He also said that he had direct orders from the Government to see that the free issue of these transfer receipts was not permitted for the purpose for which it was largely used by the above bank.

Mr. R. Sundaram Aiyar (Tanjore): "What I want to know is whether the Imperial Bank of India is justified in charging fees for transfer of funds. There is nothing in the Co-operative Act which prevents co-operative societies from allowing non-members to open current accounts with them. When current accounts are opened for non-members, facilities in the matter of exchange of funds have to be provided for them."

The Registrar: "The Imperial Bank of India does not charge any commission for transfer of co-operative funds."

Mr. V. C. Rangaswami: "The question raised before the House is on account of the fact that, under orders of Government, co-operative institutions have been permitted the use of free remittance transfer receipts for transfer of funds from one place to another. Whenever R. T. Rs. are applied for, the purpose for which they are applied has got to be stated in the application made for the same. The co-operative central banks have been permitted to do general banking business and no difference is sought to be made whether the funds that come into the hands of the central banks are from members or non-members. When a large portion of the current account money happens to flow from persons who are not members of the central banks, it is found necessary that facilities have to be provided for such persons. It is but just and proper that central banks have to offer facilities to such customers as are offered by Joint Stock Banks. Unless all banking facilities are provided for customers by central banks, it is not likely that the current account business in these institutions will grow from day to day. All facilities given by Joint Stock Banks to their customers have also to be provided by co-operative central banks to their customers. The amount of money that is being transferred from one place to another or from one institution to another is not very considerable. It is also found necessary to provide funds to be drawn against and, for such provision of funds, central banks have to approach the Imperial Bank of India for issue of remittance transfer receipts. The privilege of free transfer of funds has been given by the Government to co-operative

banks. As such, it passes one's comprehension why the Imperial Bank should kick against this privilege."

After some discussion, it was resolved that the question be taken up for consideration after the publication of the Central Banking Enquiry Committee's Report.

Subject No. IV.—Notice of motion by the Co-operative Central Bank Ltd., Vellore, to request the M. C. U. B. to continue the subvention and to raise it to Rs. 5,000 for each Central Bank.

The representative of the Vellore Central Bank not being present, the consideration of the above subject was dropped.

Subject No. V.—Notice of motion by the Co-operative Central Bank Ltd., Vellore, to request the M. C. U. B. to reduce its lending rate to Central Banks to the old limit of 6 per cent per annum as early as possible :—

In the absence of the representative of the Vellore Bank, Mr. A. Rajabadar Mudaliar (Conjeevaram), with the permission of the Chairman, moved the above proposition.

Mr. T. A. Ramalinga Chettiar (Coimbatore) seconded the proposition and stated that the reduction should be given effect to from 1st July 1931.

Mr. L. Subba Rao (Cocanada) also spoke in support of the above motion.

Mr. V. Ramadas Pantulu explained his view in the matter and said that matters like this had better be referred to the Executive Committee of the Bank, as the resolutions of the Central Banks' Conference were only of a recommendatory nature. It ought to be understood that the interests of the Madras Central Urban Bank were the combined interests of all the Central Banks and whatever resolution this house might come to would duly receive the best consideration at the hands of the Board of Management of the Madras Central Urban Bank.

Mr. T. A. Ramalinga Chettiar recommended that the proposal for reducing the rate of interest on loans to Central Banks be taken into consideration by the Executive Committee, and it was finally resolved to request the M.C.U.B. to reduce its rate on loans to Central Banks to 6½ per cent.

Subject No. VI.—Supplying information to Incometax officers regarding the dealings of depositors with Central Banks :—

Mr. K. Rangaswami Aiyangar, representative of the Conjeevaram Central Bank, brought to the notice of the Conference that the Incometax Officer of his district asked the Central Bank at Conjeevaram to furnish him with a list of depositors together with the income earned by them in the bank. He desired to have the opinion of the Conference in this matter. He wanted to know whether the supply of such information was not opposed to the general rules of banking and as breaking the confidence of the investors in the bank.

The matter was referred to the Registrar who was sometime Commissioner of Incometax and he stated his opinion that the Incometax Officer had no right to call upon a bank to furnish a list of its depositors along with the income derived by them. He also stated that the Conjeevaram Central Bank should have reported the matter to the Commissioner of Incometax. He said that Section 37 of the Incometax Act authorised the Incometax Officer to ascertain information with regard to some definite persons and that definite instructions had been issued to Incometax Officers not to call upon banks and similar institutions to divulge the transactions of their customers.

After further discussion, the following decision was arrived at :—
"This Conference is of opinion that Incometax Officers are not entitled to call for a list of depositors together with their income from banks"

Subject VII.—The necessity to press the Imperial Bank of India to recognise rural societies' pronotes as security for cash credit accommodation :—

The above subject was considered and the previous resolution (Resolution No. III of the VIth Session) running as under was confirmed.

"Resolved that this decision of the Imperial Bank of India is highly retrograde and displays a want of confidence in the security of co-operative paper. This Bank is of opinion that there is no warranty for the position taken by the Imperial Bank of India.

As the Imperial Bank of India admittedly occupies the position of a State Bank for the present, it is felt that the existing facilities for the discount of agricultural paper should not now be permitted by the Government to be withdrawn, especially in view of the fact that the question is now engaging the attention of the Banking Enquiry Committee."

Subject No. VIII:—The Madras Central Urban Bank should not insist upon the furnishing of primary societies' pronotes without overdues as collateral security:—

The above proposition was moved by Mr. K. Rangaswami Aiyangar of Conjeevaram and seconded by Mr. A. Rajabadhar Mudaliar (Conjeevaram).

Mr. V. Ramadas Pantulu: "I am surprised to see that the representatives of the Conjeevaram Bank have thought it fit to come with a proposition of this nature. No Executive Committee, with any sense of responsibility, ought to accept this resolution. It must be solely left in the hands of the people who are looking into the loan applications of central banks day after day. No special concession can be offered to the Conjeevaram Bank in the matter of furnishing pronotes without overdues, when it has got a fourth of its working capital as overdue from its affiliated societies. I, certainly as a banker, will refuse to accept such a proposition. It will be very unwise to pass any resolution of this nature, and I request the mover of this resolution to withdraw it."

The above resolution was withdrawn with the permission of the House.

Subject No. IX:—Fixing of the lending and borrowing rates in primary societies according to the conditions prevailing in the locality:—

Mr. N. Satyanarayana (Ramachandrapuram) moved that the rate of interest payable on deposits and chargeable on loans should be fixed with regard to the conditions prevailing in the locality. He appealed to the members assembled that, within the limits of the maximum prescribed in the by-laws, the panchayat should have power to vary the rates without enhancing the limits fixed.

The Conference was of opinion that the societies should have power to fix the maximum rate chargeable and may be permitted to alter the rates according to the conditions prevailing in the areas by the panchayats within the maximum limits fixed in their by-laws.

Subject No. X:—Claim of the Madras District Co-operative Central Bank Ltd., for a portion of the reserve fund of the Christian Central Co-operative Bank Ltd.:—

The above proposition was brought for the consideration of the Conference by the representative of the above Bank, Mr. G. Sriram Babu Naidu,

After some discussion, it was resolved that the matter be referred to the Christian Central Bank for reconsideration.

The Convener brought to the notice of the President that there were certain propositions given notice of but not included in the agenda as they were received after the date fixed. The President, after taking the general sense of the meeting, permitted their being considered at the Conference. Mr. A. Srinivasachariar (Srivilliputtur) then moved the following proposition:—

Subject No. XI.—Withholding of the rebate and supervision fund payable to supervising unions in respect of societies against whom decrees and awards are pending realisation:—

Mr. Srinivasachariar, in moving the above proposition, stated that in many a society, a number of decrees and awards were pending realisation and the central banks, at whose instance such decrees were obtained or awards passed, had to expend additional funds in the matter of their execution; and so he wanted that powers should be vested in the central bank to withhold the rebate payable to the supervising unions to which the societies were affiliated.

Mr. Sundaram Aiyar (Tanjore) seconded the above proposition.

Mr. L. Gangadhara Sastry (Anantapur) was of opinion that the central bank ought not to be allowed to interfere with the disbursement of the supervision fund to the unions.

The motion was talked out.

Subject No. XII: Abolition of District Federations as being superfluous bodies and the centralisation of their functions in the Central Banks themselves:—

In moving the above proposition, Mr. A. Srinivasachariar (Srivilliputtur) said that effective work in the matter of rectification was being done only by the central banks. The executive of the federations were the worst defaulters, and as such there was no use in perpetuating the federations. By taking over supervision and rectification under the control of the central banks, more effective work can be done and brought to bear upon the societies for their better working.

Mr. K. Seetharamayya (Cocanada) seconded the proposition and said that effective supervision could be done only by the financing bank and to trust to the federation for supervision was futile.

Mr. P. Govinda Menon (Malabar) opposed the above resolution.

Mr. L. Gangadhara Sastry (Anantapur) said that the question of overdues may not be solved by the abolition of the federations. He stated that in certain places the federations had already ceased to exist, and in course of time all the federations would die.

Mr. T. A. Ramalinga Chettiar (Coimbatore): "The present condition of the movement is that at one end there are the primary societies and at the other the financing banks. There is no connecting link between the two. The only agency at present in existence, which creates the link between the two agencies, is the Union. It was expected that the federations would strengthen the unions, but owing to certain circumstances they have not functioned properly. In my district, the federation works as a part of the district bank. Whether the federations ought to continue or disappear has got to be decided with regard to the local conditions prevailing in the various regions of the province."

Rao Saheb T. Srinivasa Rao: "What were the circumstances which led to the failure of the federations? What are the reasons that contributed to their failure? What are the positive things for want of which the federations could not function? The whole question that we have to consider is how best to set the supervising machinery in efficient working order, and each one of us will have to contribute to the solution of this important problem."

Mr. N. Satyanarayana (Ramachandrapuram): "This problem of the abolition of the federations has been often discussed at every conference. The federation will die. The federations have come into existence not only for supervision work, but to diffuse co-operative knowledge. In Bengal, Bombay and Burma, there are no federations. It is the central bank that has taken up the whole question of supervision and propaganda. The question of overdues in the societies is not due to the federation or the unions. There must be separate institutions for preaching the principles of co-operation and to educate the masses. The Townsend Committee in their valuable recommendations have emphasised the fact that co-operative knowledge ought to be diffused among the masses, and that the preaching of the principles of co-operation cannot be entrusted to the bank. In most provinces in India, supervision by banks has not been successful. The present controversy on the question in the Madras Province is that some banks were brought into existence with the definite object of not only financing but also supervising societies. It is after all a question of bringing the lender and borrower nearer to each other."

Mr. E. S. Sunda (Madura): "Mr. Hood wanted federations. Mr. Strathie does not want them. Local conditions alone have to determine the conditions. Success depends upon the heads of the respective institutions. If the president of the bank and others are in favour of the federation, then it works well. The Federation at Madura is working very well simply because the President of the Bank is in favour of it. What I mean to say is that there must be perfect understanding between the bank and the federation. Then alone the work for the improvement of the societies will be fruitful."

Mr. B. Venkataratnam (Ramachandrapuram): "I do not know how we can expect the federations on a centralised basis to work effectively. The work of the institution will depend upon the human material it keeps. My objection to the federation is the principle with which it works. I am convinced of the inefficiency of the federation. It is a small body working in a small area. For the above reasons, I am in favour of the resolution for the abolition of the federations."

Mr. Krishnaswami Aiyangar (Christian Central Bank): "The educational side of the movement has to be tackled. There must be volunteers who must go round the villages and propagate true co-operative knowledge to the people. The central banks must have a number of preachers to preach the principles of co-operation. Federations may exist, but their objects must be clarified. Federation may take up the work in the higher spheres of co-operation."

Mr. Srinivasachariar (Srivilliputtur) in reply to the debate stated that the bank's aspect in the matter of supervision ought not to be forgotten. The central banks could not disassociate themselves from propaganda. The first propaganda that must be carried among the villagers was that they should be punctual and they should be made to feel that borrowed money had got to be repaid.

The motion, being put to vote, was declared carried by a majority.

Subject No. XIII:—That a minimum of Rs. 1,200 be fixed as the subvention to be given per annum to central banks and that periodical inspections of the central banks be made by the Madras Central Urban Bank:—

Mr. Srinivasachariar explained that the idea underlying the proposition was that weaker banks which could not afford to spend

large sums of money for rectification work should get an adequate measure of support from the apex institution.

The proposition was however not pressed.

Subject No. XIV :—The need for placing the work of supervision on a better footing and inauguration of a system of pooling of supervision fund in central banks where there are no federations :—

The above resolution was given notice of by the Kumbakonam Central Bank and, in the absence of its representative Mr. A. Srinivasachariar, was permitted to move the resolution.

After some discussion, it was resolved that the supervision fund paid by the societies do belong to the Unions while the rebate given by central banks be centralised in their hands and disbursed to the unions according to their respective needs.

Subject No. XV :—As co-operative paper has to be replaced by Government Securities to serve as cover for the cash credit allowed to them by the Imperial Bank, the Registrar be requested to exclude from the borrowing limits the total amount invested in gilt-edged securities :—

The above proposition was withdrawn with the permission of the House by Mr. C. Subba Rao (Vizianagram), who had given notice of it.

The Central Banks' Conference terminated with a hearty vote of thanks proposed to the chair by Mr. V. Ramadas Pantulu duly seconded by Mr. K. Seetharamayya of Cocanada.

At the close of the proceedings, the members of the House were invited to take part in the proceedings of the joint conference to take place the following afternoon to consider the amending Bill to the Co-operative Societies' Act.

S. HANUMANTHA RAO,
Chairman.

Central Banks' Conference

AGENDA FOR THE XTH SESSION

(18th June 1931).

1. Bill to amend the Co-operative Societies' Act,
2. Circular letter from the All-India Co-operative Institutes' Association communicating resolution No. 5 passed at the Second All-India Co-operative Institutes' Conference regarding Supervision, Inspection and Audit of Co-operative Societies.

South Canara Central Co-operative Bank Ltd.

3. Letter from the South Canara Central Co-operative Bank Ltd., regarding the use of Remittance Transfer Receipts.

Co-operative Central Bank Ltd., Vellore.

4. This Conference resolves to request the Madras Central Urban Bank Ltd., Madras, to continue and raise its subvention to a maximum of Rs. 5,000 per central bank for rectification and consolidation work of primary societies.

5. This Conference resolves to request the Madras Central Urban Bank Ltd., to reduce its lending rate to the central banks to the old limit of 6 per cent as early as possible.

Co-operative Central Bank Ltd., Conjeevaram.

6. Incometax Officers very frequently ask central banks to furnish them with a list of depositors together with their income earned by them in the bank. As furnishing such information, which is of a confidential nature, is contrary to the general banking rules, what steps should be taken to avoid such requisitions from such officers?

7. The necessity to press the Imperial Bank of India to recognise rural societies' pronotes for cash credit accommodation and to withdraw their latest order that cash credit could only be granted on the security of Government Promissory Notes.

8. The Madras Central Urban Bank Ltd., should not insist on pronotes free from overdues as collateral security as such insistence puts the central banks in great difficulties to find all pronotes free from overdues. It has to be recognised that, the pronotes themselves being backed by unlimited liability basis, the question of overdues is of only a secondary importance so far as security is concerned. If

necessary, a limitation may be laid down for the period of years to which such overdues might exist.

Mr. N. Satyanarayana.

9. This Conference is of opinion that each central bank should fix the lending and borrowing rates of primary societies in accordance with the conditions prevailing in the locality to suit its own varying rates of interest.

Madras District Co-operative Central Bank Ltd.

10. Claim of the Madras District Co-operative Central Bank Ltd., for a portion of the Reserve Fund built up by the Christian Central Co-operative Bank Ltd., with the help of certain city societies, whose liabilities have been taken over by the District Bank.

SUPPLEMENTAL AGENDA.

Srivilliputtur Co-operative Banking Union.

1. Considering the enormous expenses involved in the execution of decrees and the delay caused in realisation of the decreed amounts, the Central Banks may, if their finance is poor, withhold rebate and supervision fund payable to Supervising Unions in respect of such societies decreed and under execution.

2. District Federations, being only superfluous bodies to supervising unions with almost the same functions, be abolished, and central banks themselves function and control the societies, due regard being had to the financial interests of the bank.

3. The Madras Central Urban Bank be requested to give a minimum subvention of Rs 1,200 *per annum* to central banks that require financial aid, and periodical inspections be made by the Madras Central Urban Bank, about the working of central banks in relation to societies.

Co-operative Central Bank, Kumbakonam.

4 Letter received from the Co-operative Central Bank, Ltd., Kumbakonam, No. R.C. 730 dated 25th May 1931, regarding the need for placing the work of supervision on a better footing and inaugurating a system of pooling of supervision fund by central banks where there has been no federation.

Co-operative Central Bank, Vizianagram.

5. This Conference is of opinion that, inasmuch as the Central Banks are obliged to replace the Co-operative Paper by Government

Securities to serve as cover for the cash credit allowed to them by the Imperial Bank of India, it has tended to curtail their maximum borrowing power, as they can now utilise only a less portion of their borrowings within the movement than they could do before;

And therefore urges on the Registrar to exclude from the ten times limit, in computing the total liabilities of central banks, all sums invested by them in gilt-edged securities for the purpose of Fluid Resources."

Trichinopoly District Urban Bank, Ltd.

6. "As a central bank is responsible for its financial interest, the duty of inspection and safeguarding its interest must rest with the central bank, and for that purpose an efficient supervisory staff must be maintained; and whether the Federation having no financial responsibility and no duties to discharge may be continued."

Action taken on the resolutions passed at the IXth Session of the Central Banks' Conference.

Of the resolutions passed at the 9th Session of the Central Banks' Conference, the following required action :—

1. *Resolution 2*: Claim of the West Godavari District Co-operative Central Bank 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 :

This matter was remitted to Mr. V. Ramadas Pantulu for enquiry and advice to the banks concerned. As Mr. Pantulu was busy in connection with the Central Banking Enquiry Committee, he proposes to take up the enquiry when he is free and the needful will be done in due course.

2. *Resolution No. 3*: Destruction of records in Central Banks.

A copy of the Vellore Central Bank's suggestions was forwarded to the Registrar. The Registrar having approved the proceedings of the Sub-Committee appointed in 1925 with the amendment of Mr. Adinarayana Chettiar and the suggestions of the Vellore Bank, a detailed list showing the number of years for which records in central banks have to be preserved was made and circulated to all the central banks.

3. *Resolution No. 4*. Co-operative Societies' lien on the share capital and deposits of a member :—

In view of the impending amendment to the Co-operative Societies' Act, it was thought unnecessary to take legal opinion in the matter.

4. *Resolution No. 5*.—Registrar's power to cut down the maximum borrowing power of an unlimited society :

The opinion of the Conference has been communicated to the Registrar.

5. *Resolution No. 6*. Preparation of Central Banks' Manual.

The Registrar was requested to shoulder the responsibility in connection with the preparation of the Manual and a copy of his reply regretting inability to undertake the work was read out.

Central Banks' Conference.

XTH SESSION.

RESOLUTIONS.

1. *Bill to amend the Co-operative Societies' Act.*

Resolved to refer the subject to the Joint Conference of the Boards of Management of the M.C.U.B. and the P.C.U.

2. *Remittance Transfer Receipts—facilities in the issue of—*

Resolved that the question be taken up for consideration after the publication of the Central Banking Enquiry Committee's Report.

3. *Reduction in the lending rate of the M. C. U. B.*

Resolved to request the M. C. U. B. to reduce its rate on loans to Central Banks to 6½ per cent.

4. *Supply of Information to Income-tax Officers.*

This Conference is of opinion that the Income-tax Officers are not entitled to call for a list of depositors together with their income from Banks.

5. *Imperial Bank of India—recognition of Co-operative Paper.*

Resolution No 3 of the VIIth session of the Central Banks' Conference reproduced below is confirmed.

“Resolved that this decision of the Imperial Bank of India is highly retrograde and displays a want of confidence in the security of co-operative paper. This bank is of opinion that there is no warranty for the position taken by the Imperial Bank of India.”

As the Imperial Bank of India admittedly occupies the position of a State Bank for the present, it is felt that the existing facilities for the discount of Agricultural Paper should not now be permitted by the Government to be withdrawn, especially in view of the fact that the question is now engaging the attention of the Banking Enquiry Committee.”

6. Fixing of lending and borrowing rates in primary societies.

This Conference is of opinion that the Societies should have power to fix the maximum rate chargeable and may be permitted to alter the rates according to the conditions prevailing in the areas by the Panchayats within the maximum limits fixed in their by-laws.

7. *Claim of the Madras District Co-operative Central Bank Ltd., for a portion of the reserve fund of the Christian Central Co-operative Bank Ltd., in view of the city societies having been taken over by the former Bank.*

Resolved that the matter be referred to the Christian Central Co-operative Bank for reconsideration.

8. Abolition of District Federations as being superfluous bodies and centralisation of their functions in the Central Banks themselves.

Resolved that the District Federations be abolished and their functions centralised in the Central Banks.

9. The need for placing the work of supervision on a better footing and inauguration of a system of pooling of supervision fund in Central Banks, where there are no federations.

Resolved that the supervision fund paid by the societies do belong to the Unions, while the rebate given by the Central Banks be centralised in their hands and disbursed to the Unions according to their respective needs.

