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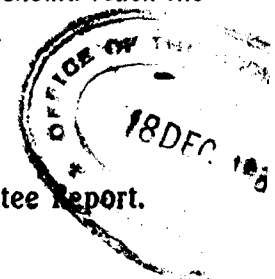
Editorial Notes

The Indian Central Banking Enquiry Committee Report.

I

(i) GENERAL.

The Report of the Indian Central Banking Enquiry Committee was published on the 16th September 1931, simultaneously in England and India, and has now been made available to the public. It consists of two volumes running to nearly 1,400 pages and obviously it is impossible to do justice to the Report in one article. We shall confine ourselves mostly to what the Committee has to say upon our special field of Co-operation. The introductory chapter gives us a history of the Committee, how it happened to be appointed and how it set about working. We are informed that the demand for an enquiry into the conditions of Banking in India was voiced as early as 1890 at the first Industrial Conference; and later on, the Royal Commission on Indian Currency and Finance of 1914 and the Industrial Commission of 1918 demanded such an enquiry. In 1919, the Hon'ble Mr. (Now Sir) B. N. Sarma brought forward a resolution in the Imperial Legislative Council urging the appointment of a Banking Enquiry Committee; and in 1924, the External Capital Committee emphasised the importance of undertaking a co-ordinated



survey of the banking conditions in India at the earliest opportunity. In 1927, when Mr. S. N. Haji, moved a resolution in the Legislative Assembly on the subject, the Government decided to put it off pending the receipt of the report of the Royal Commission on Agriculture. But the demand became insistent; the *Associated Chamber of Commerce of India and Ceylon* and the *Federation of Indian Chambers of Commerce and Industry* also urged upon the Government to institute such an Enquiry and the Government, accepting the suggestion, formally appointed the Central and the Provincial Banking Enquiry Committees in their resolution No. F. 2 (4)—F/29, dated the 22nd July, 1929.

With the approval of the Local Governments the enquiry was divided into three stages. In the first stage, Provincial Committees consisting of "persons possessing intimate knowledge of local conditions" were asked to deal with the subjects of agricultural credit, credit facilities for small industries etc. The second stage consisted of investigations by the Central Committee into fields excluded from the scope of the Provincial Enquiry Committees' work. The third stage began with the completion of the survey of the banking field by the Central Committee, when a small body of foreign experts "selected by Government and having experience of rural credit and industrial banking" was appointed to assist the Central Committee in coming to their conclusions.

The Committee originally consisted of 21 members with Sir B. N. Mitra as President and Sir Purushothamadas Thakurdas as Vice-President. There were representatives on the Committee of commercial bodies, joint stock banks, exchange banks, the Imperial Bank of India, the co-operative banks and indigenous bankers; Indian economists and representatives of the general public requiring credit facilities were also put on the Committee. Our readers would remember that Mr. J. M. Mitra, Registrar of Co-operative Societies of Bengal and the senior-most Registrar in India, was selected as the representative of the official side of the Co-operative Movement and Mr. V. Ramadas Pantulu was selected on the recommendation of the Indian Provincial Co-operative Banks as the representative of the non-official side. Much to the regret of co-operators, Mr. Mitra was unable to serve on the Committee. The presence, however, on the Committee of Mr. G. K. Devadhar, a veteran co-operator as a representative of public interests, though not formally of co-operative banking, was a source of considerable strength to the co-operative interests.

The terms of reference were as follows:—

"To investigate past records and existing conditions of banking in India including the organisation of the money market and to consider the steps, if any, that are feasible and desirable under the following main headings:—

- (a) the Development of Banking with a view to the expansion of indigenous, co-operative and joint stock banking with special reference to the needs of agriculture, commerce and industry;
- (b) the Regulation of Banking with a view to protecting the interests of the public; and
- (c) Banking Education with a view to the provision of Indian personnel in adequate numbers and with the necessary qualifications to meet the increasing needs of the country for a sound and well managed national system of banking."

The Government of India decided very wisely to offer facilities to such of the Indian States as might desire to associate themselves with the Central Enquiry so that the "banking picture for the whole of India" might be complete. 19 Indian States availed themselves of the offer, though only 15 of them submitted their reports in time.

(ii) MINUTES OF DISSENT.

Mr. Manu Subedar, one of the two expert economist members of the Committee, has written a separate report running to nearly 500 pages and did not sign the Majority Report. Of the other signatories to the majority report, some have written minutes of dissent. Mr. Ramadas Pantulu has written one on indigenous banking. He is of opinion that the indigenous banking classes ought to be re-organised "so as to come into the banking system of India." He does not share the view that the extinction of the indigenous banker is a matter of time and will quickly follow in the wake of expansion of commercial and co-operative banks." He thinks there is plenty of human material and financial resources in indigenous banking quite sufficient to make up one wing of the structure of the modern banking system* of the country.

Mr. N. R. Sircar has written an elaborate note of dissent on the financial requirements of industries and of foreign trade. He considers that the recommendation about the starting of industrial banks should have been more forward. He advocates the formation of industrial banks after the German model which would offer long

JL
X MAR 21, 1934

term credit to the Indian industries. "What is required in the peculiar circumstances in India is" according to him, "an active and vigorous industrial policy pursued by the Government which should be reflected in fiscal, currency, railway and stores purchase policies." He recommends, pending the establishment of an All India Industrial Corporation, the formation of an All India Industrial Board with advisory functions.

The Financing of Foreign Trade forms the subject of two separate notes of dissent, one by Mr. N. R. Sircar and the other by 6 members of the Committee headed by Sir Purushothamadas Thakurdas. From our Province, Messrs. V. Ramadas Pantulu, R. K. Shanmugam Chetty, and Jamal Muhammad are signatories to this minute of dissent. The dissenters lay great emphasis upon the fact that India's foreign trade has gone into the hands of non-nationals owing mainly to the fact that "the financing of that trade is in the hands of banks controlled and run by non-nationals." They affirm emphatically that Indian trade interests require prompt action in the direction of the immediate establishment of an Indian Exchange Bank to put an end to the monopoly enjoyed by non-national exchange banks. They show how in various countries substantial restrictions are imposed on non-national banks working in their midst, in the interests of the nationals. They therefore recommend, with a view to getting Indians their legitimate share in the finance of foreign trade, that the State should start forthwith an exchange bank with a capital of three crores of rupees, all to be taken up by the State. They are not for waiting to take this step until the Reserve Bank is started, if there should be delay in starting it. They examine in detail the various objections of the majority against the starting of an exchange bank and meet them in a convincing manner.

By a ruling of the Chairman, the Committee were precluded from discussing the details of the constitution of the Reserve Bank; but, its establishment without delay was unanimously recommended.

(iii) THE REPORT ANALYSED.

The Report is divided into 27 chapters dealing with the following subjects :—

- (1) Development of Banking in India.
- (2) Existing credit agencies.

- (3) Rural Finance.
- (4) Financial requirements of other classes of population.
- (5) Financial requirements of Industries.
- (6) Financing of Foreign Trade.
- (7) Banking system and the Money Market.
- (8) Saving and Investment Habit.
- (9) Regulation of Banking.
- (10) Banking Education.

Of these subjects, No. 3, Rural Finance, and No. 7, Banking System and the Money Market, are dealt with in great detail and they take up 11 and 6 chapters respectively. The Report concludes with a summary of recommendations.

The foreign experts have submitted to the Central Committee a separate report, which together with the annexures is published as appendix No. 1. Appendix No. 2 gives statistics about banking and loan companies in India arranged according to Provinces. Appendix No. 3 gives the recommendations of the various Provincial Committees and the recommendations of the Central Committee thereon. The Report is a mine of information on the subject of banking in the country, gathered together at the cost of Rs. 13,36,740, of which Provincial Governments contributed Rs. 92,614, the balance being paid from the Central revenues.

Chapters IX and X of the Report deal with co-operative organisations and land mortgage banks respectively. They are envisaged as forming a part of the machinery to supply rural finance. There are paragraphs about Co-operative Sale Societies and Urban Banks in chapters XIII and XV, but chapters IX and X cover the main field of Co-operation. Portions of the Report dealing with money lenders, indigenous bankers and rural indebtedness are also naturally of peculiar interest to co-operators.

The chapter on Co-operation begins with a brief history of the Co-operative Movement in India from its inception in 1904, through its various stages, to the present day. The passing of the Consolidating and Amending Act in 1912, the publication of the classic Report on Co-operation by the MacLagan Committee in 1915 and the change effected in the Indian Constitution in 1919 whereby Co-operation was made a Provincial and Transferred subject, were all referred to as the most important landmarks in the history of the movement, and their bearing on it was traced. We are also told how

in Bombay and Burma, the local legislatures passed their own Co-operative Societies' Acts, modifying the Indian Act of 1912 to suit local conditions and how Committees of Enquiry into the working of the movement were appointed in the United Provinces, the Central Provinces, Madras and Burma.

Chapter IX (Co-operation), to which we confine ourselves in this article, may be dealt with under the following four main headings :—

- (1) Co-operative structure,
- (2) The defects of the movement,
- (3) Relation of Co-operative Societies with other banking organisations,
- (4) Co-operation and Government Aid.

(iv) CO-OPERATIVE ORGANISATIONS.

1. The financial structure of the movement, which is based on the Primary Societies going on to the next stage of Central Banks and culminating in the Provincial Banks, is described in detail. With regard to the component parts of the structure, certain important observations are made.

Primary Societies :—The Committee are of opinion that the encouragement of subscription to share capital by members as a method of collection of savings has to be preferred to a system of compulsory deposits. They also hold that, under the existing conditions, primary societies would not be well advised in attracting deposits from non-members by offering high rates of interest, but should aim more at "serving as savings banks for their members and promote thrift." The modification of section 19 of the Co-operative Societies' Act of 1912 is recommended so as to make the prior claim of co-operative societies for the recovery of their loans a first charge. The Committee are not for encouraging the practice of allowing societies to make use of their reserve fund as working capital, but they agree with the recommendations of the Townsend Committee that "central banks should lend to societies at concessional rates sums up to the extent of reserve funds in deposit with them." They have examined the significance of unlimited liability in a primary society and agree with Mr. Calvert in interpreting it as ultimate contributory liability. They recommend, in places where this unlimited

liability cannot make headway, the introduction of societies on the limited liability basis.

Central Banks :—Prominent attention is drawn to the very important position occupied by the central banks in the pyramidal structure of the co-operative financial system. These banks have won the confidence of the public and are to-day "an important factor to be reckoned with in the Indian Money Market." Their position in certain provinces has become so stable, "that municipalities, local bodies, universities and other quasi-public bodies are allowed to deposit their surplus funds with them." The Committee are not in favour of creating any reserve liability of members going up to 5 to 10 times the actually paid up share capital. They recommend the creation of a bad debt fund and setting apart a reasonable amount of profit to that fund, in addition to statutory allocation to reserve fund, evidently as a check on distribution of dividends to an extent not warranted by the soundness of the assets. This is in accordance with the policy now pursued by the Registrar in this Province.

Provincial Banks :—After describing the part played by provincial banks as financing agencies and balancing centres to the central banks, the Committee examine the question of the creation of an All-India Co-operative Bank ; but they are of opinion that, when the Reserve Bank is created, provincial co-operative banks will be provided with the financial facilities required by them through the Reserve Bank and that therefore there is no need for an apex bank at present. Moreover, there is the Indian Provincial Co-operative Banks' Association to co-ordinate the activities of the various Provincial Banks and to supply them with information about the financial requirements of the several co-operative banks. The Committee also examine the suggestion about changing the constitution of Provincial Banks into special registered institutions with part of the share capital subscribed by the Provincial Governments. They have expressed their opinion against such transformation and have recommended the continuance of the present practice, according to which Provincial Banks are

incorporated under the Co-operative Societies' Act. They recommend that the chief executive officer of the Provincial Bank should be a thoroughly trained banker, with competent knowledge of the principles and practice of co-operative credit.

All-India Institutions:—Mention is made of the Indian Provincial Co-operative Banks' Association and the All-India Co-operative Institutes' Association. The Committee recommend that the All-India Act should be so amended as to provide for the registration of societies of such an All India character, since their registration may not be otherwise easy, inasmuch as the Co-operative Societies' Act of 1912 is being replaced by provincial enactments in one province after another.

(v) DEFECTS OF THE MOVEMENT.

Next we come to the question of the defects of the existing organisation. The practice that is obtaining in some parts of India, especially in our own province, of co-operative credit societies attempting to accommodate their members with long term credit is condemned in unmistakable language.

"We have carefully considered the question whether the ordinary credit societies are a suitable agency for supplying long term credit to the agriculturists and we have come to the conclusion that in the interests of both the movement and the borrowers these institutions should confine themselves to dispensing short and intermediate credit the nature of which we have already described. Long term credit can be provided with any degree of safety and success only by Land Mortgage Banks, and these we deal with in the next chapter. The absence of such a rational system of rural finance has seriously interfered with the successful working of co-operative credit societies in some cases."

In order to remove the charge of inelasticity of co-operative finance, that it is not available to the ryot as and when he requires it, the Committee approve the plan recommended by various Provincial Banking Enquiry Committees, namely, the introduction of normal credit system in the rural societies, according to which the

credit limit of each member of the society will be fixed in advance of the season and arrangements will be made for enabling the member to secure the necessary finance as and when he wants it.

Next, the feature of the high rates of interest still obtaining in some provinces is visualised by a table and the point is further elucidated in a later part of the Report where co-operative credit is considered as being still much too dear for the cultivators. The various suggestions for a further reduction in the present rates of interest are tabulated in paragraph 176 and are commended to the Provincial Governments and non-official co-operators for careful consideration.

It is shown by extracts from Provincial Committees' Reports that the credit facilities now provided for by the movement to the agriculturists cover but a very small proportion of their needs. It is also stated that the general indebtedness of the ryot has not shown any appreciable diminution at all.

Some of the most outstanding among other defects, specially emphasised, are the growing overdues and insufficient and unreliable auditing. The remedies suggested for tackling the problem of overdues are the careful examination of the purpose of the loan, and the repaying capacity of the members, a rational system of extension for repayment and the fixing of the period of repayment to suit the circumstances of borrowers. Regarding audit, they recommend the formation of District Audit Unions to be federated into an *ad hoc* Provincial Union, or the affiliation of these audit unions to a separate branch of the existing Provincial Institutes. The underlying idea is the pooling of the funds available for audit and supervision in a central authority which would enable it to employ properly qualified staff. While the scheme is a provincial one, local touch and initiative are secured by the constitution of District Unions. According to this scheme, the audit is to be done by competent persons certified or licensed by the Registrar, which license is liable to be withdrawn by him for sufficient cause. We find that this scheme was recommended by the two foreign experts on Co-operation. It is also in substantial agreement with the scheme adopted by the Conference of All India Provincial Co-operative Institutes held at Hyderabad (Deccan) in April 1931.

The Committee also deplores, with the Royal Commission on Agriculture, the lack of training on the part of both the officials

and non-officials and recommend the taking of steps for their efficient and adequate training.

Among other dangers to be averted was mentioned the increase of official control and the Committee definitely recommend its relaxation and support their recommendation by an appropriate quotation from the Report of the Calvert Committee on Co-operation in Burma.

The Committee have turned down the suggestion of creating a Special Supervising Board over and above the managing committee, or panchayat, of societies. It is recommended that, in cases where the panchayat of a society has advanced loans in excess of the limit prescribed by the bye-laws, they should be held personally liable as guarantors of the loan, and the rules under the Act should be amended accordingly.

vi. REALTION WITH OTHER BANKS.

In dealing with the question of the relationship of the co-operative organisation with other banking agencies, we are glad to be assured by the Committee that the relations between the money lenders and indigenous bankers on the one side and the movement on the other is satisfactory enough, though co-operative societies have seriously competed with them. Many money lenders are directors of co-operative banks and some of the bigger bankers have also placed money in fixed deposits with co-operative banks. As regards relations of co-operative banks with joint stock banks, their respective spheres of activity being widely apart, no serious complaints were heard of these two competing with each other. Anxiety on the part of some commercial banks that co-operative central banks have now begun to advance loans on pledge of produce and gold in competition with them is admitted. But this kind of co-operative credit is commended by the Committee as a legitimate part of the business of Co-operation. It is on the question of relationship with the Imperial Bank that the Committee have examined in great detail the so called unsatisfactory nature of the agricultural paper furnished as security by co-operative societies. The various arguments put forward by the authorities of the Imperial Bank are satisfactorily met and there is a ray of hope in the promise of Sir Osbourne Smith who said that "the Imperial Bank would be prepared to give

the matter a serious and sympathetic consideration, if co-operative banks offer as security only the paper of A and B Class Societies." The Committee also recommend that co-operative societies should be given facilities for free remittance of funds for co-operative purposes and, for other than co-operative purposes, the same privileges and concessional rates as joint stock banks.

vii. CO-OPERATION AND GOVERNMENT AID.

Lastly, the question of Government's responsibility in the matter of the movement is discussed. As this has not been hitherto clearly defined, the Committee has stated under what circumstances the movement requires State aid. As in the case of Central Provinces and Burma in the past, they want the State to continue to render such assistance as may be found necessary under conditions of exceptional financial difficulty. But they add that "in the interest of the general tax-payer and to encourage self-help and self-reliance in the co-operators themselves, the State aid should be of a temporary nature sufficient to enable the Societies to tide over the crises." They also recommend that "when a Provincial Government is satisfied that for meeting the needs of the movement in exceptional circumstances, or for the development of the agricultural industry, it is necessary to make loanable capital available to the co-operative banks, the Provincial Governments with the concurrence of their legislatures should place at the disposal of the movement such loans as may be necessary to meet the requirements. Such funds shall be placed at the disposal of the Provincial Banks to be loaned out to central banks and primary societies." This last observation shows that the procedure recently adopted by the Local Government in our province of lending directly to the Central Banks is not correct. The Committee also recommend that contributions from State funds for expenditure on the Co-operative Movement in backward tracts and among the backward classes should be continued. They are not in favour of the suggestion made in certain quarters that central banks should be authorised to serve as sub-treasuries of Government in those localities where no separate sub-treasuries or branches of the Imperial Bank are in existence, because they consider

that the movement at present is not competent to handle such extra business. Finally, they recommend exemption of co-operative societies from payment of income-tax and super-tax on earnings from investments in public securities or land mortgage debentures only to the extent such investments are necessary for the purpose of their fluid resources or for the investment of reserve funds as prescribed by the rules.

It would thus be seen that the Committee's survey has been exhaustive and their recommendations far reaching. We shall take up in our next issue the recommendations about Land Mortgage Banks, Urban Banks and Co-operative Sale Societies and the facilities to be given by the financing agencies to warehouses and godowns. The chapters on money lenders and rural indebtedness which are intimately connected with co-operative credit will be dealt with later.

CO-OPERATIVE INDIA

BY

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

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The Problem of Liquidating Agricultural Indebtedness.*

BY V. RAMADAS PANTULU,

Vice-President, Indian Economic Association (Madras Branch.)

What is rural indebtedness? I wish to state at the outset what I mean by rural indebtedness. Speaking in a broad sense, a debt contracted for any purpose creates indebtedness. But, from a correct economic standpoint, I feel that money borrowed for the pursuit of agricultural industry and repaid out of the produce raised on the land in one or more seasons, should be distinguished from accumulated debt not capable of being so repaid. Short term credit which is repaid out of the next harvest, the intermediate credit which is repaid out of the margin of income in a small number of years and long term credit which is repaid out of the enhanced profits created by investing permanent capital on land, are all varieties of rural credit. Normal financial accommodation to agriculture and standing debt of agriculturists are distinct factors in our rural economy. I would prefer to call the former rural "credit" and avoid, if I may, in dealing with it, the use of the word "debt". Agriculture, like every other industry, needs capital and credit. Mr. Wolff puts the position pointedly when he says: "Under pressure of advancing times agriculture has long since become, from the easy self-rewarding occupation which it is understood to have once been, a business of money and enterprise like all other business, having the same tasks set to it but not the same means at its disposal wherewith to accomplish the task." If so, recurring seasonal credit is as much a feature of agriculture as of concentrated factory industries. I do not, therefore, see the propriety of such credit being described as "indebtedness". No one describes the commercial credit dispensed by banks to mill-owners as "Industrial Indebtedness." Why then should similar financial accommodation to the agriculturist be designated "Rural Indebtedness"? It is true that the portion of seasonal credit which is not duly repaid gets accreted to standing debt and the agriculturist himself does not distinguish between seasonal credit and prior debt. But that is no reason for our mixing them up. I am of opinion that such mixing up

* Speech delivered at the meeting of the Indian Economic Association (Madras Branch) on 19-9-1931, in opening the debate on the subject.

has led to much avoidable confusion of thought both in envisaging the problem and in searching for remedial measures. The problem of finding rural credit in an adequate measure and on reasonable terms for productive enterprise and profitable pursuit of agriculture is, to my mind, wholly different from that of reduction, conciliation, adjustment, redemption, liquidation or extinction of the standing debt of the agriculturists. My purpose on this occasion is to deal not with rural *credit* but with rural *debt* as I wish it to be defined.

Extent of Rural Indebtedness:—The volume of rural indebtedness has not yet been ascertained with any degree of precision; perhaps, all that can be attempted is a rough estimate thereof in the present state of statistical and other materials available. This indebtedness is, no doubt, not a new thing and has been a long standing feature. But, it has increased considerably during recent years according to all accounts. The rural debt of this province, in its wide sense, was estimated by the Madras Provincial Banking Enquiry Committee at Rs. 150 crores. The Committee state that this figure is the maximum of the year and that the debt which continues from year to year at present is about Rs. 70 crores (See paragraph 98 of their Report). I am not disposed to place much reliance on these estimates. But they at any rate indicate that the debt annually borrowed and repaid, which I term rural credit, forms a considerable proportion of what is comprehensively, but erroneously, called rural indebtedness. Having regard to the fact that about 50 million acres of land are cultivated annually in this province by a peasantry which is mostly without reserve resources to draw upon for cultivation expenses, we may safely put the annual rural credit, at the lowest computation, at about Rs. 50 crores. Then we are left with at least Rs. 100 crores of standing debt in this province to deal with.

In this estimate, the effects of the fall in land values and prices of agricultural products are not taken into account. It does not require much economics or mathematics to demonstrate that the debt burden doubles itself by the fall in prices by one half. The Kistna-Godavary Resettlement Economic Enquiry Committee estimated that the rural debt even in those two districts, where failure of crops is comparatively rare, covered 30 per cent of the rural assets. If the value of the assets has gone down, the percentage of the debt to the assets must have gone up. The percentage of debt to value of land in the Tanjore District is much larger according to a statement filed by the Madras Provincial Co-operative Union

before the Royal Commission on Agriculture. Again, the effect of the 18d. ratio on rural debt has also not been calculated. So, the total extent of our effective rural debt is really much larger than Rs. 100 crores.

Causes of Rural Indebtedness:—I do not propose to enumerate the causes of rural indebtedness, which were suggested by several Committees and investigators. (For a resume of those causes see paragraphs 80 and 81 of the Report of the Indian Central Banking Enquiry Committee.) According to many of the Provincial Banking Enquiry Committees, the most important single cause of existing indebtedness is *past borrowing*. Old indebtedness is an occasion for fresh borrowing, due mainly to high interest charges. Old debts and loans for repayment of old debts form an important item of fresh borrowing. The process seems to have been helped by the enhanced borrowing power acquired by the agriculturist on account of the economic benefits resulting from the improvement of communications, the construction of irrigation works, the opening up of trade and the maintenance of law and order. These factors have certainly imparted an enhanced value to land as well as agricultural products. The system of land settlements and record of rights have made individual ownership in land secure. Land has become a coveted security for loans and the borrowing power of the agriculturists has thereby risen considerably. If these advantages had been wisely availed of by the agriculturists to improve their economic position, many of them should have been much better off than they actually are to-day. These economic benefits were hitherto unfortunately availed of more largely by their creditors than by themselves. So, in finally assessing the contributory factors of rural indebtedness, the absence of that all-important economic virtue '*Thrift*' must be recognised. Thrift, as a French writer says, is the Second Providence of the Human Race.

Effect of Rural Indebtedness:—Chronic indebtedness tends to the economic deterioration of the producers resulting in low agricultural production which, in its turn, leads to increased indebtedness. The low economic efficiency of the ryot brings about the impoverishment of the soil and impairs its productivity. Economic degeneration of the producers and agricultural depression adversely affect the trade, commerce and industry of the country. Among the factors that account for such degeneration and depression in our country, the deadweight of a huge unproductive standing debt is a most potent

one. Putting the rural debt of our province at Rs. 100 crores and the average interest of the Mahajan together with all the collateral gains he secures by his loans at 20 per cent, the drain on the agriculturist's income will be Rs. 20 crores annually. The economic loss engendered by the low efficiency of the agriculturist as a producer by reason of his being dispirited and discontented with his lot, cannot be small, when reduced to its money equivalent. Then comes the most serious consequence of indebtedness, namely, the loss of land by its passing from the hands of the agricultural classes into those of the money-lending classes. The effects of growing unproductive debt are very serious indeed on the economic life of the nation. Prompt and drastic measures are, therefore, clearly called for to mitigate the disastrous effects of such indebtedness.

Liquidation of Rural Indebtedness:—Measures for the expansion of Rural Credit are, for obvious reasons, intimately connected with liquidation of Rural Debt: nevertheless, the consideration of the questions connected with such expansion is entirely put aside on this occasion, so as to concentrate on the problem of liquidation of standing debt. In discussing the measures suggested for such liquidation, I am merely raising the issues involved in the problem and not offering cut and dry solutions, for such solutions are best arrived at after a careful examination of the various suggestions with all their implications, a process which has yet to be gone through.

(a) *Replacement of usurious debt by loans on reasonable terms:*—The only agency that has so far attempted this is the Co-operative Agency. The co-operative credit movement in India owes its origin mainly, if not solely, to the wide-spread belief in its efficacy to redeem agricultural indebtedness. That the movement has largely failed in the accomplishment of this aim must be conceded even by its most devoted and zealous votaries. Co-operatively speaking, the discharge of prior unproductive debt is essentially an unproductive purpose, although the difference in the annual interest charges may go to enhance, to some extent, the debtor's margin of savings. In most cases, however, the normal margin is so low as not to leave a surplus to meet any part of the interest charges, even if the rate of interest is the minimum conceivable, and much less to make provision for capital reduction of the debt. So, the saving in the interest charges on the prior usurious loan which is replaced by a co-operative loan, has in practice not helped to reduce the standing debt. Whether it had any other beneficial effects or not, it is unnecessary to discuss in this connection. If the current financial needs of agriculture were supplied

adequately and promptly by co-operative credit institutions, the growth of standing unproductive debt might have at least been checked. The co-operative credit institutions have, in my opinion, committed a blunder of the first magnitude in transferring to themselves the prior debt which agriculturists owed to outside creditors. The bulk of the debt which was so transferred was incapable of being redeemed or liquidated on any rational scheme of repayment, out of the incomes of the borrowers and it naturally offers a stubborn challenge to the ingenuity and assiduousness of co-operators to collect it from the members of the societies. All the Provincial Banking Enquiry Committees have now reported that a rural credit society is not the proper agency for clearing old debts. The land mortgage banks in our province which, I understand, are at present concentrating on the liquidation of prior debts on ten years' loan basis, will, I am sure, equally fail to perform what is obviously an economic miracle. If the summary powers of sale and foreclosure on default, which our Land Mortgage Banks are anxious to obtain by statute, are put in motion, the Banks will find themselves in the same position as the money-lender who buys up his debtor's lands. We cannot, therefore, build on the co-operative organisation a scheme for the liquidation of even an appreciable fraction of rural indebtedness of the dimensions I have already described. But, the co-operative organisations can come in for their legitimate share in schemes for debt liquidation, as I shall show later.

(b) *Moratorium:*—An easy solution that readily suggests itself is a moratorium, whereby the payment of debts is suspended. At best, it is a temporary remedy and does not cut the Gordian Knot. The Legislative Assembly was of opinion that it could not be resorted to without throwing out of gear the whole credit system. Extension of time for payment may mitigate the hardship caused by the present acute economic depression, but cannot save the debtors from the ruin that stares them in the face at the prospect of having to pay the debt some day.

(c) *Conciliation or Adjustment:*—The essence of schemes for conciliation or adjustment of rural debt is this; it is generally accepted that much of the existing debt is the result of renewal of prior debt with accumulated interest and other advantages secured by creditors; when accounts are re-opened and a fair settlement of the debt is arrived at, there will be a considerable reduction in the burden; the creditors are expected to receive the sum so settled and to give full discharge to the debtors. These schemes were tried

in at least three provinces in India, at one time or another, the Punjab, Bihar and Orissa and Central Provinces. The main difficulty experienced in the carrying out of the schemes was the absence of an agency that would advance the sums, which the creditors were prepared to accept in full settlement of their claim under the adjustment. The creditors naturally declined to agree to a reduced paper debt being substituted for the subsisting larger debt. The Punjab Provincial Banking Enquiry Committee make the valuable suggestion that the co-operative banks (credit societies and land mortgage societies) may treat the sums agreed to be paid to the creditors as deposits or debenture stock of creditors and liquidate the same on some agreed scheme of repayment in instalments. The State can step in to augment the funds of the co-operative banks for the purpose, on certain conditions, specially in areas, where the resources of those banks are inadequate to work the scheme. This, in brief, is the substance of schemes of voluntary conciliation or adjustment of debt.

There are some who advocate that debt adjustment and conciliation schemes should be pushed a step forward by placing them on a compulsory basis where voluntary conciliation could not be effected. For this purpose, officers should be appointed with statutory powers to re-open accounts, apply the provisions of acts intended to give relief to debtors (like the Usurious Loans Act) and to bring down the debt within the limits of the repaying capacity of the debtors. The principle applied in fixing the quantum of debt recoverable in such cases is that it should not exceed a certain multiple of the annual margin of the debtor's savings, arrived at after an estimate of his probable income and reasonable expenditure. The Royal Commission on Indian Labour has given full recognition to this principle in their chapter on Debt. (Vide page 231). The Indian Central Banking Enquiry Committee has also dealt with the question in paragraphs 86 to 92 of their Report and accepted the principle stated above. Elsewhere experimental legislation on these lines has already been undertaken. The following account of the Debt Adjustment Act recently passed by the Province of Manitoba in Canada is gathered from "The Scoop Shovel" a magazine of Agricultural Co-operation:—

"The Act to facilitate the adjustment of debts which was passed by the Manitoba Legislature and which has become law, is for the purpose of permitting debtors and creditors to come to an agreement through a Debt Adjustment Commissioner who is given certain powers under the Act to give legal force to his decisions regarding debt adjustments. The Act provides that any resident of Manitoba who is engaged in farming operations or is the owner of a residence which he occupies as his home, being in trouble regarding debt, may make application to the Commissioner and the Commissioner shall endeavour to arrange a mutually acceptable plan for adjust-

ment of the debt. He shall inquire into the circumstances of the debtor and after being satisfied in the matter, may issue a certificate which shall protect both debtor and creditor with respect to certain legal actions such as sale, or foreclosure on land, or proceedings to acquire land under a tax sale, or seizure in the nature of an execution etc., subject to certain provisions of the Act. The Act is in force from 1st April 1931 to 1st April 1933 and certificates issued by the Debt Adjustment Commissioner are good until 1st April 1933."

(d) *Simple Rural Insolvency Law*:—The unsuitability of the existing Insolvency Law to rural conditions was clearly pointed out by the Royal Commission on Agriculture. The inherited debt which is perpetuated by the pious obligation theory of the Hindu Dharma Sastras, as understood and administered by foreign judges, has effectively prevented the unfortunate rural debtor from disentangling himself from the meshes of chronic indebtedness, even by giving up his entire assets in satisfaction of the debt and beginning his life afresh without fear of molestation by his hereditary creditors. So, it has been suggested that, in all cases where the debtor's liabilities are equal to or exceed his assets, there must be a simple machinery for giving discharge to the debtor with the least expense and the utmost speed. Special itinerant officers with powers to liquidate the debts, who will make enquiries on the spot and administer the Act, are necessary. Much hardship, which is now experienced by rural debtors who cannot avail themselves of the Insolvency Law, is expected to be removed by a measure of this kind. The discharged debtor will then have a rebirth in his economic life. The Indian Central Banking Enquiry Committee have strongly recommended this measure (vide paragraph 93 of their Report.)

(e) *Regulation of Money-lending*:—It must be admitted that, if money lending can really be regulated and the frauds and vagaries of the money-lenders can be effectively checked by Acts, there will be tangible relief to rural debtors and rural debt will get reduced. But, the ways of the money-lenders are inscrutable and can defy all the ingenuity of the legislators and the administrators of law and justice. Nevertheless, some system of registration and licensing of money-lenders and the enactment of laws on the model of the English Money Lenders Act and the Punjab Act to regulate money-lenders' accounts, are frequently advocated and some of the Provincial Banking Enquiry Committees have recommended action on those lines. The Indian Central Banking Enquiry Committee, while not favouring either voluntary or optional licensing of money lenders, recommended legislation for the regulation of their accounts and suppression of usury. (Vide paragraph 122 of their Report.)

(f) *Legislation to protect the agriculturist against himself*:—By the peculiar position he occupies in the present-day rural organisation, his economic dependence on others, his phenomenal helplessness by reason of illiteracy and indebtedness, which he carries on both his shoulders, and the comparatively domineering position of those with

whom he has to deal, the agriculturist is unable to protect his own interests without the help or the intervention of the State through the legislatures and the Courts. Hence the necessity for measures to ensure to the agriculturist fair treatment in the determination and recovery of debts, by means of suitable modifications in the processual and contractual laws. Exonerating him from the effect of his own contracts and unsettling his settled accounts to relieve him against the consequences of the hard bargains he enters into with his creditors, is the object of such legislation. The Dekkhan Agriculturist's Relief Act and the Usurious Loans Act are instances of such legislation. These measures may have to be carried a step further in order to prevent the agriculturist from experiencing the more serious consequences of his indebtedness, such as the loss of his land, or the permanent impairment of his capital, by prohibiting eviction without fully compensating him for improvements made by him and exempting his holdings from liability to sale in execution of decrees, or even restricting his powers of voluntary alienation. The Punjab Land Alienation Act of 1901, the Bundelkhand Land Alienation Act of 1903 and the C. P. Land Alienation Act of 1916 are instances of this species of legislation. It must, however, be pointed out that opinion is sharply divided on the question whether these measures to restrict land alienation have really benefitted the agriculturist for whose benefit they are intended.

(g) *Temporary relief to Debtors*:—I have not adverted to temporary measures of relief such as grant of extensions to debtors by banks and other credit agencies, postponement of execution sales and permitting satisfaction of decrees in instalments, suspension of collection or partial remission of revenue and rent by the Government and landholders, distribution of takkavi loans on a liberal scale, expansion of currency by the Government and the like. Not that they do not afford immediate and real relief at this juncture, but they are not lasting solutions of the problem. These temporary measures if vigorously tried will prove very helpful to mitigate the hardship of rural debtor and must be strenuously advocated.

It will be noticed that the remedial measures suggested above are not mutually exclusive. Indeed, they are cumulative inasmuch as no single measure offers a complete solution of the problem. All of them, however, are of a drastic character in the sense that they demand courage on the part of Government to initiate them and sacrifice on the part of vested interests to be prepared to cheerfully accept them in the larger interests of the nation. But, if the agriculturist is to be rehabilitated and the further deterioration of our national economy is to be arrested, some action must be taken promptly. It is time for us to think furiously over the matter, for on its proper handling depends the entire course of our future economic progress.

Rural Credit Societies

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

The Co-operative movement is now faced with 'frozen or not readily realisable credit' as the result of heavy overdues by members to primary societies and by the latter to the Central Banks. This state of affairs had been progressing for the last ten years until it reached the climax last year and this year when the financial depression felt all over the world has made the position serious—a unique feature of starvation for money with plenty of food grains at miserably low prices. Various are the causes attributed to for the downward progress of the rural credit side of the co-operative movement. Some ascribe it to the lethargic attitude of the Department which dropped supervision as a hot cake suddenly and when the non-official agency was not brought to a state of efficiency. Some others ascribe it to the inefficient working of the non-official agencies which have learnt how to use power and influence but which have not acquired the necessary knowledge of business principles to carry on effective supervision; and some others ascribe it to the building up of the whole edifice of the non-official side of the movement from the primary up to the District Central Bank by elective principle and by choosing of people at the helm of affairs without adequate equipment both in financial side and in the side of administration and supervision. Lastly the bad state of the credit movement is ascribed to the absence of a satisfactory method of training to the office bearers of primary rural societies which has not yet been attempted in any sustained and practical manner.

2. Having tabulated these causes, we have to find out various methods by which such pitfalls will be avoided and by which rural credit co-operation will function efficiently and on business lines. While looking into this question very minutely, we should also examine how far the constitution of rural primaries and the Central Banks requires alterations so as to secure the maximum efficiency at the minimum cost without dictation from any extraneous agency but solely relying on self-help.

3. The constitution of the rural credit society should be so altered as to serve the purpose of the institution financing the *agricultural industry* and not merely the agriculturists who choose to join it. The

rural society should not merely be a multiple money lending shop to a few agriculturists. It should solve the problem of dispensing credit to the *every day needs* of the agricultural and rural industries more in the direction of *circulating capital* than in that of *fixed capital*. The obstacle to realise this is partly in the constitution itself. I have proposed in a small note published in the Madras Journal of Co-operation for August 1931 the following:—

1. Fix the credit power of each member offering immovable property as security with reference to the value of his property subject to no encumbrance and deal him credit by obtaining a continuation mortgage of his property to the credit so fixed. This should apply only to those who have property. The credit power in regard to such property will be one-half or one-third of the value of the property pledged.

2. In the case of those who have no such property, the standard of credit will be some definite multiple of paid up share capital (five times the paid up share capital and eventually raised to ten times the paid up capital as the institution works up satisfactorily and builds up a reserve) with one or two sureties who have similarly paid up share capital. Those who offer immovable property as security need take as share capital only 1/20 of the credit power desired.

3. The entire fabric may be on a real unlimited liability basis easily ascertainable and not subject to fluctuations, not based on contributory liability according to shares held as at present and with no unalienable and well defined assets. This is the first improvement to be effected.

4. The next item of improvement is to carry on the village work of a rural society by a paid agent suited to the transaction in each to be paid monthly on a scale fixed by the general body of each irrespective of whether profit is derived or not in a particular year and even by additional taxation from members if necessary. The staff is more particularly required in a year where profit has not been realised because of the fact that action has to be taken in law for the recovery of the dues for which more time and energy has to be spent.

5. The third item of improvement is the efficient working of a local union with good and adequate staff to run the out-door work of supervision and the in-door work of the union serving as the agent or the District Bank for financial and administrative purposes. A

supervisor well trained and adequately paid should be employed and his duty should be confined to education and propaganda and to see that the village society staff does its duty. A clerk should be employed in the union to run its work without any delay whatever.

6. The higher edifice of the District Bank and the District Federation requires considerable alterations in the constitution as well as in the working. Whether co-ordination of the work of local unions should be undertaken by the District Federation or the Central Bank has been the question pending in some form or other for the last three years. In some districts the Central Bank asserted itself and the District Federation had to disappear, while in some others, the District Federation and the Central bank are in the strange position of working at cross purposes and causing enormous confusion so as to impede any useful work being undertaken. This dispute must be got settled without any delay if the downward progress of the movement is to be arrested. The Registrar Mr. Strathie felt that Federation was a replica of the District Bank with only representatives of local unions in the directorate, seeing that the directors in both were the local union representatives with an overwhelming majority except that the District Bank has a small number of individual share holders on the directorate. He apparently believed that the race for power led to a clash between the District Federation and the Central Bank. He did not however press one way or the other and was prepared to allow co-operators in each district to settle the question as they pleased. The District Federation was originally intended to serve as a non-official body in the district to undertake the task of the administration of the entire movement, not merely credit, by the people themselves, rather a standing working committee which will carry out the wishes of all co-operators assembled in district conferences. In this body there should be persons whose interest in the movement is of such a character that their advice will be helpful to the progress of the movement.

The men working the District Federation are now carried away by the power conferred on it and as a consequence they wish to control the entire supervision fund raised in the district from the primaries and the Central Bank leaving the local unions in the back ground. It is for the exercise of such power that there is keen competition among the representatives of the local unions to secure seats on the Executive Committee of the Dt. Federation, no matter whether

such representatives are equipped or not for the exercise of the powers they thirst after. There is really no *selection* of really efficient men to undertake the work but there is election where in a large number of cases all other considerations except pure efficiency prevail to a large extent; where there is faction among co-operators, the one faction gets into the District Bank executive and the other into the Federation executive with the result that friction is created and the work will be hampered. Such, I understand, will be the position of North Arcot District at present. Either the Federation must be dissolved as it is a later invention and much less valuable than the district bank or the constitution should be so amended as to secure not a fixed block directorate with reserved seats solely of representatives of unions but a few persons who will steer the movement without clash with the central bank and with a co-operative spirit to aid the bank. Though in theory the electorate is the general body of shareholder societies, yet the constitution has converted all the local unions as entitled to each a seat on the directorate and they from the electorate. These representatives elect the members of the executive committee which is *really the managing board* dealing directly and from day to day with the affairs of the District Federation.

7. The next question is about the Central Bank. The old question about individual shareholders and representatives of all local unions on the Directorate and the Executive committee of the Central Bank gets revived in some form or other in the central bank and sometimes in an ugly form. The individuals are brought on the directorate up to a fixed number it is the attempt of the Department at present to fix the ration between the seats for individuals and local unions) but they need not be elected to the Executive Committee which is *the real Board of Management* for all practical purposes. In the struggle for power, the progress of the co-operative Movement is considerably impaired. The fate of the individual shareholders who have subscribed to some portion of the capital of the Central Bank is miserable indeed. They have no option to choose their best men to run the affairs of the Bank actively in co-operation with the society representatives, whereas the society representatives who have no personal stake of their own get power and are given facilities to do as they please irrespective of whether they hurt the interests of the individual shareholders or not; when overdues are heavy and the Registrar wishes for or compels the formation of a bad debt fund, the dividend is reduced and the sufferers are the individual shareholders who have no right for credit accommodation in the bank., whereas

the society shareholders get the benefit of the bad debt fund for themselves. If the constitution in the District Bank permits of freedom for individual shareholders for withdrawing from the Bank, I feel that more than 50 per cent of the capital would have been withdrawn by this time seeing that the individual shareholders stand to lose by the work of society representatives in a standing majority not *selected* for efficiency but elected owing to influence or faction. The fact that there are the individual shareholders with non-withdrawable shares shows that we cannot have a thorough democratic constitution with 'one man one vote' until such shares are brought up by the societies. An overwhelming majority of votes in favour of society representatives in the Executive Committee will be a permanent feature. Some way must be found for solving this problem without any delay by co-operators aided with the advice of the Registrar. One solution of the problem (and it is an easy one) is to eliminate the individual shareholders completely as was done in the Madras Central Urban Bank (Provincial Bank). Such a step will be an equitable course seeing the hardship and the danger to the capital sunk by individual shareholders without an effective voice in the management. But some people still feel that by the elimination of the individual shareholders, depositors will be unwilling to continue to put their money into the Central Co-operative Banks. But the real fact disclosed by the working of central banks is that the present position of the individual shareholders in regard to the management of central banks is in no way better than if they had been eliminated. Even at present the position of the depositor cannot be construed as absolutely safe. Even commercial banks decline to look at the Co-operative paper unless in the Directorate there are efficient directors doing the business. The fact that the names of some individual shareholders appear in the list of Directors is a delusion in the mind of the public since efficient and business men are not allowed in many cases to run the affairs of the Bank with seats in the Executive Committee which is the *real Board of actual management*.

8. The Managing Board of a Central Co-operative Bank meets generally twice a year, once for election purposes and another time when any important matter requires the special opinion of the Board. The Managing Board does not review the work of the Executive Committee and it is not even in a position to look into the resolutions of that committee. Hence the constitution of the central bank requires thorough overhauling. The formulation of some arrangement for the efficient working of the central bank has become

urgently necessary. There should be one Managing Board of an effective manageable size composed of seven to nine persons, four of which should be selected from among individual shareholders by such shareholders themselves and the remaining five should be selected from among the society representatives not necessarily the representatives of the local unions only as at present. The executive committee must be abolished but sub committees may be formed to carry on loan operations etc., authorised by the board, but the directorate must review the working of these sub committees every month. Cheapness and rapidity should not be the guiding criterion for the management of the affairs of the business concern. I am well aware that the proposals may be regarded as undemocratic but the present plight of the movement requires such a swing of the pendulum of democratic management.

9. The improvement to be suggested last, but not least important, is this: The departmental interference in the Federation or in the Central Bank in election or in the internal management of the affairs of the bank should stop at once. The departmental officers are welcome to watch the proceedings and tender advice when required to do so. They should not thrust their men into the non-official ranks as secretaries or managers of banks, as deputed men to serve as executive officers in the federation or in the bank. The non-official agency should employ its own men and train them for the work. The departmental officers can carry on the audit as strictly as possible and enforce the provisions of the Act fearlessly without bias or favouritism. It is only then that the depositing public will have confidence in the central co-operative banks.

10. One change in the constitution of the district banks, which I feel should be considered by co-operators and the department, is connected with the question of long term loans. I am aware of the intense desire of co-operators to secure long term loans and of the practical impossibility of securing in a reasonable time such credit from land mortgage primary banks to be formed in future, when resources in the Central Land Bank become available. I am also aware that the money that can be locked up in long term loans in central banks should not exceed the paid up share capital of such banks, their reserve funds and the reserve funds of primary societies and perhaps $\frac{1}{3}$ or $\frac{1}{2}$ of the amount of short term deposits. The desire for long term loans can be satisfied (of course the criterion of repaying power in regard to such loans should never

be ignored) if we provide for large share capital in the central co-operative banks and we must ignore the present arrangement of raising credit in the shape of short term deposits upto 8 to 10 times the paid-up share capital.

By way of illustration, suppose a district central bank has to give long term loan for 10 years to an amount, say, of 10 lakhs and a short term credit of 10 lakhs; its reserve fund is Rs. 50,000 and the reserve funds of primary societies is Rs. 1,00,000. The share capital of the bank ought to be at least 4 lakhs instead of 2 lakhs. To be on the safe side, I would put share capital at 5 lakhs. The grant of long term loans may be regulated upto an amount not exceeding 2 or 3 times the paid up share capital and reserve. This proposal involves the lowering of dividend from 9 to $7\frac{1}{2}$ per cent. This will be a well deserved reduction. It will also be a very desirable course to follow in the interests of the agricultural and rural industries and so as not to give dividend to share holders beyond the lending rate and at a far higher rate than what the depositors get for their investment and in such large volume to enrich the shareholders. Moreover, the bulk of the share capital is from the societies and they can be very well satisfied with $7\frac{1}{2}$ per cent or even less. Where outside share capital cannot be had at a low rate of dividend and society representatives could not contribute the required share capital for long term loans, preference dividend shares can be floated to give $7\frac{1}{2}$ per cent. thereby transferring a large number of depositors as shareholders and securing considerable amount of long term money investment. This is an aspect of the question requiring deep consideration by every one interested in the co-operative movement.

11. I have put forth the suggestions in this memorandum for the consideration of the public—Individual shareholders of Central co-operative banks, depositors in co-operative banks and Members of co-operative organisations, primary and central.

I need not emphasise the fact that the downward progress of the rural credit movement should be arrested without delay by taking all possible steps.

The Bombay Provincial Co-operative Bank.

BY MR. SHAH ALI HUSSAIN.

On Co-operative Study Tour.

Manned by an efficient staff, under the direct control of a Co-operative Expert, the Bombay Provincial Co-operative Bank occupies an outstanding position in the structure of Co-operative finance. To understand as to how it has been built up to its present position, it is necessary to look back upon its origin and past history.

The idea of a Central Financing Agency was hatched in the year 1910. It took practical shape in 1911 under the consummate guidance of Sir Lallubhai Samaldas, K.T. C.I.E., and his worthy co-worker the late Sir Vithaldas Thackersey, a great commercial magnate of his time. It is an asset of the highest value that the inter-action of these two personalities should make possible—what is not always possible—the happy combination of business capacity with co-operative spirit in full measure. The constitution of the bank was fortified by an agreement entered into between the Secretary of State for India in Council and Sir Lallubhai and the late Sir Vithaldas Thackersey. It authorises the bank to float debentures carrying interest at 4 per cent per annum, of the value of 3 times its paid up share capital up to a maximum of 20 lakhs. The interest is to be paid half yearly by the bank and is guaranteed by the Secretary of State for India in Council until the date of repayment of debentures. The period of repayment extends over 41 years. The agreement provides that the bank should maintain a sinking fund from the date of the first issue of debentures at the rate of 1 per cent or 2 per cent of the amount of debentures remaining unpaid according as the average rate of interest on Bank's advances to co-operative societies is 7 per cent or 8 per cent respectively. Again, after the declaration of dividend of 6 per cent, the remaining profit should be divided equally between share-holders and the borrowing societies. This agreement constitutes a land-mark in the history of the B.P.C.B. The securing of Government guarantee and the recognition of debentures as trustee securities have contributed not a little to make the bank what it is to-day. One of the articles of the agreement is that the capital of the society shall be Rs. 7 lakhs with power to the society to increase the same to any amount not exceeding Rs. 50 lakhs.

To-day the capital is 15 lakhs and much more field can be covered for purposes of intensive co-operative development.

The constitution of the bank is democratic. The Board of Directors are 14 in number, out of which 9 represent co-operative interests 3 of Central Banks, 3 of Agricultural Societies, and 3 of Urban Banks. Suffice it to say that it is quite in tune with the remarks of the MacLagan Committee on Co-operation about apex banks.

As we go through the working of the B.P.C.B., a question on which there is a conflict of opinion occurs to our mind. It centres round the principles of branch-banking which is one of the best features of the bank. To ask this question is to answer it. A close study of the day-to-day working of the banks' branches at different centres lends ample support to the fact that the branches are serving a very useful purpose in the ordering of finance. The bank has a net work of thirty branches spread out over the Presidency especially in places where conditions did not favour the establishment of local central banks. The area served by a branch is usually equal to a Taluk containing a compact group of the agricultural societies with uniform agricultural and economic conditions. There is one agent for each branch and all the branches are grouped into 8 divisions for each of which, there is a senior inspector carrying a salary of Rs. 150 to Rs. 200 p.m. He is sometimes assisted by an assistant inspector, who works under him. Besides, the local advisory committee of the representatives of affiliated societies functions and exercises general supervision and advises the bank in regard to the administration of the branch, problems of development, the disposal of loan applications and other matters. The Committee consists of seven members, two nominated by the bank from among local gentlemen and five elected by the society. A loan sub-committee works in collaboration with this advisory body. This aspect of the constitution of the branch effectively refutes the argument generally levelled against branch-banking that it does not promote local initiative and enterprise.

The work of the inspectorial staff is properly controlled and admits of co-operative development on sound lines. The duties and functions of the Senior Inspector and his assistant consists of minute details. The work of the Assistant Inspector is to inspect the society allotted to his charge, submit his inspection memos to Head Office through the Senior Inspector, and to help the societies in preparing normal credit statements and other statements for submission to the

Senior Inspector. The Senior Inspector exercises complete check over his assistant, the agent, and other clerical establishment, thus securing efficiency of service. He inspects and audits every branch in his charge, verifies the latest weekly and monthly returns sent to Head Office, verifies cash as also securities against which advances are made. He advises the bank on the grant of loans including loans for debt resumption, land improvement, advances against gold and silver and agricultural produce. Valuation of assets forms an important part of his work. No less important is his work of stimulating recoveries by constant visits to societies. Perhaps, the most important part of his work is the active part he takes in training classes conducted from time to time by the Institute. This affords enough opportunity for the training of Office-bearers of the borrowing societies.

The volume of inland exchange business run by the bank is note-worthy. The aggregate amount of drafts on Bombay issued by the banks' branches amounts to nearly Rs. 50,00,000 annually. The amount of demand bills of approved parties discounted by the bank amounts to Rs. 75,00,000.

In this connection, it has to be pointed out that the bank is a member of the clearing house. It maintains with the Imperial Bank of India, a daily balance of Rs. 1,00,000. The first clearing is about 12-30 A.M., the second clearing is about 3 P.M. A staff of three members is kept, one for office work, and the other two do supervision work and go to the Imperial Bank of India for the purpose of ascertaining the difference between the debit and the credit account per day. The account is closed every day.

R. T. R's are issued direct from Bombay to branches in taluk towns by means of arrangements with the Deputy Controller of Currency. But the amount of such remittances is limited per day and per month. Again the cheque system is being popularised by the branches. Members of village societies are becoming increasingly familiar with the cheque system. Current Account business is being accelerated by the issue of vernacular cheque forms, the drawing, signing and endorsing of cheques in the vernacular. Some branches fix a holiday or an office hour to suit the convenience of customers. It is an interesting sight to see the members of the village society coming in batches to the branches operating upon the current account and making free and proper use of the vernacular cheques. It is generally the custom to transfer the loan sanctioned to current account,

so that it might be properly spaced over different period of stress and need. Fixed and Savings Bank Deposits are steadily attracted by the branches. Individuals as well as affiliated societies are availing themselves of the various banking facilities afforded by the branches. The branches thus help forward the progressive development of banking and investment habit and economise currency.

Summing up, we have to say that the branches provide banking facilities to the primary societies financed direct by the bank, train them in business methods, develop arrangements for the prompt and adequate supply of capital to agriculturists and persons of limited means and thus build up healthy intimate relations between the bank and its borrowers. It is an admitted fact, that it is imperative for the financing institutions to be in direct touch with the people who are using their money, and that touch can only be got when the control or supervision is exercised in a restricted area. Decentralisation is no doubt conducive to supervision. But centralisation is essential for achieving financial strength and for securing efficiency and economy.

A good deal of work is being turned out by the bank in supplying the long felt need for long-term loans. A sum of Rs. 2,00,000 is set apart every year for the purpose. Loans under the Land Improvement Loans Act (XIX of 1883) are also made by the local Government through the agency of the bank. The amount drawn during the year under the Act was Rs. 53,075 at the rate of five and half per cent. Advances direct to societies were made at six per cent and the Central Banks at 5½ per cent. The loans were disbursed for the following purposes :—

Purpose.	Rs.
Tolls	500
Wells watering channels	13,275
Embankment	5,600
Improvements of Lands and gardens	2,500
Building	5,000
Oil engine installations	24,800
Fencing, purchase and setting up of rahats	1,400
Total	53,075

Attached to the bank, is the land mortgage department entrusted to the care of a special Committee of the board. The Committee

met nine times during the year and transacted business with the help of one senior inspector. Applications for loans on mortgage of land are received and disposed of by this committee. All the detailed arrangements for investigation of application, valuation of land, verification of title, scrutiny of debt, procedure for distribution of loans, execution of bonds and leases have been carefully prescribed by the Committee. Three land mortgage banks have been registered, one for the Pachora taluq in east Khandesh, one for the Broach District and one for the Dharwar District. Intending borrowers join and take shares of Rs. 100 each upto 1/10th of the amount intended to be borrowed by each. Applications were received during the year from the above three societies. Loans to the extent of Rs. 2,74,682 have been granted. This arrangement is to continue till the formation of a Central Land Mortgage Society. The work leaves much to be desired, for the obvious reason that the Government of Bombay could not purchase debentures up to Rs. 5,00,000 as originally promised. They have, however, purchased debentures upto Rs. 3,00,000, at 5 per cent. The rate of interest on mortgage loans is 7 per cent.

Another prominent feature of the bank is the restrictions upon loans and investments of the bank. The agreement with the Secretary of State for India provides that the bank should grant loans to Co-operative Credit Societies registered under the Act, when such loans are approved of or recommended by the Registrar. The procedure followed in the granting of loans speaks for itself. The loan application of the affiliated society together with the normal credit and assets statements is submitted to the Bank through the Senior Inspector. At times, the loan application is endorsed by the Supervising Union. The reports of the Agent and the Senior Inspector have also to be appended. These papers are then sent to the Assistant Registrar in charge of the division. After obtaining his remarks and approval, the whole file is sent up to the Head Office of the bank, and it is placed before the Board of Directors, who finally sanction or reject it as the case may be. Every sanction is usually made dependant upon the fulfilment of certain specific conditions on the part of Societies. The report of the Senior Inspector and the Agent contain full up to date information regarding the financial position and general condition of the Society. The Board of Directors give due weight to these reports and the remarks of the Assistant Registrar in the disposal of applications. It is also the practice that applications from socie-

ties classified by the department as A or B are sanctioned by the Managing Director himself. The maximum interest to be charged on advances to co-operative societies is restricted to 8 per cent per annum by the agreement. And the maximum period of each loan is limited to 10 years from the date of the loan. An extension for a further period of 10 years is also provided for.

The business of agricultural purchase and sale is pregnant with vast possibilities. The pioneering work in this direction has been done by the bank. Shops for the purchase and sale of the articles are attached to the branch. All the shops were run by the bank till 1926. Since then, the control over the shops is being transferred to representatives of societies. The shop then assumes the name of purchase and sale union. No charges are made by the bank even for the cost of supervision over the shops working. Purchases mostly consist of the requirements of the society members. The union calls for indents from societies and makes purchases accordingly. Such agricultural produce as the members bring to the union for sale, is kept and sold at a favourable price. Sales consist of ground-nut, cotton, jaggery, grain &c. Arrangements are made with the bank branches for advances on the pledge of the produce. The supply of oil-cakes, manurial products, agricultural implements and other domestic necessities to agriculturists is facilitated by the branches. Thus the branches have been, to a great extent, instrumental in effecting economies in the business of agricultural purchase and sale.

The present position of the bank can be gauged from the following figures:—

				Rs.	A.	P.
Share-Capital	...	...	...	12,96,900	0	0
Reserve Funds and other Funds	...	...	...	6,49,560	1	10
Deposits	...	...	...			
(a) Societies	...	Rs. 61,66,905	4 4			
(b) Individuals	...	„ 59,67,522	1 1			
				1,19,34,427	5	5
Working Capital	...	...	...	1,57,28,621	13	4
Members.						
(a) Individual	...	„ 834	0 0			
(b) Societies	...	„ 1,678	0 0			
				2,512	0	0

The range of business of the bank has widened enormously and so the scope of the bye-laws has been enlarged so much so that the bank now serves not only as a balancing centre for co-operative societies in the Bombay Presidency, but carries on every kind of banking business strictly in accordance with co-operative principles. The list of its functions is so full that it is not possible to exhaust it. Some of the more important functions may be summed up as follows :—

- To grant loans to co-operative societies, registered under Act, with or without taking any security.
- To make advances to co-operative societies on the security of agricultural produce or gold and silver in ornaments or bars.
- To make advances to consignors of instruments of husbandry manures, and agricultural necessities.
- To make advances to individual members upon the security of money deposited by them or upon the deposits of securities mentioned in the Indian Trust's Act of 1882 or upon pledge of agricultural produce.
- To purchase and sell instruments of agricultural and every kind of manure used in India.
- To buy, sell and negotiate Inland Bills of Exchange and other negotiable instruments with or without security.
- To do agency business for buying and selling of securities either of Government or of those specified in the Trust's Act.
- To receive money on current, savings, fixed or other accounts and to borrow or raise such money, as may be necessary upon conditions approved by the Board.
- To receive for safe custody securities and ornaments.

Thus it can be seen that the Bombay Provincial Bank occupied a portion of great eminence. It has many features in common with other Apex Banks and many others distinguishing it from them. The unruffled course of its history is completing its 20th year. A young plant that it was, it has risen to its present position under the fostering care of Sir Lallubhai and the late Sir Vithalads Thackersey

supplemented by the conjoint effort of other public-spirited gentlemen. The current of its finance has watered every thirsting place. It has established a connecting link between the co-operative movement and the general banking world. It presents to the mind of the student a unified picture of systematic concentration of financial power and connection of the same with the distributive active officers and the great feeding supply at the top. In the words of the late Henry W. Wolff, the Bank has proved a pillar of strength to the co-operative credit market of the province and, verily, continues to be "The most useful great Provincial Bank."

The Salem Weavers' Co-operative Society Ltd.

No. S. 362.

FORT, SALEM.

(Registered under Act II of 1912 India.)

Awarded Gold Medal Certificate by the Chittoor Exhibition of Arts, Crafts, Industries and Agriculture.

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

DHOTIS :—of 40, 60 and 80 counts.

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

SAREES :—of 40, 60 and 80 counts.

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

Handkerchiefs Angavastrams etc., etc.

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

The Triplicane Urban Co-operative Society*

CONSUMERS' CO-OPERATION IN MADRAS

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

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

III

(4) The next question is this—From whom are the purchases to be made? The General Body as well as the co-operative “conscience” would advise that commodities should be purchased from co-operative associations—produce and sales society preferably—or in any case from the individual producers of articles themselves thus eliminating as many links in the chain of middle-manism as possible—But it is by no means easy to follow up to the advice of the General Body or to satisfy one's co-operative conscience. For one thing, true co-operative societies from which to purchase do not simply exist anywhere.—Occasionally a so-called Loan and sales society writes to us that they are prepared to sell to the T.U.C.S., but on closer examination it was found to be the show of an enthusiastic secretary who very often made purchases in the local Mundi and supplied the same in the name of the society—Sometimes letters are received from the Registrar of Co-operative Societies that this or that Co-operative Sale Society is willing to undertake to supply this or that article—True to our co-operative ideal a trial order is sent at once, but it is either not complied with or complied only with great delay; even if it is complied with, the prices and quality are sometimes found to be unsatisfactory—The fact is the *business* of purchase and sale is now-a-days so technical and so specialised that rural co-operators are perhaps unable to cope with the task.—Failing to get at the co-operative agency, we are asked to approach the producer direct. But the rural producers of agricultural products are so scattered and often so small that it is by no means easy or practicable to deal with them. Again, they are found sometimes to be in the clutches of the Mundi merchant or the village Sahukar and they have no freedom to dispose of their products as and when they like. In case a large producer is found the Co-operative Society is always at a disadvantage in bargaining with him—as the sense of personal profit is absent in the agents of the latter—and the complaint is sometimes heard that the Society pays a higher price than the private

*Continued from page 74 of the August '31 issue.

THE TRIPLICANE URBAN CO-OPERATIVE SOCIETY

dealer does. Moreover, the agents of the Society are far away in the City that it often becomes easier and more profitable to deal with the Mundi merchant than the actual producers. As it is, the T. U. C. S. has been trying to experiment for some time now with all the four agencies; viz., (1) The producers' Co-operative Society; (2) Individual producers; (3) Mundi merchants near the centres of production and (4) City merchants who are themselves importing from Mundi merchants in the moffusil. As regards the first, the Society had occasion to purchase tamarind and cheekai (soap-nut) from the Loan and Sales Society at Hindupur (Anantapur District), and garlic from the Co-operative Sales Society at Alamuru (East Godavari District). Paddy is the only article (but that is the most important) now purchased from the ryots directly in Nellore District. Tamarind, chillies, jaggery, nuts etc. are got from Mundis in the districts of production—Oilmanstores, and certain cereals or pulses are got from the wholesale dealers in the Madras City—Gingelly oil is sometimes purchased from the owners of *chekkus* in the city—The Society's indents for purchases are thus classified; (Paddy purchase from ryots in the Nellore District; (2) Muffusil purchase from Mundi merchants; and (3) Local purchase from city dealers. The names of approved dealers are entered in a book kept for the purpose and orders are placed with them as far as possible.

(5) Perhaps the most difficult problem connected with purchase is the question of *price*. The theory is simple. Purchases are to be made at the lowest possible wholesale rates. The economists' definition of a market rate is comparatively simple and of course definite so far it goes, but from the point of view of the businessman it is neither simple nor so definite. For one thing, the same difficulties exist in this as in the parallel case of sale at the retail market rate. These are wholesale rates and rates which depend on the qualities of goods, degree of adulteration, distance from the market etc. These differences are perfectly understandable and even unavoidable, but there is a class of forces in the Indian Bazaar which operate to settle the current wholesale rate which are a perfect nuisance, more particularly to a Co-operative Society. They are implied in the one word—Bargaining (P. S. No. in the slang of the bazaar). The Society has succeeded in eliminating it in its relations with members, but it is subject to the full force of its vagaries at the other end, in its dealings with the wholesalers. Within limits, bargaining has its uses; it tends, as the economists would say, to adjust the variations in the retail rates to conform to the wholesale market rates and the

latter to conform to the cost of production of the article. But as it is practised to day in the Indian Bazaar it does good or credit to no-body. The city wholesaler, as well as the Moffusil Mundiman first quotes a high rate of the Rs. 3 to 5 on every Rs. 20 worth of purchase and expects you to quote your price. Unless you are posted with all the necessary information you will have to pay a higher price than another who is a successful bargainer. Thus on the same day or at the same hour it is not quite uncommon that different men are called on to pay different prices for the same article. Besides this the time and noise expended in the course of settling the bargain are something phenomenal. The honorary officers of Co-operative Societies are obviously the least fitted to carry on this task as their interest is not personal and as their time is not the Societies'. If paid agents are to be deputed for the purpose they ought to show considerable ability and probity. Such men, it is well known, are difficult to find for work in a Co-operative Society, and, if found, the democratic atmosphere in it cannot retain him for long in its service.

(6) The last question in our list is in what *form* are the purchases to be made. The tendency everywhere has been for the Co-operative Wholesales to *make* their goods rather than *purchase* them; and to purchase raw *materials* rather than *finished* products. This satisfies not merely the co-operative ideal of eliminating as many series of middlemen as possible, but ensures the purity and quality of goods and enables the consumers to share in the business profits of manufacture as well. Thus it is well known the British Wholesale is manufacturing a number of articles in England and grows its own coffee and tea in its estates in India and Ceylon. The T. U. C. S. is indeed a mere pigmy by the side of the British giant, but the need for the same move is being felt here as in England. Mention has already been made to the direct purchase of paddy in the Nellore District. A Rice Mill has been hired at Narasapuram, 14 miles to the east of Nellore town, and the rice is transported to Madras by way of the Buckingham canal which runs close by. The next step is bound to be the owning of the mill to pound paddy and boats to have it transported to Madras. An experiment is begun to melt ghee out of butter imported from Tenali in the society's own godown; the next step will be to keep an agent in the places of production to collect good butter and send it to Madras. There is a proposal to instal an electric driven wooden chekku (known as the

pinto chekku) for extracting oil out of gingelly seeds. The Industrial Engineer of the Government Industrial Department (Madras) who is also the inventor of the Chekku (or mill) has very kindly submitted a detailed account of the cost of installation and working. The matter will be put through at an early date by the Management. As time goes on the need for further development on these lines will be felt and let us hope that the Management of the day will have courage and imagination to go forward to attain the ideal of a co-operative commonwealth in which the ultimate producers and the ultimate consumers will join hands and divide the profits of business among themselves and cross the now impassable gulf between production and consumption. I had a vision one day, not long ago, seated in a rice mill in the Nellore District were two individuals—one a representative of the society of 6000 consumers of rice in the city of Madras and the other an individual producer of paddy—not a representative but one who certainly represents his class—who bargained and settled between them to effect the exchange of a large quantity of paddy with about Rs. 25,000. One had the presence that sooner or later the individual who now represents his class will become in due course a *representative* of a Ryots Co-operative Society; the Consumers' Society joining hands with the producers' society for their common benefit. The brief period of work of the T. U. C. S. in the Nellore area has already created a resolution. The ryots welcome the society, because the society pays cash, unlike the private merchant who deals on credit; the society quotes almost the same rate for all; the Society can afford to pay a little more than what private dealers can. Its activities in a rural area gives continuous work to many villagers—transport and other workers. I can bear personal testimony to the popularity of and the high esteem in which the T. U. C. S. is held by the ryots of Nellore.

(To be concluded)

Sir Daniel Hamilton Prize Essay. *

By MR. K. SRINIVASAN, B.A.,

III

viii. *The prospect.*

31. However immense may seem the possibilities in case government undertake to work the above scheme, the chances of government doing so are remote. In the apron strings of interested English financiers and not responsible to the people, no wonder despite its professions, government is pursuing a policy even the reverse of good to India. However convincing may be facts, the most convincing to English financiers in India is the good of their home industry. Disinclined to fight the nationalists in their several demands for protection by tariffs, the government agreed to protect manufactures one by one, making note of how it increased its revenues also; But when finally at last protection came to nearly being effective, the English financiers prevailed and took away at one stroke the effect of years of tariff legislation. Sir Basil by cleverest manoeuvring in the history of modern times duped the Assembly to agree to fix the value of the rupee at 1 shilling 6 pence instead of the usual 1 sh. 4 d, and withdrew in the face of peoples protests, nearly sixteen crores of currency from circulation. The country even now is suffering from the consequences of these actions. Money having become scarce, rates of interest rose high, and inland prices became depressing. At the same time the artificial flip given to foreign imports by the new ratio, had an adverse effect on the balance of trade, and the prosperity of our manufactures. That even the established industries of our country like cotton and iron, are imperilled by the ratio, is becoming clear from the growing strikes and decreasing dividends in these industries.

32. It was at least expected that the government would be fair to us in regard to currency. When it was within easy reach of the government in the past to establish a gold—standard for India without loss, it kept quiet, and attempting to do it later, it readily found it impossible and set up a standard called the “double exchange” that no free

THE CURRENCY.

nation even thought worth considering. Owing to the war, however, it gave up the previous standard without ceremony, and issued nearly sixteen crores in excess of its reserves. In the post war period it again let slip a valuable time to build up a gold standard for India at 2 sh. a rupee : Soon after, but too late, it strove to enter the list again and finding the double exchange, artificially fixed the rupee at 1 sh. 6d. when all things had once again come to normal. In the light of assurances given at the time of fixing the exchange it was at least expected government would proceed with the Reserve Bank Bill in a manner suitable to national aspirations. The way in which home office finally put pressure on the finance member to withdraw the bill altogether, than to let national councils prevail, is still too fresh in the minds of people to let them be misled in regard to the intentions of the foreign financiers in charge of India.

33. We are told now once again the Reserve Bank is to be introduced this year.* As was pointed out elsewhere by the essayist, it is the assets of labour that creates the value of money; so strictly monetary issue need not be based on metals at all, at any rate to the extent these expert financiers would insist. Should public opinion, however, insist that currency should be on a metallic basis, attempts should be made to do it thoroughly and wholeheartedly. In the Bible they asked for bread but got stones instead. In subject India we asked for a gold standard, but were given what others are pleased to call a gold exchange standard. It is a pity India should be given neither what she wants nor what she needs. Facts may be cleverly dressed, but the truth of the ‘motif’ can be never hid for long. Few among our financiers, have understood the situation really as Sir Daniel Hamilton of Bengal. He has thus clearly exposed in popular language the full import of these “scientific misdeeds.”

“ Bankers tell us paper money is not safe unless backed up by ten or fifteen per cent of gold or silver. Even if that were so, government currency notes are infinitely safer than bank notes for they are backed up for all time by all the gold and silver and goods of the nation.”

*It has been since announced by government that the Reserve Bank Bill will not be proceeded with before the report of the Banking Commission (proposed to be appointed) is received.

* Continued from page 81 of the August '31 issue.

34 The truth is "western financiers do not like India's power of absorbing gold. It weakens their so called gold base. For this reason they would like India to join their gold ring. But she will not be let to play in the ring herself. She will be indeed given a standard like all the rest in the ring; but whilst theirs is a 'gold standard' that of India is only an 'exchange standard of gold'.

35. India's finance and Banking in the past were made to suit a foreign system, and even now is not fully national.—India's banking system is just now changing to suit the people, and so any attempts to thwart it must be resisted. "The soul of a nation must not be thwarted to suit a banking system. For it is better to curtail dividends than the life of people. Yet what is it that was done. The Retrenchment Committee (of 1922) to save printers' bill, abolished the one rupee note, and struck a deadly blow at the development of India, and the future of Banking as well. It really killed a credit system that was nearly ready to be expanded according to the needs of the people. It is time the public realise that a restricted supply of credit money, means for present day India a restricted life, a shrivelled body and a shrunken soul."

36. What India wants to-day more than another, is money and more money to set her agoing in the path of production. "The one rupee note must come back if India is to come forward. The sooner it comes the sooner will India take her place among the nations. But the note must be issued not only in exchange for silver, but as it was in Scotland, for all productive purposes, be it to weave, or grow rice or make sugar. Let us take care only it is productively applied. The more plentifully it is issued, thus productively, the greater will be the sale of our goods abroad, the greater the inflow of gold and silver and consequently firmer the foreign exchanges." Could the Government desire any thing better or the people? Yet how unfortunate they would not act.

IX. A NOVEL EXPERIMENT.

"The fiscal lever is the most effective lever in social organisation, and therefore we are dead night in placing the Economic and Banking aspect of Co-operation as the primary requisite in Co-operation."

K. T. PAUL, O.B.E., (M.B.C. July 1928.)

"Cheap money is as important as cheap land if we are to increase production and find more jobs."

COL. WEDGWOOD.

37. If India desires to live at all economically, and take her proper place among the nations she ought to give up relying end lessly on the initiative of an alien Government. Starving and famished beyond measure, she will be committing suicide by waiting longer. She ought to learn to stand on her own legs and to rely on her peoples banks—The Co-operative Banks—and call on these with right, to issue Bank Currencies that would step in to fill the vacancy created by the magic deed of Sir Basil Blackette. There is nothing inherently impossible in the demand or in its fulfilment. As says Sir Daniel, if the poor Scottish Banks of those days with the assets of only a few shareholders behind them, could manufacture all the money required to regenerate Scotland, leaving alone Government, cannot our Co-operative Central Bank's backed up by the unlimited liability of its borrowing members, the entire reserve funds and the supervision of government, do the same for India.

38. The difficulty, if any, will be merely legal. In India, note issue being a state monopoly, no bank can issue a bearer cheque drawn on itself. Further the stamp duty on cheques for long prevented its rapid spreading and popularity. The abolition of stamp duty on cheques has, however, removed one great obstacle in the way of making negotiable credit money. The other difficulty yet in the way, was the legal one. The proper currency act that reserved the monopoly of note issue to government also forbade banks from issuing bearer cheques drawn on themselves. But section 25 of the Act made an exception that proved the most fortunate. The excepting clause permitted a person or bank having sufficient credits to cover the draft, to draw a cheque to bearer on his banker. In other words, it said, though a Bank could not issue a bearer cheque on itself, yet could ask its client to do so.

39 It was this circumstance in the Act, that was seized by the veteran Co-operator and financier Dewan Bahadur R. Ramachandra Rao Avl., and put to practical application in the Co-operative Central Bank of the Salem District. Mr. Rao found that what people wanted in the District. was credit, cheap credit and more credit to deepen their wells and improve their lands, in order to earn and live

better. He also found that the only guarantee of return of banks lendings, was finally only the productive power of the borrowing villages and not any heaps of gold or silver. If thus finally what the borrowers gave back was only the profits of their labour, and not gold, and what the bank in the meanwhile relied on, was their credit, the belief in their character that they would work and repay and no other, was not it character that was finally monetised? If so, where was the harm in monetising it in anticipation, and issuing it in quantities sufficient to spur the nation to active production and prosperity?

40 Though in a humble degree, and under limitations, the scheme of Dewan Bahadur R. Ramachandra Rao, as worked out by the Salem District Bank, is only an attempt to monetise character and cheapen credit, the experiment in its full success will have familiarised the people with the idea of credit money, and further reduce the rate of interest on short-term loans from ten to five per cent. The scheme itself cannot be better summarised than in the words of the Hon'ble Mr. Ramadas Pantulu.

"The Salem Bank has printed a number of rupee cheques, and when a loan is to be disbursed to a society which agrees to receive it in the new system it hands over to it so many of these papers instead of so many rupees. The society takes these rupee cheques, and in its turn disburses to its members these papers, duly drawn as bearer cheques and signed by its officers. What is the member to do with these bits of paper? He can of course take them to the Bank and cash them. However it gives no advantage to him or to his society; for the moment the cheque is cashed the interest on the loan will go up to $7\frac{1}{2}$ per cent on the amount of the cashed cheques. So instead of cashing them (immediately) he can give them to his creditors, to his village grocer, to the stall keeper in the shandy or to the bazaarman in the neighbouring market centre. If the person to whom it is given is told, and if he can understand that this paper is a sound one, that it is secured by the general assets of the Salem Bank and that the Salem Bank will pay actual cash whenever and whoever takes it to its counters, these papers will readily change hands and will be as popular as the rupee notes."

41. "If people are familiarised with the use of such paper money, and are made alive to the disadvantage of circulation of metallic currency, these bearer cheques can be kept in circulation for appreciably long time. All the time these cheques are in circulation, the loan borrowed by the society will be bearing $4\frac{1}{2}$ per cent less interest or even $4\frac{1}{2}$ per cent as I understand it to be the case in Salem."

(To be continued.)

Recent Utterances.

THE RAMADAS CO-OPERATIVE TRAINING INSTITUTE LTD.*

By MR. J. C. KUMARAPPA.

FRIENDS,

One of the most hopeful signs in India to-day is that people are thinking in terms of villages. Since we came into contact with the West we had almost forgotten that India is a land of villages. Nearly ninety percent of the population is rural, and over seventy three per-cent are raw material producers. One of the great differences between the Western civilization and our is that our civilization takes its root from rural life while in the West the mode of living is fashioned by royal Courts situated in large cities. The life of the Courts trickles down from the kings to the feudal lords and from the feudal lords to the squires and from the squires to the yeomen. Even in the republican days of ancient Greece it was the city that called the tune. Therefore, to this day, Western civilization is an urban civilization. In India the centre of life has always been the village. Though we have had monarchs who have lived in splendour in cities yet the villages have never yielded up their independence. The monarch has always been only the defender and patron of arts and culture. The village ideal and simplicity of life commanded the respect of all, and farming was held sacred. Towns and cities were there only as distributing agents of village products. Urban arrogance was as yet unknown. With the contact of the West, those of us who call ourselves educated gave up our line of evolution and attempted to superimpose Western urban civilization on the rural foundation of India; and the result is the mess we are in. The purpose of opening rural reconstruction class appears to me to be a clear indication of the recognition that we had taken the wrong turning and of the desire to build afresh on the old plan.

In attempting to rebuild, it is incumbent on us to study the plans laid down by the original builders. Unless we follow closely their specifications, our efforts will be in vain. I do not mean here that we should follow slavishly everything that has been done in the past, right or wrong. While we accept their foundation, the architecture should be

* An Address Delivered on the occasion of the opening of the classes for training Rural Reconstruction Workers at Rajahmundry 1934.

THE MADRAS JOURNAL OF CO-OPERATION

ours. Study of our past history and institutions reveals the fact that they aimed at :—

1. Assuring to every individual the minimum of subsistence. This is shown by the method of payment in kind to the artisans.
2. Avoiding competition. This idea runs through all our social organization, such as the caste system, the joint family system etc.
3. Promoting Co-operation. This is revealed by the organization of the village unit.
4. Levelling down inequalities in wealth. The joint family system has been a great contributor to this idea.
5. Strengthening the solidarity of social life. This is indicated by the caste system, though at present we see only the degenerated part of it.
6. Placing society on an idealistic and intellectual basis, and not on an economic basis. This is brought out by the fact that the first place in Society was given to the intellectuals rather than to the king. However rich the king might have been, he paid his homage to the itinerant and penniless sage at his court.
7. Glorifying the idea of service, rather than the tyranny associated with acquisition of property. We notice this in the reverence attached to renunciation rather than to possession.

In striking contrast to these ideals, which formed the foundation of our civilization, Western society is founded on the Court life as mentioned already, with the result that it glorifies multiplicity of possessions, rather than simplicity of life. However ignorant the person may be, as long as he has wealth it makes little difference, how he came by it he can command respect and if he has not got the claim by reason of birth to the first rank, he can obtain it by being ennobled by the King. The whole Western economic organization pivots on competition, which has encouraged individualism to the extent of even weakening family ties. While our social life is maintained by force of public opinion and sanction, the West has to depend on the force of civil and criminal law to maintain order and regulate the individual life of the citizen. Unfortunately the glamour of power which is a concomitant of society as organized in the West has caught our imagination and we have forsaken the foundation laid on the rock, to build on sand. The Brahmin has abandoned the privilege of learning and teaching and has taken to the profession of law to exploit the quarrelsomeness of human nature. The Kshatriya is fraternising with the foreigner to hold his own countrymen in bondage for pecuniary gains. The Vaishya has entered the international speculative market to the ruin of our farmer. The Sudras have joined government service in the menial departments or have embraced Christianity to

better themselves and have thus become alienated from their countrymen by adopting in toto foreign ideals.

We have thus fallen away from our ideals, and if we are to rebuild again, we have to regain the principles that guided our forefathers. Our degeneration is largely due to the deterioration in our national character, and to selfishness in individuals. The Brahmin who was originally intended to be the custodian of the purity of the race and the trustee of national culture, misappropriated these privileges and has contrived by various means to keep himself segregated from his fellow-beings. By these means the Brahmins are rapidly degenerating from a position of responsibility and leadership into a community of cooks. It is similar to the case of a medical man who abandons his profession to avoid contagious or infectious germs from the sick people and confines himself in a germproof cell. Such a person, instead of relieving society of danger, is a parasite himself. Thus, before we begin to reform society we should fully appreciate the purposes for which the institutions have been established in the past. Therefore, a careful study of our old institutions should be a prerequisite to courses in rural reconstruction. I was particularly glad to notice from your syllabus that a certain amount of emphasis is laid on this aspect of the training proposed to be given in this institution. I notice also that a comparative study is intended of institutions and organizations in countries like Germany, Denmark, Italy etc. It must be remembered that however commendable a particular organization may be in a given country such an organization cannot be satisfactorily transplanted to another country unless the environment and the human element are identical in the two countries. What is good enough for America cannot be the ideal for Russia; what is good enough for Italy will not pass muster in England, and much less suit our purposes.

I shall not take up your time by going into a detailed examination of misfits which have been brought over bodily into this country. But I shall content myself to drawing your attention to one or two matters which bring out this neglect of rural interest in the finances of the Government. While large amounts are drawn from the villages by way of taxation little is returned to them by way of benefits. Money that is drawn from the villages is mostly spent on towns and cities, while there are not even mud tracks in villages asphalted and tarred roads as provided for in towns and their vicinity. While our 'untouchable' brethren have to draw water from cesspools and ditches dug in the dry beds of tanks, chlorinated water is provided for in pipes in towns and cities. While in most of the villages primary education is not even heard of, Universities, Colleges and high schools are provided for the townfolk. According to our ancient organization of villages each village was self-contained. The people of the village co-operated in providing for the needs of the village. The elders of the village sat in council and settled disputes. These local

activities helped to develop their character by placing responsibility on their shoulders. At present, we appear to have lost a large proportion of the initiative displayed by our village people in the past.

For decades, our villages have been disintegrated as regards their administration. There is a great deal said in favour of, as well as against, Village Panchayats. These institutions helped to keep public affairs in the forefront. Since they lost in power the administration of justice has become very expensive and slow, and the villages have lost prestige. At one time each village was a republic presided over by its Panchayat. I notice from the syllabus, as well as from the report of the work done in the past, that you are concentrating considerable effort in resuscitating village panchayats. In this connection, it will be interesting to quote the rules suggested by Gandhiji for the guidance of village workers.

1. Panchayat should in the first instance, be elected by a public meeting, called for the purpose by beat of drum.

2. It should be recommended by the Tehsil committee.

3. Such Panchayat should have no criminal jurisdiction.

4. It may try civil suits, if the parties to them refer their disputes to the Panchayat.

5. No one should be compelled to refer any matter to the Panchayat.

6. No panchayat should have any authority to impose fines; the sanction behind its civil decrees being its moral authority, strict impartiality and willing obedience of the parties concerned.

7. There should be no social or other boycott for the time being.

8. Every Panchayat will be expected to attend to :—

(a) The education of boys and girls in its village.

(b) Its sanitation.

(c) Its medical needs.

(d) The upkeep and cleanliness of village wells and tank.

(e) The uplift of and the daily wants of the so called untouchables.

9. A Panchayat that fails, without just cause, to attend to the requirements mentioned in clause 8 within six months of its election or fails otherwise to retain the good will of the villagers or stands self-condemned for any other cause, may be disbanded and another elected in its place.

Gandhiji goes on to remark "The disability to impose fine or social boycott is a necessity of the case in the initial stages. Social boycott in

villages has been found to be a dangerous weapon in the hands of ignorant and unscrupulous men. Imposition of fines too may lead to mischief and defeat the very end in view. Where a Panchayat is really popular and increases its popularity by the constructive work of the kinds suggested in clause 8, it will find its judgment and authority respected by reason of its moral prestige, and that surely is the greatest sanction any one can possess, and of which one cannot be deprived."

The central government of those days merely concerned itself with defence and internal order, other functions of Government were carried out by the officers who had an intimate knowledge of the local needs. In this again, we defer widely from "democracy" of the West. Democratic rule often signifies a rule of the majority and, in effect, the rule of the few who control the finances and public opinion. It is a mild form of tyranny which opiates the public into believing that it governs itself, while in reality, it is being governed by the interested few.

When we speak of Swaraj, this kind of democracy is farthest from our view. We do not want any form of tyranny of one class over another, of capital over working classes or a fascism of the middle classes or Bolshevism of the proletariat. An ideal system of Government should have a place in it for all sorts and conditions of people. This was in a measure achieved under the system which regulated our society until the greed of power of a few influential classes introduced the idea of status into the caste system which has brought to a head impurities inherent to such a society in the nauseating problem of untouchability. As the unit of Indian society has always been a village, any reconstruction that aims at political, social and economic solidarity of the country has to have as its central the rebuilding of this unit and training workers with this end in view, is a true preparation for Swaraj. If each village is educated into looking after its own affairs, no power on earth can hold it in slavery, but as long as we are unable to manage our own affairs we leave the door open for any one to step in with high pretences of trusteeship and service to the country, and walk away with the taxes as the consideration for "services" rendered.

In these parts considerable amount of public work, such as building village communication, drainages, improving tanks, and organising Panchayats appeared to have been done from reports I have received. I have been anxious to visit these places before to-day, but unfortunately my other engagements have been prevented me from doing so; but I am still hoping that it will be possible for me to see these activities for myself, in the next few days. I am glad to notice that the Government has given fairly liberally towards the cost of these activities. I should have been happier still if the Government had not given any grant whatever, and yet the people had carried it all out by co-operation amongst

themselves. Because, the Government, as it is constituted to-day, is an irresponsible Government, what it gives, it gives with a patronizing air and hopes by its paltry contribution, to hold the receiver under an obligation and thus control his activities, and restrict his freedom. In this way, many of our schools, colleges and other public institutions have had a nose-string put on to them under the guise of a grant. I trust that the grant you have received will not curb your independence. Otherwise, the grants would be public bribes to buy out your birthright. Many a Christian mission has had its mouth shut because of having taken these bribes. We hope the day is not far off when the people may take Government grants and yet, retain their self-respect. As long as there is no popular control over the finances of the Government, any grant from an irresponsible executive Government savours of charity and favours conferred. It is very necessary to develop in our village folks the feeling that the Government is their servant and the money that the Government has, belongs to the people. And they should be taught to take a keen interest in the way in which their own money is being spent. The people of each village should see to it that they get full return for the money they have paid by way of taxes. If a village pays twenty-thousand rupees by way of land-revenue, income-tax etc. it should receive by way of services such as, schools, sanitation medical aid, water supply, postal service etc. at least, about two-thirds of that amount, that is, about fourteen-thousand rupees. At present, hardly a tenth is spent on the village itself. It will be the duty of the workers, who go forth trained from this institution to instill a sense of responsibility in the village people. To pay taxes when you receive no return for it, is like giving over your property to a robber without a protest, it is cowardice and lack of manliness. I see in your syllabus a little information on public finance is included. I should like to see a little more emphasis given to this subject. A knowledge of Public Finance is a necessary equipment for every citizen, and much more so to village reconstruction workers.

It is said, variety is the spice of life. This is true even in the organisation of the economic life of a nation. Until the eighteenth century, India had a fairly sound co-ordination between the arts, crafts, agriculture, and industries. India's wealth, which attracted the cupidity of other nations, was largely due to this co-ordination, which has now been upset by the advent of machinery and the lack of will in the Government to aid in the adjustment consequent on the advent of mechanical power. The result has been that a larger percentage of the population has had to be accommodated by agriculture. With the extension of cultivation, the yield per acre as well as per head, has gone down. If nothing else had happened, this in itself, would have been a sufficient reason to account for poverty in our country. With the disappearance of arts and crafts the earning per head would have also necessarily gone down as it is a shifting

from a skilled industry to unskilled labour. In addition to this, machine made goods of the West, especially cotton-textiles, aided by the protective tariff of Great Britain, found their way into the villages and displaced cottage industries which occupied the spare time of our farmers, leading to from thirty to fifty per cent under-employment. Our farmers, more used to barter economy than to money economy, little realised the damage that was being done to them. They enjoyed, what appeared to be, leisure, but what turned out to be underemployment at the cost of their capital, by giving up their cottage industries, and obtaining their clothing from foreign mills. A Government which had an eye for the welfare of the people, could have introduced or encouraged other cottage industries to take the place of ones supplanted by machinery. This had not been done; hence it is, we have to go back to the place where we bifurcated on to the wrong path and start all over again. I do not see from your syllabus that any provision has been made to equip your rural workers with a knowledge of some cottage industries. It may be that the syllabus I have seen is not a comprehensive one, for I hardly think that such an important subject would have been over-looked. Even our national flag is a constant reminder of the need for cottage industries, if we are to have Swaraj. If, by any chance, this subject has been over-looked, I trust no time will be lost in rectifying the mistake.

As regards the agricultural conditions in this part of India, I am hardly qualified to offer any suggestions apart from remarking that as a general rule the tendency of our farmer has been to shift towards money crops to the detriment of food crops. He has been tempted by the chances afforded by the international market, little realizing the speculative character of such market. Of recent years, this change over to the money crops has also harmed him through the exchange policy of the Government. I have already referred in an earlier part to the decrease in yield per acre. The lack of sufficient manure is also a contributory cause. The farmer should be taught to make the best use of the farmyard manure by the simple process of careful preservation. We are losing a considerable amount of fertilizers by the export of oil-seeds and animal bones, not to mention the prejudice against nightsoil.

No training of a rural worker is complete without a course in Rural Economics. The literature on this subject available at present, is both meagre and one sided. Most of the publications have been either by Government servants or undertaken by students under the supervision of professors in government colleges. Every worker in rural area should know how to make an economic survey of his field. No such practical training appears to be contemplated at present. Rural work does not merely consist of road building, sanitation, medical aid, and providing libraries. The economic life of a village is vitally connected

THE MADRAS JOURNAL OF CO-OPERATION

with the welfare of the people, and every worker who wishes to know the economic conditions of his area should be able to diagnose for himself the cause of difficulties which stand in the way of economic progress of the village. A survey of one or two villages undertaken under the supervision of a teacher during the period under training, would be useful both to the student in giving him confidence in his work and to the public by supplying it with first-hand information.

One of our great weaknesses is the lack of a sense of communal cleanliness. As regards personal cleanliness, we could stand comparison with any nation. But when it comes to a question of sanitation, we pay very little regard to the rights of our neighbours. Sanitation is a problem in which sustained intensive propaganda has to be carried on, if we are to make our villages fit habitation for human-beings. Few months ago, considerable amount of criticism appeared in the papers, because the third-class section of the Bombay Central Station was built far away from the platform, while the first and second class passengers had easy access to the trains. Any one who has had any intimate knowledge of the ways of the third class passengers cannot reasonably be expected to support such criticism. Until we train our people into observing the elementary principles of public health and hygiene it is most unreasonable to expect persons who have been brought up to observe public decency and understand something of bacteriology to feel comfortable with persons who will spit bettle leaf juice all around and clear their throats and noses wherever they happen to be. These habits are only due to ignorance and lack of consideration for others. It may be difficult to reform the present grown up generation, but if the younger generation is taken in hand, we shall not be long in seeing the benefits of the trouble taken. I am glad to notice that this institution is alive to the need of latrines in villages. If the farmers could be educated into using night soil as manure, considerable fertility could be added to the soil with even the present resources. Prejudices die hard; but, with continued efforts these difficulties could be overcome. Lack of attention to elementary rules of hygiene is one of the chief reasons for the high mortality in a country like ours, blessed with plenty of fresh air and purifying sunlight.

It is a happy idea to give the students some knowledge of first aid and a few medicines to deal with common ailments. Even a simple avoidable disease like malaria has caused a tremendous loss in human power. If even these simple diseases could be tackled by your workers, it will be a great service to the people of the villages.

It is very essential that village industries should receive the first support by the people of the village, and what cannot be made in the

village should be brought in from other parts of India. This spirit of Swadeshi should be inculcated in every man, woman and child. While there is so much poverty and starvation in the country, we cannot take the bread of our brethren and give it to the foreigner who is much better off.

Although I have mentioned in passing that all our classes and castes should be treated as equal, yet the case for the untouchables is so strong that it need special mention. As long as we hold a section of our brethren to be not worthy of contact, we do not deserve to be treated differently by other nations. Our present political bondage is a righteous visitation of God's judgment on a people who have used their privileges to enslave their brethren. Until this blot is removed from amongst us, in vain shall we cry for Swaraj. For with the same measure that we mete withal it shall be measured to us again. In some places the treatment of the untouchables is worse even than the treatment given to animals. I have seen beautiful troughs built for cattle in villages and several wells for the caste people, while, the untouchables had to get their water from ditches dug in the ground and into which water from the cattle well was allowed to run. What will be the state of the country given over into the hands of people who could so tyrannise over their own brethren. We are supposed to be a religious minded nation. If we do not see God in the needs of our brethren, our religiousness is pure humbug. A Brahmin who hesitates to touch an untouchable, should be an outcast of society and it is a blasphemy to call him a priest. True Brahmin is he who lays down his life in the service of God as revealed in the needs of the helpless and the down-trodden. In this sense, I sincerely trust that every one of your trained workers will be a Brahmin. At this stage of our country's history our greatest need is for workers, who will spread themselves out into the villages, and awaken our people from the stupor into which they have fallen. In laying down a programme for village volunteers, Gandhiji suggests the following as the duty of a volunteer:

1. He may gather the village children and teach them *takli* and carding and give them a knowledge of the alphabets. For this purpose a small scheme may later be evolved.
2. He may supervise the sanitation of the village or do the work himself.
3. He may try to remove disunion in the villages if there be any.
4. He may distribute medicines to the sick. He may relieve the distress of the untouchables and make facilities for drinking water etc. if there be any want of it.

5. He may make the village self-supporting regarding Khadi.

6. He may take the census of villages in his beat and make a note of the number of cattle under different heads, take the census of the untouchables, describing at the same time their conditions. Also make a note in his book of the details regarding the area of the village, its crops, revenue, its industry etc.

If the training that is to be given in this institution, succeeds in fitting out young men to serve the country in the various ways adumbrated here, it would be fulfilling a function that is calculated to usher in Swaraj at an early date.

RURAL RECONSTRUCTION IN ALAMURU

IN ENGLISH AND TAMIL

BY

MR. V. VENKATASUBBAIYA, B.A.,

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

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Personal.

**Rao Saheb Nemuri Sundara Lakshmi Narasimha Rao
Pantulu Garu of Masulipatam.**

This long but lovely name remains. The noble soul has departed from our midst. A bird's eye-view of the career of this distinguished son of the Andhra country gives but a feeble glimpse of his many-sided activities and of his inner life but a detailed survey is left for abler hands.

Born in a noble Brahmin family of Masulipatam, Kistna District—the eldest of five brothers—he was destined to spend all but four years of his life after his educational career in Government service. The prefix 'Rao Saheb' does little justice to his merit and the suffix 'B. A.' of an inadvertent correspondent often provoked a gracious smile in him resulting in occasional flashes of wit. The brilliance of his intellect, the masterful exposition of his subject and the facile pen he wielded gave the lie direct to the notion of monopoly of efficiency by men of academical distinctions, and even evoked a spirit of emulation in many of his colleagues who were fortunate enough to have these distinctions. He entered service in his teens as a clerk and retired as Deputy Registrar of Co-operative Societies reaching the maximum of the grade. He would have adorned any post of greater eminence with equal honours and distinction.

A capable Magistrate, an efficient Tahsildar, and a stern and a shrewd Deputy Collector, he was ultimately transformed into a generous Co-operative Officer bringing the official and the non-official into one fold. His persuasive eloquence had earned for him the respect of his audience, whether at election meetings or in conferences. His name was household word among co-operators.

The prominent nose, broad forehead, good physique and a stature bordering on shortness showed his grit and resoluteness to grapple with the intricate problems with rapidity and a clarity of vision. His gait and smile were imbued with activity and cheerfulness. His debatable talents associated with courage and fervour were appreciated by the biggest of men. He was a fighter in the cause of his subordinates.

A man of amiable disposition, simple habits and silver tongue—he was within the easy reach of all high and low, endearing himself in an

equal manner. The remarks that fell from his lips were at times caustic but bespoke love of humanity and his anxiety to utilise the position he had by God's grace to help others in the best manner possible.

Communalism or Sectarianism was rarely attributed to him only by those who were not in intimate touch with him and who did not probe into the inner recesses of his heart. His wide knowledge of men and things benefited every person that came in contact with him.

Like all true men of light and leading he was unaware of his greatness. He was on the other hand frank in admitting his littleness before the array of intellectual giants of his country. He detested the calumny of others and counting the moles in others eyes as stated by Swami Rama Thirtha in his memorable lines.

'Wanted reformers not of others but of themselves.'

'Men who have won not University Distinctions.'

'But victory over the local self.'

'Salary Godhead etc.'

The patriotic spirit in him was evident in his daily life. To raise a suitable memorial in his name devolves on the Telugu Country and it is hoped that the Co-operators both officials and non-officials will discharge their duty in a manner worthy of their respect for him.

RURAL INDIA.

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District News

THE CO-OPERATIVE CENTRAL BANK.

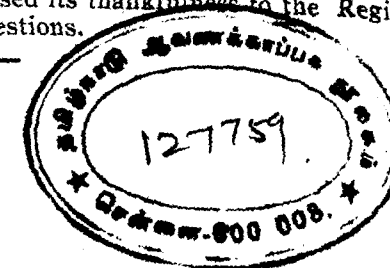
By T. R. RANGANATHAN,
Secretary of the Co-operative Central Bank, Ltd.

The Acting Registrar Rao Bahadur K. Deivasikamani Mudaliar paid a brief visit to the Central bank on the 8th August, 1931 when the President of the Bank Mr. A. Rajabadar Mudaliar welcomed him on the occasion on his first visit to the Bank after his assumption of the office of Acting Registrar. The President conveyed to the Registrar the hearty congratulations of the Bank on his well merited elevation to the office of the head of the Co-operative Department in this Province and expressed that the Chingleput District in which Mr. K. Deivasikamani Mudaliar was born felt a pride that a brother co-operator of the District starting from the humble office of the Secretary of a rural primary society when the co-operative movement was first initiated in the District has risen to the high office now held by him by his solid work and high character. It was the good fortune of the movement, the President said, that one of the mature experience and sound judgment of Mr. K. Deivasikamani Mudaliar was selected to hold the very responsible office of the head of the Co-operative Department and he concluded with a prayer on behalf of the Bank that God would bless the Acting Registrar with long life and good health to enjoy the high distinction to which he has risen and to continue long his usefulness to the Department and the people.

After tea with the Executive Committee members of the Bank, the Registrar was pleased to preside over a conference with them and other co-operators assembled in the Bank to discuss several important questions connected with the Bank's administration. He made in the course of the discussion several valuable suggestions for the improved administration of the Bank and advised among other matters:

- (1) The desirability of the Central Bank making a provision from its profits for a depreciation and bad debt fund.
- (2) The purchase of Government Pronotes to provide collateral security to the Imperial Bank for its overdraft accommodation.
- (3) The needlessness of continuing two lending rates for loans to societies and the sufficiency of one uniform rate of seven and a half per cent.
- (4) The undesirability of giving loans to societies for longer terms than three years,
- (5) The precautions necessary in the grant of Grain pledge loans and.
- (6) The main points to which attention should be paid in the work of rectification of bad societies now undertaken by the Bank.

The Executive Committee expressed its thankfulness to the Registrar for all his kind and valuable suggestions.



THE ANDHRA CO-OPERATIVE INSTITUTE Ltd.,
BEZWADA.

By M.R.RY. N. NARASIMHA ACHARYA,
Secretary, The Andhra Co-operative Institute Ltd., Bezwada.

M.R.RY. Rao Bahadur K. Deivasikhamani Mudlalar Avl., Registrar of Co-operative Societies, Madras, paid a visit to this Institute on 30-8-31, and an address was presented to him the occasion.

The function was presided over by M.R.Ry. C. Rajagopala Acharya Avl., B.A., B.L. The President in his opening speech warmly welcomed the Registrar in glowing terms and requested him to make this Institute a permanent one. He added that the Institute was not intended for training students for Government jobs but for benfitting them for preaching and teaching Co-operation in villages and thereby pave the way for complete success of the movement and the general prosperity of the country.

The Registrar concurred with the President in his opinion regarding the aim of imparting co-operative education to young men at the Institutes. He said that, personally, he was not for the abolition of any of the seven Institutes now in existence (including the one in Madras) but on the other hand he would suggest for seven more. He was quite conscious of the need for more of such Institutes, but said that the difficulty of finance stood in the way. Finally, the Registrar said that he would do his best for the continuance of the Government subsidy to all the existing Institutes.

M.R.Ry. G. Simhachalam Pantulu Garu, M.L.C., President of the District Bank, Secretary of the District Federation, Guntur, and a Director of this Institute, had been kind enough to offer two medals for the students who came out first in the Institute during the 5th and 6th Sessions. A similar offer was made by the members of the Bezwada Section Co-operative Subordinates' Co-operative Society for such students of the 7th session. The Registrar distributed these three medals and rendered the function more pleasant. With a vote of thanks the meeting broke up for the tea-party arranged on the occasion.

Reviews.

RECENT PROGRESS IN AGRICULTURAL
CO-OPERATION.

YEAR-BOOK OF AGRICULTURAL CO-OPERATION.

The Horace Plunkett Foundation—(London, Routledge, 10s. 6d.)

It is not doing enough justice to the latest year-book to say that it maintains the high level already attained. For each successive year-book issued by the famous Foundation seems to excel the preceding one. It has for the last few years shed its Imperial limitations and has—most agreeably to co-operators—grown to be international in its contents and outlook. It has endeavoured to bring up-to-date information relating to the movement in countries already dealt with and in some cases presented new aspects thereof. It includes two thorough and critical studies of the movement in the United States and in the Netherlands by two distinguished writers on Co-operation. Mr. F. J. Prewett and Miss M. Digby respectively, who were specially deputed to the two countries by the Foundation and who have amply justified their choice. It has broken new ground by the inclusion of short sketches of Co-operation in countries as far flung as Bulgaria and Greece on the one side, and the Philippines and the Dutch East Indies on the other.

Two welcome additions of a different type should also be mentioned. There is to start with an account of 'Co-operators in Congress' (national and international) which deals mainly with the attempts at approachment between organisation of Producers and Consumers. The champions of consumers are being slowly converted to the view that agricultural production cannot best be organised by consumers and the next best thing is to link themselves up with the agricultural co-operators. We have also for the first time an interesting account of co-operation among fishermen in several countries under the arresting caption "Small holders of the Sea." We would commend to the attention of our readers the brief accounts of societies in England, Spain, Italy and Canada. But the information relating to other countries is very meagre, particularly about Japan and India. Our Madras societies find no mention at all though our Fisheries Committee Report records cases of success, especially of societies which had been guided and controlled by the officers of the Department of Fisheries.

An authoritative supplement to the Survey of Legislation on Co-operation, published in 1928, and a very hopeful review of the latest literature on Co-operation and allied subjects in various parts of the world bringing

this year-book to a close. This annual publication of the Horace Plunkett Foundation is becoming increasingly indispensable to statesmen as well as students and workers in the field of agricultural co-operation. May we suggest that a few tabular statements of figures of progress, an index and a section of 'Who is Who' in agricultural co-operation and if possible some appropriate illustrations as in the Peoples' Year-Book—which deals almost entirely with consumers' co-operation—will add much to the attractions of this year-book?

We may now proceed to deal in particular with the contributions which have special interest for us or which merit special attention for their intrinsic excellence. We are naturally most concerned with the account of the movement in India given by Prof. H. L. Kaji this time. We cannot pass by the singular and sympathetic editorial note by 'K.W.'—one of the foundation staff—whose aim is to underline the new tendencies in our movement. He welcomes the formation of the All-India Co-operative Institutes' Association as an expression of the ardent desire of voluntary workers to deofficialise the movement. While he is under no misapprehension as to the origin of the Provincial Unions or Institutes, which are 'as much an approach from the above as was the official movement itself,' he believes that "they envisage something greater in the future of India than the creation of a vast rural proletariat dependent on all things upon the State, even though it be a Home Rule State." This is no small satisfaction to the co-operative idealist. He hopes that the organisation of co-operative education throughout the land will not be further postponed and will be much better done by well-organised voluntary institutions than by the Department to which the task was recommended by the Royal Commission on Agriculture.

Unfortunately the above inferences and hopes are belied by the attitude recently taken up by some of the Provincial Departments of Co-operation, both in respect of general organisation and education. In the Madras Amending Bill, the grip of the Government on Co-operation is greater than ever. The editor also sees indications of the Indian movement 'becoming conscious of its wider economic purpose' and welcomes the purchase, production and sales societies. He agrees that co-operative credit should provide the firm foundation. "But no people is going to win its economic freedom by thrift alone; the speculator and prfiteer can thrive even better when the usurer is abolished." But he is not taken in by our first flush of enthusiasm; for he adds at once "Here again it is the significance of the new enterprises rather than their present achievements which is noteworthy." We are grateful for all this expression of goodwill on the part of one of the Foundation.

Now as regards the actual contribution on the Indian movement, our readers may remember that the first account 'the very able

survey of progress' as K. W. calls it was contributed by the Editor of our Journal, Prof. S.K.Y. Iyer, to the last Year-Book (1930). Prof. Kaji has in this year-book supplied and commented on materials available in the administrative reports of provincial departments up to the end of the co-operative year 1928-29. There is an inevitable lack of up-to-dateness which may strike Indian readers, as some progress or the reverse has characterised the movement in the long interval from July 1929 to January 1931. Here are a few instances as for as Madras is concerned.

Prof. Kaji speaks of four Co-operative Training Institutes in our Presidency while we have had six of them for over one year. He says that the "25 District Federations have amply justified their existence and are making their influence felt on the supervision and rectification of primary societies." The verdict of the Registrar in the Administration Report (1929-30) tells a different tale. District federation is no longer the fad of the official here. There is again a touch of irony in the statement that "the Provincial Co-operative Union is gradually strengthening its position as the non-official centre for all kinds of activity." Only the Government here does not choose to recognise or consult it in the framing of the new bill, in which its existence is simply ignored. The Central Land Mortgage Bank which according to the Year-Book "is to be started shortly" had been started at the close of the year 1929. We do not blame Prof. Kaji; such errors are inevitable on account of the distance of the publishing centre of the Year-Book and the delay in the publication of administrative reports here. But is it not open to him, as the Secretary of the All-India Co-operative Institutes' Association, to call for more up-to-date and frank statement of affairs from the provincial co-operative unions or institutes and base his contribution on such data? We hope that the publication of the new All-India Year-Book of Co-operation will facilitate such an authoritative and up-to-date summary of progress.

But so far as data were available, Prof. Kaji has ably summed up the salient features in each province and major Indian States. He has a keen eye for essentials: but the account is in some cases all too brief and business-like. One yearns for a little more detail here and there; e.g. of sale societies in Madras, Bombay and Bengal from which much was hoped but comparatively little has been achieved according to the verdict of the Provincial Banking Enquiry Committees which reported last year. We have an interesting sketch of new lines of activity in Bengal and the Punjab which seem to be India's laboratory for all experiments in Co-operation. The Punjab has societies for the consolidation of holdings, better farming, better living, compulsory education and arbitration in addition to the usual types. Only the initiative and the control seem to be far too much in official hands, as Prof. Kaji points out.

We note with satisfaction a tabular statement at the end, but more statistics and other information of a routine character may be presented in a few additional tabular forms and in the form of appendices; while new problems and new activities can be given greater space and discussed instead of being merely mentioned.

The most original of all contributions to this Year-Book is that on the United States by Mr. F. J. Prewett; it is a thoroughly independent, critical and impartial study. He contrasts the agricultural environment in England and the United States, analyses the psychological forces that urge farmers to combine, discusses the membership contract and other legal aspects and shows the moral as well as economic gain to the movement by the State's open preference for, and encouragement of, co-operative marketing which has led to the establishment of the Federal Farm Board in 1929. The multifarious work of the Board is reviewed at some length and a word of caution is uttered against unduly accelerating the pace of organisation. He has no doubt, however, that the Federal Government by this and other acts is making "the whole community co-operation conscious." In summing up the situation in U.S.A., he has drawn certain inferences which may indeed have a wider application and are therefore worth stating here:—

1. Co-operation has succeeded most where the market lies at a great distance from the producer.
2. Greater success has been achieved in special commodities of which the production is concentrated and constitutes the chief employment of the farmer.
3. Producers of agricultural specialities like eggs, fruits, nuts, etc. have built up large and sound co-operatives in which processing is under experienced local control and marketing is highly centralised, with no inter-co-operative competition and with orderly incidence of supply on the market and with a real approach to price stabilisation.
4. Co-operation has made little progress in staple produce like wheat, maize, cotton, tobacco.
5. The non-specialist producer—the mixed farmer raising specialities like eggs, fruits, has made little progress in co-operation.
6. The farmer in old established districts has made little headway in co-operation, unlike the former in new districts.

Agricultural Co-operation in the Netherlands contributed by Miss M. Digby of the Foundation is another model survey. As a preface to a pleasing picture she sets out the back ground of agricultural economic conditions in which co-operation thrives. Though banking was not the first branch of co-operative activity to be developed there, there is said

to be no village in the country without a bank. There is no share capital, deposits are more than double the loans; deposits are largely received from non-members while loans are granted mainly to members. But savings deposits of the latter are mounting up and now exceed half of the total deposits, showing that "members are to a very considerable extent financing themselves out of their own savings."

Non-credit activities, with an earlier start, have shown greater progress. Throughout the eleven provinces there is hardly a village without an agricultural supply society, and on the whole 70 per cent of the peasants are members thereof, while there are provinces where the percentage has risen to 92 and even 100. Dairying, the main industry of the country, has had "all the national capacity of organisation lavished upon it?". The quantity and quality of milk have been raised by control measures; and their full benefit to the farmer has been secured by co-operative manufacture and marketing of butter etc. Of the 946 dairy societies, 608 are co-operative and 170 operate as such practically; no wonder co-operation controls the price of butter market. Gardening is the second reputed industry; due to specialisation and adaptation its output has trebled itself in the last 30 years. The famous co-operative auction sale is fully described by the author. 93 per cent of potatoes, 99 per cent of grapes and 100 per cent of cucumbers sold in the country are sold by this means. The lessons to be learnt from the Netherlands movement are summed up thus: The ability to devise specialised forms to suit varied circumstances and change them if need be, organisation on a national scale, financial risk-taking and submission to stringent grading for the common benefit.

One thing more, before we take leave of this fine piece of work. Provincial unions in Holland are assigned a variety of functions which may excite the envy of co-operators here. One impressive list runs as follows:—"The Limburg Union has 20 departments which include co-operative organisation for supply, credit, marketing, insurance; the control of plants and seeds; agricultural instruction through schools; the auditing of local organisations, arbitration in disputes between members who are thereby kept out of the law courts."

Denmark, the famous home of agricultural co-operation, is the subject of another chapter by J. B. Hamilton. The part played by the splendid system of rural education, the State's resolute agricultural policy in respect of small holdings, the celebrated role of co-operation, the determination of the Dane to retain the markets he has captured by the maintenance of high quality and the readiness to revolutionise his agriculture again if need be, are all dealt with briefly but effectively. It is indeed an inspiring picture he has drawn of the Denmark of to-day.

The National Government in Fascist Italy follows characteristically enough a policy of 'thorough overhauling' of Society 'inadequately capitalised and technically inefficient'. But the Government has found in the reinvigorated Societies a useful instrument for carrying on 'the economic campaign' and has accordingly appointed their representatives on various public bodies and particularly on the National Council of Corporations the central and supreme body of the new Syndical organisation. In Italy, unique success has attended the efforts of labour societies, which are bound to play an increasingly important part in the State programme for the reclamation and improvement of land. Co-operative land-holding societies too have achieved real progress which is rather rare elsewhere.

In the accounts of Co-operation in the Dominions of the British Empire, the effect of the unparalleled depression on the movement is discussed. On the whole it is clear that the loyalty and soundness of co-operators in the new countries have survived the severest test. In Australia the Pool sold its members' wheat steadily and made profits compared with wheat stored by non-members with private traders for top prices. In Canada, on the other hand, the Pool which 'spread out its sales of a season's commodity over the whole of the year' did not realise the prices that private traders did by selling out at once and buying again for speculation. But more than 50 per cent of growers did not back out of the pool though their contracts expired after the 1929 slump, as they did not wish to fall back into the previous state of disorganisation. The policy of the pool in 'making co-operation a way of living as well as of trading' by lending its support to educational and social activities is perhaps bearing fruit. Only in New Zealand though the co-operative dairies have stood the strain, lack of loyalty weakened the wheat pool as several members evaded their five-year contracts by resorting to expedients like leasing land to others and growing wheat in the names of their wives or others.

It is evident that even elsewhere the agitation for legislation to compel a minority of growers to co-operate is losing support. It has been rejected in some states of Canada and Australia, though in the latter and in South Africa, remarkable success has been achieved in the case of certain commodities whose export is 'controlled' and is mostly handled by co-operative agencies. The best examples are furnished by the Australian Dried Fruit Board and the Potato Marketing Board of Tasmania, and in South Africa by the 'controlled' and co-operative marketing of wine and tobacco. We can only refer eager readers to the accounts given in the year-book.

Limitations of space forbid references to a number of other interesting contributions to the year-book. We cannot, however, let

go this opportunity without referring to the engaging account given by Dr. J. H. Boeke of the extraordinary system of rural credit provided in the Dutch East Indies by the Government agency through public pawn shops. Short-term credit is granted to men of small means at the rate of 10 or 11 per cent which enables working expenses to be met and a reserve fund to be built up. All efforts of well-meaning Government officials to introduce co-operation into this system failed to evoke any response on the part of beneficiaries who want neither power nor responsibility. They only want facile credit and they get it. Repayments are regular, thanks to the bounty of nature and the iron discipline enforced. Though this pronouncedly patriarchal system has helped the small people, the more educated and the well-to-do among natives are out of it and they look with suspicion on the recent endeavours of the Government to develop co-operative credit. This reaction, the author puts down to racial feeling, to the fact that they feel the whole system is managed by Europeans. They are willing to be guided and taught, but it must be by one of their own race. Our author frankly draws the moral:

"This is the bitter fruit of the over-estimation of the importance of technique and the under-estimation of pedagogy in the whole of social Policy."

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THE MADRAS
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REVISED BY H. M. HOOD, I.C.S.
(Volume II.)

The second volume of the Madras Co-operative Manual revised by Mr. H. M. Hood is a store house of much useful information. The Co-operative Societies' Act and the Rules under the Act are printed together with model bye-laws of various types of co-operative societies in our province. Information is also given regarding the various registers and forms to be kept by different institutions.

Among the model bye-laws we notice bye-laws of the Agricultural Demonstration Society, of Agricultural Improvement Society, as well as of Co-operative Irrigation Society. If allied activities could be so specialised, we fail to see why there should not be model bye-laws of Wage Earners' Society who are neither Municipal Employees, superior or menial, nor public servants. We also notice that model bye-laws are not given for purely Thrift Societies as have been organised for the sake of some of the Mount Road employees in the City of Madras. It is this type of society that should be made popular with our women folk.

Co-operative printing presses have been given very little guidance by way of model bye-laws though that is a line of activity which has been in existence for some time and which is likely to expand. Lastly we see that co-operative societies for the production and encouragement of khaddar are omitted, so also model insurance societies, for the obvious reason that such insurance society was not much of a success.

It was very good on the part of the present editor to have separated the matter for this volume from the matter for the first volume which was reviewed in the pages of this journal. They both deal with two different kinds of problems, propaganda and administration and it is better each section has its own reference book.

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**Action Taken by the Registrar of Co-operative Societies
Madras on the Resolutions of the
XIX Madras Provincial Co-operative Conference.**

(Letter No. F. 4050/31, dated 1st September 1931.)

Sir.

Conference—Madras Provincial Co-operative Conference held on 20th and 21st June 1931—Resolutions*

Ref:—Your letter No. 35/31-32, dated 20-7-31.

Resolution II.—Co-operative Bill—All the amendments suggested by the conference to the Co-operative Societies Bill will be duly considered.

Resolution No. IV.—Item 2.—Abolition and audit fees—It is admitted that urban banks do require concurrent audit. According to Rule VIII-D of the rules framed under the Co-operative Societies Act II of 1912 (India) only big urban banks are liable to pay audit fees in case they do not get their accounts audited either by an audit union or by an auditor approved by the Registrar of Co-operative Societies. In special deserving cases, audit fees are waived in whole or in part. I cannot therefore support the resolution to exempt all urban banks from the payment of audit fees.

Resolution No. V. 2 (a)—Land Mortgage Banks—The Government of India have been addressed to amend the Indian Trusts Act so as to include the debentures issued by the Central Land Mortgage Bank in the list of Trustee securities.

2 (b).—The question of exempting from income-tax the interest on debentures issued by co-operative banks is under consideration.

VI (1) and (2).—I do not think that the movement is at present in need of any special loans from Government as the Provincial and Central Banks have enough funds to meet immediate requirements.

Resolution No. VI (3)—Remission of penal interest by central banks and co-operative societies—If societies give extension of time in deserving cases, the question of penal interest will not arise. In other cases, enhanced interest can be levied.

Resolution No. VII (1)—Building societies—All the previous resolutions were duly considered and action taken on them as far as possible.

*See page 36 of the July '31st issue of this Journal for the Resolutions of the Conference.

2- Owing to the present financial depression, Government themselves are borrowing at 6 per cent. Hence there is no possibility of Government accepting the proposals to reduce the rate of interest on loans to Building Societies.

Item 3.—I cannot support this resolution. The margin of safety for Government would be reduced if building societies are permitted to borrow both from Government and other sources. Further it may not be possible to obtain long term money.

Item 4.—This resolution wants that the cost of metalling the roads should be borne by Government. If at all, it must be borne by the Municipality, but Government have said that they cannot compel any Municipality to bear the cost, much less can the Government in their present financial stringency bear the cost.

Item 5.—I invite your attention to rule 8 of the rules for the grant of State loans to co-operative building societies. The rule is favourable in every way and causes no real hardship.

Resolution No. VIII—Agricultural Societies.—Items 2 & 3 I am sending a copy of these resolutions to Government.

The other resolutions passed at the conference do not call for any special remarks.

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

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**ALL-INDIA CO-OPERATIVE INSTITUTES'
ASSOCIATION.**

CIRCULAR.

Attention is invited to the resolution* of the Standing Committee of the All India Co-operative Institutes' Association requesting the Co-operative Institutes, Unions and Federations in the various provinces and States of India to observe the All India Co-operators' day in a fitting manner on the First Saturday of November every year. The day falls this year on the 7th November 1931, and the Institutes, Unions, and Federations in India are hereby requested to arrange for the proper celebration of the Co-operators' Day on that date. The response to the request of the Association last year was very general and the reports received of the celebrations throughout India clearly revealed that Co-operators all over the country have accepted the idea of setting apart a Day in the year for celebrations in a variety of ways of the Co-operative Movement and the Spirit of Brotherhood inherent in it.

The idea of popularising the sale of thrift certificates which was suggested last year is also suggested this year for adoption in those areas where it seems practicable.

H. I. KAJI,
Hon. Secretary
4—9—1931.

* Vide page 1 of Supplement I to the May '30 issue of the Madras Journal of Co-operation for the resolution.

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Special Types of Societies.

THE CONJEEVERAM CO-OPERATIVE THRIFT AND LOAN SOCIETY, (G. 982) CONJEEVERAM.

Administration report for the year ending 30th June 1931.

The Board of Directors have much pleasure to present the first report on the working of the Thrift and Loan society, Conjeeveram, during the nine months period ending the 30th June 1931.

2. The society was registered on the 2nd August 1930 and started its work on the 4th October 1930.

3. *Membership.*—The Society started with 12 members. There were 78 subsequent admissions and owing to transfers from the station there were 3 withdrawals leaving the number on the rolls at 87 at the end of the year. The share capital paid by these 87 members upto the end of 30th June 1931 was Rs. 169.

4. *Subscriptions.*—During the year 80 members subscribed for the thrift fund, 6 for the provident fund and one for both funds. The monthly subscription from members to these funds rose from Rs. 20 and nil on the date of starting to Rs. 157 and Rs. 30 respectively at the end of the year. Four members have in addition opened savings deposit account. Statement No. 1 appended to the report classifies the members according to the amount subscribed by them monthly and also according to their occupation in life. The subscribers are mostly of the class paying Re. 1 per mensem, their number being 55 against the total strength of 87 members. Care was taken in the admission of members to ensure punctuality in the payment of the monthly dues. It is gratifying to note that the payments by members were as a rule regular and punctual, with the result that there was not a single case of default on the 30th June 1931 (Vide statement No. 2), though the society employed no establishment other than a part time menial servant on Rs. 2 per mensem for collections. With the small margin of income which the society is able to make under the existing rules, it is not possible to employ even a part time clerk for scriptory work and the board of management is seriously considering how the situation may be improved. It is common knowledge that many a co-operative society which flourishes is able to do so on the income from members in the shape of penal interest. This fact often

tempts the directors of societies to court defaults on the part of members in the payment of their dues for the sake of the increased income they can hope for therefrom. It is an important aim of this society to prevent defaults as far as possible and to train members to keep up their obligations to the society with honour.

5. *Investments.*—The amounts received from members are being invested in the Central Bank, Conjeeveram, and in the Madurantakam Bank as fixed deposits for varying periods. The amount invested during the period was Rs. 550 in the former and Rs. 750 in the latter.

6. *Loans.*—As loans to members can be granted only after 6 months from the date of their admission, loans to any considerable extent could not be granted. Only one loan of Rs. 6 was given in the month of June 31 to a member for the purpose of redeeming pledged jewels. It is repayable in 6 instalments of Re. 1 each which the borrower has been paying regularly.

7. *Chit fund.*—A chit fund was run during the year with 10 members subscribing Rs. 10 each per mensem. The ten months period of the chit which commenced in March 1931 will run till December 1931. The collections from and payments to members were quite regular.

8. *Management.*—The strength of the Board is seven. The names of the members of the Board are noted in statement No. III. During the period of 9 months, 13 meetings of the Board were held, but one meeting of the Board and one meeting of the General Body had to be adjourned for want of quorum. It is the aim of the society to hold its meetings in strict accordance with its by-laws as far as possible.

9. *Profits.*—The society earned a net profit of Rs. 3-10-0 which the Directors propose to carry in full to the Reserve Fund, the amount being small.

10. *General.*—This co-operative society was started under the auspices of the Provincial Co-operative Union by its propagandist member, M. R. Ry A. Rajabadar Mudaliar Avl., for the purpose of propagating the principles and ideals of thrift in a practical form, by getting the members to actually observe them as far as possible in the working of the society. The results have been encouraging so far and it is hoped that the public of Conjeevaram would realize the usefulness of the Society in promoting habits of thrift among the people and join it in large numbers to help themselves and to strengthen the Society for greater usefulness in improving their economic condition. The Board expresses its grateful thanks to the Provincial Co-operative Union for its grant of Rs. 35 towards meeting the charges of the society in its infant stage when it could not make both ends meet with its paltry income.

The Board cannot omit to thank the member Mr. R. Varadachariar who has been of considerable help in rendering honorary services to it in undertaking a considerable portion of its scriptory work.

Before concluding, the Board of Directors must express their grateful thanks to the Acting Registrar, Rao Bahadur Mr. K. Deivasikamani Mudaliar, who very kindly drafted the by-laws of the society and to the Deputy Registrar, Mr. S. P. Perumal Pillai, who with kind sympathy registered it and evinced interest in its successful working.

In conclusion all the members are requested to kindly participate in the efforts of the Board to increase the strength and usefulness of the Society. There is very large scope for improvement which will be possible only by the hearty and active co-operation of one and all.

(By order of the Board)
C. ARUMUGA MUDALIAR,
Hon. Secretary.

STATEMENT No. I.

Statement showing the classification of the members according to the amount subscribed by them monthly and also according to their occupation in life.

Amount sub- scribed.	No. of Members.	Total amount subscribed.	Occupation.	No. of members
Rs.		Rs.		
<i>Thrift Fund.</i>				
10	1	10	1. Pensioners	...
5	12	60	2. Teachers	...
3	2	6	3. Gumasthas	...
2	15	30	4. Doctors	...
1	51	51	5. Clerks	...
	81	157	6. Cultivators	...
			7. Masons	...
			8. Traders	...
			9. Vakils	...
			10. Carpenters	...
			11. Printers	...
			12. Dependants	...
			13. Servants	...
			14. Karnams	...
			15. Nurses	...
			16. Compounder	...
			17. Milkmen	...
			18. Washerwoman	...
			19. Barber	...
				87
<i>Provident Fund.</i>				
10	2	20		
6	1	6		
1	4	4		
	7	30		

Note.—One member subscribed both for Thrift Fund and Provident Fund at the rate of Re. 1 and Rs. 6 respectively per month.

STATEMENT No. II.

Statement showing the Demand, Collection and Balance up to the end of June 1931.

Item.	Demand.	Collections.	Balance.
	Rs.	Rs.	
1 Thrift Fund	1,142	1,142	Nil
2 Provident Fund	191	191	Nil
Total	1,333	1,333	Nil
3 Loans	Nil	Nil.	Nil

STATEMENT No. III.

Names of Directors.

1. M. R. Ry., A. Rajabadar Mudaliar Avl., B.A., *President.*
Retired Deputy Collector.
2. " V. Gnanadhicam Avl., B.A., L.T., *Vice President.*
Head Master, Anderson High School
3. " C. Arumuga Mudaliar Avl., *Secretary.*
Retired Tahsildar.
4. " C. Ambalavana Mudaliar Avl., *Joint Secretary.*
Rd. Military Superintendent.
5. " C. P. Ranganathan Naidu Garu,
Asst. Teacher, Anderson High School.
6. " C. Devarajan Avl.,
Head Clerk, Anderson High School.
7. " T. Rajagopala Bupathi Avl.

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Subscription Rs. 2 per annum for all Co-operative Societies and Village Panchayats and Rs. 3 for others.

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Proceedings of the Meeting of the Central Rural Reconstruction Committee of the P.C.U.

Held on Sunday the 20th September 1931.

PRESENT:—

Messrs. 1. V. Ramadas Pantulu ...	... (In the Chair).
„ 2. V. Venkatasubbaiah ...	... (Secretary to the Committee).
„ 3. K. M. Singaravelu Mudaliyar ...	... (Convener).
„ 4. S. Subba Rau ...	... } (Members).
„ 5. Prof. N. G. Ranga ...	... }

Besides the above members of the Committee, Messrs. N. Satyanarayana and G. Sriram Babu Naidu, Hon. Joint Secretaries of the Union, K. L. Narasimha Rau, Executive Committee Member, and Diwan Bahadur S. Hanumantha Rau Pantulu of Masulipatam, were also present.

RESOLUTIONS.

I. The Committee resolves that, where the contribution from a local centre does not come up to Rs. 1,000, the contribution from the Union need not necessarily be discontinued, but a partial grant, upto Rs. 750, may be made on rupee to rupee basis, if this Committee is satisfied that a suitable scheme of rural reconstruction can be carried out with the aggregate funds so pooled. In computing the contribution of the local centre, the difference between the sanctioned scale of expenditure on the workers and that at which the local centre can maintain its workers, may be treated as contribution from the centre, provided the workers so employed by the local centre are competent and efficient to do the work in the opinion of this Committee.

II. The following gentlemen are appointed members of the Alamuru Centre:—

Messrs. 1. N. Satyanarayana Garu ...	... (Alamuru).
2. Y. Doriah Garu ...	... (Alamuru).
and 3. Surappa Reddi Veeraswamy Garu ...	... (Sandhipudi).

III. In the vacancy caused by Mr. M. Venkatarangayya leaving the district in the Committee of the Indukurpet Centre, Mr. V. Raghavayya be appointed.

IV. Resolved to address the Guntur District Co-operative Central Bank, Ltd., regarding the selection of a centre and contribution, mentioning that, if no definite proposals are forthcoming from the Bank in a month, other proposals will be considered by this Committee.

V. Resolved to address the Salem District Urban Bank, Ltd., requesting them to fall in line with other centres, unless there are insuperable difficulties. In any case, they may be requested to maintain separate accounts for the Rural Reconstruction funds and send monthly statements of receipts and expenditure. If they agree at least to the latter course, the P.C.U.'s contribution may be continued.

VI. Budget of the Central Rural Reconstruction Committee for 1931-32.

Resolved that the following budget be sanctioned :—

	Rs.	A.	P.
1. Contribution to P. C. U. for clerical work in connection with Rural Reconstruction work	25	0	0
2. Salary and F. T. A. of the Physical Instructor	70	0	0
3. Travelling Allowance of members	80	0	0
4. Miscellaneous	20	0	0
Total	195	0	0

i.e., Rs. 2,400 per year roughly.

VII. Resolved to sanction a sum of Rs. 500 for the manufacture of 10 magic lanterns by Mr. Babu Rau and purchase of petromax lights for the same.

VIII. Resolved that the consolidated report of the working of the Rural Reconstruction Centres be printed and published and that the necessary expenditure be incurred for the purpose.

(Sd.) V. RAMADAS,
President.

20th September 1931.

REPORT OF WORK DONE.

IN THE

Ramnad District Rural Reconstruction Centre, Maharajapuram.

for the quarter ending 30th June '31.

There is no alteration in the membership of the Sub-Committee and it met only once during this quarter.

Co-operation:—During this quarter, our Inspector was solely entrusted with the collection work in the four societies. The total collection effected during the three months is Rs. 5,399. Maharajapuram, Sundarapandiam, Pudupatty and Pudupatty Roman Catholic Panchama Co-operative Societies had overdues in principal and interest as follows :—

	As on 30—6—31.	
	Principal.	Interest.
Maharajapuram Co-operative Society	...	...
Sundarapandiam C. S.	6,314	...
Pudupatty C. S.	5,559	...
Pudupatty R. C. Panchama C. S.	721	...

In the last three societies only interest arrears were cleared. All the efforts taken by the Inspector to clear the principal overdues were of no avail. Especially in Pudupatty Co-operative Society, collection was not at all made till 30th, May '31. Our Inspector had only one recourse—that of collecting Rs. 10 or Rs. 5 as according to the capacity of the members, and that is how the interest arrears were cleared. The Inspector with the three of the Panchayatdars of the society attended to the collection work and all possible measures were taken to clear at least 50 per cent of principal arrears; he negotiated landed properties of one or two members for sale. The buyer, who agreed first, afterwards declined to purchase the same. It was in Maharajapuram Co-operative Society, that the combined efforts of our Inspector and the Panchayatdars had the desired effect. It has neither principal nor interest arrears.

In Sundarapandiam Co-operative Society, there are more than 200 members scattered over 8 hamlets; the society is rather unwieldy during the collection season. This difficulty has been felt since a very long time. Necessary actions are being taken to bifurcate

the society. The Governing body members of the Sundarapandiam Co-operative Union also took part in collection work; needless to point out that the economic depression retarded the progress of collection.

In Maharajapuram Co-operative Society on every Full-Moon day, except under unavoidable circumstances, a general body meeting is held when the members of the society are brought in touch with the affairs of the society.

Land Mortgage Bank:—Loan applications are pending for over four months. Not one of them was disposed of during this quarter. Many members could have been enlisted in the Bank but for the increased rate of interest from 8 to 8½ per cent and reduced time of repayment from 20 to 10 years. Some of the members who, even on these terms wanted loans from the said Bank, dropped the idea owing to the abnormal delay caused in disposing of the loan applications of the other members.

The Deputy Registrar of Co-operative Societies, Ramnad, and the Secretary of the Srivilliputtur Co-operative Banking Union toured in our Union area and they visited Maharajapuram on 3—6—'31. They paid special attention to the three big societies in the Union area, viz. Maharajapuram, Sundarapandiam, and Pudupatty Societies. The Deputy Registrar pointed out that the overdues in Maharajapuram Co-operative Society should entirely be cleared by the end of June 30th., as our Honorary worker happens to be one of the Panchayatdars of the society, and as he is in the Board of Management and the Executive Committee of the Central Bank. Accordingly special efforts were taken and the said society made an advance payment of more than Rs. 90 having cleared the principal and interest overdues.

Education:—With regret I have to repeat what I had written in the last quarterly report regarding the introduction of compulsory elementary education in the Maharajapuram Village Panchayat area. All the conditions required for the introduction of compulsion were fulfilled. The Muhammadans of the Maharajapuram village have a separate unrecognised school attached to their mosque at Thambipatty. They have applied for recognition; the paper is pending for the past two years. If the school is recognised, there will be no objection to exempt the Muhammadan boys of compulsory area from attending the Panchayat school provided they attend the recognised Islamiah school. Even if the recognition is not granted the indigenous school would be closed for want of funds. In that case the Muhammadans will have no objection in attending the Panchayat School at Maharajapuram. Hence the delay caused in disposing of the paper concerned with the

recognition stands in the way of securing the co-operation of the Muhammadans of the village.

Adult Education:—Daily Tamil Newspaper "Swadesa Mitran" is read regularly in a common place by the Inspector or by one of the villagers if he happens to be away from Headquarters. The number of people attending the same is increasing. There is a sign of thirst for public news. At Pudupatty the villagers were not accustomed to reading newspaper. Our Inspector has induced some of the young men of the village to open a reading room and, a monthly Tamil Magazine and a daily newspaper are placed in the Reading room at the disposal of the villagers. I cannot boast that a large number of people utilize the reading room; it is only a month and a half since it was started. It is hoped that a large number of villagers will frequent the Reading Room and make the best of it.

Village Panchayat:—The new Amended Local Boards Act does not provide enough facilities for the Village Panchayat to undertake any work at present towards the improvement of the village. So no work in either of the three villages was under taken during this quarter. The teacher of the Village Panchayat Adi Dravida School has increased the strength of the school to a considerable extent. The Village Panchayat Library in the three villages, especially in Maharajapuram is best utilized by the villagers; young and old men, even boys take up books from the Library and our Inspector selects the books and gives them according to the tastes of the readers.

Cholera was prevalent at Pudupatty in some quarters of the village. Our Inspector distributed Cholera medicines which the village Panchayat had bought. If afforded one or two cures. Fortunately there was no serious loss by cholera.

Mahimai Fees:—Papers connected with the sanction for the levy of Mahimai fees in the Maharajapuram Village Panchayat area have somehow or other been lost. As per the new Act fresh sanction was solicited from the Inspector of Local Boards. No orders have been received during this quarter.

Sanitation:—The Health Inspector visits our Centre often and suggests improvements that could be made in the village. The conservancy staff attend to their work regularly and the work is occasionally supervised by our Inspector.

The Sivakasi Taluk Board has sanctioned funds for the construction of Bore-Hole latrines in the three villages; the Health Inspector has located the spots and the work will be commenced in the next quarter.

*Communication :—*Repeated requisitions have been sent by the Maharajapuram Village Panchayat to the Inspector of Local Boards to approve the revised estimate for the well-concur for the formation of the Watrap-Maharajapuram road. It has been brought to the notice of the Inspector of Local Boards that the lead given to the well concur is rather too insufficient and that it is quite impossible to carry on the road with the original estimate. The Inspector of Local Boards should appreciate the Maharajapuram Village Panchayat for having undertaken the road work which is estimated to cost Rs. 10,000. But on the other hand, he preserves silence. Such silence evidently tells upon the enthusiasm of the Panchayatdars and consequently the progress of the Village Panchayat. The revised estimate as submitted by the Assistant Engineer, Sattur, after six months' stay in the Office of the Inspector of Local Boards, observes that the rate is too high and that it should be prepared once again by the Assistant Engineer, Sattur. If the Inspector of Local Boards observes that the rate is high, he could have returned the same four or five months back. I do not know how long will it take for the Assistant Engineer to come and to prepare the revised estimate and to get the sanction of the Inspector of Local Boards.

*Pudupatty-Gopalapuram road, or Pudupatty-Watrap Road :—*Though the work was sanctioned by the Sivakasi Taluk Board some two years back the work was not undertaken by the Board for want of funds. Pudupatty Village Panchayat passed a resolution requesting the Taluk Board to contribute 1/4 of the total estimated cost of the road. Meanwhile the Sivakasi Taluk Board got its share of contribution for the village roads from the Ramnad District Board. Hence it has undertaken the work of Pudupatty-Watrap road with the aid of the provincial grant. This road has been included by the Taluk Board in the list of roads to be commenced in the year 1931-32, and also a provision has been made in the budget of 1931-32. The Convenor and myself requested both the Assistant Engineer, Sattur, and the District Board Engineer to furnish us the necessary plans so that we could get the consent statements from the concerned parties by private negotiations. We understand that the papers have passed from the District Board Engineer to the L.F. Assistant Engineer, Sattur, and the District Board Engineer has called for tenders for the work. In the next quarter, the work will be commenced.

*Agriculture :—*The Agricultural Demonstrator paid two visits to our Centre during this quarter. During his visits, he emphasised among other things, the importance of cattle manure. He has often told the villagers how a cattle shed should be constructed to gather

the cattle-manure conveniently. Some two or three villagers have an idea to construct the same as directed by the Demonstrator. But they have not yet come forward to execute it. It is hoped that they will do it in the near future. The Veterinary Doctor visited the centre once during this quarter and applied medicines to some of the diseased cattle.

*Stud-bull :—*The Ramnad District Board was good enough to sanction a stud bull to this Centre. But to the great disappointment of the villagers, the Government did not approve of the sanction.

Cottage Industries.—Out of the 50 charkas made at the expense of our Honorary Worker, 10 have been distributed among the villagers at the cost price. Local work in yarn production is to be commenced only from the next quarter for which arrangements are being made to supply cotton to those who have taken charkas from us. There are already about 30 charkas working at the Maharajapuram village. Majority of the villagers go up the hills which is close to the village, gather fire-wood and sell them in the neighbouring villages. They realise better earning in selling fire-wood than they could do at the spinning wheel. So it is found a little bit difficult to raise the number higher than thirty. If at all anything could be done with regard to spinning it is possible only in the hamlets.

*Poultry Keeping :—*The white-leghorn fowls are getting on well and almost all of them lay eggs on alternate days with an average interval of 6 to 8 days in a month. Eggs have been sent to Tanjore District, Srivilliputtur and to one or two gentlemen of Pudupatty village, at the rate of 2 annas per egg. Our Inspector gets timely information from Mr. Stephen, the Secretary of the Ramana-thapuram Y. M. C. A. Rural Reconstruction Centre, Coimbatore, who helps our Centre quite often by giving suitable suggestions to our Inspector as regards Poultry-keeping. He has kindly consented to exchange one Rhode Island Red Cock which had been bought from the Ramanathapuram Centre) with a set of printing blocks. Arrangements are being made to try Calico printing in the ensuing quarter.

*Rural Recreation and Playing grounds :—*Volley Ball is daily played at Maharajapuram. At Pudupatty also, our Inspector with the local contribution has opened a Volley Ball club. At the outset the young men of the village had an aversion towards this game. But now they quite appreciate the game and even men of over 35 years take part in the game. It is this set of young men who

have joined as the members of the newly started reading room at Pudupatty of which mention has been already made in this report.

The villagers of Maharajapuram are entertained with the Gramophone on Full-Moon days when general body meetings of the Local Co-operative Society are held. The machine is taken by our Inspector also to the other two villages and their hamlets when occasion arises. The second set of ten gramophone records is best appreciated by all.

Staff.—Our Inspector submits his monthly returns regularly. During the collection season he submitted fortnightly diaries, and he did his best to show a good progress in the collection.

General:—Our Honorary Worker gives directions to our Inspector carrying out the Rural Reconstruction Scheme. There are so many obstacles in the way. The District Board sanctions a particular thing and the Government denies it. If the revised estimate is solicited nothing is replied to for months together. Much delay is generally caused at the offices in disposing of the pending papers. As for instances, the papers connected with the introduction of compulsion are still pending. Our Honorary Worker who is also a member of the Sivakasi Taluk Board brought a motion in the Taluk Board that spinning should be introduced in the Taluk Board Girls' Schools. It was unanimously carried out; but a Government order stands in the way. It says that only those who have passed the weaving test should be the tutors for spinning. The Taluk Board for want of funds refused to pay a high salary to the weaving masters; hence the scheme was dropped. Somehow or other, the Government have succeeded in putting an end to the introduction of spinning for the present in the Sivakasi Taluk Board area. Likewise, I do not understand the attitude of the Government in delaying the papers concerned with the introduction of compulsion in the Maharajapuram Village Panchayat area.

In conclusion, I request the Government and the Local Bodies to kindly co-operate with us and to make this Centre a success.

G. ALAGIRISAMI NAIDU,
Honorary Worker.

Rural Reconstruction Committee, Anantapur.

Report of work done during the year 1930—31.

I. (a) *Adult Education.*—Night schools are working at Lepakshi and Kallur and Sirivaram. At Lepakshi there are (1) NIGHT SCHOOLS separate night Schools for Hindus and Muhammadans. The night schools that were started at Manepalli, Galipipalli (hamlet of Lepkashi) and Kodipalli worked only for a temporary period and they have been closed as they were refused recognition. The night school at Bisalamanepalli has resumed work. The students for the night school at Kallur are generally from the Adi-Andhra caste.

Cholasamudram:—Bharatham was selected at Cholasamudram, and after finishing it, Uttara Harivamsam and (2) PURANAMS. Jaimini Bharatham were read and explained. The average attendance was about 45 every night. It was begun in July and ended by 25th October 30. Dr. C. Narayana Rao M. A., L. T. Ph. D., was present on the finishing ceremony when he addressed the people gathered who were about 150.

Manepalli:—Bharatham and portions of Bhagavatham were taken up for Puranam and the purohit of the village was the Pouranika. Puranam reading lasted for three months from October to December. The attendance varied from 35 to 80 every day.

Sirivaram:—Prose Mahabharatha is being read at Sirivaram by the school master, from 10th May. The daily average attendance is 50.

Mr. P. Ramachar of Anantapur gave model lessons as it were, in puranam at Manepalli, Lepakshi and Cholasamudram. Karthikam festivity assemblages were utilised for addressing the villagers on various topics relating to village uplift.

The school children at Manepalli, Cholasamudram, Sirivaram, Lepakshi and Kallur have been organised as (3) BHAJANA. Bhajana parties who are led by the school masters and others, singing devotional, historical and health songs, in addition to the adult Bhajana institutions. The Bisalamanepalli Bhajana association has been regularised and it gets the weekly Andhra Patrika which is read by the members.

A drama on spinning and Lankadahanm was enacted by the students of Sirivaram at Sirivaram and Manepalli. (4) DRAMAS. The audience numbered about 400. A street play was staged at Vibhutipalli village.

Four Harikatha performances were given at Kallur, Kondur, Manepalli and Sirivaram by Messrs M Rama Rao (5) HARI- Manepalli and Sirivaram by Messrs M Rama Rao KATHAS. Korlakunta, Kristappa of Manepalli and Nanjunda Rao of Kallur. The attendance at each was about 200.

25 lectures with the aid of magic lantern slides on England views, on co-operation, evils of drink, health and (6) LANTERN. sanitation were delivered to an audience of about LECTURES. 3200. Lectures with the aid of gramophone were given. The total attendance at the 74 lectures is 4150. Subjects were mostly about village uplift and temperance.

A few teachers of the elementary schools did propaganda in education, sanitation and social service. The corps (7) ADULT consists of 7 teachers and they visited Kallur EDUCATIONAL Manepalli and the hamlets of Lepakshi. Lectures by VOLUNTEER prominent persons of the District were also arranged. CROPS. About 15 gentlemen of the District visited a few villages and delivered lectures to the villagers on various subjects.

(b) Two aided schools were started at Goniganipalli for Koravanjis and at Kodihalli for Adi-Andhras, But the EDUCATION OF CHILDREN two were closed down after 6 months as they were refused recognition. The aided school at Nainipalli is continuing still. School gardens are grown at Lepakshi, Bisalimanepalli, Cholasamudram, Kallur, Kodipalli, Manepalli and Kanchisamudram. The schools at Sirivaram and Kondur could not grow any garden for want of space. The students at Bisalimanepalli keep a virtual diary of their gardening efforts, while at Lepakshi and Kallur regular accounts are maintained. The earnings of the boys in their gardens are utilised for celebrating the school day, for prizes in sports and for presenting books to the needy and the poor. The school day of Bisalimanepalli Panchayat school was celebrated with Mr. Gudur Ramachandra Rao of Gudivada in the Chair. Sports were held and prizes were distributed. A sports competition was held at Lepakshi and prizes were distributed for the winners by Mr. K Sesha Char, B. A. of the Federation. Weekly boys meetings where held at Lepakshi were 7th standard is opened. Boys from Sirivaram and Demakethepalli, which are 4 and 3½ miles away attended the school. Training in social service is also being given

at Lepakshi. The students removed the earth and prickly pear in the school compound. The students at Kallur removed rubbish from the village streets with their teachers. Practice in spinning is given at Manepalli during non-working hours of the day. A weaver teacher has been recently posted at Lepakshi and the work is just begun. Physical exercise is being given special attention to in almost all the schools. There is not any notable change either by way of increase or decrease in the strength of the schools. The reason is the poverty of the agriculturists who employ children for watching cattle or crops, or employ them under others whereby the parent is relieved of the burden of feeding and clothing his child.

All the schools in the centre are in rented buildings, except the Hindu Boys Elementary School, and the labour ACCOMMODA- schools where the accommodation is not sufficient. TION. However an old building in the school compound is proposed to be repaired and a sum of Rs. 750 has been sanctioned. The foundation stone for the central school for Lepakshi and Kanchisamudram was laid by M.R.Ry. Rao Bahadur V. N. Viswanatha Rao Avl., M.A., B.L., the Collector of Anantapur. The Mahamadaus at Sirivaram repaired their school building by mortoring the floor and the walls from funds raised from their community. A plot has been assigned to Cholasamudram Village Panchayat at Bisalimanepalli for the Panchayat school building. The village Panchayat at Manepalli has offered to bear a portion of the cost of construction of the Board Elementary School building. The estimates have not been so far sent.

A summer school was worked at Madakasira which the teachers in the centre were invited to attend. A special SUMMER SCHOOL report has been furnished regarding it.

II. *Panchayats* :—The dispensary at Cholasamudram is doing useful work, though Lepakshi dispensary is gradually gaining a march over it.

House taxes are levied at Lepakshi and Manepalli. The land cess contribution has stimulated the panchayatdars in their work. TAXATION.

The panchayats at Lepakshi, Manepalli and Kallur have been given control of irrigation in the panchayat areas. IRRIGATION. Elaborate rules have been submitted for approval.

Village site porambokes have been entrusted to the Panchayats at Manepalli, Lepakshi, Kallur, Kodiapalli and Cholasamudram. Kondur people refused to accept the transfer.

The Manepalli panchayat got a second instalment of Rs. 100 for the Panchayat library. The Kodipalli and Kallur panchayats got their first instalments of 100-0-0 each. The Sarada library (which was a private library) was amalgamated at Kallur and the Panchayat accepted the gift of books of the value of Rs. 500. The people at Sirivaram have started a library and they were able to collect 140 books of the value of about Rs. 100. They use Manepalli Panchayat library also.

III. The economic condition of the people in the area is serious, and the run on the ryots by the creditors who are mostly the merchants of Hindupur has driven the agriculturists to despair. The area is specially unfortunate in having little or no rains; while in point of indebtedness the villages excel others in their neighbourhood. The wells have been dry and the tanks have no water and the misery during the present crisis is really too great. A rough estimate of the indebtedness is given below (co-operative debts included.)

		Rs.
Lepakshi ...	...	35,000
Kanchisamudram ...	...	45,000
Kondur ...	...	30,000
Kallur ...	...	1,25,000
Cholasamudram ...	...	1,20,000
Sirivaram ...	...	90,000
Manepalli ...	...	67,000
Kodipalli ...	...	45,000
		5,57,000
Co-operative debt...	...	85,000
Total ...	...	6,42,000
Population in the centre ...	...	13,106.
Average Debt per head=Rs. 49.		

(a) Single seed plantation is becoming popular in paddy cultivation. Iron ploughs are not freely used even though the ryots admit its advantages. Wrapping the sugarcane which entails labour of the value of Rs. 30 an acre was given up as an experiment at Kodipalli and there was no difference in the yield as compared with those gardens where wrapping is done. The Sindwahi furance is admitted to be superior, but the different variety of pans which cannot be had with local renters in the neighbourhood has delayed

progress. Cotton seed was distributed to a few ryots and it was grown as a mixed crop with chillies for domestic consumption. Fruit gardening was pressed upon the ryots and the ryots are falling in with the idea after the lead of the fruit gardens at Hindupur. A garden was planted at Gopindevapuralli and another is got ready at Kallur. The idea of plaintain gardens and tobacco cultivation are being placed before Kallur ryots as water supply is not scarce.

(b) The leading ryots of Manepalli and the supervisor traced the old Bukaraya Channel leading to Manepalli and Srivaram tank from the Pennar river and have started an agitation for its restoration. The Supervisor got a detailed plan prepared which was submitted to the Government of Madras with a memorial. The Supervisor has been permitted to lead a deputation to His Excellency the Governor of Madras when in Anantapur.

(c) A ryots' conference of the Hindupur Taluk was held at Hindupur under the presidency of M.R.Ry. Rao Bahadur V. N Viswanatha Rao M.A., B.L., the Collector of Anantapur, wherein the Supervisor read a long address stating in detail the difficulties and handicaps of the ryots and the work to be done by the Government and the people.

(d) A village officer's conference of the taluk was held at Hindupur with the Supervisor in the Chair, who exhorted them to work for village welfare.

The progress of Khadi work is on the whole satisfactory. The Manepalli centre is also improving in production. A special report will be sent after audit. Propaganda in poultry breeding was done and a few persons offer to rear poultry. But unfortunately we were informed that Summer was an uncongenial season. The matter will be taken up in the coming year.

The Kambli industry could not be co-operatively organised on account of the fall in prices and the economic distress.

IV. Incessant propaganda relating to co-operative principles and law was carried on in the area by explaining to the people the state of the societies. Frequent general body meetings were held with a view to find out ways and means of clearing the overdues.

The Supervisor assisted in the work of rectification by getting fresh secured bonds when the loans were of doubtful security.

Collections were stimulated; but for the general fall in prices more moneys could have been collected. The problem of overdues is a serious one, having accumulated for a series of years and the revelation of the state of affairs to the general body created a stir in the centre. Overdues have not been cleared but an active interest is created in the members to set right the defects. The Supervisor attended to the execution of the decrees of some of the societies in the area. Distribution of the loans of the new society at Kondur was attended to by the Supervisor, and the society's affairs are closely watched by him to prevent its falling into the old rule of overdues. The society cleared its instalments and had the privilege of being selected to represent the Local Union in the Madras Conference. Collections in the centre are as a whole better than the previous years and would have been still better but for the economic distress that has come into being.

A grain Bank was started at Manepalli on the ryots' own initiative and is working satisfactorily though it is still unregistered. The grain Bank at Kallur is also working well. The registered grain Bank of Cholasamudram is being revived.

V. Marriage and social ceremonies:—Expenses on this account were brought down to a minimum in a few families who readily followed the advice of the Supervisor. Five marriages were clubbed together at Manepalli and the cost of celebrations was reduced to Rs. 400 which otherwise would have amounted to Rs. 800 or Rs. 900. A marriage and a thread ceremony were celebrated at a cost of Rs. 120 in a respectable Brahmin family at Kallur. The Supervisor has been carrying on incessant propaganda in the matter of family budget.

Litigation:—The Supervisor was able to get small land and money disputes settled by arbitration. At Manepalli, Cholasamudram and Kallur, compromise was effected in petty criminal cases.

Temperance:—The Rural Reconstruction Committee are thankful to the District Temperance Committee for a liberal grant of Rs. 200. Four Pracharakas worked in the centre and a good many youths have totally abstained from drink. The old people could not be influenced to give up though they have agreed to reduce their expenses. Manepalli toddy shop which was in the midst of dwelling houses was got removed to a site two furlongs off and a transfer has been proposed in the case of Kallur. Breach of license conditions was reported as a test case and the result is awaited.

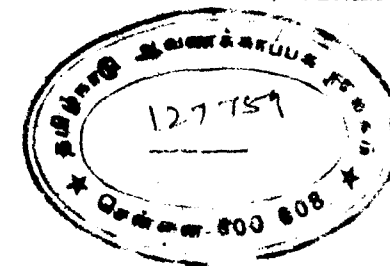
The temple committee of Lepakshi have devised a scheme of raising funds to improve the temple by collecting 0-0-6 from all pilgrims and visitors in addition to donations. The collections came up to about Rs. 10 per month on the average. A servant is maintained to watch the temple and keep it in a clean state on a monthly salary of Rs. 6. The temple committee maintain a pujari as well. A nice little flower and vegetable garden is grown and the proceeds go to the temple. Subscriptions to the extent of Rs. 80 from the villagers of Cholasamudram and hamlets have been raised to get the temple repaired and to build two rest houses as the temple is on the road from Hindupur to Kodikonda.

The people of Manepalli celebrated the Sankara Jayanthi and Sree Rama Jayanthi with great devotion. Sreeman Rallapalli Ananthakrishna Sarma of Mysore College, Mr. Ambika Charan, Agricultural Demonstrator and Mr. M.S. Natesan, Head Master, Hindupur Municipal High School, were present on the former occasion. The first two entertained the people by their musical performance.

The Hon'ble the Law Member to the Government of Madras, the Member of the Board of Revenue, Madras, the Registrar of Co-operative Societies, the Registrar General of Panchayats, Mr. V. Ramadas Pantulu, President of the Madras Provincial Co-operative Union, Mr. G. Hari-sarvothama Rao, M.A., Dr. C. Narayana Rao, M.A., L.T., Ph. D., Prof. N.G. Ranga Litt., (Oxen) Mr. V. Venkatasubbaiya B.A., (Secretary to the Rural Reconstruction Committee) Mr. Gudur Ramachandra Rao, and the District Collector besides others visited the centre.

The Rural Reconstruction Committee expresses their heart-felt thanks to all the gentlemen, official and non-official, and institutions who have co-operated with the committee in its work of rural uplift,

L. VENKATANARANAPPA,
Secretary.



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