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Editorial Notes

The danger spot.

We invite the attention of our readers to a brief but highly suggestive article by Prof. Kaji of Bombay printed elsewhere in this number.* Our readers need not be told that Prof. Kaji is not afire-eating left-winger, but a sober and shrewd teacher of business and an efficient and loyal servant of the Government. Even he sees danger ahead in the tightening ot the official control over the co-operative movement. He pleads for progressive de-officialisation, an ideal which those responsible for the movement said, was the goal of the movement in all their public utterances, but which has somewhat receeded into the background at the present time.

We in Madras have been credited with having invented the term de-officialisation and we have a right to ask why should the ideal which was kept before us be allowed to be thrown into the scrap heap? The champions of efficiency (all bureaucrats are that by temperament and by profession) would say that non-official agency has not acquitted itself whenever opportunities were given. "Look at your Unions and Federations" they would say, "and look at the now defunct institutions of honorary Assistant Registrars. Is not failure write large upon all of these?" While we have to agree to an affirmative answer to the above question we are still constrained

* See page 617.

to observe that the best method of qualifying us to avoid failures partial or total, is not a suppression of all opportunities but the provision of more opportunities for work, and for learning by doing. It may be that in the earlier stages some sort of guidance and control from official experts might have been necessary. But even these guides and helpers should take up the task of helping the non-officials with the definite ideal of ultimate de-officialisation steadily in view and every year should see some progress made towards that goal.

It is time the Minister made a definite announcement on this question.

A Modern Viswamitra

The story of Viswamitra begetting a child and then disowning it is well-known all over India and the late Mr. Ravi Varma has, by an effective pictorial representation, brought it within the knowledge of even the man in the street

Our readers would, we are sure, read with great interest and not with a little surprise, the speech of Mr. V. Madhava Rau Deputy Registrar of Co-operative Societies, South Kanara which is published elsewhere.* In addressing the South Kanara District Co-operative Business Conference this over-enthusiastic officer of the department enumerates the various mistakes that have been committed during the past 25 years of the Co-operative movement. The absence of education among the members of the Co-operative Society in the matter of the fundamental principles of co-operation, their ignorance of the significance of unlimited liability, their lack of thrift, irresponsibility of Panchayats, prevalence of *binami* loans, giving long term credit while co-operative finance was really unable to take up that task; these are some of the major defects pointed out by the Deputy Registrar.

We are entitled to ask him and others of that ilk the following questions:—"Who was originally responsible for all these? Who organised the societies in the earlier stages? Who did the necessary propaganda or failed to do it? Who supervised the working of primary societies or failed to do it? Who guided and controlled them? Who recommended loans in the earlier stages? By assessing the credit-worthiness of individual members of Societies who fixed the

* See page 640.

maximum borrowing power of societies? Who in short is responsible for the many sins of omissions and commissions so pathetically bewailed by the enthusiastic Deputy Registrar?" Anyone who is acquainted with the history of co-operation in this province knows there is one answer: The Department. It may be that the department being a Corporation has no body to be kicked and no soul to be damned, but has nevertheless a magic life of its own which continues from year to year and exhibits itself in the steadily increasing annual cost. It ill-becomes a member of the department to enumerate all these past sins as if they were committed by a third-party. Like the notorious French philosopher Rousseau, the department should not attempt to throw their child in the foundling hospital. The entire responsibility is ultimately theirs.

We would therefore, appeal to all workers, officials and non-officials, not to rub it in the wrong way, but to apply their shoulder to the wheel and co-operate to the fullest extent possible for getting this huge car of the movement out of the rut into which it seems to have fallen. Let us all pull together and pull steadily.

Our sacred trust.

The Co-operative Society in India is associated mostly with affording credit facilities for the villager. It is mainly a rural movement and therefore it is that Co-operative Banks, Provincial and Central, have been interesting themselves in the work of rural uplift.

In order to make the reconstruction work effective two things are necessary; a preliminary survey of the existing conditions and a definite recognition of the aims and ideals. Then only would it be possible for any institution working for village uplift to co-ordinate its activities with other institutions so as to avoid duplication and waste.

The following extract from the well-known book called *The National Being* of the Irish Poet and Philosopher A. E. applies equally well to Indian conditions.

"We often hear the expression 'the rural community' but where do we find rural communities? There are rural populations, but that is altogether a different thing. The word 'community' implies an association of people having common interests and common possessions, bound together by laws and regulations which express these common interests and ideals, and define the relation of the individual to the community. Our rural populations are no more closely connected, for the most part, than the shifting sands on the seashore. Their life is almost entirely individualistic. There are personal friendships, of course, but few economic or social partnerships. Everybody pursues his own occupation without regard to the occupation of his neighbours. If a man emigrates it does not affect the occupation of those who farm the land all about him. They go on ploughing and digging, buying and selling, just as before. They suffer no perceptible economic loss by the departure of half a dozen men from the district. A true community would, of course, be affected by the loss of its members. A co-operative society, if it loses a dozen members, the milk of their cows, their order for fertilisers, seeds, and feeding stuffs receive serious injury to its prosperity. There is a minimum of trade below which its business cannot fall without bringing about a complete stoppage of its work and an inability to pay its employees. That is the difference between a community and an unorganised population. In the first the interests of the community make a conscious and direct appeal to the individual, and the community in its turn, rapidly develops an interest in the welfare of the members. In the second the interest of the individual in the community is only sentimental, and as there is no organisation, the community lets its units slip away or disappear without comment or action."

In England an attempt has been made in recent times to form Rural Community Councils to work in co-ordination with such organisations for rural uplift as the Adult Education Movement, the Y. M. C. A. and Guilds of Co-operative men and women.

Universities and Rural Service.

The Universities of England are contributing their own quota towards this great work of popularising rural work by means of their Extension activities. It is this aspect that we should like to lay some stress upon. The Universities in India have been like exotics taking no deep root in the soil, deriving no inspiration from the tradition of the country and linking themselves in no organic manner with the national life surging around them. They have been ploughing their lonely furrows and trying to ape Western institutions and succeeding only in remaining 50 years behind them. It is time the Universities in

India recognised the part they have to play in the new national life and develop a strong and popular 'Extension' side bringing the culture of which they are the custodians within the easy reach of the villager who obviously is not in a position to enter their portals and to be benefited thereby.

The hardworking peasant, bent double with poverty, care and overwork, leading a bucolic life unilluminated by any ray of higher culture has got a right to be benefited by the Universities because these learned corporations in India subsist mainly upon Government subsidy. That means, they maintain themselves upon the contributions made by the general taxpayer to the coffers of the state. Let us hope our Universities, at least the young ones bristling with life and aiming at outshining the older ones in some appreciable manner will take up this suggestion and develop their extra-mural activities to the benefit ultimately of themselves and of the country even as, we hear, the students of Economics at the residential University of Allahabad have taken up the work of survey and service in a rural area in the vicinity of that city under the able guidance of Prof. Thompson and his colleagues.

The attention of our readers may, in this connection, be drawn to the following note-worthy statements made by the Royal Commission on Agriculture in India in their Report :—

> "The influence for good which the universities can exercise over rural development is, we think, very great; and, in our opinion, they have a definite obligation to use that influence. For Universities necessarily draw a large proportion of their students from country districts and they should recognise the obligation of instilling in country students an ideal of home service. The universities can render most valuable service in two directions: (i) in regard to such techiuical matters as economic surveys of social conditions and (ii) in imbuing rural communities with ideals of leadership and of service."

Let us go and do likewise.

We have been waging an incessant warfare against the attitude of some who are satisfied with the little work we have done, and anxious to cry 'halt!.' The fact we have committed mistakes in the past is no excuse at all for our not advancing before we rectify most of the mistakes. Far be it from us to decry the need for rectification. What we have been advocating and shall continue to do is that side by side with rectification new societies should be organised, new experiments made, and new blood brought into the movement.

"In the year 1904 there were less than 100 societies and in the year 1930 we have over 18,000. Are we not advancing at a too rapid pace?" ask those who are for concentrating all our energies on rectification. While not differing from them with regard to the undeniable fact of quantitative expansion we would like to ask them, 'Have you any idea of the number of villages in the province? Have you any idea of the number of co-operative societies? What fraction of the total population has been brought into the movement and what fraction remains outside?' If you consider co-operation to be good, should you not be anxious to see that its benefits reach the large percentage still remaining outside? Should you not have a definite programme like the famous Five-Year programme of the Soviet Republic, at the end of which it should be our ambition to see that every village has got a co-operative society?"

It is true that considering the amount of illiteracy and the lack of proper human material, our pace has to be slowed a bit. Let us have therefore a twenty year programme or even a fifty-year programme, but let us have one. Let us try to avoid the mistakes of the past. Let us try to avoid the clever literate and try to benefit the simple and honest and really cultured though illiterate peasant.

Our enthusiasm for expansion side by side with consolidation has been considerably heightened by the report we have just now received of a national campaign carried on in England both for recruiting new members and for increasing the loyalty of the existing members. If England, where one in every five is a co-operator thinks that she has not done enough and is not satisfied with the slow and natural growth, but decides to have regular recruiting compaigns, how much more is the need in India for such definite attempts towards healthy expansion?

A word of encouragement to Indian consumers.

The consumers' movement in India has never been overstrong and a few successful societies are now confronted with a serious situation. Prices are falling, and many are the temptations tending to weaken the members' loyalty to the stores. It may be some consolation to our Indian brethren to be told that things are not very much better even in the West. The turn-over of the Co-operative movement in England for 1930 is less by some millions than the corresponding figure for the previous year and that in spite of the appreciable increase in membership.

This curious position is explained as being due to two causes; one weakening of the loyalty to the stores of a large number of members and the other, reduction in price. The remedies suggested are:— 1. Increase in the number of membership, 2. appreciable increase of purchase from the society by members, 3. increase of purchase of societies from the wholesale and 4. encouragement of co-operative production.

We in India might well adopt 1 and 2. In the case of 3 there is little to be done as there is no wholesale society but a good deal of work can be done in the matter of the 4th remedy by organising the producer and bringing him into direct contact with the consumer. Methods of rapproachment between the consumer and the producer have to be tried from both the ends. It will not do either for the producer or the consumer to wait till the other goes to him.

A policy for the Co-operative Press.

We have received a copy of the Bulletin issued by the Kachaleswarar Agraharam Co-operative Society for the benefit of its members giving a brief account of the activities of the society. We are also aware of the fact that the Triplicane Stores is issuing a monthly bulletin for the exclusive use of its members. Many District Banks and Federations have got their own journals published mostly in the vernacular of the district, dealing not only with co-operative movement in the district but also discussing topics of general interest.

The question therefore of the movement having a policy in the matter has come within the field of practical politics.

We are reminded of a similar phenomenon in the educational world where every school and college is attempting to conduct a magazine of its own. In this latter case there is some justification, and boys and girls should be encouraged to take an active and intelligent part in the running of debating societies, literary unions, school and college magazines and dramatic clubs. But whether there is any such need for multiplicity of journalistic activity within the co-operative movement is the question to be considered.

Our views on the matter are set forth below, for what they are worth and are given more in a spirit of comradeship than anything else.

India is a big sub-continent and the co-operative movement as run by the various Provincial Governments and by Indian States has got its own peculiarity in each of these units of administration. A co-operative magazine, therefore, in each Province or State discussing general problems and laying special stress on particular local problems is an unquestioned necessity. And taking the present peculiar condition of the country into consideration these magazines have to be conducted in English. We may have also a magazine for each linguistic area where the important articles of the English journal may be reproduced by means of translation. Below this grade, magazine should be essentially bulletins giving informations on points of fact about achievement or failures as the case may be, of particular institutions and discussing problems peculiar to them. The clash will arise when these district and urban magazines compete with provincial ones for articles dealing with general questions and policy. So long as this competition is avoided there is plenty of scope for any number of bulletins. Any society having its membership exceeding 250 and having plenty of financial resources may very well issue a bulletin of its own. We therefore welcome the new venture started by the Kachaleswarar Agraharam Co-operative Society on the lines of the T. U. C. S. Bulletin. We wish them all success.

The Present Economic Depression and Co-operative Finance.

By V. Ramadas Pantulu.

II. MOBILISATION OF CAPITAL FOR CO-OPERATIVE CREDIT.*

In my preliminary survey of the financial arrangements of the co-operative credit organisation, I gave a brief account of the conditions of our money market in general and their reactions on co-operative marketing in particular. The extent of the dislocation in the business of co-operative central banks consequent upon the fluctuation of the Imperial Bank rate between such wide limits as 4 per cent and 8 per cent and the disastrous effects of such dislocation on the finance of the rural credit societies are matters with which co-operators must have now become familiar. Co-operators, I believe, have also begun to realise that, unless they adjust the terms of their operations, both on the borrowing and lending sides, to the vicissitudes of the money market, the mobilisation of capital and the dispensing of co-operative credit will cease to be business propositions. The problem, therefore, is how to attract the necessary capital into the movement on reasonable terms which fit in with the conditions of the money market for the economic benefit of the borrowers. We may fairly assume that capital is available to suffice our present needs as well as for reasonable expansion in the immediate future. As for demand for that capital, there is plenty. In other words, there are capitalists who seek investment for their surplus money and there are people who are under necessity to borrow it. One of the functions of the co-operative banks is to connect the potential investors and the prospective borrowers. In the past such connection has been inadequate in so far as the co-operative credit movement failed to absorb the available capital. Not an inconsiderable part of the capital mobilised by co-operative banks was invested outside the movement, as for example, in gilt-edged securities or deposits in commercial banks. Whatever might have been the ills from which the co-operative credit movement has suffered hitherto, deficiency of funds was not one of them. But the present economic depression has undoubtedly brought in its wake this new trouble,

*Continued from page 536-c to the February issue of this Journal.

namely, inadequate supply of capital to meet the needs of the members of the rural credit societies in the banking areas of several central banks. Taking the demands on the Provincial Bank and its capacity to supply them to-day, the position is this: the aggregate amount of the loans applied for by the central banks which await sanction or disbursement is over Rs. 50 lakhs and the amount available with the Provincial Bank to meet the central banks' requirements is no more than Rs. 5 lakhs; the available supply is thus a tenth of the demand.

This deficiency in loanable money is, in my opinion, more largely the result of unbusiness-like methods adopted by us in the past in the matter of mobilising capital than of actual dearth of capital. For some time past, there were clear indications of a fall in the resources of the Provincial Bank and some of the active central banks. It is true that there was no fall in the aggregate of their deposits; in fact, there was a rise. But there was a distinct decline in the percentage of their deposits from the public to their total working capital. How this situation was tided over is another matter. The Provincial Bank, for instance, cultivated interbank money or what is sometimes called "call money" to the tune of about 25 lakhs for several months in the year 1930 and when its withdrawal by the creditor banks was crowded into the two or three opening weeks of the year of grace 1931, the position of the Provincial Bank became truly unenviable and its function as the financing agency to central banks was well nigh paralysed. Conditions have easily become worse now, with the rise in the Imperial Bank rate to 7 per cent. I have no hesitation in thinking that the present crisis could have been averted, at least materially if not wholly, if the Provincial Bank and central banks woke up betimes, moved with the money market and regulated their business with due regard to sound banking methods. To have sat tight on their minimum borrowing rates to avoid a rise in the lending rates was unwise. If rates on time deposits were put up, not of course unduly, but to the level that prudent banking legitimately permitted, the Provincial and Central Banks would certainly have retained a substantial portion of the deposits which were not renewed on maturity and would probably have got fresh money also. I fully realise that as matters stand at present a frequent change in our borrowing and lending rates cannot be easily effected. The federal control of co-operative finance has naturally established conventions or led to promulgation of rules which curtail the freedom of the several units of the credit structure to take action independently

of one another. The present position is that the maximum rate offered on public deposits by central banks shall be at least ½ per cent less than the lending rate of the Provincial Bank and that the rates offered on non-members' deposits by the primary rural credit societies shall not exceed the lending rate of the central banks to which they are affiliated.* This is a sound and healthy arrangement and I do not wish that it should be disturbed. It is quite possible for us to move with the money market and to eliminate the existing misfits in our credit machinery without giving up the salutary principle of federal control of our financial operations.

It was suggested to me by some co-operators that the Rural Credit Societies and Central Banks should be given ample freedom in the matter of mobilising the local savings and attracting deposits, without interference or dictation from any central authority like the Provincial Bank or the Registrar. Such a course, in my opinion, frustrates the two main aims of the co-operative credit movement in this country, namely, making cheap credit available to the members of primary societies and of generally bringing down the level of interest rates in rural areas, a process which benefits not only those who have actually come into the movement, but also the large mass of rural population which is not yet touched by the movement. I shall deal with the case of the primary societies and central banks separately.

The German ideal of rural credit societies with self-sufficient finance is often pressed upon the attention of Indian co-operators and the habit of largely depending upon central banks for finance cultivated by our primaries is not infrequently commented upon adversely. I venture to say that this counsel of perfection and unfavourable criticism are based on a misconception of the true position and ignorance of the divergence of conditions obtaining in Germany and India. In Germany the Agricultural Credit Societies, which are not merely loan banks but also savings banks of the rural population, were in a peculiarly favourable position almost from their inception in the matter of their resources. Mr. Darling who visited Germany and Italy in the winter of 1920-21 issued in July 1921 his valuable report on Co-operation in those countries. In that Report he says that the rates paid by village banks on deposits are between 3 and 4 per cent. As an illustration he mentioned that one society (Buller Society) which had £3,000 deposits paid for them 3¼ per cent to 3¾ per cent

* Deposits received from the Local and Municipal Boards are treated on a special footing in the matter of interest rates for obvious reasons.

according as the money was at call or on deposit for a fixed period. In accounting for the small difference between rates on money at call and fixed deposits, he says "It is considered quite safe in Germany to give a high rate for a deposit at call, for it is usually found to be good lying money." Regarding rates on loans in Germany a member of a co-operative society could borrow cheaper than anyone else; while the commercial banks charged 7 to 8 per cent, the village banks charged only 4½ to 5 per cent. Let me quote again from Mr. Darling's report: "Loans are made at the moderate rate of 4½ per cent. This or 5 per cent is usual rate for village banks throughout Germany. A few will charge as little as 4 per cent, a few more as much as 5½ per cent, but those are outside rates. *Rates have not changed much since the movement started.* In 1879, for instance, the average rate was not more than 6¼ per cent. Now that money is dear, it may be necessary to raise them again. Meanwhile a member of a village bank can easily borrow at 1½ per cent to 2 per cent cheaper than Government and at nearly 3 per cent cheaper than if he dealt with a commercial bank." As for margin of rates, Mr Darling says in the same report "Paying for deposits at 3¾ per cent and lending at 4½ per cent leaves a very narrow margin for expenses. This is characteristic of all German banks. In Germany default on a serious scale is rare and though I saw 15 village banks chosen at random I came across no case at all resembling in this respect our C and D Class Societies. This partly explains why German Village Banks can work upon so much narrower a margin of profit than India." I was able to verify the accuracy of these statements and figures from reliable sources with firsthand knowledge. It is a correct picture of the conditions in Germany as Mr. Darling saw them. Thus one of the aims of German Village Banks has been to supply credit as cheaply as possible to their members. This was made possible by getting deposits at rates which are incredibly low to us in India and working with margin of profits almost impossible to think of in India. Now I ask, if the aim of the Indian Co-operators is also to supply cheap credit to India's rural population, can they hope to achieve it by encouraging village societies to attract deposits from non-members locally at rates which will tempt local money lenders, be they of the land-lord class or of the sowcar class? Everything depends upon the extent and terms of the supply of capital. Here again the post-war conditions in Germany have their lessons to us. Conditions have enormously changed in Germany since Mr. Darling reported.

By 1923 there was a practical wash out of the German Co-operative Credit. The German Rural Credit Societies took a fresh start since 1924. German capital was destroyed by the Great War and the German credit societies after their fresh start since 1924 not infrequently lent money to their members at 7 to 14 per cent instead of at 4 to 5 per cent as in the prewar period. So it is a question of supply of capital. With money, unlike other commodities, price depends not merely on the supply and demand of the commodity but also on the security which the borrower can give for the loan. The weaker the security, the higher the rate of interest. Some of this weakness in security is cured by co-operative enterprise and unlimited guarantee. But the inherent weakness in the rights of the bulk of our peasants in their holding is still there and has its reactions on capital for rural credit. In Germany, 86 per cent of the land is held by cultivating owners who have full proprietory rights in their farms. Under our tenancy laws the cultivators' rights are precarious and can scarcely stand comparison with those of the German farmers in relation to banking security.

In addition to these divergences between the two countries, which can at no time be eliminated so as to approximate our rural credit societies to those of Germany, there are other factors which militate at present against mobilising local capital by village societies in the shape of non-member deposits. The receipt of outside deposits must necessarily depend upon the village societies' capacity to duly repay them on maturity. In India, Bombay stands foremost in the matter of the ability of village societies to attract local deposits. The following experience of Bombay as narrated in Prof. H. L. Kaji's valuable book on "Co-operation in Bombay" will, I hope, be found instructive in this connection:—

> "Non-members' deposits show the confidence that outsiders feel in societies and non-members do not hesitate to extend periods year after year. But when societies become negligent and accumulate arrears, they raise a hue and cry suddenly. Not only is the credit of the societies affected, but practical difficulties in regard to the future finance of the societies by Central Banks arise. Non-members' deposits are, therefore, being discouraged of late, and the result can be seen from the fact that the percentage of such deposits to the total working capital has gone down from 17 in 1923 to 11 in 1928. The best course would appear to be to frame and enforce a rule prohibiting

primary agricultural societies from accepting non-members' deposits unless satisfactory arrangements for *fluid resources*, approved by the Registrar, are made."

I came across instances where village societies were actually unable to avail themselves of cheap local deposits from the wealthy non-member residents of the village, even when such deposits were pressed upon the societies in which repayments from the members were fairly punctual. Our village societies which are merely loan banks have no provision for the profitable investment of their surplus funds or repayments when reloaning was not possible. If local deposits for fixed periods of one, two or three years attracted at 6 per cent, were loaned to members who repay their loans after the harvest, the repayments had to be deposited with the central bank or a commercial bank at not more than 3 or 4 per cent. The societies thus actually sustained loss. Strange as it may seem, they found it more beneficial to borrow from the central bank at 7½ per cent or 8 per cent and remit the repayments to the central bank in reduction of the loan, than utilise the local deposits from non-members which could be procured at 6 per cent. The time may come when our village societies may also become the savings banks of our rural population. In the meanwhile, I am of opinion that any attempt to develop outside deposits in village societies, at tempting rates of interest, in the pursuit of the ideal of self sufficient finance in rural credit societies, is not a business proposition and actually runs counter to the cherished aim of the movement to reduce the general level of interest rates in rural areas and to supply cheap capital and credit to agriculturists. If we can possibly avoid raising the lending rate to ultimate borrowers in credit societies over the existing rate of 9⅜ per cent we should strain every nerve to accomplish our desire to maintain the existing rate. I know what it means to raise it by even 1 per cent. Agriculture, which with the bulk of our rural population is more a mode of living than business, is hardly remunerative even with capital borrowed at 9⅜ per cent. Any rise over that rate, which will further curtail the net gain from agriculture, must be thought of, only if it is absolutely inevitable.

The notion that rural credit societies in India are not being directed towards the goal of accumulating their own capital is not well founded. Thanks to the wisdom and foresight of official and non-official co-operators, a substantial share capital has been built up by these societies. Deposits from members are being encouraged, though the response is small except in Bombay. By low

dividends and voluntary services resulting in small working expenses, it was made possible to divert substantial portions of the profits of these societies to reserve funds. The position to-day in India of the resources of Agricultural Credit Societies stands thus:—*

		(In thousands)
Total Working Capital	...	Rs. 30,46,26
Share Capital & Reserve Fund..	,,	8,14,16
Deposits	... ,,	2,64,80
Loans	... ,,	19,66,91

The deposits comprise those of members as well as of non-members. So, these tiny agricultural societies in India work with about Rs. 9 crores of their own capital as against Rs. 21 crores of borrowed capital. The owned capital is thus well over 40 per cent of the borrowed capital and is rising steadily. The figures for the Province of Madras may be separately examined.*

		(In thousands)
Total Working Capital	...	Rs. 6,74,590
Share Capital and Reserve Fund..	,,	1,27,55
Deposits	... ,,	972
Loans	... ,,	5,26,89

So the owned capital of our Agricultural Credit Societies in Madras is about Rs. 1¼ crores, as against the borrowed capital of Rs. 5¼ crores, that is, owned capital is roughly 25 per cent of the borrowed capital.

All this does not, of course, mean that outside deposits in rural societies should be consciously discouraged. I merely ask for the creation of conditions which will make the development of such deposits possible. No one can dispute that the true function of a village bank must be not merely lending, but also drawing deposits. The movement will certainly be strengthened when the village banks both lend and receive. This, however, postulates, as Mr. Darling says "a central banking system so well organised that money can pass readily from any area which has too much to any area which has too little, or from one branch of the movement to another." Such a central banking system does not exist in the co-operative credit movement to-day. I shall attempt to sketch the outlines of my scheme for creating it in Madras.

(To be continued.)

*The figures are as on 30-6-1930.

The Task Ahead.

By Prof. H. L. Kaji, M.A. B. SC. I.E.S.

To understand co-operative developments in the Indian Empire, it is necessary to bear a few points in mind. The Empire is a sub-continent with an area equal to the whole of Europe without Russia, and with a population of about 320 millions. It is pre-eminently an agricultural country, with but few organised industries in a very few industrial centres, like Bombay, Calcutta, Cawnpore, Jamshedpur and Ahmedabad. It has a fairly vast foreign trade, with raw materials and food-stuffs predominant as exports and with manufactured articles predominant as imports and with the balance of trade inclusive of individual items often against it. It must further be noted that the bulk of the people remain in villages and illiterate.

Unlike other countries, the initiative for the introduction of the Co-operative Movement in India came, under those circumstances, from the State, which even to-day after 25 years of practice of co-operative institutions remains responsible for the conduct, management and efficiency of the Societies. Every Province, which is generally as large and as densely populated as some of the European countries, has a Co-operative Department, at the head of which stands the Registrar, with Deputies and Assistants and with many Auditors, Inspectors and Supervisors under him. He is still the Brahma, Vishnu and Shiva.—The Hindu Trinity—in one, or as we might say, the friend, philosopher and guide of the Movement. The Co-operative Movement, meant for the people, and which should be run by the people, is in India thus in the leading strings of the State.

The result of these circumstances has been the creation of a sense of irresponsibility among the members of the managing committees of Societies. The financial assistance given by the State and the brisk propaganda that was carried on by State officials in the early stages of the Movement, led to the lack of realisation that it was their own institution that they were managing, and even when later on, the State withdrew its loans and Central Banks were brought into being, the absence of identification of interests was accentuated, by the fact that it was the urban monies that they were handling, not their own. The Societies were looked upon as semi-philanthropic institutions of the Sarkar *Ma-Bap*, as institutions providing cheap and facile credit, and became soon aggregates of the needy and the improvident and not of the thrifty and the capable unfortunate. Co-operation must be founded on *Thrift* and must not try to convert people to thrift. The Co-operative Credit Societies were besides small institutions and were unable to meet the full demands of agricultural finance; the village *sowkar*, the professional money-lender, whom they sought to displace, continues to flourish, in consequence. Efforts were concentrated on establishing credit institutions, without fully realising that it was not only the ruinous rates of interest but also faulty marketing that was at the root of the trouble. Mere credit in the hands of the illiterate is often not a blessing; the needs of the whole man have to be understood if you would save him; even the organisation of different societies for different purposes would be a doubtful experiment; it must be one association that must look to the agriculturist as a whole, giving him credit, supplying to him household necessaries and agricultural requisites, undertaking fencing, irrigation, consolidation of holdings, and various other things conducive to better agriculture, and disposing of his produce at the most favourable rates, at the same time looking to problems of adult education, rural sanitation and medical relief, subsidiary industries and other matters included under rural reconstruction.

One is not very much surprised therefore to find the Co-operative Movement standing to-day in a position of peril. The percentage of overdue loans has mounted up and the cry in almost all Provinces has been for a policy of caution, a policy of rectification than of expansion, of consolidation than of extension. Committees of Inquiry into the Movement have sat in various Provinces and issued useful reports. The Government of India appointed in 1914-1915 the Maclagan Committee on Co-operation, whose report still remains almost the most valuable guide for Co-operators in the Country, which led to the with-drawal of the State from the realms of Co-operative finance and to the establishment of Central and Provincial Co-operative Banks. The Royal Commission on Agriculture in 1926-1927 next took stock of the situation, and its analysis resulted in the realisation of the almost culpable neglect of co-operative training for departmental officers and for office-bearers of Co-operative Societies. Unfortunately, the Commission recommends that co-operative education must be undertaken by the Department and not by a popular agency. The Provincial Banking Enquiry Committees, some of

which have already submitted their reports to the Central Banking Enquiry Committee have further examined this situation. All these inquiries and stocktaking have led to the realisation that the situation is fraught with danger unless tackled in a very cautious and circumspect fashion.

Credit Co-operation is thus a dominant feature of Indian Co-operation, and the spectre of overdue loans clouds the horizon. The need for co-operative training and education has attracted attention in all provinces and already Bombay and Madras have regular co-operative schools. The association of non-officials with the movement sought formerly by appointing a number of persons as Honorary Organisers working under the Registrar is now sought by developing Provincial Co-operative Institutions or Federations or Unions and strengthening them. The question of supervision of societies is recognised to be very important but the Provinces do not follow any uniform policy, in that respect. Registrars all over complain of inadequate staffs for the colossal task that lies ahead of them. But in all these, there are not many signs of the desire to popularise the Movement. The Banks are controlled by the Registrar as President, ex-officio; the supervising Unions are sought to be controlled by the Department; and Co-operative training is also sought to be made a function not of the Institute but of the Department. The seriousness of the situation is sought to be relieved by a tightening of the control, not by progressive de-officialisation, in which after all, the true solution lies.

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Co-operative Finance and its limitations.

BY MR. K. RANGASWAMY.

Money used in the Co-operative Movement is co-operative finance and the general economic law of supply and demand equally applies to it. There are no special attractions for money to flow into the movement, and unlike others, Co-operative Institutions are forced naturally to offer higher rates of interest on deposits. Their ability to do so depends to a certain extent on the co-operative nature of their organisation which helps them to run their business on a comparatively narrower margin of profit. After all they being model organisations for thrift and self-help, much of the costly show and advertisement that are usually found in other institutions are easily dispensed with, and as they are started for service and not for profiteering, if they have just the margin necessary for their self-existence, that would suffice them.

But the benefit of these features go more for the depositing public who get larger rates of interest on their deposits than to the borrowers for whose uplift the movement has been started. The ultimate lending rate to the borrower is as high as $9\frac{3}{8}$ which with all the penalty for default etc., work up to even 10 to 12 per cent. Each middleman institution from the apex bank to the primary society fixes up its own lending rate up to which the borrower can freely borrow elsewhere and thus at each stage the rate on deposits get increased, and good primaries which are able to attract deposits offer up to even 7 and $7\frac{1}{2}$ per cent because to them such money is by far cheaper than the one borrowed from the financing institution.

The higher the borrowing rate, other things remaining unchanged, the narrower becomes the margin of profit and practically all the concessions given to co-operative organisations go only to help the depositors instead of the borrowers, who if they should avail the benefits of these concessions should get loans at reduced rates.

Why all this difficulty? Obviously the co-operative banks are either not getting the sort of funds they should get to enable them to finance the societies safely, or they are abusing the funds at their disposal to the ultimate prejudice of the institution. In either case they are compelled to offer high rates on deposits which on account of their own business limitations they are unable to use properly.

What are the business limitations? First, they have to finance people in rural areas who are largely poor and illiterate and have to be taught the importance of credit and its maintenance. Mostly they are honest and their needs genuine, but without pressure they could not return what is borrowed. Not so in the case of a joint stock bank where the borrowing constituents are more alive to the need for continuing their credit unimpaired.

Secondly, the purpose of the loan also sets a limitation to co-operative finance. Mostly they are unproductive intended to meet prior debts, ceremonial expenses etc. Ostensibly quite a large amount of loans are borrowed for purposes of agricultural industry, which at times is costlier than the loan itself. The poor ryot could not repay the loan at the stipulated period, but much worse has even to lose what little he already had.

Thus the inherent poverty, ignorance and profession of the rural cultivators most of whom have no auxiliary industry to supplement their income, make the loans advanced to them sticky and difficult of recovery. The period of loan is lengthy enough, say from 5 to 10 years and added to this the difficulty of realising the loan make the loans for all practical purposes more or less in the nature of never to be returned grants.

Here is a system that will take in any amount but will pump out very little. At least in the past 4 or 5 years, there has been no adequate collections. How is the business to continue and wherefrom fresh funds are to be procured. It is a well recognised fact that the movement has spread only on the fringes of the rural areas and even where it has spread, it has not met all the needs of the ryot. Therefore the village sowcar plies his trade as merrily as ever and on many occasions makes a cat's paw of the movement in realising his own otherwise unrealisable debts through the society. Therefore in the presence of the money lender very near the borrower and the impotence of the movement to cover up the entire area and meet all the needs of the borrower, even the little that has been invested in the movement gets only to be abused and strengthen the very object to destroy which the movement was started.

There is also the moral side of the question. The money that is brought into the movement is not of that sort that is needed, and naturally the lending co-operative institution has to impose on the borrower its own conditions which are under the existing arrangement the least beneficial to him. For various considerations the borrower is hard pressed for money and is obliged to borrow the money fully aware of the fact that he can ill-afford to fulfil the conditions imposed on him for repaying the loan. This is the first sin that the hitherto artless ryot commits like his first progenitors in the co operative garden of Eden, and one sin leads the way to many others. The second is the abuse of the loan to purposes not mentioned at the time of borrowing. Then follow the several devices to meet the repayments or avoid meeting them which all ultimately lead to despair and ruin. The presence of the money lender and other interested parties train him as it were to become an adept in these arts; and in some cases instances of misappropriations and fraud are committed leading to conviction and imprisonment. Thus character and honour, the very fundamental principles on which the success of the movemet is made to depend are set at naught.

Close mutual knowledge among the members is one of the cardinal requisites of a society in order that the theory of unlimited liability may really have a wholesome effect and be a potent check against undesirable elements getting into the society to wreck it. But with the disintegration of the old joint family system and the general discipline of village life, people have grown more and more individualistic and unwilling to reveal their affairs to others. Mutual information and knowledge that will be of real use is the last thing that we can get now in a society, and the implications of unlimited liability are ignored as if they have no practical consequence. Naturally when the time comes to enforce this unlimited liability, the innocent and rich members are made to pay for the dues of the defaulted and dishonest members and the society is felt to be no better than the relentless money lender. On the other hand the relentlessness and persecutions of the society are sharpened by all the several facilities and concessions given to it.

Coming next to the funds used by the co-operative institutions they are mainly funds raised by public deposits. This kind of deposit banking will not help the movement, as the needs of the rural cultivators demand long term funds of at least 5 to 10 years duration. The result of this unsuitability of resources to requirements is evidenced by the growing overdues, extensions, and unbalanced commitments, which form a unique feature in co-operative finance, for in commercial banks we never come across such terms. There are no overdues in commercial banks because all loans are repayble on demand or very short notice and are kept always in

a very fluid condition. The loans would have been advanced for quite sound productive purposes, which the moment they mature yield more than to meet out the loan.

For quite a similar reason, the commercial banks do not know what is called unbalanced commitments, because at any time their commitments will always be fewer than their resources, owing to the fact that the period or borrowing is many more times longer than the period of lending.

Chiefly on account of the extremely fluid nature of their investments, it is unnecessary for them to earmark their loan collections and utilise them strictly for repayment of borrowings. But a co-operative institution cannot afford to do so because, once it begins to use its collections for purpose other than repayment of borrowings, the tendency is very great for the already locked up investments to become still more so and to eventually lead to a very embarrassing condition. In fact in most co-operative societies reloaning is actually prohibited. The investments being of a more or less fixed nature, any transaction will naturally have to increase or decrease them Transactions which merely shuffle the borrowings only without affecting the investments betray an unwholesome stagnation of investments which is fruitful of much evil in the long run. But no co-operative institution has so far reached that happy stage when it can freely shuffle its investments without affecting the borrowings, because it requires an advanced stage of short term investments business, which keeps the assets always renewed and afresh.

Business transactions may be likened to a circle, which starts the moment a borrowing is effected and runs along with every investment thereof and finally returns back to the original point of starting, when what has been invested is realised and what has been borrowed repaid. Borrowings merely start circle and unless the investments are kept fluid and under control, there is no chance of completing the circle. In commercial institutions the circulation will be quick as the investments are realised several times before the borrowing is actually repaid. In co-operative institutions the circulation will be slow and prolonged as the period of investment is comparatively longer and if the period of borrowing is short and has to be met often and often by raising other borrowings to adjust the old ones, the circulation at each stage is impeded and eventually the system must break down. This is because co-operative finance is so unsuited and short dated to the co-operatiye investments which at present is mainly

Short term credit in its various forms should be supplied and all facilities given for its productive use The scope for such activities is large and several avenues remain yet unexplored. Unless some such thing is done and the requirements made to suit the resources, the movement is sure to get worse. Without state aid or floatation of long term debentures, for either of which there is no near prospect, the present system of granting ten year long term loans to societies is not possible and all the present menace has been the result of utilising short term funds for long term needs. Even the land mortgage banks that are started specially for providing long term credit do not work satisfactorily and threaten to end in dismal failure After all long term credit has saved nobody and helped more in deepening ones indebtedness and deadening one's instincts for any productive line of action. The present day ryot is all the worse for his membership in co-operative societies.

Therefore it will be of much service to the movement if all the avenues for providing short term credit are explored with reference to the needs of each locality and some concerted action taken to relieve the present deadlock and create a new life to the movement.

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long dated. In such cases, if we have no control over the investments made, much less can we hope to have control over further borrowings which must always be subject to the ever changing conditions of the money market and very likely a catastrophe may be brought about by any failure to secure fresh funds to meet old ones,

The limitations of co-operative finance are thus fairly set out. (1) The difficulty of diverting the benefits of the reduced margin of working of co-operative societies in favour of the borrowers, (2) the necessity to attract funds by offer of comparatively higher rates of interest, (3) the rawness and ignorance of the borrowers in co-operative societies, (4) the unproductive or doubtful purposes for which loans are borrowed, (5)the comparative barrenness of other resources to supplement the income of our rural population, (6) the unsuitability of the banking resources to the banking requirements in point of time purpose etc., (7) the inadequacy and insufficiency of the movement to spread out and meet the entire needs of its clientele, (8) the consequent absence of effective check on the private village money lender who exploits and strangles the movement to his own selfish advantage, (9) consequent on the growing limitations of the movement on the one side and the growing needs of the borrower on the other, the baneful effects on the morality, chatacter and bonafides of the members of the rural societies, which lead up to false declarations, criminal acts of misappropriations and frauds, (10) the lack of discipline and mutual understanding and knowledge among the members of co-operative societies, (11) the absence of good elements in societies due to the scare of the law of unlimited liability (12) the growing overdues, extensions and unbalanced commitments in the financing institutions, (13) the growing frequency of borrowing and stagnation of investments getting unsound and unrealisable which means a terrible blow to the very life of the institutions concerned, all these have been the result of the many limitations in co-operative financing and it is high time to set right and rearrange at least for the future. It is idle to merely harp on the ideals. Deposit banking however unsuited to co-operative financing and agricultural industry, is the only available source at present and till a better solution is discovered for the complete salvation of the ryot, we must thoroughly modify the quality and quantity of the investments and severely restrict them to such persons who can really be benefited by them and ultimately bring credit to the movement. It is not a time to rejoice over numbers.

The Indian Money Market.

BY

MR. M. SATYANARAYANA.

"Cash rules the camp, the court and the grove," said Lord Byron and Mr. H. D. Macleod in his misguided enthusiasm that 'Credit is equivalent to cash', would have said that 'not cash but credit that rules the camp, the court and the grove'. Whatever might have been the opinion of the amatery poet or the enthusiastic economist, one finds that credit is the life-blood not only of commerce but in order that agricultural and industrial opportunities may be put to profitable use credit is necessary and that credit can be supplied in a well-developed money market. The money market is the place where the borrowers and lenders of money meet together. A fully organised system of credit can never exist without its indispensable concomitant—a well-developed money market. The development of the one leads to the perfection of the other and vice-versa.

Our money market is usually divided into four parts :—

(1) The Imperial Bank of India.

(2) The Exchange Banks.

(3) The Joint Stock Banks.

(4) The indigenous bankers or shroffs.

We do not consider the Co-operative Credit Societies, because they do not play any important part in short-term loans.

Let me briefly sketch the history of the formation of the Imperial Bank of India.

The first proposal to start a central bank in India was put forward in November 1836. At that time the East India Company merchants wrote to the directors of the East India Company and asked them to arrange for the starting of an English Bank which could help Indian trade on one hand and the British capitalist on the other. When the proposal was considered by the Directors of the Bank of Bengal, they said that they could do the work themselves.

Then at the time of Mr. Wilson, the first Finance Member to our country, it was thought desirable to have a central bank which

should be entrusted with paper money. As Mr. Wilson found many enemies to this scheme, it was dropped.

Again when Lord Crew was the Secretary of State for India, he asked Sir Abraham to draft a Scheme. The latter while admitting that such an institution would be beneficial he came to the conclusion that the technical difficulties were too many for him to support the idea of such an institution. However, the question was again taken up about 1913—2 years later. The London Times criticised the work done by the Finance Department of the Government of India the Secretary of State and it was suggested that it would be very desirable for the solution of currency problems on one hand, and helping the Indian money market on the other, to start a central banking Institution.

During the recent Great European War of 1914, the need for a Central Banking Institution was very keenly felt. The Government of India felt a need for such an institution. Then, again, on account of the fact that important banks in England were considering to open branches in India and take active part in our money market; it was thought desirable to bring about the scheme of the amalgamation of the three Presidency Banks--Madras, Bombay & Calcutta. These thought fit to amalgamate. All the minor difficulties disappeared before these two dynamic forces. The Act was passed in September 1920, and the Imperial Bank came into existence in January 1921 by virtue of a special piece of Legislature of the Government of India.

THE CONSTITUTION OF THE BANK.

The three Presidency Banks which were amalgamated had a total capital of 3 crores 75 lakhs and at that time their capital was divided thus. The Bank of Bengal had a capital of 2 crores, the Bank of Bombay 1 crore and the Bank of Madras, 75 lakhs. They had also Reserve funds amounting to almost the same amount as their individual capital. It was proposed that the total capital of the new bank should be 11 crores 25 lakhs out of which shares worth 3 crores 75 lakhs (fully paid up) should be given in exchange for the fully paid up shares of these presidency banks; in addition to that amount 1,50,000 new shares of the nominal value of Rs. 500 each were to be issued and on these new shares only quarter of the value (Rs. 125) was to be paid up and these shares were to be distributed among the share-holders of the 3 presidency banks as follows:—

80,000 Bengal; 40,000 Bombay; 30,000 Madras.

The Business Which The Imperial Bink Was Allowed To Do:— The Imperial Bank was allowed to do all the business which the the Presidency Banks were allowed to do In addition, the. Imperial Bank was allowed to administer trust (i. e.) act as trustee. The Imperial Bank Act allowed the Bank to Borrow money from the London money market.

The Imperial Bank, being a banker to the Government of India, would not compete with the Government of India but only borrow for commercial or individual purposes.

The London Branch of the Bank, however, can do business only for those who were the customers of the Presidency Banks The London Office is also allowedto rediscount commercial bills, but is not allowed to do ordinary banking business. *The Imperial Bank can buy and sell exchanges for its customers only.*

Restrictions.—The Bank is not allowed to lend money for more than 6 months except under estates of courts of ward. The bank authorities, sometimes, can evade and do evade this restriction.

The Imperial Bank is not allowed to lend money against its own shares though these shares are considered very good by the other banks.

The bank is not allowed to lend money against real property.

After the failure of the Alliance Bank, the Imperial Bank of India Act has been amended and power has been given to the Bank to lend money against the general assets of the Bank which is in difficulty.

The Bank is entrusted with the management of the Public Debt and it is remunerated—Rs. 2000, per year per 1 crore of public debt.

There is this criticism—that the Imperial Bank has been restricted unnecessarily in the exchange business.

The effect of the Imperial Bank upon the general interests of the conntry:—

"This Bank should be regarded as an institution which is likely to be very useful to the country. First of all this Bank has got three times as much capital as the three presidency banks had hence this inspires greater confidence than did the presidency banks. There has been the disappearance of the old reserve treasuries. Thus, the money market of both the industrial and the commercial people has benefited. It means that larger accommodation is available, there is

less fluctuation in the Bank rate and the Imperial Bank is allowed to borrow to the extent of Rs. 12 crores from the paper currency reserve.

During a short career of nearly eight years. it has displayed promising signs of its alertness and usefulness to the community. Opening its branches in the interior of the country it is slowly expanding its field of usefulness and is bringing within easy reach of all sound banking principles. Its help to the creditors of the Alliance Bank of Simla at the request of the Government of India be tokens much. It exercised an "Imperial Outlook" and had a wide latitude of vision when it promised to set its house in order but the evils were too deep-rooted to be remedied. It enabled the Government of India to make huge remittanges to London without seriously disturbing the exchange market and Our Currency System. Merchants and traders are making increasing use of the improved facilities for internal remittance. Before, long a day might dawn when there will be no charge made, for internal remittance though the agency of the imperial Bank.

Before I go to the second part of our money market, I am of opinion that I am failing in my duty if I do not discuss the much heated controversy with regard to the transfer of note-issue to this Bank. The majority report of the Hilton young Royal Commission on Indian Currency and Finance, 1926, strongly protested against the right of note-issue being transferred to the Imperial Bank. On the other hand, Sir Purshothamdas Thakurdas, in his able and exhaustive minute of dissent advocated just the contrary on the model of the working of the Bank of England. Of course, much can be said on both the sides. The position of the Imperial Bank of India cannot at all be compared to that of the Bank of England which is a banker's bank and a thoroughly national banking institution. The relationseip that exists between the Bank of England and the "big five" is nothing but cordial. The charge that is levelled against the Imperial Bank of India is that it ousted some of the Joint Stock Banks from the market. Lastly, the Imperial Bank has got a cluster of clienteele which the Bank of England does not possess. The control of currency and credit in any country should be vested in the Central Banking Institution.

The Exchange Banks:—These banks were originally started for the purpose of financing foreign trade. The Indian Banks were unable to take up that business and the Presidency Banks were prohibited from dabbling in exchange. Curiously enough the exchange banks have not restricted their activities only to foreign exchange business. They compete with the Imperial Bank and other banks in the matter of deposits inland exchange, and also loans to a certain extent, no doubt, they advance money against imports or in some cases, against exports.

The exchange banks finance the foreign trade mostly with funds borrowed from outside and to do this they have their head-office or branches in other parts of the world. Particularly, an exchange bank is interested in the trade between India and the country to which that bank belongs for *viz* The Yokohama Specie Bank Ltd. The reason is that they are more competent to manage that trade than the trade in any other country. But these exchange banks have a sort of monopoly particularly because there is no Indian Bank to compete with them. The chief difficulty to day is that the existing banks have established their connections since a very long time.

The pioneers in the exchange business were the Tatas. It can be said to their credit that the Tata Industrial Bank was one of the earliest banks. This bank combined exchange business with commercial and industrial businesses and because it met with difficulties it had to close its doors.

It is an undoubted fact that the business of exchange is very complicated apart from its being very risky. Certain amount of control should be exercised over the existing exchange banks for the purpose of successful exchange business by Indian exchange banks.

It is commonly believed that the present exchange banks in India are financed from their head-offices abroad and they devote these resources to foreign trade. It is not generally known, however, that during recent years they had been attracting deposits in India in an increasing degree making advances against Indian stock exchange securities and doing many other types of business which used to be the special preserve of Indian Joint Stock Banks. The amalgamation of the P. and O. Banking Corporation with the Allahabad Bank shows that Exchange banks are anxious to employ their funds in new directions. The recent tendency of some of the "Big five" to establish connections in India through amalgamations, e. g., with Messrs. Box & Co., Messrs. King Hamilton & Co., and Messrs. Grindlay & Co., shows that the keen competition for business is driving British Banks with huge resources to "fresh fields and pastures new".

We have no branch of our own even in London, where the bulk of our trade has to be financed. That the entire foreign exchange business of the country remains out of the hands of the children of the soil is an evil which must be checked not simply out of empty patriotism but for solid financial reasons. It is not for nothing that the chartered bank of India, Australia and China was denied a foothold in Australia, in spite of the charter granted to it by the mother country. In India the evil is aggravated, especially in important monetary centres like Calcutta where exchange banks do not as a rule co-operate through the Indian Joint Stock Banks. In the absence of a Strong Central Bank, the relation between the banks should be as close as possible for mutual and co-ordinated action.

The Indian Joint Stock Banks :—These banks occupy an important place in the Indian money market. If we look at the Bank statistics we find that their position to-day is certainly as important as the position of the exchange banks. The banks which are incorporated by the provisions of the Indian Companies Act of 1923, are chiefly called the Joint Stock Banks. Some of the most important joint stock banks in India are the following:—

1. The Bank of India Ltd., 2. The Central Bank of India Ltd., 3. The Allahabad Bank Ltd., 4. The Indian Bank Ltd., 5. The Punjab National Bank Ltd., 6. The Andhra Bank Ltd, 7. The Bank of Mysore Ltd., 8. The Bank of Hindustan Ltd.,

Our Joint Stock Banks do largely such business which the Imperial Bank to-day and the Presidency Banks were not allowed to do. Of course these banks had to overcome several obstacles. Even to-day they have to depend upon foreigners for higher appointments and thus the cost of management is high. These banks finance inland trade mostly by getting fixed deposits. No doubt current deposits are becoming more important. These banks act as intermediaries between parties who cannot borrow directly from the Imperial Bank and the Imperial Bank which is not willing to give advances to certain parties These banks do exchange business also, they have also taken interest in the finance of internal trade. In this matter they have suffered a little on account of the large number of branches which the Imperial Bank has opened.

The Indigenous Banking :—The Indigenous banker also plays his part in the Indian money market. He is what is known as the shroff. These shroffs finance and act as middlemen. Their chief business is to finance such people who have not got connections with either the Imperial Bank or the Joint Stock Banks. These shrofts buy bills, discount them in case of need with the Imperial Bank or the Joint Stock Banks, generally keeping a margin between 1½ to 3 per cent,

These shrofts are able to finance the small shop-keepers because they come into greater contact with them. Their usual method is by way of discounting hundis at a rate higher than the Bank rate, the margin depending upon their risk. The usual practice with the merchant is that he usually draws hundis upon another merchant payable at short intervals. In such cases the hundis are genuine commercial bills. But several times, what happens is that the shroff is not satisfied with the signature of one party and then the merchant draws upon another, who though not liabile on it, accepts the hundi. Thus two merchants are financed by the shroff, and he has two parties liable. The shroff has to part with the funds till the hundis mature, and when he finds his funds running short, he goes with these hundis to the Imperial Bank and gets them rediscounted.

The shroff's margin is a margin of profiit and risk which he runs. Some shroff's do receive fixed deposits and they allow their customers to take back their funds though the time may not be due. Particularly the Multanee and Marwari Shroff's carry on also exchange business. These shroff's never give publicity to their accounts on account of their conservatism.

There are different practices in different markets for the discounting of hundis. Similarly, there are different practices in the allowing of 3 days of grace or not and also there are different practices in the charging of discounts. The rate of discount of the shroffs is generally higher than the rate of discount of the Joint Stock Banks. To-day, there is greater relationship between the various factors of the money market—The Imperial Bank, the Exchange Banks, the Joint Stock Bankers and the Indigenous Bankers or the Shroffs.

Studies in Co-operative law and Practice.
Is the Registrar or an Arbitrator or a Liquidator, a Court?

By E. S. Sunda Esq., B. A. B. L.

(Director P. C. U. and M. R. C. C. Bank Madura).

III

Justice Pandalai has done a real service to co-operators by his decision in *Thadi Subba Reddi V. Emperor* 1930 Madras A. I. R. 869 by giving his considered opinion that Registrar is a court within the meaning of section 195 Criminal P. Code. Persons—many--still believe that there is no sanctity about the proceedings before the Registrar and we had occasions to hear and read that production of records was refused in several cases to the Registrar and his Deputies and proceedings had to be taken. Justice Pandalai's reasonings deserve to be borne in mind.

(i) Court in this section (195) has a wider meaning than the expression " Court of Justice " in the Penal Code.

(iii) Court includes a tribunal entitled to deal with a particular matter and anthorised to receive evidence bearing thereon, in order to enable it to arrive at a *Determination* upon the question. vide *Nandal Lal V. Khetre Mohun*, 45 Cal. 585

(iii) R. 14 of the Madras Rules enacts that the Registrar to whom a dispute touching the business of a society is referred, has power (a) to administer oaths (b) to require the attendance of parties and their witnesses (c) to require the production of all books and documents relating to the matter in dispute and (d) to give a decision or award in writing which is enforceable in a civil court as if it were the decision of that court.

(iv) Under the circumstances a Registrar acting under Rule 14 is clearly a ' court '.

IS ARBITRATOR A COURT ?

Justice Pandalai's judgment decides that Registrar is a court under Rule 14 of the Madras Rules appended to the co-operative Act and Section 195 Criminal Procedure. The question then arises what about the character of the tribunals in the co-operative

Societies Act other than the Registrar. Rule 14 (2) gives powers to the Registrar to decide the dispute himself or refer it for decision to an arbitrator appointed by him. Under Rule 14 (3) the arbitrator or arbitrators so appointed have powers mentioned above as those of the Registrar, inclusive of a written award. So an arbitrator under Rule 14 is a 'court'. There is another question regarding the origin of the arbitrator. Arbitrators are now generally appointed by the Deputy Registrars of the circle, rather, arbitration cases are referred to them. Will such reference by Deputy Registrars do? Sec. 3 of the Act empowers persons other than Registrar to do the duties of the Registrar by a general or special order. So the appointment and reference by Deputy Registrars to arbitrators, of select cases are valid and such arbitrators are validly appointed under Rule 14. The sanctity that attaches to a Registrar as a court is also a feature of their tribunal in consequence.

IS A LIQUIDATOR A 'COURT'.

The best way of answering the question is to follow Justice Pandalai's tests. A liquidator can,

(i) *determine* the contribution to be made by the members and past members of the society respectively to the assets of the society.

(ii) investigate all claims against the society and *decide* questions of priority arising between claimants.

(iii) *determine* by what persons and in what proportion the *costs of liquidation are to be borne.*

(iv) *summon* and *enforce* the attendance of witnesses and *compel* the production of documents by the same means, so far as may be, in the same manner as is provided in the case of a Civil Court under the Code of Civil Procedure 1908.

(v) any sum ordered by the liquidator may be recovered on a requisition being made in this behalf to the Collector by the Registrar (Madras Act of X 1920) in the *same manner as arrears of land revenue.*

(vi) orders of the Liquidator can be enforced by any civil court as a decree of such court.

The powers given to a liquidator and arbitrator are almost the same. But there is a significant wording in the powers of the Liquidator. "*summon, compel* and *enforce* attendance of witnesses and

production of documents as stated in Criminal Procedure Code," while those of the arbitrator contain the words "to require". But Justice Pandalai's judgment makes it clear that there is not much of a difference. It means *summoning* witnesses. But the provision regarding administering oaths is not explicitly given in the rules relating to liquidator. But it should be taken as given in Section, 42 (2), (b), (c), (d), and is implied in the words "*determine*", "*investigate*". Those can be done only after examination of the records and witnesses. But the absence of an express mention regarding the administration of oaths is regrettable. On that score there is still the doubt whether a liquidator can be termed a 'court' under the circumstances and as the rules stand now. It is for the Government and the Co-operators to make suitable amendments in this direction.

Co-operative Remittances

BY

MR. S. VENKATARAM,

Manager, Madura Sourashtra Co-operative Bank

1. Unlike the Central Banks in Bombay which are branches of the Apex Bank, the Central Co-operative Banks in our Presidency are independent units but linked to the Madras Central Urban Bank. Many large urban banks are also connected with the M.C.U.B. though not as members of the apex bank but as constituent units. Thus we have all the central banks and the large urban banks in almost all important centres having some sort of connection with the M. C. U. B. which affords us a good scope for development in co-operative banking.

2. Members of various co-operative banks have to remit to some place or other, monies in connection with their private or business transactions and more often than not, they resort to the Post Office or to some joint stock bank or to an indigenous banker who is often a Multanee banker. The joint stock banks and the indigenous bankers issue demand drafts in exchange for cash tendered for the like amount and charge a commission ranging from 1/32 rupee to 1/4 rupee for a hundred, dependent on the distance of the place and the facility for remittance. In fact one may be surprised to learn that commission of this kind is the greater source of income to these banks than the interest derived on their advances or loans. As a result of this, these banks deal in trade bills and hundis freely.

3. The co-operative urban banks in some important centres and the central banks in most places can help the movement to some extent by arranging for such remittances on behalf of their constituent members from time to time. The Urban Bank at Salem, may well, issue a draft on an urban bank at Madura, say for Rs. 1,000, to one of its constituents who on transmitting the same to his dealer at Madura pays off the Rs. 1,000 at a nominal commission which would otherwise be heavy if he resorts to the Post Office or to an indigenous or joint stock bank. The Salem Bank can easily remit money (Rs. 1,000) to the M.C.U.B. to the credit of the Madura Bank

advising the latter of such remittance and also stating that a draft on them, having been issued, may be honoured on presentation. Thus the Madura dealer gets his remittance from Salem by means of a draft on a co-operative bank which would be more convenient and less troublesome. A system of such co-operative remittances may conveniently be arranged in some important centres of the Presidency to begin with, with the aid of the M C.U.B. and the hearty co-operation of some of the links of the urban banking movement. We shall be moving a step further in co-operative banking to the best adantage of all concerned and thus we begin to tread on a smooth ground at the outset and develop with the furtherance of our growth. This suggestion is commended for the consideration of the authorities of the M. C. U Bank and all urban and central banks in the Province.

Recent Utterances.

THE ALL INDIA CO-OPERATORS' DAY CELEBRATION IN SABOUR, BIHAR

SPEECH BY MR. J. P. MISRA.

It is an unique occasion in the history of the Co-operative Training Institute, nay, in the history of the whole of India that we are going to celebrate this day viz. Saturday, the 1st of November, as the All India Co-operators' Day. Gentlemen, I consider it a great land-mark in the Co-operative history as in no other time in the past have we chalked out a different course of action for us and if we have ventured to do that, it is with a sincere hope and cordial wish that the departure from our usual practice that I shall describe later on, will be a source of further inspiration and encouragement for us, for it will develop and strengthen within us a sense of solidarity both within the province and among different provinces and will transform the Co-operative Organisation of India into a truly humanitarian movement.

Gentlemen, before I proceed with the main subject, I think it will not be out of place if I describe briefly as to how the idea regarding the observance of All-India Co-operators' Day originated. In countries of the west where the Co-operative Movement has caught the imagination of the people both urban and rural and is considered a potent factor in the reconstruction of urban and rural life which has to a certain extent degenerated in the course of economic evolution, the co-operators have, for some time past, been observing the International Co-operators' Day as a manifestation of their sentiments and thoughts of universal brotherhood which the co-operative movement inspires. We also followed in the wake of the west and have consequently been observing, for a few years, the International Co-operators' Day on a particular day in the year. It has, however, been recognised by the All-India Co-operative Institutes Association that came into existence a few years ago and to which the various provincial institutes are affiliated, that the observance of the International Co-operators' Day is not nascent to the country and it is, therefore, essential for us to found our own tradition instead of following in the foot-steps of other countries in their programmes. The All-India Co-operative Institutes Association has consequently decided that All-India Co-operators' Day should be observed all over India by the co-operators on first Saturday of November every year. The first Saturday of November has been selected, I believe, principally because of the fact that it was perhaps on this day that the seeds of the Co-operative Movement were sown on the Indian soil. It is, therefore, in the fitness of

things that this memorable Day must naturally find a prominent place in the sacred memories of all co-operators.

The importance of this day lies in the fact that just as we celebrate the birth of great men like Mr. Gokhale and Raja Ram Mohan Roy and others as an auspicious beginning of the era of their activities which are so beneficial to the humanity at large, similarly we make this memorable Day an occasion to celebrate the birth of a great movement which is remodelling the entire civilisation and outlook in places where it has been introduced and is bringing untold benefits to those who participate in it. Already there are outstanding examples of benefits moral, social and economic which have accrued from the application of co-operative principles to local problems. The enforcement of thrift, curtailment of customary expenses in connection with marriages and other domestic ceremonies, the spirit of service and sacrifice, and above all, the rapid spread of education which follows in the wake of co-operation, are all moral, social and economic benefits which have been produced upon the community.

The question now arises as to how best we can utilise this day and give expression to the enthusiasm, zeal, and spirit that we feel for the movement and make it a grand success with all the weapons that are available here. Considering the time that is at our disposal, and the place at which we have assembled to-day, it will be the most opportune thing if we divide ourselves into parties consisting of about ten students each of which should go in the afternoon to the round-about villages where public lectures should be delivered to the village people thus bringing home to them the message of the age-co-operation. Besides, lantern lectures should also form part of the programme fixed for this day and should be arranged in the night in order to give them (villagers) practical demonstrations thus charming them with the advantages which they will derive if they join the faith that we propagate. The performance of rural dramas and theatres and the arrangements for athletics, clubs and social gatherings are all means to enlist popular support and to gain converts.

In conclusion, let us all (standing) pray to God in solemn silence to give us the necessary strength and energy, patience and perseverance to carry out successfully this great humanitarian movement in which we work day and night for the social, material and economic welfare of the people.

SOUTH CANARA DISTRICT CO-OPERATIVE BUSINESS CONFERENCE.

17th January 1931,

OPENING ADDRESS.

BY M.R.RY. B. MADHAVA RAO AVL. B.A.,M.L.

Deputy Registrar of Co-operative Societies, Mangalore.

Gentlemen,

You are aware that our District was at one time far ahead of other Districts in the matter of development of co-operative activities—We had here special types of societies, like the Garden Planters Society, the Sadananda Printing Press, Labour Union, Grain Banks, Agricultural societies and a number of other forms of activities but it is regrettable to observe that for want of proper organisation and human material to work up these societies, many of them, were found to work at a loss and had to be liquidated. We need not feel depressed over such a state of things. The experience gained by their failure would if properly utilized be a valuable asset to us in guarding against similar mistakes in future.

We are now passing through a critical stage in the history of the movement. Our overdues in credit societies are mounting up. The Bank's overdues are increasing and we are obliged to liquidate an increasing number of societies. We have to stop the process of expansion in societies and devote all our energies now to rectification and consolidation of the societies.

The causes for the prevalent bad state of thing are not far to seek. The one chief defect observable is that in most of the societies the members have not been trained or educated in true co-operative principles. It is a common complaint among members that they did not understand and were not told what unlimited liability is. Nor have any of the members got any clear idea as to what are the advantages of a co-operative Association and what are the duties and responsibilities of members. The members have no idea as to, on what principles a society is to be worked and how the disregard of the elementary principles will jeopardise their interest. If we should rectify the bad state of things we should try to educate the members and impress upon them more about their responsibilities and duties than about their privileges which they enjoy by becoming members.

The chief object of co-operation is to deal with the stagnation of the poorer classes and more especially the agriculturists who constitute the bulk of the population. The co-operative movement aims at improving

the economic condition of the agriculturists by encouraging in them habits of thrift and industry and by stimulating in them, a desire for education and advancement. It was also intended to free the ryot from indebtedness and the oppression by the Usurer. A society was started with the idea that agriculturists should be given the financial assistance necessary in order to enable them to adopt improved methods of cultivation.

It has to be confessed that most of our societiee have failed to recognise that the object of co-operation is as much to encourage savings as to grant loans on reasonable terms. Consequently we find that the deposits from members in rural societies form a very small proportion of the working capital. It is also seen that societies which have attracted local deposits have fared better than those which have depended exclusively upon the Central Bank loans. It must be the endeavour of every well established society to see that its members' deposits increase. Such deposits imply thrift among members and imply good lying money and they tend to interest in the management a useful body of men who stand as sureties over their own deposits. Wherever the societies have failed to attract local deposits of members it must be confessed that, co-operation has failed in one of its main objects. A well managed society must command sufficient confidence of the members and the local people to attract local deposits. It should be the endeavour of all societies to have their own capital and to be as far as possible independent of outside finance. Very few societies have insisted on provident and savings deposits from members. It must be within the knowledge of those assembled here that all big employers of labour have the system of provident deposits for their employees. This is devised for the benefit of the employees. The failure of societies to insist on provident and savings deposits from members shows that the society does not take as much interest in the members as an employer does in the employees. Improvident habits and customary expenditure have a strong hold on the village community. In order to resist such tendencies there should be a regular compaign to encourage thrift. Thrift is the basis of co-operative credit.

It is evident that the agriculturists have not derived the assistance needed and further the utilisation of a large portion of the available capital for non-productive purposes is calculated to increase indebtedness. The need therefore for restricting the finance to productive purposes and for agricultural needs cannot be too strongly impressed.

It is a common complaint that overdues from members to societies and from societies to the Bank are increasing. Of 262 societies financed by the Bank 6 societies were liquidated last year and the total number of societies under liquidation is 54 and the dues to the Central Bank at present from liquidated societies is Rs.1,25,545. Of the remaining societies all loans from members have become overdue in 107 societies. The reason for this state of things is obvious. Loans were granted in excess of the repaying capacity of members and no care was taken to see that loans were restricted to productive purposes; nor was any attempt made to see that the loans obtained were used for the purpose mentioned in the loan application. The panchayats in several cases behaved in an irresponsible way and made binami loans and collections were misappropriated. All this has happened as the members did not realize their responsibility.

In fact when unlimited liability was enforced after liquidation the members expressed that, if they had been impressed that they would be ultimately made liable, they would have taken sufficient interest to see that there was no mismanagement. To safeguard the interest of non-defaulting members it would be useful to have the normal credit of each individual fixed by the general body. The necessity for fixing the limit up to which individual members should receive normal credit is due largely to the fact that in the absence of such a standard there is temptation for the panchayat members to sanction larger loans for themselves and their friends. Such a system will prevent binami loans. The maximum normal credit should be fixed after a consideration of the ordinary requirements of the member's occupation, his earning capacity being estimated with reference to the rental or revenue, if any, paid by him and the value of his property or other income. This maximum the Committee should be forbidden to exceed.

There is a common complaint that the societies have done greater harm than good in that, sureties have been in many cases compelled to pay the debts of the principal borrowers. Now it is a central principle of co-operation that security should be personal, that is, that it should depend primarily on the man and his sureties and not on his properties. The idea of personal security however implies the power of a member to repay and this, in its turn, depends upon his capacity as a worker, his honesty of character and his property.

"A CO-OPERATIVE SOCIETY."

A Co-operative Society differs from the ordinary money lender in that it takes cognisance of all the three factors while the latter looks at the last only. It is an altogether wrong principle to sanction a loan to an individual merely because he has got property or that he can furnish good security. The society grants loan in order that the individual may be benefited and not for the purpose of making any profit out of the transaction. The individual can benefit if the loan is taken by him for a productive purpose, utilized for that purpose and the amount of the loan is not in excess of his repaying capacity. If these principles are strictly adhered to, the loan carries with it an inherent guarantee of repayment and the surety's risk is consequently very small. The sureties are intended primarily to see that the loan is needed for a proper purpose and are

utilized for that purpose. This aspect of their responsibility needs to be constantly impressed by the Panchayatdars on the sureties and whenever a loan is not properly utilized it should be immediately recalled. The supposed hardship involved in such a step should not stand in the way of the panchayatdars doing their duty. The society's affairs should be conducted on strict co-operative principles and philonthrophy or charity should not find any place in a business institution.

Long term finance.—I have already given you an idea as to how very little assistance is rendered by our societies for the annual agricultural needs of the members. Opinion is gaining strength that the system of advancing long term loans through rural credit societies to discharge prior debts and for other long term purposes should be definitely abandoned. It is increasingly recognised that the most effective way of reducing rural indebtedness is to develop a sound system of productive short and intermideate co-operative credit. Produce loans and co-operative marketing facilities will materially add to the agricultural profits of producers. For want of proper development of co-operative credit in our District, long term loans, on the mortgage of immovable property for terms exceeding five years also have been made in the past. In fact these long term loans show a tendency to increase in non agricultural societies. This policy has to be definitely abandoned. The Central Bank funds have been locked up to a large extent in liquidated societies and in bad and dormant societies with heavy overdues It is therefore particularly necessary for the Central Bank to avoid long term finance. Complications are likely to be introduced on account of fall in prices of agricultural produce and land values. The Townshend Committee found that the localities in which co-operation is healthiest are those which have laid greatest stress on short term business. In districts where long term business predominated, some of the evidence pointed to the fact that ryots were deeper in debt than formerly.

You are aware that the District Council has ceased to function. The high percentage of overdues in societies and the increasing number of bad and dormant societies in the District shows that the District Council of Supervision has not been able to achieve satisfactory results in co-ordinating, stimulating and assisting the work of supervision of societies by unions. Inspite of the increase of the supervision fund the District Council was not able to meet its own expenditure and give adequate assistance to weaker unions. It is found that almost all non-credi activities have failed. Though the District Council had planned a very ambitious programme of rectification and launched a costly scheme of supervision with special supervisors and an Executive Officer at their head, no progress was made in rectification work. The District Council found that its budget was faulty with an over-estimated receipts under estimated supervision fund. Further, it had calculated upon a grant from the Bank in order to cover up its expenditure. As the condition of many of the societies and the progress of collections of the Bank's overdues were far from satisfactory, the directors of the Bank were not inclined to sanction the grant. The President of the Distrist Council thereupon resigned and owing to financial embarrassment, the Council could not function. The Executive Officer's appointment ceased. The Unions were left to themselves and there was a decided set back-in the efforts at collection.

The situation became such that, at a Joint Conference of the Board of Management of the two institutions it was decided that the only alternative was to temporarily transfer the supervision of the societies with effect from 1-7-30 as an experimental measure and it is hoped that improvement would be brought about both in the matter of collections and in the condition of the societies. In order to carry out this proposal the Central Bank has prepared a detailed scheme of rectification. The Bank's Secretary has been appointed as the Executive Officer who will control the Supervisors in the Unions as well as the four district Inspectors specially appointed to overhaul work. The Madras Central Urban Bank has sanctioned a grant of Rs. 2,500 to the Central Bank to meet the expenses of this scheme. The work of rectification has been undertaken by the Bank in the interest of the societies as well as of the movement. The movement cannot progress unless the financial position of the Central Bank is strengthened. The question of taking up the liabilities of the District Council will come up before the general body meeting of the Bank to-morrow and I hope you will understand how necessary it is for the Bank to take upon itself the duty of Inspecting and Supervising the societies and making adequate arrangements for collection-work in order to safeguard its interests and to see to the safety of its investment.

Unions.—There are 17 unions but, all of them do not function with the same degree of efficiency. The Unions were established in order to secure mutual supervision and assessment of credit based on local knowledge. The Union is a valuable agency for settling all matters of common interest and for advising and assisting affiliated societies in the conduct of their affairs. These Unions were started with the idea that it was better for the societies by means of the Unions to manage their own affairs than for individual societies to depend on the Central Bank for the decision of their business details. Unfortunately the results achieved have not come up to the expectations. So far as this District is concerned, it is a matter of common experience that, the societies, whose office bearers are the elected representatives of the union management, have fared badly and the union management has not been able to rectify the defects in such societies. There are five unions, where more than 75 per cent of the societies are bad and dormant. Under the circumstances the question naturally arises whether it is worthwhile continuing to keep up all the 17 unions at so much cost when the workers who can devote their time and energy are very few. It is one of the questions you have to consider at this conference as to how far a redistribution of union areas can be made.

PRESIDENT'S SPEECH

On the occasion of the visit of the Hon'ble Minister Mr. P. T. Rajan, to the Conjeeveram Co-operative Central Bank, Limited, on the 19th February 1931.

2. The natural conditions of this District which is included in the Famine Zone lent themselves favourably for the original pioneers of the Co-operative Movement in this Province to try their first experiments here. Their efforts led to a rapid growth in the number of societies with the result that we have no less than 795 societies as members of this Bank now, besides 259 societies organized for Christians and depressed classes which are financed by the Madras Christian Central Bank.

3. The Conjeeveram Central Bank was started in the year 1915 by the distinguished and selfless worker, my late friend, Mr. P. Ramachandra Sastri whose portrait worthily adorns this hall. He strove very hard to work it as its firstSecretary at a time when the response from the public to his entreaties to take shares in it was very poor. The Bank was started to finance the co-operative societies in this District which had previously been financed by the Madras Central Urban Bank. It began with a paid-up share capital of Rs. 5,000 and deposits from the public amounting to Rs. 32,000. Our present paid-up share capital is Rs. 4,18,771, and the deposits amount to nearly 26 lakhs. The loans taken by 726 societies now indebted to this Bank amount to over forty lakhs. This Bank stands at the top of all District Central Banks for the extent of its loan transactions with societies and its working capital is nearly 42 lakhs. From the Madras Central Urban Bank, our Apex Bank, it amounts to Rs. 11,50,000. Besides societies we advance loans also to individuals who have placed deposits with us to the extent of 90 per cent. of their deposits with a view to encourage by such accommodation a free flow of deposits. The loans to individuals now outstanding amount to nearly Rs. 62,000. Our share capital of Rs. 4,18,771, includes one lakh paid by 115 individual share holders, the balance of Rs. 3,18,771 representing payment by societies. Our authorised share capital is Rs. 12 lakhs made of 12,000 shares of Rs. 100 each, of which 1000 shares to the value of one lakh have been allotted for individuals. These 1000 shares were all taken up by individuals and fully paid for long ago and none is available now for allotment. Our shares held by individuals sell now at a premium of not less than Rs. 20, per share. We have a Reserve Fund of Rs. 1,45,000, which has been secured in the Madras Central Urban Bank. This District has maintained the reputation for the past some years of collecting in full the interest due to us on loans to societies and individuals and our profits have enabled us to declare a dividend of 9 per

cent during the last eleven years. Much to our regret our transactions have in recent years commenced to fall owing to various causes, the chief of which being the enforced curtailment in the grant of long term loans to societies as the result of a change of policy with regard to them and the growth of heavy overdues from societies necessitating denial of fresh loans to them before the payment of the overdues. This matter of growing overdues from societies is causing grave concern to us and we are taking the situation as best as we can. Various are the causes for these overdues and speaking generally they are traced to the unsatisfactory working of the societies both as regards the grant and the recovery of loans. Added to this general cause we have the two special causes in the current year of a heavy fall in the prices of agricultural produce, chiefly paddy and groundnut, and a severe depression in trade. This district is moreover one of those affected by the recent cyclone and the floods and has in consequence suffered much in some parts of it. There is a general complaint from ryots that the yield from harvests this year so far has been comparatively poor. Our collected balance at the end of January 1931 was nearly 10 lakhs. This is no doubt disquieting. We are taking special measures to collect as much of the overdues as we can during the present harvest season and I take this opportunity of expressing our greatful thanks to our watchful and sympathetic Registrar for his very kind and generous offer to spare the services of his audit Inspectors to help us in the collection work for sometime. We hope that with this kind help and the efforts of the Unions and the Federation, we shall be able, by the Grace of God, to reduce our overdues appreciably by the end of the Co-operative year. A large number of societies keeping heavy and long standing overdues await rectification at the hands of the Unions and the District Federation. The attempts made so far for the rectification of these societies have, for various reasons, not yielded satisfactory results. A scheme of rectification kindly suggested by our able Joint Registrar with his exceptionallv long and varied experience of the working of the movement has recently been started in the Valarpuram Union under his kind personal instructions and it is under contemplation to introduce it without avoidable delay into the other Unions also after some experience is gained of its working in Valarpuram.

In connection with the working of the Bank I may perhaps refer to a temporary financial trouble we are at present faced with owing to the tightness of the Money Market which necessitated the Madras Central Urban Bank suddenly raising its lending rate to us from 6 to 7 per cent. with effect from 17th January of this year. Our rates of lending to societies are at present 7 per cent. for short term loans and 7½ per cent. for long term loans. Though we should ordinarily have to raise these lending rates now we have, on the kind advice of the Registrar, deferred

doing so in the hope that the present situation may be only temporary and not continue long and we are trying to stimulate an increased flow of deposits by raising the maximum rate of interest for ordinary fixed deposits from 5½ to 6 per cent. and the rates for the deposits of Local Boards from 4 and 4½ to 5 and 5½ per cent. We await the results of these changes before considering the question of any further revision of our rates of borrowings or lendings.

Another trouble we have had of late is the refusal of the Imperial Bank to accept the pro-notes of our primary societies as sufficient security for their overdraft accommodation to us. They originally allowed us an overdraft of Rs. 3,50,000, on the security of pro-notes of societies which afforded us a facility of incalculable value in meeting urgent demands and providing fluid resources for deposits. But over a year ago they decided to demand the production of Government promissory notes in lieu of the pro-notes of societies and gave five years' time to completely replace the present form of security by the G. P. notes, resolving further to reduce the amount of overdraft by 1-5 i.e., 70,000, each year, if G. P. notes of that value are not tendered for security. Our comparatively slender resources have not yet enabled us to purchase G. P. notes, the investment in which is not only unremunerative but attended with risk of heavy losses owing to fluctuations in the money market which we cannot bear. We have been obliged therefore to reconcile ourselves to the reduced overdraft which, after two annual reductions already made, now stands at Rs. 2,10,000. But we cannot, with due regard to the requirements of our business, afford to stand any further reduction of this valuable accommodation. We submit therefore that we cannot be adequately thankful to the Hon'ble Minister for such kind help as may be possible to avert the threatened withdrawal of this very essential help or at least to postpone it till our present financial difficulties have eased.

Though we would avoid troubling you, Sir, with any further prayers for help, I ought to mention what I strongly feel as a most urgent need for a healthy advance of the movement. An effective method of ensuring timely repayment of loans by members of rural societies is to take possession of their produce at the time of harvest and grant them loans on that security, which loans will go to repay their already existing overdues and the fresh loans can be quite easily recovered when the produce is sold at a favourabte time. Ryots who are defaulters in their societies would be quite willing for such an arrangement and even others who wish to with-hold their produce from the market till they can obtain reasonable prices, will very gladly welcome the help for the ready accommodation which the society-I mean a Loan and Sale Society which is intended for such purposes-will give them. This idea has been applauded by all concerned and the Townsend Committee also wrote of it in very appreciative terms as follows :

" We consider that loan and sale societies, as described in paragraph 9 offer a very promising means of increasing the wealth of cultivators by enabling them to withold their crops from market till they can obtain reasonable prices. The prices ruling for agricultural produce for a short period after harvest are usually abnormally low, as ryots who have no financial facilities are forced to sell their crops to pay the money lender's dues and to provide for other expenses. We consider therefore that every assistance in their formation should be given by all concerned."

Very few however are the loan and sale societies at actual work now to render the help expected of them. The main reason for the paucity of this help is that suitable granaries are an essential adjunct to such societies which they are unable to provide themselves with, as suitable buildings are not available for rent and cannot be constructed by the societies with the help offered by Government under the existing conditions. My humble and earnest prayer on behalf of the District Movement in this matter is that, Government may be kindly pleased to service the existing conditions for obtaining loans for granaries as to induce a satisfactory flow of applications for such loans. The rules regarding :—

(1) The rate of interest charged,

(2) The proportion of share-capital to be contributed by the society,

(3) The maximum amount of grant

may, I submit, be made more favourable than at present. We of the Bank are endeavouring within our limited means to offer free grant from our common good fund towards completing the construction of granaries started with the aid from other sources of help including Government Loan. This extremely limited help we offer is obviously quite inadequate to achieve the desired end. We could so far help only one loan and sale society in this manner i.e., the one in Madurantakam which is the only society in the District which has succeeded to build its own granary. These granaries when established in sufficient numbers would be greatly helpful to induce short term loan applications from comparatively poor ryots for whom the movement is mainly intended but who, alas, are not sufficiently cared for now by the Panchayats of many of the rural societies. Any panchayatdars who may wish to help such poor ryots with produce loans are naturally nervous to grant them on a security which in the absence of co-operative granaries has to be left in the possession of the borrowers themselves. A special stimulus given therefore to this branch of development by appointing a competent subordinate both to bring into existence as rapidly as possible granaries in suitable centres and also to look after their working for such time as may be necessary to establish them on sound basis would be of inestimable value for the future of the movement.

District Conferences

1. THE S. KANARA DISTRICT CO-OPERATIVE BUSINESS CONFERENCE.

(a) PROCEEDINGS.

The S. Kanara District Co-operative Business Conference was held at Mangalore on 17-12-1931. M.R.Ry. Rao Bahadur K. Deivasikkamani Mudaliar the Joint Registrar of Co-operative Societies who was present on the occasion impressed upon the Conference that, the present condition of the movement was due to the existence of heavy overdues in societies which remain uncollected for some reason or other and that especially this year on account of low prices of local produce there will be greater difficulty of recovering the loans. Bad societies could be revived only after a major portion of the overdues are collected.

" Everybody admits that the condition of the societies in the district is bad. If proper remedies are to be suggested the real reason why the societies are bad must be carefully ascertained. From what I was able to enquire, the main reason for the non-payment of arrears appears to be the inability of the members to repay their loans out of current income within the period allowed by societies. The members have borrowed beyond their capacity and find now that they cannot repay out of income. When facilities existed their heavy outside debts have been transferred to societies and additional loans have also been freely given to them. The panchayats of societies now find that they cannot collect the amounts unless the borrowers are compelled to sell their property or to borrow elsewhere and pay. This the panchayats are reluctant to do, with the result that, the arrears are not paid for years.

2. Having found the main reason, it should now be considered what remedies should be applied, not only to prevent good societies from falling into bad condition hereafter but also to pull bad societies up from their present condition. I would suggest the following remedies.

To prevent societies from becoming bad the following method of work should be adopted by them :—

(1) Careful admission of members. In any case persons who are on the verge of insolvency should not be admitted as members.

(2) Grant of loans only to such extent as can be repaid out of income. For this purpose, the credit of each member should be carefully assessed and fixed at a general body meeting each year and this limit should on no account be exceeded. This limit should be based entirely on income and not on the value of the assets of the member. Supposing a loan is asked for

cultivation expenses, the area that is to be cultivated should be taken into account and expenses estimated. The loan should not exceed 30 or 40 per cent of the total value of the produce likely to be got.

(3) All loans should be made payable at the time of harvest. If not paid in cash at that time, the borrower should be asked to pledge his harvested produce and renew the old loan. Even where the loan is given repayable in more than one season, the borrower should be asked to offer as collateral security the harvested produce at the time of harvest for the instalments due.

(4) No loan should be given for more than 3 years, 5 year loans being rare. Generally all loans should be made payable in one year.

(5) Loans should be given invariably on good sureties, mortgage loans being the exception.

(6) Wherever possible panchayatdars should be elected from among non-borrowers or persons who have put in deposits.

To pull up bad societies from their present condition, the following method of work should be adopted. The members of the societies against whom loans are now outstanding should be classified as follows :—

(1) those who can repay their loans out of current income.

Within (a) 1 year.
(b) 2 years,
(c) 3 years,
(d) 5 years,

(2) Those who cannot pay out of income but have to borrow elsewhere and pay and

(3) those who cannot pay without selling their property.

In regard to the people coming under class (1) arrangements will have to be made to collect the dues at the time when they get the income revising the existing terms if necessary. As a rule pressure should be applied to pay at the time of harvest. If not paid in cash at once, the harvested produce should be taken possession of, loan and Sale societies being the custodian of the produce so taken. Wherever Loan and Sale societies are not at work and there is the likelihood of getting produce sufficiently in large quantities the district bank may arrange for rented godowns to be given to groups of societies for keeping their produce.

In regard to the other 2 classes of members, action will have to be taken either by persuasion or by coercion. The supervising staff will have to enlist the support of the members of the governing bodies of Unions or others in regard to the collections of dues from these people.

3. Wherever the panchayat can take action on the lines suggested in paragraph 2 above either on their own initiative or at the initiative of the local Union or of the Central Bank, the intensive supervision scheme which the Bank is now working will be found sufficient. That is to say, the societies should be persuaded to take action on the lines suggested by the supervising staff.

4. Wherever the panchayat cannot be trusted to act on the lines suggested above, or wherever a suitable panchayat cannot be constituted to function properly, the management of the society should be entrusted to a single person under bye-law 62 of the model bye-laws for rural societies and he should be asked to take action.

5. Whenever it is found that the richer members are alienating or likely to alienate their property, the Central Bank should sue the societies and get decrees and execute them against those persons. Similarly the Central Bank should sue and execute the decrees in the first instance against the one or two influential persons who stand in the way of working of the societies and against whom, if action is taken, the desired result will occur.

6. If action cannot be taken against a society in any of the ways mentioned above, it should be liquidated.

7. Bye-law 62 of the model bye-laws for rural societies referred to in paragraph 4 above, may be modified as follows :—

Whenever it is found that the panchayat elected under by-law No. 20 does not function properly, the general body may, for a specific period or periods, place the management of the society in the hands of a single person appointed by them from among themselelees or outsiders and the person so appointed shall be called the Executive Officer and he shall have all the powers of a panchayat under the by-laws. His powers shall however, be confined in the following matters to such as are necessary to safeguard and recover the assets of the Society as they stood at the time when he assumes charge of the Management of the society :—

(1) Admission of members.
(2) Allotment of shares to members.
(3) Borrowing money.
(4) Grant of loans to members.

As soon as the Executive Officer assumes charge, the panchayat will cease to function and the normal working of the society (except the collection of assets and payment of liabilities) shall be suspended except to the extent mentioned above."

Resolution :—The above suggestions of the Joint Registrar of Co-operative societies are hereby unanimously accepted, and it is resolved that necessary steps should be taken by the Bank to carry out the said suggestions.

(b) RESOLUTIONS PASSED

(Conference of Bank Directors and Representatives of Unions and Select Societies) Held at Mangalore on 17th January 1931.

Resolution 2. In view of the general trade depression it was resolved to defer consideration of the development of Loan and Sale Societies to a future Conference.

As regards Godowns it is hereby resolved that societies should stock the produce pledged with them in rented Godowns, if necessary, and the Central Bank, in the case of produce pledged and transferred to it, should arrange for rented Godowns at convenient centres as suggested in the note of the Joint Registrar of Co-operative Societies.

Resolution 3. This Conference is of opinion that the system of granting long term loans by societies up to a maximum limit of Rs. 2,000 and at 8 per cent interest shoutd be discontinued for the present and that even in the cas of ordinary loans issued on the security of immovable property the period should not ordinaily exceed 3 years and in no case 5 years provided, hower, that the loans are for productive purposes and that before the loan is sanctioned the annual income and the repaying capacity of the borrower are carefully considered and the value of the property accuaratelv assessed.

Resolution 4. Resolved that the Committee of Supervision of the Bank do investigate and take steps for the liquidation of inefficient Unions which are beyond revival by transferring the Societies in those Unions to other efficient Unions.

Resolution 5. This Conference recommends to the General Body of the Bank to request the department to cancel the registration of the South Kanara District Co-operative Council of Supervision.

Resolution 6. This Conference recommends to the Board of Management of the Bank to publish, in the Kannada Sahakari, the items of assets and liabilities of the Bank every month.

Resolution 7. This Conference recommends to the Board of Management of the Bank that the Directors may be paid T. A. for attending meeetings at the following rates:—

Mofussil Directors:—

Where there is train service;

Single II class Railway fare to and fro and Rs. 2 Daily allowance for day of meeting.

By road, irrespective of whether the journey is made by bus or otherwise:—

2 annas a mile and Rs. 2 Daily Allowance for day of meeting.

Local Directors:—

Carriage allowance of Re. 1

Correspondence.

ELIMINATION OF PIES.

An objection to the suggestions given by Mr. S. Gopalan in the previous month Journal page 322 about the clemination of pies in society accounts. By M. Subbiah.

There is no doubt that the elimination of Pies in the drawing up of the audit notes and Annual statements of all co-operative societies has been found convenient in the tallying of figures. Any amount less than a half anna is omitted and any amout more than a half anna is taken as one anna. The total under various heads is struck by them only in Rupees and annas. This does not affect the society seriously.

In the suggestions given,it is pointed out that, the rounding up of pies in the societies' accounts will be much useful. With the following illustrations I dare say that, the suggestion pointed out is absured and vague. I know of an urban society having the following terms of instalmants. Rs. 100 to be paid in 20 monthly instalments of Rs. 6 per mensem. Rs. 100 to be paid in 15 instalments of Rs. 4 per mensem and 10 instalments of Rs. 3 per mensem and 5 instalments of Rs. 2 per mensem. The interest for Rs. 100 for the first month is 13 annas 4 pies. If the 4 pies are left out according to the suggestions, then the rate percentage falls to 9¾. The interest for the last instalment (that is for Rs. 5) is 8 pies. If the society demands one anna instead of 8 pies the rate precentage rises to 15 from 10. No member will be prepared to pay such a high rate of interest in the Co-operative Society.

Suppose if the member fails to pay the instalments on the due date and pays at the last date of the week. The society charges him penal interest. (i.e. He will have to pay Rs. 5 Principal, annas 13 and pies 4 interest for the first month, and overdue interest pies 5, and penal interest pie 1). On the whole he will have to pay Rs. 5 annas 13 and 10 pies. If the society adopted the suggestions, should the man pay Rs. 5, 14 annas? Here also the rate exceeds. By means of the suggestions some members may be benefitted whereas his brother Co-operator will have to pay a higher rate of interest. One may say, why not the society make its demands and collections in roundsums ? The Bye-laws of most of the societies give no provision to collect interest daily. They count days below 15 as half a month and above 15 as one month. Even if they amend the Bye-laws the difficulty in adjusting instalments will arise.

Members get dividend for their shares whenever the society works under profit. Suppose if the dividend payable per share is annas 14 and pies 4 a member having two shares will get 1 rupee 12 annas and 8 pies. If the society gave 1 rupee 13 annas, according to the suggestions, the divedend paid exceeds 9 per cent. This contradicts the Bye-laws of the sociery that are existing.

In societies members are at liberty to pay their share capital in considerable terms of instalments as fixed by the society. Suppose a member fails to pay his share capital on the day fixed, and pays at the end of second month, will the society charge him to pay 2 Rupees 9 Annas (i.e.) 1 anna penalty for Rs. 2 annas 8 for two months instead of 10 pies? Suppose if the member pays at the end of the 3rd month the actual penalty is 1 anna 3 pies. Will the society loose this 3 pies?

Societies charge the cost of form spent by the member or for the sake of the member. Suppose the cost of a form is pies 6 will the society demand one anna for one form? It is awkward to ask the member to purchase two instead of one. If this too is accepted even in cases where the cost of form is pies 5, what can the society do in order to have its accounts in annas? Will the society loose this pies 5 or ask him to pay one anna? No one can expect a member to buy 12 at a time in order to eliminate pies.

The actual cost of a notice card is 2½ annas. Here, will the society have its accounts as 2 annas or 3 annas. If it is written as 3 annas will the member pay? If it is written as 2 annas who will pay the half anna spent? Will the society write incorrect account? Societies have to send insurances the charge for Rs. 100 being annas 5 and pies 6. Here will the society have its accounts as 6 annas, spending only 5½ annas. If so where do these 6 pies go?

Suppose the society purchases a needle worth one pie. How to make accounts? I believe that no one will advocating purchase of 12 needles so as to facilitate the accounts. The cost of Kerosene per measure is 5 annas 4 pies. If the society wants oil will it purchase 3 measures at a time so as to have the accounts in annas? One may say why not the society purchase certain other things also and have the bill in Rupees and annas only. As a matter of fact certain shops have certain things only. Practically we may find that we have to go to two or more shops to purchase a number of things because of the scarcity of the goods. Will the society make adjustments in bills so as to have in annas? If so in most of the cases the society will have to loose in calculating the rates fixed by shop dealers.

If the Clerk or Peon working in an urban society is relived on a certain date before the completion of a month the pay may represent in Rs, annas, pies; For instance, if it is Rupee 1 annas 4 and pies 5, (the pay for 5 days in a month of 31 days at the rate of Rupees 8 per mensem) will the society pay Rupee one annas 4 only. I dare say that, no one relieved from the society will forego 5 pies for the sake of the society. Societies sue members either in Arbitration Courts or in Civil

Courts. When refering cases to Civil Courts, the societies are asked to send detailed particulars such as for how many years, months and dates interest is collected. The society should also state the interest demand from that date to the date of application. The society should give a correct figure. It cannot ask for more pies. No member will be prepared to pay an adition of pies together with the actual demand in order to facilitate the society's account. Since the society will expel the member who drove the society to court he will not care for the wellfare of the society.

Suppose a member sends some Rs by M.O., the society has to send receipt by book-post. The cost is half anna. Will the society demand one anna after spending half anna or, affix one anna stamp. The societies are expected by public as well as members to have correct accounts. Accounts in this manipulated form will not be appreciated by them. In manipulation the society will loose in certain cases and will gain in certain other cases. Some members will gain whereas his brother co-operator will have to pay more than what he had to pay hither. This is akinto partiality. It is that the counting up of pies is a difficult stated one if so intrest calculation, drawing up of statements etc will seem more trouble-some. If counting up of pies is a difficult thing then counting up of annas also is trouble-some. By adopting the suggestions there will be a hue and cry. He points out the rounding up of pies in audit notes. This does not affect the society or member. The society pays its dues up to pies and so does the member. Only the state of the societies are expressed. The society as well as the member wont leave a pie on the date of transaction; for instance, if the cashier of treasury is questioned about the balance, he will naturally give it in a round figure. By doing so the balanceis not affected in any way. Similarly the society wont be a loser or gainer by the state ment where in the particulars relating to, say, many items are struck in Rupees and annas only.

In my humble opinion I dare say that the suggestions pointed out are practically useless and trouble-some. It will only endsin disaster.

District News.

THE ALAMURU LAND MORTGAGE BANK.

General Body Meeting of the Alamuru Co-operative Land Mortgage Bank was held on 21-1-1931 at 2 P.M. in the new Co-operative Building of the Alamuru Society. 80 members of the Bank attended from 30 villages. M.R.Ry., N Satyanarayana garu, the vice-president of the Bank explained to the members and the Bank the present financial stringency in the money market, of the inability of the Bank to secure adequale money to meet the demands of the applicants. As the government themselves are borrowing at 6 per cent from the public, the Central Land Mortgage Bank could not secure long term money from the public on its own debentures. But honest attempts are being made to secure funds. He stated that even in the near future the prospect of securing large funds from the public is not quite encouraging unless the government agree to guarantee not only the interest but also the principal for some time to come and also allow trust funds to be utilised for purchasing debentures of the Bank. With the limited resources at its disposal now the Bank could not increase its transactions satisfactorily and further loans have to be refused in spite of the soundness of the title and security. The Secretary Mr. N. Kameswararao then read the audit order for 1929-30 and informed the gathering of the details of statistics concerning the progress of the Bank during the year 1929-30. There are 390 members with a paid-up share capital of Rs. 23,400. The Bank floated 'A' class debentures worth Rs. 50,000 and 'B' class debentures worth Rs. 1,20,000. The debenture amount was all given to members on sound securities. The Madras Central Urban Bank purchased Rs. 30,000 of debentures. After the starting of the Central Land Mortgage Bank, this Bank stopped floating of debentures under the orders of the department and the Bank now is entirely depending upon the loans from the Central Land Mortgage Bank. The Bank borrowed up till now an amount of Rs. 40,000. The Bank disbursed loans to members during the year to the amount of Rs. 66,000. It has no arrears both under principal and interest. The Bank earned a profit of Rs. 3,654 and declared dividend to its members at 7 per cent on the paid-up share capital. Though the Bank could declare the dividend at 8 per cent according to its by-laws the members of the general body agreed to take dividend at 7 per cent only as they want to build up a strong reserve fund to strengthen the stability of the Bank.

13 villages already included in the area of operation of the Bank were removed from the area of operations as loan applications were not coming from those parts. But 12 new deltaic villages are added to its area of operation.

The amendments to by-laws were made according to the instructions from the Central Land Mortgage Bank. Provision in the by-laws was made for building up a building fund also. The budget for the year for an amount of Rs. 2,410 for establishment and stationery and other contingent charges was approved. A resolution was recorded regretting the sad demise of Rao Saheb, Adurti Ramarao garu who purchased Rs. 30,000 of debentures from the Bank. M.R.Ry., P. V. Subbarao garu the president of the Bank in his concluding remarks thanked the department, the auditor and the legal advisor and the debenture holders of the Bank for the help they have rendered to the Bank by their sympathetic support.

PROCEEDINGS OF THE GENERAL BODY MEETING OF THE WEST GODAVARI DISTRICT CO-OPERATIVE FEDERATION HELD ON 1-9-30.

Resolved that this Federation be abolished in view of the fact that it served no useful purpose as is evident from past experience.

1. As the President of the Federation is a member of the Joint Committee established already by the Bank and the Federation he must spend the money from the Supervision Fund account for purposes of supervision and propaganda, according to the wish of the Joint Committee.

2. It is resolved that President shall convene again the General Body Meeting only in the first week of July. The above two resolutions are carried unanimously.

3. It is resolved that all records of the Federation and Cash balance shall be kept with the President in the office of the Joint Committee and that the clerk of the Federation and the supervisors shall work under the Joint Committee. It is further resolved unanimously that the current account of the Federation which is in the name of the Secretary is to be transferred to the name of President and that President shall operate upon the current accounts in Kistna Co-operative Bank and West Godavari Co-operative Bank.

ORGANISATION OF AN AGRICULTURAL IMPROVEMENTS CO-OPERATIVE SOCIETY AT IDIGARAI.

Under the auspices of the Idigarai Local Co-operative Union Ltd., a meeting of the agriculturists of Idigarai and 14 other Revenue villages was held on Friday the 31st October 1930 at 2 p.m. in Idigarai at the residence of M. R. Ry. A. Ramaswami Naidu Avl., the organiser of the meeting and the Secretary of the Idigarai Local Co-operative Union Ltd., with a view to organise an Agricultural Improvements Co-operative Society. There was a fairly large gathering of agriculturists. The District Agricultural Officer of Coimbatore with the Demonstrator was also present.

M. R. Ry. V. C. Vellingiri Goundar Avl., was unanimously elected as chairman of the meeting.

The chairman in his introductory speech congratulated the agriculturists on their laudable proposals to organise an Agricultural Improvements Co-operative Society on the limited liability basis. He emphasised the necessity for such a society and considered it but an indispensable factor in the modern development of agriculture. And he made them understand that unless the agriculturists feel a necessity for such an organisation, he was not for imposing it on them. He was optimistic with regard to the success of this society.

The District Agricultural Officer who then spoke for a while laid stress that active co-operation alone could above all ensure the success of the society and cleared some misapprehensions entertained by a few of the ryots with regard to the success of the society.

Mr. A. Ramaswami Naidu explained all the important bye-laws and objects of the society to the assembly.

The question as to the place of location of the society was discussed by the assembly and it was decided to have it at Idigarai, which in their opinion, is centre of all the other villages included in the area of operation.

The draft by-laws were read out and approved by the assembly. The application for registration of the society was attested by 46 agriculturists.

The chairman in his concluding remarks eulogised the agriculturists for the keen interest evinced in the matter of organisation of this society. He desired that the same enthusiasm and interest should characterise their activities in future also.

The function came to a close after a vote of thanks to the chairman on behalf of the assembly.

Special Types of Societies

ON THE WORKING OF THE RAMADAS CO-OPERATIVE TRAINING INSTITUTE LTD., RAJAHMUNDRY.

for the Co-operative year ending 30—6—1930.

1929—'30.

2. *Members*:—There were 6 Central Banks, 4 Federations and 1 Land Mortgage Bank and 2 individuals as members on 30—6—1930.

3. *Contributions*:—Contributions to the Institute from Central Banks, Federations and Madras Central Urban Bank amounted to Rs. 2,075. The Government were also pleased to sanction a subsidy of Rs. 600 during the year under review, the total contributions being Rs. 2,675.

The area of operations of the Institute extends over 4 districts viz., Ganjam, Vizagapatam, East and West Godavaris.

4. *Staff*:—The Institute completed only one course for the period ending 30th June 1930. It maintained a Superintendent of the rank of Sub-Deputy Registrar and three other lecturers.

Students:—During the 1st session 97 students were admitted into the Institute. The term fee for each student was Rs. 20. All the 97 students appeared for the examination held in April 1930 and 77 came out successful. Of these 43 were placed in the first class and the rest in the 2nd class. It is gratifying to note that 79 per cent were thus successful.

6. The Institute runs a Hostel attached to it both for boarding and lodging.

7. The Institute owned a library of books worth Rs. 500 and furniture worth Rs. 150.

8. *General*:—The Institute has a net surplus asset of Rs. 1,785—1—5 at the end of the year and it is hoped that it would continue to work producing the best results and become a self-maintained one in due course.

THE TINNEVELLY DISTRICT PUBLIC SERVANTS' CO-OPERATIVE SOCIETY LIMITED.

This Society, started 15 years ago by a band of gentlemen in an unselfish spirit for the common good is now working quite satisfactorily.

1. The society has jurisdiction over the whole Tinnevelly District. It has about 9501 members with 4023 shares and with a paid-up share capital of Rs. 19,630. The Members of the Society have been benefited with a loan of Rs. 60,661 granted to them from its funds, for meeting the necessaries of life and for clearing debts elsewhere carrying higher interests. It has a reserve fund of Rs. 5,057 to its credit. Dividends at the rate of 9 per cent on the paid-up share capital have been declared.

2. A decent sum has been provided from the general funds of the society for the construction of a building for it in the compound of the District Collector's Office. The Board of Revenue has been favourably considering the secretary's application for alienating a plot of 4 cents of land in the Collector's Office compound for constructing a building for the society. The Executive Engineer has also expressed his views, after his inspection of the site, that the plot of land shown to him by the secretary, can be alienated in favour of the society. Ere long the construction of the building will be an accomplished fact.

3. The Secretary, has prepared a pamphlet in Tamil on the benefits of Co-operation, impressing the advantages derived by a member of the Public Servants' Co-operative Credit Society. The Registrar of Co-operative Societies, Madras has sent it to the Tamil Nadu Co-operative Federation which is publishing it in parts. This pamphlet is, written in such a beautiful and simple style that it can be of *immense use* and quite *instructive* to the *student population.*

CHINGLEPUT FEDERATION.

1. This is the seventh year of its working.

2. The number of affiliated unions was 28 as the registration of Sathyavedu Union was cancelled during the year under report.

3. *Current account.*—A sum of Rs. 476-9-2 was to the credit of the current account in the Conjeeveram Central Bank at the beginning of the year. A sum of Rs. 38,060-6-8 was added to the sum by way of deposits and Rs. 30,563-11-11 were withdrawn leaving Rs. 7973-3-11 as undrawn balance on 30-6-30.

4. *Income.*—The federation derived its income as under :—

1. Contributions from the supervising unions viz.,	8,061	0	0
2. Contributions by the Conjeevaram Central Bank out of its net profits for 28-29 under by-law 29 (3)	2,333	12	4
3. Grant by the central Bank for 28-29 and 29-30.	10,000	0	0
4. Grant from Government for propaganda and training classes	750	0	0
	21,144	12	4

6. *Meetings.*—Two general body and 15 Executive Committee meetings were convened during the year. The Executive Administration rests with the Executive committee consisting of 7 members. There were 15 Executive committee meetings during the year.

7. *Propaganda work done.*—Training classes for panchayatdars were held at 33 centres for which a subsidy of Rs. 750 was received from the Government. A sum of Rs. 870-4-3 was expended under this head.

8. *General.*—223 societies were selected and taken up for rectification. 80 out of these were selected for intense supervision. They were distributed among the 8 senior supervisors who have been put in charge of the members of the Executive committee of the federation. A rectification standing committee was formed to review the work of the senior supervisors. The amount expended for this work was Rs. 9,131 and the collections from these societies amounted to Rs. 83,431. The percentage of collection to expenditure worked at 10·9 per cent. The work turned out in this direction was most inadequate.

9. The overdues in societies are mounting up year after year. These have been causing grave anxieties to all concerned. The Federation is requested to impress on all unions and the staff the importance of the prompt realisation of these alarmingly heavy arrears and to take most effective steps for the reduction of overdues in the current year.

S. P. PERUMAL PILLAI,
Deputy Registrar.