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As promised in the last paragraph of our note in the Octstem of
issue of the Journal, we take up the question of Land Mortgage End of the
dealt with in Chapter X of the Central Banking Enquiry Co graduated
Report. The chapter falls into three divisions. The fi larger instalments
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The discussion on I
VI where the credit bentures, the Committee hold that no guarantee o
classified according to Government is required, but the guarantee of interes

repayment and the agencies that are available for meeting such credit requirements are indicated. The Comittee make an important statement that the Land Mortgage Banks all over the world have sprung up "more as practical solutions of peculiar local difficulties and were not conceived at their inception as embodiments of any definite economic theories", and therefore discuss the problem with special reference to Indian conditions and circumstances. They broadly divide the existing organisations under three headings, co-operative, non-operative and quasi-co-operative, represented by Land Mortgage Banks to be found respectively in Germany, France and Hungary. The Committee state that so far as India is concerned we require the first two types, *co-operative* for small agriculturists and *commercial* for bigger landlords and zamindars. They have traced the history of the movement in India and have considered the resolutions on this important subject passed by the Registrars' Conferences of 1926 and 1928, the recommendations of the Agricultural Commission and the Townsend Committee. They pass in rapid review the working of the Land Mortgage Bank in the Provinces of the Punjab, Madras and Bombay where some progress has been made and also in Bengal and Assam where such banks have not yet come to occupy any important position in the movement. The Committee then examine the recommendations of the various Provincial Banking Enquiry Committees and proceed to formulate the seven main questions affecting the Land Mortgage Banks as given below :—

5. What should be the relation between the land mortgage bank and the ordinary credit society where they co-exist.
6. Should the Government give any financial assistance to these banks and if so, what form should it take ? Direct loans, exemption from certain taxes and fees, guaranteeing principal or interest on debentures and making them trustee securities and purchase of a portion of debentures are suggested ?
7. Should these banks be invested by special legislation with summary powers of recovery such as the right to sell or foreclosure without the intervention of the Courts ?

In answer to the first question they give the following three purposes to be aimed at in giving loans by land mortgage banks :—

(*a*) the redemption of land and houses of agriculturists, and the liquidation of old debts,

(*b*) the improvement of land and methods of cultivation and the building of houses of agriculturists, and

(*c*) the purchase of land in special cases.

These are the same as those recommended by the Registrars' Conference of 1926 with a change in the order of precedence.

Regarding the period of the loan, they say that it may be granted for periods of 5, 10, 15, or 20 years. The last is fixed as the maximum period for the present.

About repayment, the Committee are in favour of a system of equated payments which would amortise the loans at the end of the fixed period. They do not however exclude a system of graduated payments so as to provide for repayment by larger instalments commencing after the investment of the loan has resulted in increased profit.

In answer to the next question they hold that the two sources of working capital should be share capital and debentures. The Committee are not in favour of having a large share capital, as loans are fully secured by mortgage; but they would recommend in consonance with the American practice 5 per cent of loan to be fixed as share capital; in other words, the borrowing power of the member is fixed at 20 times his share capital.

Coming to debentures, the Committee hold that no guarantee of the principal by Government is required, but the guarantee of interest on the debentures for the whole period of their currency is necessary. They also hold that the debentures should be included among the Trustee Securities and would leave it to Government to purchase debentures, if circumstances necessitated such a form of state assistance. Regarding the agency for floating debentures, they recommend the formation of Provincial Land Mortgage Corporations and are not in favour of either the Primary Land Mortgage Banks or the existing apex Banks being entrusted with the task; they point out the difficulties involved in the Provincial Banks undertaking it in view of the experience of the Punjab and Bombay Provincial Banks. They are not for allowing Land Mortgage Banks to compete with Co-operative Central Banks in the matter of receiving deposits, though they may be permitted to encourage among their clients a scheme of Provident Fund deposits.

While they expect hearty co-operation between ordinary co-operative societies and land mortgage banks working within an area, they are for separating the two institutions completely, so that their transactions may not get mixed up. Lastly, regarding the question whether Land Mortgage Banks should be vested with the summary power of recovery by forclosure and sale without the intervention of Civil Courts, the Committee are of opinion that such power is necessary to make the debentures a popular and liquid form of security and and add that, until it is given, the attempt of the mortgage banks to derive their working capital by debenture issues will not meet with much success. They have no objection to restrict foreclosure only to cases where the outstanding debt bears a substantial proportion to the value of the mortgaged property and to prevent the abuse of this power to the prejudice of the legitimate rights of other creditors; they give the aggrieved party the right to question the action of the bank in a Civil Court. They also recommend necessary modification in the Insolvency Law so as to give greater protection to the Land Mortgage Banks in the matter of upholding the mortgages obtained by them from their members who may be adjudged insolvent. After considering the experience of Land Mortgage Banks in various provinces, they are for modifying the operation of Land Alienation Acts, wherever they exist, with a view to remove all impediments to the free transfer of lands in relation to the transaction affecting Land Mortgage Banks. The sales in such cases may, if necessary, be restricted according to the local conditions and the views of the Provincial legislatures to agricultural classess in consonance

with the spirit of the provisions of prevailing legislation to prevent expropriation of these classes.

The Committee recommend the development of well organised commercial Land Mortgage Banks for the needs of the land owners, which cannot be adequately met by co-operative organisations, and they also commend for the consideration of Local Governments that they should take the initiative for the establishment of such banks and that they should provide a portion of the initial capital as well. They do not go into the details of the scheme, but only lay down the general principles that "a safe margin should be provided and the period of instalment and repayment should be fixed with reference to the repaying capacity of the borrower as judged from, among other things, the net income from the mortgaged land."

Agricultural indebtedness and how to extinguish it.

Every student of Indian Economics knows that one of the most outstanding problems in that field is that of crushing indebtedness of the ryot, and examining the problem closer, we realise that the poor ryot is the victim of the twin demons, "Illiteracy" and "Indebtedness", the former being one of the contributory causes of the latter.

When we take a broad view of economic history in the recent past, we have to admit that the Government have been making attempts off and on to relieve this heavy indebtedness, and it is well known that the co-operative movement itself was introduced into the country with the hope that it would considerably ease the situation. The movement has been given a decent trial and it has shown limitations, not thought of by its sponsors. The Banking Enquiry Committees set up in the several provinces have reported about the alarming nature of the debt that crushes the ryot and it is high time that Economists in general, and we co-operators in particular, give more concentrated attention to the problem of at least mitigating the evil of the debt, if not of eradicating it altogether.

Mr. V. Ramadas Pantulu availed himself of the presence of a large number of prominent co-operators at Madras on the occasion of the general body meeting of the Provincial Co-operative Bank and arranged for a meeting of the Madras Section of the Indian Economics Association to discuss the problem, and himself read a highly suggestive paper on this subject, which paper we have published in the October issue of this Journal.

To start with, Mr. Ramadas Pantulu makes a distinction between "Debt" and "Credit", meaning by the latter the normal financial accommodation which agriculture requires, as any other business does. He takes up the question of the extent of rural indebtedness apart from rural credit annually raised and comes to the conclusion that it must be Rs. 100 crores at least, so far as this province is concerned. He then examines, briefly, the causes of this heavy indebtedness and discusses its effects, some tangible and some not so palpable; as for example, "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."

He discusses seven possible ways for liquidating rural indebtedness and they are: (1) Replacement of usurious debt by loans on reasonable terms, (2) Moratorium, (3) Conciliation or Adjustment, (4) Simple Rural Insolvency Law, (5) Regulation of Money-lending, (6) Legislation to protect the agriculturist against himself and (7) Temporary relief to Debtors.

Though every one of these is important in itself, we think the third item, *Conciliation or Adjustment*, to be the best suited to us, co-operators. We can request creditors to regard the debts due to them as deposits with the co-operative societies and afford facilities for the debtors to pay it up in easy instalments. Other schemes such as passing of laws with a view to protect the agriculturists, or to bring money-lending under control, or passing of simpler laws of Insolvency, these may require State interference and it is notorious the machinery of the State moves very slow.

As the learned author of the article himself remarks, these devices are not mutually exclusive, but are cumulative and no single measure affords a complete solution of the problem. We entirely agree with Mr. Ramadas in thinking that "it is high time for us to think furiously over the matter, for on its proper handling depends entirely the course of our future economic progress."

The Madras Provincial Co-operative Bank.

We have published elsewhere* the proceedings of the General Body Meeting of the Madras Provincial Co-operative Bank Ltd. For want of space we are unable to publish the Annual Report and the balance sheet kindly sent to us by the Bank. The Bank earned a net profit of over 2½ lakhs of rupees and deducting the amount of Rs. 64,082-5-0 set apart for reserve fund and adding the balance brought from last year, there was a sum of over 2 lakhs available which the Executive Committee recommended to be distributed as follows:—

	Rs.	A.	P.
To pay dividend on Preference and Ordinary shares	58,003	4	0
To appropriate to Common Good Fund ...	16,000	0	0
To pay bonus to the establishment ...	4,247	8	0
To place to Depreciation Reserve account ...	1,19,929	15	8
To add to reserve fund	917	11	0
To carry forward to next year	16,666	10	5

With the addition made this year the Reserve Fund of the Bank would stand at Rs. 10,88,000. They have made ample provision against depreciation of Government securities.

Our apex bank easily occupies the premier position in India with its transactions extending to nearly two crores of rupees and with public confidence in it remaining unshaken in spite of economic depression. We congratulate the authorities of the Bank on their successfully working it during the last co-operative year and we wish them ever increasing success.

The Madras Co-operative Central Land Mortgage Bank.

The authorities of the Madras Co-operative Central Land Mortgage Bank deserve to be congratulated on their successfully working that institution during this year of extreme financial stringency. We have published elsewhere ‡ the Audit Order of the Registrar, the proceedings of the General Body Meeting and also the resolutions passed at a meeting of the representatives of

* Vide page 308 of this issue.
‡ Vide page 310 of this issue.

the Primary Land Mortgage Banks. We would have with great pleasure published the report submitted to the general body meeting but for the fact that, owing to financial stringency, we too are forced to retrench and confine ourselves to a very limited space allotted each month for the journal.

The report lays stress on the need for inclusion of the debentures of the bank in the list of Trustee Securities, a point that has been endorsed by every authority that has considered this subject. We are glad to be told that the Government allowed the bank to float 10 year debentures at 6½ per cent and guaranteed the higher rate of interest. We are also informed that the Government of India have been pleased to remit the duty chargeable under the Indian Stamp Act on deeds of transfer in respect of debentures. The Government came to the help of the bank in another way as well and have now permitted Government Officers to invest money in the debentures. It is hoped that the one request which has not yet been complied with, namely, that the debentures should be treated on a par with the Government Promissory Notes for the purpose of calculating fluid resources and also to permit Co-operative Central Banks to invest their funds in the debentures, will in course of time be conceded.

We cannot forget the fact that the present efficient working of the bank is due to the substantial help rendered by the Government, not only by giving loans, free of interest, for initial expenditure and to keep it going, but also by way of lending the services of officers, both of higher and lower grade, to help the bank in the proper valuation of the land proposed to be mortgaged.

Goverment Order on Registration Fees.

Elsewhere* would be found a notification by Government fixing registration fees for co-operative transactions hereafter at half the usual rates. This was talked of for sometime and came in just now on account of Goverment being forced to retrench and devise all possible means to make both ends meet. It was published in the papers that the Retrenchment Committee itself proposed this measure and then we commented upon it and said that it was not the legitimate

* Vide page 320 of this issue.

province of the Committee to suggest measures of additional taxation. Recently we have been informed by the representatives of Madras Europeans in the Legislative Assembly that the Government policy of having 64 per cent additional taxation and 36 per cent retrenchment is wrong and that things must be the other way round.

While there is a good deal of justification in this remark, it may not be out of place, if we point out that we co-operators must ultimately aim at being able to dispense with all these props and helps which were needed at the earlier stages of the movement. Consistent with our demand for complete de-officialisation, we must also be prepared to shoulder responsibilities and not ask for favours, nor complain, if favours once given be withdrawn. We however desire to point out that in matters concerning a popular movement like co-operation, action should not have been taken without consulting at least the provincial organisations like the Provincial Co-operative Bank and the Provincial Co-operative Union. The Registrar at least might have taken this step before tendering advice to the Retrenchment Committee and the Government. One is tempted to conclude that the Government and the Department have not yet come to realise that the non-official co-operators have a stake in the movement and that decisions affecting the movement should be taken with their concurrence or at least after consulting them.

Celebration of the International Co-operators' Day.

We take it that by the time copies of this number reach the hands of our constituent members and readers, arrangements will have been made for the celebration of the International Co-operators' Day which falls this year on Saturday the 7th November, 1931. Each District Bank, Federation, Union and Primary Society will celebrate the function in its own way, but in these days of economic depression, we feel it our duty to impress upon all co-operators the supreme need for encouraging thrift by the sale of Thrift Certificates. The Madras District Co-operative Central Bank Ltd., (20, Second

Line Beach, Madras) have got Thrift Certificates ready for sale and they range from 15 annas onwards in multiples thereof. A purchaser of the certificate who pays annas 15 will get Rs. 1-4-0 at the end of five years, or at the rates specified, if it be surrendered earlier. The Madras District Co-operative Central Bank is willing to utilise the services of all District and Urban Banks, Unions and other agencies for the popularising of this scheme for encouraging thrift.

An Appeal.

We have published elsewhere* an appeal for funds on behalf of the Flood Relief Committee of Vizianagaram. The appeal though worded in a very tame language, deals with a great tragedy. From the accounts we had from eye-witnesses, we are credibly informed that the havoc committed by recent floods in Vizianagaram is something unprecedented. In certain places flood reached 30 feet high and wiped out of existence, hamlets, with men, women and children, cattle, fodder, crop, houses and everything. In many villages people, while attempting to escape from the advancing flood, were met by a flood coming from the opposite direction caused by breaches further ahead and were carried away to the sea. The actual extent of the loss of men and cattle and property has not yet been accurately ascertained, but it is bound to be something very terrible.

We are aware of the fact that there is economic depression everywhere, yet persons rendered destitute by acts of God like this deserve special consideration at the hands of all philanthropic men and of co-operative organisations in particular, because we stand for self-help and mutual help. The relief work is undertaken by a committee of which the Treasurer is our esteemed co-worker, Mr. C. Subba Rao of the District Bank of Vizianagaram. All contributions are to be remitted to him and we hope the response would be spontaneous and adequate. We are glad to say that the Provincial Co-operative Bank has given a lead with a handsome grant of Rs. 500 from its common good fund. We hope the various District Co-operative Central Banks will contribute liberally.

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* Vide page 317 of this issue.

The Bill for the Regulation of Markets for Commercial Crops.

As a supplement to this issue of our Journal we publish the Bill framed by the Government of Madras for the establishment and the better regulation of markets for commercial crops like cotton, groundnut, and tobacco. The Bill has received the previous sanction of the Governor-General and was to have been sponsored by our Minister for Co-operation in the Madras Legislative Council in the forthcoming session; but we now learn that its consideration has been postponed until opinions of all interests concerned are ascertained. This is perhaps in response to the protests made by the merchants at Tiruppur to the Minister. From the report that appeared in the papers, they do not seem to have advanced any other reason than the vague one that the measure was not suited to the circumstances of Tiruppur area. We await fuller information on the objections raised, and defer for the present detailed consideration of this long-looked-for measure. We invite, meanwhile, our readers' attention to scrutinise its provisions and offer their considered views.

We shall on this occasion content ourselves with pointing out a few striking features of the Bill. The genesis of, and the inspiration for, such a measure as well as its main aims are briefly stated in the Statement of Objects and Reasons appended to the Bill. It is aimed at checking excessive competition and anarchy in working on the one hand, and on the other, at bringing the grower and the consumer or exporter of commercial crops closer together. It is not, however, designed so much to eliminate middlemen as to minimise thei malpractices. It is expected to "lead to better prices, fairer weighments and the prevention of illegal deductions" which the growers are now obliged to acquiesce in for want of an organised market.

The scheme of regulating the markets for commercial crops is by no means novel; the Berar Market Law has been in force from 1897 and it supplied the model for the Bombay Cotton Markets Act of 1927. The Royal Commission on Agriculture recommended "similar regulated markets" for all provinces. The Madras Government has, in adopting the Bombay Legislation, made it more comprehensive so as to include the markets for other commercial crops besides cotton. The constitution prescribed for the Market Committee makes ample provision for the representation on it of growers and of the local self-governing body, which representation for the trade is surely not eschewed.

The measure may not be the ideal in agricultural marketing from the point of view of co-operators; indeed, the reaction, beneficial or otherwise, which such a measure may have on co-operative marketing, is not easy to foresee at this stage. But, we believe that, though our ryots may not be saved the vexatious waste of time and energy in carrying their goods to the market, it would not be easy for others to practice deliberate deception by methods which they perhaps know are dubious, but in which they are obliged to acquiesce for want of any regulation or organisation.

The late Rao Sahib V. Venkata Chariar.

Elsewhere* would be found a condolence resolution passed by the Executive Committee of the Conjeevaram Co-operative Central Bank in connection with the sudden demise of Rao Sahib V. Venkatachariar, who was for nine years the President of that Bank. As fully set forth by the resolution itself, the services of the late Mr.V. Venkatachariar which were very valuable were freely rendered in the cause of co-operation. In him we lose a genuine co-operator, who has left his mark on the movement in his own District. We offer our sincere condolence to the members of the bereaved family.

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* Vide page 311 of this issue.

The Gold Standard Crisis and the Indian Agriculturist.

(EDITORIAL ARTICLE).

The large and depressing fall in prices, the disturbances in the budget situation, both in England and in India, the abandonment of Gold Standard by England, the monetary ordinances of the Indian Government, temporary closure of Banks for three days by the orders of India Government, the announcement of the Secretary of State for India that the rupee remains linked with sterling at 1*s*. 6*d*. as usual, the peculiar trend of events in regard to gold in Indian markets, have all created a puzzling situation for the ordinary citizen, more especially the Indian agriculturist and he does not know where he stands. His confidence in the financial conditions of the country is badly shaken; and it is therefore essential that all attempts should be made to place before his mind facts which may help him to understand the tangled web to the best of his ability.

It is a simple fact within the experience of every one that commodities change hands every minute of our existence for mutual enjoyment and benefit. The simplest method of this exchange is for one man to offer a commodity that another wants and take in return what is required for himself from the other. This is what is known as barter. But as commodities increase in number and wants grow, this method becomes impracticable, because the exact thing that one man wants, and the exact measure of it, may not be available in one who is nearest to him. Therefore to serve as a medium of exchange between the buyer and the seller of commodities, what is known as money or currency has come into existence. Truly, all money, all paper notes, and all other forms of modern currency are merely media which may have in themselves not much of intrinsic value as commodities. However, to create confidence between buyer and seller, these media have had to be valuables or tokens which have at their back valuables deposited somewhere safe and sound. Governments therefore have had to control these media of exchange and as even gold, the most precious of metals, could not be conveniently and readily transported in bulk, from one country to another to answer modern trade requirements which, if actual gold were to be the medium, would necessitate the circulation and transport of hundreds of crores of gold coins, a system of exchange through credit instruments known as bills of exchange grew up by the encouragement of States and the development of the Banking Systems. Confidence in the Banks depends upon the soundness of their resources and is the measure of the stability of modern finance. So far as Governments are concerned, confidence in the reserves that they possess in the form of the precious metals and other sound assets to back up their currency is the real measure of stability. Our readers will therefore be able to see that however extensively paper currency or token coins may be used in full confidence for the transaction of business, the ultimate power behind the paper or the token coin lies in the resources of the nation in terms of its reserves of precious metals or its capacity to clear its outstanding obligations by supplying commodities required by its creditors.

The two functions traditionally ascribed to money are the function of acting as the medium of exchange and the function of acting as the standard, (or common denominator) of value. The Macmillan Committee in their interesting report draw attention to the alteration in the emphasis placed on these two functions by economic science. They say " Victorian theory emphasised the first and the modern theory emphasised the second of these functions. This is significant of more than a mere academic change of fashion. Whereas in the 19th century the symbols (pound sterling and dollar etc.) which express values corresponded to coins actually in circulation, this is not often the case in the modern world. To an ever increasing extent, paper representatives of the monetary unit constitute the hand-to-hand currency in circulation. The symbolic character of the monetary unit has emerged into the foreground, while its actual relation to some physical metal has receded. "

The Gold Standard was adopted by a large number of modern States in the hope that it would provide us with a currency system based on the most stable standard as a measure of value of money. What is meant by it is this. Every country that adopted it standardised its currency in relation to a fixed weight of gold of a certain fineness. For instance, the pound sterling of England was fixed at 113.0016 grains of gold of a certain fineness irrespective of the fluctuations in the world values of gold, that depend upon ordinary laws of demand and supply. Similarly the gold dollar is fixed at 23.22 grains of gold. The currency authority of the country bound itself to give that quantity of gold or gold coin in exchange for the currency in circulation. The State in gold standard countries further

guaranteed a free market for gold. A free market for gold implies the absence of restriction on import or export of gold, and where a gold coin is in circulation, the liberty to melt the coin into bullion and to take bullion to the mint for being coined. As long as England's commodities were largely bought in the markets of the world, and other countries sent her gold freely for the excess of her trade balances, the situtation was convenient, and the pound sterling had a credit of its own, whatever the value of gold outside might be and it did not generally fluctuate very much. This credit and the predominant position, held by England as a clearing house for the world, kept her supreme in the realm of finance. After the war, these conditions changed. By a coincidence of various circumstances, into the details of which we need not go here, England's position in trade changed materially, and instead of gold flowing into England, gold has had to go out of the country. It ultimately found its way more and more into the vaults of the central monetary reserves of France and America. The war and subsequent events made England's budget position also difficult. Decreasing national income, and increasing national expenditure during times of world depression shook the confidence of the outsiders, even in such a hitherto financially unassailable nation as England, whose investments outside are still very extensive and sound. The foreign depositors began to withdraw funds from England, and therefore she found herself in an awkward situation, being obliged to go to the Banks of France and New York for credit. England woke up to the situation and her statesmen did the only right thing that they should. They effected substantial cuts in the national expenditure and balanced the budget. But as Mr. Leonard J. Reid pointed out "even the renewal of confidence in London position, vouchsafed by the forming of a national government, the reform of the 'dole' system and the balancing of the budget failed to stem the relentless tide of withdrawals." They then dropped the Gold Standard, and the pound sterling was divorced from the value of gold, making its value depend on the internal conditions of demand and supply for it. In other words, they allowed the pound sterling to adjust itself in terms of gold values and thus avoided having to pay in more and more gold for the pursuit of a mere policy of adherence to the Gold Standard. With equal promptness they discouraged investment in foreign securities and stemmed the flow of gold from England to other countries. It is hoped that these measures, in conjunction with the reputation that England has for her foreign investments, will ere long re-establish British finance on a stable footing.

But the question of Indian finance is not so simple. Our currency has not been merely managed as elsewhere but mismanaged. The rupee itself has not much intrinsic value, compared with its legal tender value. We have no gold currency. Our note-issue and rupee coinage have to maintain their credit by the reserves at their back. Owing to the financial conditions of the world in general and England in particular and the currency and exchange policy of the Government of India, these reserves have been very badly depleted. The value of our rupee has been made dependant on its relationship to sterling. This relationship has not been very stable. The Government not unoften artificially manipulated it, and produced difficult financial situations, the latest being the dicision to continue to link the rupee to the sterling at the ratio 1*s* 6*d*. even after the gold standard has been dropped in England and pound sterling itself has depreciated in world values. These problems of Indian currency have necessarily to be understood by our agriculturists and all those that buy from or sell to other countries, if they want not only to follow the trend of events in the world markets but also to know how their own finances and family budgets are affected.

Let us take one of the crops raised by the agriculturist and see how its financing is done. He sells his groundnut crop, let us say, either to a local dealer or to a dealer in the nearest market town. This dealer in his turn, sells it to Rally Brothers or Louis Dreyfus or some other company that is stationed in the town. The companies make arrangements with their bankers to get money and pay for the produce bought. These companies export the material to the overseas markets and their bills are paid for in sterling. The clearance is effected mostly in England, though, in very many cases to-day where the exported material goes to other countries like France, Germany, Italy, or America, the payment is ultimately made in terms of the currency of those countries. In a similar manner does the Import Trade operate. Our ryot gets some of his requirements from America, Germany, Austria, Japan and so forth. All these countries require payment in terms of their own currency ultimately, but these transact business through the medium of sterling. Therefore, Indian currency needs are at the other end connected with the currencies of the world. The medium is mostly British sterling. The local currency needs in India of her internal trade are

met by paper notes and the silver rupee which is practically token money, or note printed on silver—that is, money which has not its full intrinsic value represented by the material used in its manufacture.

The relationship of our rupee to the coinage of other countries was hitherto determined by two factors, (1) the relationship of the value of silver to the value of gold, and (2) the relationship of the value of our rupee to the pound sterling. The former was not essentially important inasmuch as our rupee became a token coin after 1893. Indeed the object of the currency decisions taken in 1893 was to cut out the link between the silver and the rupee so that the value of the silver may not have any effect on the value of the rupee. Notwithstanding the fact that this object broke down in 1919, when the price of the silver contents of the rupee went up to much above its legal tender value or its sterling value the essential purpose of the currency system still is to dis-associate the value of the rupee from that of its silver contents. So, it was a disturbing factor mainly in our internal currency problems, and to the extent of its effect upon the deposits of silver rupees or silver bullion in the paper currency reserve and gold standard reserve, it used to affect the book values thereof. Beyond that it had not much effect. The latter however, that is, the relationship of the value of our rupee to the pound sterling was a very much more important factor. It was managed by the State, and its standard was maintained by legislation. On occasions it did cause great hardships to us; for, the drop or rise of a penny in the ratio meant to that extent loss or gain to the Indian ryot in real values of his export produce. For instance, when last time, the ratio was raised from 1*s*. 4*d*. to 1*s* 6*d*. per rupee, all other things remaining where they were, the Indian exporter, for produce delivered in England for £ 100 would have received under the old ratio Rs. 1,500, but under the new ratio he received only Rs. 1,333-5-4, the loss entailed being Rs. 166-10-8. The counterveiling advantage to the ryot as a consumer in the form of easier imports was not so large as to compensate for his loss on export account; his wants were few and the material that he bought from outside was less than the material that he sold. In other words the balance of trade being in India's favour, her exports being larger than her imports, the net loss on account of the high exchange rate fell on India. The advantage of 1*s*. 6*d*. ratio was no doubt real to consumers of imported goods in some measure, specially to urban population who were the chief consumers of foreign imported commodities. This was not however without its advantage to England herself. The cheapness of her imports into India in terms of the rupee gave England also a real encouragement to England's exports to India and in the same measure operated to discourage the development of Indian industries in so far as the manufacture of the goods which England was interested in sending out to India was concerned. There are many other factors in the financial situation that put our ryot at a disadvantage, such as the manipulation by the Government of the volume of the rupee coinage and paper currency in circulation and the Government's policy in regard to borrowing in the open market. The recent contraction of currency made money scarce in rural areas and put up the price of money to the agriculturist; the large and frequent borrowing by government for short terms at high rates in the open market crippled the resources of the indigenous bankers as well as of joint stock banks and rural credit facilities were thus largely curtailed.

But what has happened to-day by the fiat of the Secretary of State for India gives rise to a further complication in the relationship of the values of Indian currency to the currencies of the world. The rupee is inalienably linked to the sterling. As long as the gold value of sterling was regulated or fixed on the basis of the gold standard, there may have been a justification for linking the rupee to gold through sterling, provided the ratio was properly fixed, although it would still not amount to giving India a pucca gold standard. But when gold standard itself was given up and the pound sterling had to be adjusted in relation to the internal conditions of demand and supply for it, it is adding one more uncertainty to the Indian situation to link up the rupee with pound sterling. As Sir Chunilal Mehta rightly pointed out at a meeting of merchants in Bombay, we were really throwing ourselves into a rudderless boat thrown on a stormy sea. Let us assume that in regard to all transactions with England, linking up of the rupee with sterling may have some advantage. But day by day our trade is increasing more and more with other countries, and so their currencies will greatly influence the profit or loss that will accrue to our ryots.

The relationship of values of gold and silver which hitherto did not play a very important role in the history of Indian currency may probably assume large proportions in future, not of course as a result of the linking; the linking, if at all, will reduce the

importance of such relationship. But as gold is being concentrated in a few countries, and is likely to be shy for world's monetary purposes, silver may assume an importance hitherto unknown. And there are not men wanting who have begun to advocate bimetallism. Whatever be the results that may or may not arise by changes in the silver situation, one thing is clear; by linking up the rupee with the pound sterling which is not to-day a current standard currency of the world, our ryot must share the consequences of all the changes that may take place in the value of the pound sterling in its relation to other currencies. This is an uncertainty which no government would have committed itself to, if it could take an independent line of action of its own. As a matter of fact, the Governor-General of India, in his earliest ordinance after England had gone off the gold standard did leave the rupee free without linking it with pound sterling. Nothing was more natural from the Indian standpoint. That must be accepted as the instinctive, unbiassed solution that suggested itself to the financial advisers of the Governor-General in India before they were pulled up by the home authorities. It was really the Secretary of State for India with his eyes fixed primarily on British interests that felt the necessity for "stabilising" the rupee by insisting upon its linking with sterling at 1s. 6d. If truth be told, when the pound has depreciated in value, this connection clearly acts as a preference for British trade at least in respect of commodities in the supply of which Britain plays a predominant part. The instance recently narrated in the papers by a member of the Legislative Assembly may be remembered. He placed orders for American machinery before England went off the gold standard. Then he had to pay only Rs 13-5-4 for 4·86 dollars which represented the equivalent of one pound sterling when England and America were both on gold standard. But to-day he has to pay more as instead of getting 4·86 dollars value for Rs. 13-5-4 he will now get only 3·75 dollars value because the pound sterling to-day has dropped in value as against the dollar while our rupee is still linked to the pound sterling. He estimated his loss on this account in the transaction referred to by him at about Rs. 1 lakh. Therefore as the loss can be avoided by buying similar machinery in England, he is now forced to go in for it instead of getting it from America. To the extent of the difference in the rupee value based on the cross rate, the English article will be now cheaper though it was actually dearer when the order for the American article was placed.

Let us explain what cross rate means and show how the rupee dollar exchange is arrived at. The gold sovereign contains 113·0016 grains of pure gold, and the gold dollar contains 23·22 grains of pure gold; therefore, gold pound is equivalent to $\frac{113.0016}{23.22}$ or 4·87 gold dollars. This was the cross rate, that is, the exchange rate between the pound and the dollar, when both England and America were on gold standard The English pound being no longer on gold standard, it is not to-day worth as much as 4·87 dollars. Say, it is worth 4·32 dollars. The fall of ·55 of a dollar (55 cents) in the cross rate is expressed as the degree to which the pound sterling has been *inflated* or the degree to which it *depreciated* in terms of gold, both the expressions conveying the same idea. Let us now see what the rupee is equivalent to at the Cross rate. The rupee is linked to sterling and the ratio is fixed at 1s. 6d.; it means that the rupee is worth 3/40 of one sterling. We can now easily work out the dollar value of the rupee. It is 3/40 of the quoted cross rate, 4 32 dollars or ·324 dollar. This is quoted in the financial columns of news-papers as Rupees 324 on New York; that is to say, the value of 100 dollars is Rs. 324. Then in order to arrive at the value of the rupee in grains of gold, we have merely to multiply the dollar value of the rupee by 23·22, as one dollar contains 23·22 grains of gold. So, when according to the cross rate, the rupee is equal to ·324 of a dollar, its gold value in grains of gold is ·324×23·22 or 7·523 grains of gold. It is now easy to find what this means in relation to the sovereign. The sovereign contains 1130·016 grains of gold. The rupee in relation to dollar at the cross rate has the value of 7·523 grains of gold So, the rupee is $\frac{113.0016}{7.523}$ or 1/15 of the sovereign. In other words according to the cross rate in question, the rupee is worth 1s. 4d. If the sterling-dollar cross rate is not 4·32, as in this illustration, but falls to, say, 3·77 dollars, the rupee will be obviously worth less than 1s. 4d.; it will be nearer 1s. 2d. In this way, 1s. 6d. ratio is scrapped, as far as the trade with America and countries other than Britain is concerned, and the rupee is left free to find its own level. The decision of the Government to link the rupee with sterling has no effect on our trade outside Britain. Our rupee is not linked to other currencies than sterling in any fixed ratio. It means that the rupee is artificially made to have greater value in Britian than elsewhere.

An interesting situation regarding the rupee dollar exchange has arisen owing to the internal market conditions of the supply and

demand for gold in India. The rupee price of gold in Bombay has been below import parity, owing to large quantities of gold having been put on the market due to economic depression and other causes, so much so that this gold is called "distress gold". As the rupee has thus not the same value in relation to gold as sterling has, buying dollars from Bombay has become dearer than buying them in London. The following quotation from the October issue of 'Cotton and Finance' will illustrate the point: "With London and New York cross rate at 3·75 dollars, the rupee exchange should be Rs. 355 on New York (i.e, Rs. 355 should fetch 100 dollars) and Rs. 175 on Tokyo (i.e., Rs. 175 should fetch 100 yen). But actually, the quotations are Rs. 363 on New York and Rs. 180 on Tokyo. In other words, it is cheaper to buy dollar, or franc or yen in London than in Bombay."

There are some well-informed Indians, who apprehend that the linking up of the rupee to the sterling at 1s. 6d. may not unlikely have the disastrous effect of further depletion of our gold reserves which have already become very thin. If this contingency happens, it will lead this country to the brink of insolvency. To avoid further depletion of our gold reserves, the Secretary of State for India and the Finance Member of the Government of India, assured India that the British Government will accommodate India with the requisite credit in London, on which the Secretary of State may operate to meet the Government of India's obligations in England without depleting India's gold reserves. It remains to be seen how far this promise will be kept up.

A learned professor of Economcis in this Province, whom we hold in high estimation, states that the real question to be answered in this connection is whether we shall be in a more advantageous position by the rupee being left free to adjust itself than by linking it with the sterling. He condemns all other tests as negative tests. Assuming the answer to his own question is "likely not", it will still be a negative test. The Professor who criticised the opponents of linking as indulging in merely negative tests, seems to us to be doing precisely the same thing in opposing his opponents. The special plea that the rupee, left to itself, would fluctuate as badly as the rouble or the mark did at one time, has to be substantiated before it is accepted. So far as the rupee is concerned, the value of silver has its relation-ship to gold, and below the point of that relationship the value of the rupee cannot fall. Even that should not be expected. It is neither the silver in the rupee, nor its relationship with the pound sterling that will establish credit for the rupee. But, it is the position of the rupee in terms of commodity values in the country that will make or mar its reputation. As long as India accepts the rupee as its legal tender and conditions in the country are not so disturbed as to cause panic, there is no reason why the rupee should fall abnormally. Therefore, in relation to other currencies of the world, the rupee stands a fair chance of steering clear of troubles, provided there are enough gold and enough reserves for meeting outside obligations. If these conditions are not forthcoming, then there is no reason why the rupee should not deteriorate as much as the rouble or the mark even when it is linked with the pound sterling. We decline to believe that any serious argument can be advanced against the rupee being left free under the present unstable conditions of the world, and until such time as it can again be linked with a gold standard currency or India herself adopts the gold standard.

The paper note circulating, no doubt, stands on a different footing from the silver rupee, in so far as the intrinsic value of its material is concerned. But, our observation that it is neither the silver in the rupee nor its relationship with the pound sterling that will vouchsafe the credit of the rupee, but its position in terms of the commodity values in the country, will apply to the paper note also. If the Government does not unduly inflate paper currency and proper connection is maintained between the volume of such currency, and the price level of commodities, then there is no reason why the paper note should suffer a catastrophic fall either. Even with gold reserves at the back of the paper currency, the purchasing power of such currency depends upon the decision of the currency authorities who hold the gold reserves as to how much purchasing power they will allow the currency to have This has been made abundantly clear by the Macmillan Committee. They say: " Actually, in the modern world, gold plays in the main only an indirect role in the determination of the price level, because the circulating media consists overwhelmingly of paper money and bank deposits; it is this volume of purchasing power which directly affects the price level and not the amount of gold which may be held in reserve. Gold itself affects the price level mainly through the decisions of the holders of gold reserves as to the amount of purchasing power which they will allow to be outstanding against a given holding of gold."

Whether there are positive advantages or not by this linking up has also been discussed. We are not prepared to dogmatise that there are no advantages. All controlled policies have their own temporary advantages and it is possible that by being linked with British sterling, the rupee will have a stability till such time as the pound sterling is itself not badly upset in its value. We are also prepared to concede that the pound sterling may, after all, not meet with such violent a disturbance as some people foresee for it. An immediate advantage claimed for the linking is that it will mitigate the budgetary difficulties by effecting a saving of about 5 crores in our remittances to England to meet our sterling obligations. So far as this statement goes, it is true. It is simple arithmetic; we continue to pay Rs. 13-5-4 for every £ 1 of our obligation to England by reason of this linking. Otherwise we shall have to pay more, say Rs. 16 or more to-day. But from what we have said before regarding the adverse effect on our exports by the high ratio of 18d., it becomes evident that the Finance Member gains Rs. 5 crores by diminishing the resources of the poor agriculturists to the extent of perhaps Rs. 20 or 30 crores by the loss resulting to them on their exports by reason of the high exchange. The Indian nation cannot forget its ryot. His whole life depends upon his exports amounting to hundreds of crores of money. This economic loss to the producer of raw materials and the consequent reduction in his purchasing power may have their reactions on Governments' income by loss of revenue from various sources. So, what is gained in meeting the sterling obligations may be more than counterbalanced by the loss arising from other sources. A word of explanation is necessary to make our position clear in regard to this economic loss. We are not denying that, with the depreciation of the sterling, as a result of its divorce from the gold standard, the Indian producer has benefited to the extent of his getting better prices in terms of sterling; nor are we unmindful of the fact that, as a result of such depreciation of the sterling, the rupee has in effect also gone down and in terms of gold it is to-day more near 1s. 2d. than near 1s. 6d. But what we do maintain is that the linking stands in the way of the rupee attaining a still lower level if conditions for such fall exist but for the linking and the Indian producer getting more price for his exports to England. What again will be the effect of the linking, if the exchange ratio goes above 1s. 6., say, to 1s. 8d.? Then, can anyone deny that England will have an unwarranted preference over other countries in the matter of her imports into India? What is the justification for the introduction of so many complications by thus linking up the rupee with the fortunes of the sterling? So, we do not see the wisdom of our government trying to be so solicitous about stabilising our rupee in relation to an unstable medium in the present abnormal financial situation of the world. The best course to follow would be to leave the rupee free to adjust itself, leave it as free as the British sterling. We have every hope that it will stabilise itself somewhere in the neighbourhood of. 1*s*. 4*d*. or 1*s*. 5*d*. eventually and that there will be no catastrophic fall in the mean time.

The question which is now uppermost in every one's mind in regard to the crisis in the Gold Standard and its reactions on the Pound sterling and the Rupee, is *what next*? Are there indications to the effect that the Pound will return to its old gold parity? Has the gold standard disappeared for good, or will England revert to it as she did in 1925 after having abandoned it in the Great War? If gold standard is revived, will the pound be linked to gold at its old parity or at lower rate? If return to gold standard cannot be accomplished, will there be some other device whereby a new relationship will be established between the currencies of the different countries by possible international control of currency parities? It is difficult to answer these questions. One writer on financial matters to the daily press ventures the following opinion: "There appears to be something like a consensus of opinion among leading economists both in this and in other countries that a proper relation would be re-established by a depreciation in the Pound of something in the nature of 20 per cent. If these conclusions are soundly based they suggest a stabilisation of level of somewhere around 4 dollars or 100 French francs to the Pound. That represents, perhaps, the commonest expectation in British business circles to-day." It remains to be seen how far these expectations will be fulfilled. Their realisation involves international co-operation and international action conceived in the interest of all the countries. Such goodwill is woefully absent to-day and schemes based on its forthcoming are at best problematical. In the meantime, we plead for the maintenance of the volume of our currency at a level which will supply the needs of our trade, industry and commerce, and justified by price levels and for the abandonment of the policy of tying down the rupee to the sterling.

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)

IV

I have only attempted in this Paper to sketch in a hasty manner the methods of business management of the T. U. C. S. There is also the educational side to the movement. The T. U. C. S. has sought to recognize its need by the appointment of an Educational Committee which supervises the reading rooms (each Branch has a Reading Room), organizes lectures and the like. It now conducts a monthly Bulletin. The net annual expenditure on these is Rs. 800. It is taken out of the interest from the Common Good Fund.

Reference has been made to the fact that the Society has grown in size so far through the progress of branchification. It is the feeling of some that the Society has ceased to grow through mainly the lack of co-operative enthusiasm among members. It is true the number of members has been steadily growing, but the share capital is at present at a standstill in the neighbourhood of a lakh of rupees. The turnover too is at a standstill, ranging from Rs. 90,000 to a lakh of rupees per month. With a view to evoke the co-operative enthusiasm of the members and get rid of the benumbing influence of bureaucratic management, a proposal has been made to get the branches *decentralized*; *i. e.* to hand over as many functions of management as possible to Branches without weakening the central authority. On this question of centralization versus decentralisation a battle royal has been going on for some time. Some have threatened to secede—to declare *independence*; others are satisfied with Dominion Status with or without the power to secede. Still others, the imperialists, would like to tighten up the central control though the time-spirit is clearly against them. These questions have not yet passed beyond the stage of discussion, but there is every hope that in the near future some degree of devolution will be attempted.

Some co-operative enthusiasts have dreamt that the future of the T. U. C. S. lies in functioning as a true wholesale to a net-work of Consumers' Co-operative Societies throughout the Presidency.

* **Continued from page 233 of the October 1931, issue of this Journal.**

The linking of several Consumers' Societies with the T. U. C. S. is supposed by some to be the beginning of this process. But there are several difficulties in carrying out the ideal. First, the Consumers' Societies in the Moffusil have not yet begun to show signs of growth and vitality. Secondly, a City Society like the T. U. C. S, cannot pretend to supply agricultural products—the prime needs of Indian Consumers—to Societies situated in rural tracts or towns near the villages of production. A certain amount of inter-district and inter-provincial movement of goods is possible, but it is doubtful whether the city of Madras could act as a cheap distributing centre. It is true that a few standardized products from foreign countries—like Kerosene, oilman stores and matches—move from the city to the moffusil places, but the foreign agencies and Companies that import them are not likely to make use of the Co-operative Society to get them distributed for them, since they have no faith in its efficiency and since they naturally feel that their interests are opposed to the Co-operative Society. For these reasons it is yet far too early to expect the T. U. C. S. to function as a true wholesale for the stores societies in the Presidency.

In a remarkable chapter in his book on Consumers' Co-operative Societies, Prof. Gide summarizes the causes of success and failure of such Societies under 5 heads :—

(1) Administration ; (2) Overlapping ; (3) Character (4) Race and (5) Environment. Of these the racial qualities are mostly inherited, and the environment at any *given* moment is given ; but the capacity for administration and character are *made* and require sustained effort to make and maintain the same. In the T. U. C. S., what we most need are these two : (1) Good, if not efficient, administration ; (2) character among the members, no less than among those who aspire to carry on the management. The extent to which the Society has been able to evoke from the beginning the willing sacrifice of their time and energy on the part of honorary workers, has been remarkable ; but enthusiasm is one thing, the capacity to carry on the business administration is another. The biennial elections may infuse fresh blood, but may upset at any moment the plans of the executive or spoil the continuity of policy. The General Body may unduly interfere and tie the hands of the management. There are wheels within wheels—the Directorate against the Committees ; the Local Panchayat against the Directorate ; the General Body against them all. Again, to find

and retain capable business managers is always a difficult problem. To quote prof. Gide on this point: "The (honorary) administrators are generally incompetent for business, who know nothing of the art of buying at the right time, the right place etc., nor the method of fixing the cost price and the retail price, nor the examination and control of the goods, nor book-keeping. Of course, they employ a paid manager to look after all these matters ; but it is not easy to find a trustworthy employee, because the capable men prefer to stay on elsewhere where they have more chances of advancement and larger salaries . . . . And even admitting that the Society finds a capable, or passable manager, there is always the fear that his work will be hindered by the meddling surveillance of committee members, who, actuated probably by the worthy motive of taking their duties seriously, interfere in and out of season, often with disastrous consequences. If, as happily occurs sometimes, the efficiency of the manager is clearly shown by his capacity, his experience, his services to the Society, there is always the danger that sooner or later an opposition party to him will arise which will watch all his actions unfavourably, denounce his despotiom, and finally get him dismissed." We, in the T. U. C. S , no less feel the defects of this organization, so lucidly set forth by Prof. Gide, than Co-operative Societies in Europe.

Then there is *character*. To quote the Professor again, "The degree of moral character is important for the members of Committees, because morality alone can preserve them from the temptation of demanding or accepting bribes, important for the ordinary members, because this moral sense will help them to choose honest administrators, because it saves them from internal disputes and, finally, because it keeps before their eyes the essential duty of a loyal member, which is to purchase at his own store, even if the grocers' shop is more convenient or offers such and such an article cheaper, and to participate in all the social life of the Society."

The T. U. C. S. has on the whole done well in the past. And if the members and management alike walk warily on these lines—improving the administration and developing the character of the members—the future is assured. Long live the T. U. C. S. !

(Concluded.)

Sir Daniel Hamilton Prize Essay.*

BY MR. K. SRINIVASAN, B.A.,

IV

(x) If it succeeds.

"If it (the new paper money loan experiment) encourages and popularises short term agricultural finance, it will have served to make the beginning of a much needed reform in the credit movement in South India."—(Hon'ble Ramadas Pantulu.)

DESERVES A FAIR TRIAL.

42. The success of the scheme, it is true, ultimately will depend on the confidence people have in the Salem Bank, and the extent to which the above idea can be popularised. But the consequences of its success are so far—reaching and important that no cost will be too much to work the scheme to a success. The scheme in its working would have prepared the ground for the introduction of new currency on the lines suggested by Sir D. Hamilton and in its success proved the feasibility of its adoption. Further, this scheme successfully worked will not only reduce interest on short term loans from ten to five per cent, but also prove to people however indirectly that labour and not gold is true money. Even if the scheme succeeds in this measure, Mr. Rao would be considered to have rendered great service to his people by helping them to discover the true basis of money and prosperity through co-operation.

THE SCOTTISH EXPERIMENT.

43. The above scheme of Mr. R. R. Rao is by no means a new one. It is only the Scottish £1 Bank note issue, changed slightly to suit the legal and political conditions of India, as will be evident from a comparison of the scheme with the Scottish experiment described in Mac Leod's Elements of Banking. "There were immense quantities of reclaimable land, abundance of unemployed people, but no capital or money to set their industry in motion. Seeing this state of affairs the Bankers opened branches in numerous parts of the country and sent down boxes of £1 notes and granted cash credits to farmers. These notes were universally received as readily as coin. The farmers made their purchases and paid wages with them and immense tracts of barren land were changed into fertile corn fields. Now these £1 notes were not a substitute for any specie; they did not supersede or displace any previously existing money. They were a pure addition to the existing money, and were in fact exactly equivalent to the creation of so much gold."

* Continued from page 238 of Oct. '31 issue of this Journal.

MERITS OF RAO'S SCHEME.

44. If an alchemy of such far reaching beneficial effects was possible in Scotland and achieved by mere banks, why in India alone people should be resigned waiting for the Government to move? It is certainly the part of wisdom for leaders to make a beginning at once, however humble, and try to gradually win over Government and people to the soundness and beneficialness of a currency based not on gold but on labour and the assets thereof. Looked at from this standpoint, there are certain beauties in Mr. Rao's scheme deserving mention. The scheme is an entirely voluntary one, and no society which prefers to receive coin instead of paper is compelled to act contrary to its wishes. Nor does it relax any of the formalities and checks in the application and sanction of these loans. The observance of procedure is the same in the case of coin loan and paper loan. It is the society that decides whether it shall get cheap paper credit at five per cent, or a cash loan on the ordinary terms. The society however shall enter into an agreement with its members so as to give them a share of the profit derived, in order to bring home to them the advantages of paper money. At the same time no one, the borrower nor society nor Bank, will suffer any disadvantage by the failure of the scheme. Supposing at the worst the paper does not circulate as anticipated and returns to Bank immediately, even then the borrowing society and members will be charged by the bank only the usual 7½ and 9⅜ per cent interest per annum. However, if the scheme succeeds and the papers keep on circulating, then the borrowing member, the society and the Bank all gain thereby* a share in the toll of interest saved.

IF IT SUCCEEDS?

45. The question is often asked in the area wherein the said cheques are in circulation, what if it succeeds? It is difficult at this stage, when the experiment is just begun, to foretell the probable effects of its success on the money market, or its reaction on the public and government. Certainly if the scheme succeeds the prevailing interest for short term loans will be nearly halved and rates

* The above is adapted from the Pamphlet of the Hon'ble Mr. Ramadas Pantulu, entitled "A Novel Experiment in Co-operative Finance."

for long term deposits slightly lowered in sympathy. It is also possible, when people understand the scheme, and circulate the cheques as freely as the legal tender of the land, Co-operative Banks may not depend for their borrowings on the money market. Whenever there is need for a loan for a member, it is only necessary for the society to inform the Bank of it. The Bank would straightaway sanction the loan, and instead of waiting for deposits to pay the society, it would ask the society to issue to the borrowing member cheques for the amount, duly drawn on the society's current account in the lending bank. The cheques put into circulation, would circulate for a time (when the cheques become popular it may circulate for long even after the loan covered by the cheque is repaid to the Bank) out of the fruits of the application of the loan amount) return in due course and lie in the bank duly honoured.

(xi) Financing by Debentures.

"The restriction of debenture, issue to a single central organisation in each province seems to us to possess such advantages that this system should be preferred whenever there are no strong reasons in favour of any other policy." (*Royal Commission on Agriculture, Para 38-3.*

46. It is quite possible, once these cheques become popular, the entire demand will be for loan by cheques. According to the banking act, and the rules regulating Co-operative Banks, drawee Banks should keep fluid resources sufficient to meet the demand at any time. Thus the limit up to which a Central Bank without borrowing can authorise affiliated co-operative societies to disburse loans by cheques, will be effectively circumscribed by the amount of fluid resources available to the bank itself. It is true that when the over-draft of the Central Bank, is very near being exhausted, it can be secured once again, by the operated amount being converted into a loan, or repaid from a borrowing. In such cases, it is likely Central Banks pay even a little higher rate than it is finally entitled to charge to the society. In that contingency, of course, Central Banks will insist on the society borrowing a loan, and placing it in a special current account. Even then, when the cheques are popular and banks have to keep heavy balances to back up these cheques, it is problematical whether the lending banks will be able to earn out of these current-account deposits anything corresponding to the interest they allow on such accounts.

DIFFICULTIES IN THE WAY OF UNIVERSAL CHEQUE LOANS.

47. This difficulty can be overcome only in case the Imperial Bank agrees to give to the Central Bank necessary over-drafts readily* or the Provincial Co-operative Bank is able to lend at rates not lower than what will obtain from the society, that is the rate of the loan to society minus that on its current accounts ($7\frac{1}{2}-4\frac{1}{2}$). As things are now, however, provincial banks borrow at five per cent and lend to Central Banks at six. Consequently Central Banks will by no means be in a position to allow the existing current account rates, without incurring loss in the future when such accounts are likely to become too many. At the same time, it will not be practicable or wise to give up the system on this score, having taken much pains to popularise it. There is no alternative therefore but to go forward without looking behind; to work out the undertaking to its logical implications so that at least provincial banks may be in a position to borrow without reference to the money market, and lend at rates considerably lower than the obtaining ones.

NO GOING BACK

48. It was pointed out elsewhere when cheque issues of Co-operative Banks become universally current and popular, people would certainly understand, that, though these cheques are not on a metallic basis, they are still as sound as the legal tender of the land, being backed up by all the tangible wealth of their neighbours' toil. When this concept of money becomes fairly rooted, and people understand the true worth of Co-operative Money, it would then be not impossible for provincial banks to try to lower the rates of interest and help the cause of cheque circulation in the districts, by attempting to raise loan by debentures.

FINANCING BY DEBENTURES.

(To be continued).

* "Even the permanancy of this small help, by granting over-draft is sometimes threatened. Off and on the question is raised whether it is safe to permit the undrawn cash credit in the Imperial Bank to be used as fluid resource because the Imperial Bank may withdraw the accommodation at any time after notice." ***The Hon'ble Mr. Ramadas's Presidential Address to the 2nd All India Provincial Co-operative Banks Conference.***

Unitary system of Supervision and Audit.

By Mr. R. Krishnaswami Aiyangar,

Advocate, Cuddalore.

At the tenth session of the Central Banks' Conference held on 18-6-31, in the premises of the Madras Provincial Co-operative Bank, Mylapore, the circular letter from the All India Co-operative Institutes' Association communicating resolution No. 5 passed at the second All India Co-operative Institutes' Conference regarding supervision, inspection and audit of co-operative societies came up for consideration. It was resolved to circulate the above-said resolution to the Central Banks inviting their opinion thereon. In the natural course of things it will engage the attention of the Central Banks at their next meeting of the Board of Management.

2. The resolution referred to the following :—

(1) Want of uniformity in the system of audit, supervision and inspection, different agencies being employed in different agencies being employed in different provinces, leading to duplication of work and waste of time, effect and money.

(2) The existing supervising agencies being pronounced to be on the whole unsuccessful in all the provinces.

(3) Co-operative Audit well and properly conducted will help to place the societies on a very sound and stable basis.

(4) The auditor with a manageable number of societies will accomplish a great deal in instructing the panchayatdars of societies on right lines and enabling them to rectify the irregularities found in audit.

3. It recommends a system of Provincial Centralised Audit by well trained Auditors making for efficiency, economy and uniformity in the matter of audit, supervision and inspection.

4. For that end the following scheme was adumbrated :—

(1) The responsibility and duty of inspection will and ought to continue to rest with the financing agencies.

(2) The audit should be centralised in and entrusted to the Provincial Institutes.

(3) There should be District Audit Unions, composed of representatives of societies—primary and central—in the area of the

District Unions, comprising a manageable number of societies, the representatives being selected by groups so as to ensure local touch and non-official initiative and enterprise in the conduct of its business.

(4) All the District Unions to be affiliated to or federated into the Provincial Institutes.

(5) The staff should be appointed and controlled by the Institutes.

(6) The audit of primary societies to be conducted by the staff of the District Unions.

(7) The staff to consist of well trained and competent men licensed by the Registrar, the same being liable for cancellation if the employee is incompetent or undesirable. The Registrar should not interfere with the internal management of the Union or Institute.

(8) The Supervision Fund to be pooled in the Institute which is entitled, with the previous sanction of the Registrar, to levy audit fees from Urban Societies and Central Banks relative to the working capital and the amount of time and labour involved in the actual audit.

(9) The rural primaries should have their audit free. The Provincial Governments should subsidise the Institutes with such sums of money as may be necessary to ensure free audit to the rural primaries.

4. Before considering the scheme on its merits it is well to envisage the present situation. The audit is done by Government and however imperfect and belated it may be in certain cases, that system, as has been put tersely at p. 162 of the Madras Provincial Banking Enquiry Committee Report, accounts for much reliance being placed by depositors on the Government Audit. The Government have deoffilialised supervision and prominent co-operators are inclined to the view that the deoffilialisation in that regard was done much earlier than the exigencies of the case would justify or warrant. Inspection was recently recognised to be the rights as well as the responsibilities of Central Banks according to the findings of the Townsend Committee. A few of the Central Banks, not yet realising the implications of this sound principle, have refused to embark on an area of inspection by Directors or Field staff. They continued to be in the old groove despite wiser counsels given by the minority section of individuals. In stray Districts, Audit Unions have been

formed to which are affiliated some Urban Banks in the District. In South Arcot owing to apparently lack ot efficient service, certain Urban Banks have disaffiliated themselves from the District Audit Union.

5. So far as the Inspection and Supervision are concerned what happens now is this. The records of the Central Banks and the Unions are full of Interim, Final and Super Audit reports, however belated they may be in individual cases, not to speak of reports of Supervisors. They may fairly be taken to contain points requiring attention, but there the matter stops. References based thereon are mostly disregarded. There is no systematic effort to check further irregularities or rectify the defects pointed out. The prescription is not followed by administration of medicine. Moreover, there is a great confusion of thought in respect of the legitimate scope of Inspection, Supervision and Audit. What is within the scope is forgotten and what is not within its scope is being encroached upon. It is really a case of individual understanding, though it must be recognised that there is a great deal of overlapping really. Whatever may be the case in Joint Stock Banks, in co-operative institutions an auditor will be failing in his duty if he does not strive to put the society on a stable basis. This leads to the question of rectification and consolidation, ideas about which are in the air but in respect of which only a few have come forward with concrete notions.

6. If efficiency could be secured, I am of opinion that the object can be achieved by the acceptance of this scheme. Causes that led to the low level of supervising unions have to be avoided in our attempt at enthrowing a different agency. Representatives ought to be made of sterner stuff. I am clear in my mind that a single well equipped agency can attend to the work of supervision, inspection, audit, rectification and consolidation of societies, leaving the finance alone to be attended to directly by the Central Banks. The financial status of the primaries and in consequence of the Central Banks will be better maintained by this system than it has been so far, for reasons too well known to co-operators. Central Banks should have a few inspectors who will be asked to inspect particular societies.

7. The Provincial Institutes springing on the ashes of the Unions and the Federations (such of them as are still extant) will, it is hoped, serve the purpose which its projectors envisage before us.

The realities of the present situation are the only justification for the adoption of this scheme and the sooner it is done the better for all concerned. There is thus a single stream of correction which will run undiverted and unpolluted, cleaning the soil of the co-operative field. Better co-operative finance and control is thus assured. At any rate, the scheme is worth trial, especially in view of the pronounced unsatisfactoriness of most of the unions which at one time have been regarded as bed rocks of the movement.

8. There may however be some differences of opinion in the matter of Audit. But the provision that the auditors are to be licensed by the Registrar and their license being liable for cancellation by him is a sufficient safeguard. The District Unions must be composed of persons who will be in a position to control the staff who will be men with technical knowledge. Provision for co-optation in the unions ought to be made.

9. The question of cost is a matter for serious consideration. Reasonable Government subsidy and the amount now available for Supervision Fund ought in my opinion be sufficient to maintain the establishment contemplated in the scheme.

10 The free audit by this agency of the rural primaries is a welcon[illegible]ovision and a step in the right direction.

11. [illegible]ne staff fixed for the different classes of societies appears to be soun[illegible] and reasonable. The success of the scheme would depend upon the choice of competent staff.

12. In view of the principle and policy taken for granted, the scheme is in a sense abundantly democratic without sacrificing efficiency. Of course, if in course of working, improvements suggest themselves, they are sure to be introduced. I am in a position to bless the scheme with a bright future. My experience and knowledge of the working of societies for the past several years and the potential good which the scheme contemplates have convinced me of the soundness of departing from the current rut found unsuitable and of uniting on a single concentrated non-official agency with approved staff and safeguards calculated to tackle all the situations noticeable in sound co-operative finance. I hope and trust that all Central Banks and Societies will agree in the proposal.

The Legal Basis of the Constitution of Co-operative Societies.

BY MR. C. RANGANATHA AIYANGAR M. A. L. T.

One of the reasons that prompt Co-operators to urge for an enactment to exempt the Co-operative Societies' Act from the jurisdiction of Civil Courts is the fear that the provisions of the Act and the rules and bye-laws of Societies would be vigorously applied in regard to the conduct of their affairs and transactions. Once the parties to a co-operative dispute resort to a Civil Court, there begins the regular course of law and enlightened lawyers on either side bring into operation batteries of law reports and ammunitions of arguments to support their own interpretations of the Act and the bye-laws, whenever there is vagueness. Where the rules are very clear, technical breaches of the rules are strictly discountenanced and in these cases no discretion is vested in the deciding Judicial Officer to act otherwise than according to the very letter of the law.

Literate Co-operators are very well aware of the loopholes in the official as well as in the non-official administration of Co-operative Institutions and yet the affairs are going on without much tug owing to a spirit of mutual tolerance and the desire to see that Co-operation thrives somehow. But the democratic nature of the constitution of Co-operative Societies gives ample scope for parties to be always on the alert and spring towards the weak points in the administration, when opportunities are favourable.

The most common defect of Co-operative Societies is in the very constitution of the General Body and the Bord of Management. Model bye-laws of Societies, framed in accordance with the Act, provide for the suspension of the rights of a member when in arrears of share capital for more than a prescribed period. This rule is more honoured in the breach than in the observance, and much more so in rural than in urban societies. In societies where the membership is predominantly literate and educated, the constitution is carefully formed after eschewing, those members that are disabled from exercising their rights in accordance with this rule. But in rural societies and local unions and even in central organizations membership of which consists of representatives of constituent societies, the constitution of the Board of Management and of the ultimate administrative body, the General Body, suffers seriously from this irregularity. No rural society can stand the application of this bye-law. Almost every member is in arrears of share capital for

several months and years. Yet the members exercise their rights, vote at meetings and elect defaulting members to the management, and the normal affairs are being carried on including execution of registered documents which may ultimately form important exhibits in a Court of Law.

The constitution of local unions of primaries is still worse, considering that they are to be supervising agencies exercising control over the affairs of affiliated societies in accordance with the bye-laws. It is interesting to note that invariably the delegates of the primaries who form the General Body of the Union are almost all defaulting members of their respective societies. What is to be said of the Panchayat elected by this General Body from among themselves or from the member of affiliated societies?

The same irregularity exists in the procedure for the constitution of Central Institutions which provide for representation of their affiliated Societies.

The question that naturally arises next, is whether the affairs and transactions of the societies so constituted are legal and whether they can stand the examination of Civil Courts when at the very threshold there is a serious breach of law. Is there no danger to the very fabric of Co-operation if such illegalities are allowed to exist?

Recent Utterances.

THE CONFERENCE OF PANCHAYATS OF SOCIETIES AFFILIATED TO POONERI UNION.

(4—10—1931)

SPEECH BY MR. A. RAJABADAR MUDALIAR,

President, Co-operative Central Bank, Conjeeveram.

Brothers,

"You must all be aware that the condition of the Central Bank now is not as free from anxiety as we should wish. This is due to appalingly heavy overdues accumulated in the borrowing societies which on this date amount to as large a sum as Rs. 10,66,513 for the District, of which your share amounts to Rs. 39,151. If you remember that this money is what has been borrowed from others in the shape of deposits, mostly returnable to them one or two years from the date of borrowing and that the Bank would be able to keep up its obligations to them and to its financing bank which lends money to it on similar terms, only if the borrowing societies repay their loans at the stipulated time, you will realise in what plight you have placed the Central Bank by reason of your long standing and heavy defaults to repay your loans to it. If the Central Bank fails to discharge its obligations to its creditors, it would dig its own grave and thereby cease to be of help to you. It is of the utmost importance therefore to keep the Central Bank in proper strength to fulfill its obligations to the depositing public and its financing Bank.

"Our present troubles which are not peculiar to your area have arisen not from any evil intention of the members of societies to withhold the loans taken by them but from what I may be pardoned to describe as the reckless management of societies in the past. The panchayats, generally speaking, were not sufficiently alive to their sense of duty to pay to the members not more than what they could be reasonably expected to repay from their income. This neglect which is more or less common to the whole District is responsible for the present heavy accumulation of overdues. While the intention of such high souls as Sir Frederic Nicholson, at whose instance the Co-operative Movement was introduced in this Province, was to uplift the rural agriculturists from their economic depression, the actual results achieved by the movement after it has worked for 26 years cannot be considered as having justified the expectations. Many a family has come to ruin by the reckless grant of loans to them with the facile credit provided by the movement and as you are aware many a borrower from societies is now in the predicament of

having to sell all or most of his property in order to discharge the loans with the heavy accumulation of the penal interest payable on them. While the object of the movement was to provide money to the agriculturist at the cheap rate of not more than $9\frac{3}{4}$ per cent, most of the borrowers have owing to their defaults to pay not less then 12 per cent as penal interest. The Imperial Bank of India and the Madras Provincial Co-operative Bank who readily accepted the pronotes of village societies as sufficient collateral security for loans granted by them, to the Central Bank, now refuse or hesitate to take them, not because of a fear of loss of their money, but because they find that the village paper cannot be readily converted into money.

"Under these circumstances it is for you, brothers, now to serioulsy consider how you must retreive the situation and bring strength to the Bank and through it to your societies. There is but one course open and that is to rapidly pay back to the Central Bank your heavy overdues to it, notwithstanding all possible difficulties and sufferings which this endeavour of yours may involve. As the Tamil proverb goes, you must see to the retention of the wall before you could think of leaning on it. Do not imagine that I am hard—hearted in making this suggestion. I am not unaware of your present difficulties in the existing state of general economic depression, but that general depressed state causing tightness of the money market is the very reason for keeping the Central Bank in sufficient funds to repay its own debts to the depositors and other financiers in order to save its reputation and to keep up the flow of deposits and loans to it for your good. I beseech therefore every one of the members present here to do his utmost to collect and remit the existing overdues."

In concluding his speech Mr. Mudaliyar urged upon societies to examine whether the existing management of each society was competent to deal with the situation and, if found unequal, to replace it by a more competent body. Secondly, he emphasised the need for specially marking those societies which may with some pressure be saved from the stigma of being a defaulting society and suggested that a member of the Governing Body should be entrusted with that special task. Thirdly, he sounded a note of warning about loss societies and emphasised the need for collection of overdue interest. He also advised to have property statements carefully revised and appealled to them to hold Panchayat and Union Governing Body meetings more regularly. Lastly, he advised them to be more careful in the matter of granting loans in future, which should be done only after examining the repaying capacity of every applicant.

District News.

1. THE MADRAS PROVINCIAL CO-OPERATIVE BANK, LTD.

PROCEEDINGS OF THE MEETING OF THE GENERAL BODY.

Held on Saturday, 19th September 1931, at 4-30 p.m.

I. *Adoption of the Administration Report and the Statement of Affairs for the year ended 30th June 1931—*

Mr. Ramadas Pantulu, the President, in moving the adoption of the balance sheet and the recommendations of the Executive Committee with regard to the appropriation of profits, said :—

"The Bank having completed 25 years of working, the Silver Jubilee was celebrated in a fitting manner in June last. At the extraordinary general meeting held in June last, the name of the bank was changed to 'The Madras Provincial Co-operative Bank, Ltd.,' so that the status of the bank in the co-operative organisation may be clearly known.

It will be found from the balance sheet that, during the last co-operative year, the Bank earned a profit of Rs. 2,56,329 as against Rs. 2,44,140 last year ; and thus there has been a small increase over the profits of the previous year. On the liabilities side, the deposits have increased by about 5 lakhs, though there has been no change in the working capital, which remained at 187 lakhs. On the assets side, the amount loaned to central banks has gone down from 114 lakhs on 30th June 1930 to 86 lakhs on 30th June 1931. Our holdings in cash and Government Securities have consequentty increased owing to the reduction in the loans outstanding. There has been a further depreciation of Rs. 1,19,929 in the value of the Government Securities held by the bank, and this sum is proposed to be met from the profits of the year. The depreciation reserve fund now stands at Rs. 4,66.314 and the Reserve Fund at Rs. 10,88,000.

It may be pointed out that since the close of the year 1930-31 our Government Security holdings have further depreciated to a considerable extent owing to various causes, the chief of which is the flotation of the Government of India new loan at 6½ per cent. We hold about 30 lakhs of 4 per cent 1960-70 paper, the issue price of which was 88 per cent. On 30th June 1931, its price stood at Rs. 73 per cent. To-day the price is between Rs. 63 and 64 per cent resulting in a further depreciation of about Rs. 3 lakhs.

The reason for the fall in the loans to central banks is that we were unable to finance central banks during the busiest part of the year. About the middle of November 1930, the Imperial Bank raised its rate on demand loans to 6 per cent and in January to 7 per cent. At that time the bank had with it about 30 to 35 lakhs of interbank call money. At the end of January the banks withdrew the call money placed by them, and the bank repaid the amount overdrawing the Imperial Bank account almost to the fullest extent available, with the result that loan applications from central banks could not be met. The Executive Committee considered the financial position in February and finding that there was no prospect of immediately finding the necessary funds, decided upon an increase in the rates of interest on deposits. This brought in some money ; further, repayments due from central banks were received more or less regularly and this eased the situation to a considerable extent. The bank also applied to the Imperial Bank for a loan of Rs. 10 lakhs, which, however, was not got. About the end of May 1931, the bank's resources were in a satisfactory position, but there was no demand from central banks with the result that surplus funds accumulated.

During the year. a scheme for financial aid to central banks for rectification and consolidation work was worked out and 24 central banks were given grants. The subvention will be continued during the year 1931-32 also. 27 banks have applied for subventions and their applications are under consideration.

Since the close of the last co-operative year, the re-organization of the bank's staff was taken up and the members of the establishment have been put on a time scale basis extending to 20 years.

Since the close of the year, there has been a change in the personnel of the Executive Committee. Dewan Bahadur R. Ramachandra Rao could not attend meetings of the Committee owing to indifferent health and in his place Mr. K. Bhashyam was co-opted. During his five years' association with the management of the bank, Dewan Bahadur R. Ramachandra Rao rendered valuable services both to the Bank and to the Movement by his co-operative experiments ; and the Committee regret that he is unable to help the bank with his valuable advice and suggestions. It is hoped that he will soon be restored to normal health so that he may be enabled to help this bank as before."

Mr. K. L. Narasimha Rao seconded. the motion of Mr. Ramadas Pantulu and Rao Bahadur T. A. Ramalingam Chettiar supported it.

The Statement of Accounts, the Administration Report and the recommendations of the Executive Committee regarding the appropriation of profits for the year were unanimously adopted.

II. It was unanimously resolved to appoint Messrs. Sastri & Shah, Incorporated Accountants, as the Auditors on a remuneration of Rs. 1,000 for both the concurrent and final audit of the Head Office and the Town Branch.

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

V. RAMADAS,
Chairman.

2. THE MADRAS CO-OPERATIVE CENTRAL LAND MORTGAGE BANK, LTD.

PROCEEDINGS OF THE GENERAL BODY MEETING

(held on 2nd September 1931 at 4-30 p. m.)

The President, Dewan Bahadur M. Ramachandra Rao, in presenting the Report for 1930-31, briefly explained the position in regard to the flotation of debentures. He referred to the impending legislation for the amendment of the Trust Act and while he was apprehensive that the action of the Government in offering 6½% interest on their bonds might prejudicially affect this Bank, he was confident that if the debentures be declared as trust securities, they would continue to attract intending investors. He also referred to the fact that Government gave Rs. 15,000 as a loan in 1929-30 and also a grant of Rs. 14,000 for the same purpose in 1930-31. He was not sure what the position would be in 1932-33 in regard to getting a grant from the Government for working expenses. The Board has applied to treat the loan of Rs. 15,000 as a grant, and until that question is decided, it is suggested that the question of declaring the dividend might be deferred.

Mr. K. L. Narasimha Rao proposed that the Report and the Audit Certificate be adopted. In so doing he referred to the desirability of renewing 20 year loans and suggested that the Bank should concentrate on the grant of these loans.

Mr. M. K. Venkatachariar supported the adoption of the report and referred to the necessity of granting 10 year loans through ordinary Co-operative Credit Societies.

Mr. Satyanarayana in further supporting the motion strongly pleaded for the revival of 20 year loans.

Sir V. Ramesam explained the provisions of the Income Tax Act in obtaining a refund, and also admitted the difficulties now caused in regard to obtaining the refund of the income tax by persons who are not already assessees. He said that while difficulties of those, who are already assessees are negligible, the difficulties of those, who are not already assessees, in obtaining refund remained.

Mr. V. Ramadas Pantulu also joined in the congratulations offered by other speakers on the working of the Bank. He, however, pointed out that 20 year loans have not been given up by the Bank and they have been kept as an ideal. But on account of the prevailing depression, money was not forthcoming, and it was not possible to revive the 20 year

loans immediately. He also said that at present the Central Land Mortgage Bank and the Primary Banks are dealing mainly with the redemption of debt which after all is unproductive and he suggested that loans should also be granted for other productive purposes.

The President entirely agreed with those speakers who advocated incometax free debentures and stated that the Government of India have put off consideration of this subject pending the publication of the report of the Central Banking Enquiry Committee. As soon as this report is published, he intended to bring up the matter again. He then referred to the recent Government notification which fixed the rate of interest at 6½% on Government bonds and sincerely hoped that it might have no adverse effect on the debenture operations and that intending investors would still continue to come to the bank for their investments. He asked the share holders and the representatives of the Primary Banks to secure subscriptions to the Bank's debentures.

The annual report and the audit certificate were then adopted and some bye-laws were amended.

The late Mr. V. Venkata Chariar,

Resolution No. 353 of the Executive Committee of the Conjeevaram Co-operative Central Bank on the sudden demise of Rao Saheb V. Venkata Chariar Avl., who was President of this Bank for 9 years till 1928.

"The Executive Committee records its profound grief at the sudden passing away of Rao Saheb Mr. V. Venkata Chariar who as President of this Bank, for nearly a decade shaped its growth and was largely helpful for its steady progress and growing prosperity. His administration of the Bank was characterised by peace and harmony and a high sense of duty. As one of the pioneers in the field of co-operation in this District he contributed to the spread of the movement here in no small measure. As an erudite lawyer his services were in constant demand by the Bank which he ungrudgingly rendered free of any cost. The gap left by his demise is difficult to fill up. The committee conveys to the bereaved members of his family their heart-felt condolence and their sense of the heavy loss which this town as a whole and the co-operative movement have substained by the calamity."

RESOLUTIONS PASSED AT THE CONFERENCE OF PRIMARY LAND MORTGAGE BANKS

held at Madras on 1—9—1931.

1. Delays by the Primary Banks in drawing moneys from the Central Bank :—

The General consensus of opinion is that the Bank need not hold up money for the first one month after the sanction of the loan is communicated to primary bank; if there is delay afterwards the first one month will be execused and thereafterwards interest will be charged at the lending rate.

2. Rebate of interest :—

The collections should be reloaned for the present. A forecast of collections should be given by the Primary Land Mortgage Bank every month to enable the Central Land Mortgage Bank to make arrangements for reloanings.

3. Share capital investment :—

This question is adjourned for the present.

4. Share capital when and how to be levied :—

The practice of deducting share capital from the loan is objectionable—the share capital must be prepaid in cash before the loan is disbursed.

5. Debts in village co-operative societies :—

The debts due to the Co-operative Societies should not ordinarily be included in the debts to be redeemed by the Primary Land Mortgage Bank.

6. Equated or Equal instalment system :—

No change is necessary.

7. Land value :—

In estimating the value of the lands a reduction of 25 per cent over the average of the past 3 years should be made. This is for the current year and for new loans.

8. Disbursement of loans :—

Cheque system should be adopted wherever it can be adopted.

9. Working expenses of Primary Banks :—

The Primary Land Mortgage Banks are requested to do their best to reduce their working expenses to a minimum till they are in a position to earn profits. Share capital should not be used for working expenses.

10. Propaganda for thrift :—

Primary Land Mortgage Banks are advised wherever possible to induce their members to insure their lives and assign their policies to the banks as collateral securities.

11. Mortgage of small bits of lands :—

As far as possible small bits of lands should not be included in the mortgages.

AUDIT CERTIFICATE

OF THE

Madras Co-operative Central Land Mortgage Bank, Ltd.,

for the year 1930—31.

1. *Membership and Share Capital.*—The number of members rose from 143 to 203 of whom 166 were individuals and 37 were Primary Land Mortgage Banks. Rs. 99,500 was the share capital paid up by the members of which Rs. 58,600 was contributed by individuals while the rest, viz Rs. 40,900 was by the primary banks.

2. *Borrowings.*—At the beginning of the year the total liabilities of the bank by way of loans and deposits amounted to Rs. 63,000. During the year a sum of Rs. 4,58,393-12-0 under debenture deposits and Rs. 1,00,000 under Government loan were received. The Government loan of Rs. 1,00,000 was repaid during the year. Out of the debenture deposits, debentures were issued to the extent of Rs. 3,51,900 and a sum of Rs. 25,493-12-0 was refunded in cash. Thus the total liabilities of the Bank by way of loans, deposits and debentures amounted to Rs. 4,95,900 as detailed below:—

	Rs.
Debentures issued	3,51,900
Deposits received on account of debentures ...	1,27,000
Security deposit of Employees	2,000
Loan from Government to be repaid in 5 years...	15,000
Total ...	4,95,900

3. *Government Grant.*—A free grant of Rs. 14,000 was given by Government during the year to be utilised towards expenses of 1931-32.

4. *Reserve Fund of Primary Banks.*—A sum of Rs. 5,331-9-0 was invested by 12 Primary Land Mortgage Banks towards their Reserve Fund account.

5. *Loans.*—A sum of Rs. 42,200 involved in 4 loans was outstanding against the Primary Banks at the beginning of the year. 53 loans aggregating to Rs. 5,04,490-0-0 was disbursed to the primary banks during the year and Rs. 8005-11-0 was repaid leaving Rs. 5,38,684-4-0 involved in 57 loans at the end of the year.

There were overdues under principal and interest from the Ambur Land Mortgage Bank only, amounting to Rs. 407-5-0 and Rs. 775-1-0 respectively on the last day of the year.

6. *Investments.*—The Bank's investments on the last day of the year stood as follows:—

	Rs.	A.
Fixed deposit in the Madras District Central Bank	10,000	0
Government Promissory notes	5,000	0
Debenture Redemption Fund in Government paper in the Madras Provincial Bank ...	1,000	0
Current account	48,590	12
Total ...	64,590	12

7. *Profits.*—The Bank worked at a net profit of Rs. 7,212-4-0, if, the establishment and contingent charges incurred in the year under review amounting to Rs. 11,171-11-0 are not debited to loss account. This profit is not available for distribution under by-law 50 of the by-laws of the Bank.

8. *Reserve Fund.*—The amount to the credit of. the Reserve Fund on 30—6—1931 was Rs. 339-9-0.

9. The Bank convened 2 General, 3 Board of Directors and 11 Executive Committee meetings of which none was adjourned for want of quorum.

(Signed) K. DEIVASIKHAMANI MUDALIAR.
Ag. Registrar.
25-8-31

THE HOOD CO-OPERATIVE INSTITUTE, LIMITED, TANJORE.

AN APPEAL.

BY MR. SYED TAJUDIN, (*President*).

The following is extracted from the appeal issued by the President of the Institute :—

"Considering the vast amount of work that awaits to be done there is a great need of thoroughly equipped and well trained workers who would be prepared to take to work with a missionary fervour under one or other of the organisations like the Co-operative Society, the village panchayat taluk boards and district boards. This most useful work has already been undertaken by the branch of the Young Men's Christian Association at Coimbatore for some years past, and the Ramadas Institute at Rajahmundry has recently started a training class for workers in rural reconstruction. With a view to subserve the needs of the districts comprised in our area of operations on the above directions, the Board of Management of the Hood Co-operative Institute has resolved to organise and run classes of 6 months' duration for training rural workers. The Classes will begin from October next and each candidate will have to pay a fee of Rs. 20 for the whole course. A tentative syllabus has been prepared for the course. It is now proposed to restrict the number of candidates to fifty for the first course, and nominees sent by local bodies and Co-operative Societies will be given preference."

THE FLOOD RELIEF COMMITTEE, VIZIANAGARAM.

AN APPEAL.

Dear Sir,

We enclose herewith an appeal on behalf of the Flood Relief Committee, Vizianagaram, from which you may gauge the magnitude of the distress caused by the devastating floods of the 13th instant. We regret to bring to your notice that besides suffering heavy damages to lands, standing crops and movable properties, the information so far received discloses that the villages were subjected to loss of human lives approximating to 300 and to cattle and other animals approximating to 2000. These villages call for urgent relief, and it is up to the Co-operative Institutions to respond to their call by making liberal contributions from the Common Good Fund. We, therefore, appeal to you on behalf of our Central Bank and on behalf of the Flood Relief Committee of which we are a member, to give generous contributions for the human, however difficult, work we have undertaken.

C. SUBBA RAU,
Secretary,
Vizianagaram Central Bank.

22*nd Oct.* '31.

THE APPEAL.

Considerable havoc has been caused by the unprecedently heavy rains that occurred on the 13th of this month. On account of the incessant and steady fall of rain, almost all the tanks breached and there were heavy freshes in every rill, stream and river. Several villages were inundated and some were submerged. This resulted in heavy loss to human life and property. Reports received so far show that 18 villages have been affected and the havoc is of such proportions that in a few villages surrounding Vizianagaram the families left almost destitute number about 1783. The loss of cattle which is very heavy cannot be estimated with any degree of accuracy now, but it will not be an exaggeration to say that at least in dozen villages ninety per cent of the cattle were swept away into the sea.

The floods rising to a height of about 30 feet unexpectedly and without warning fell upon some of the villages, and old and young, men and women and children were washed away. Those who are left are so destitute that they are without food and shelter. It is the earnest aim of this Committee to offer all possible help to those who are destitute in the flood-affected area by helping them towards construction of their houses and offering them temporary maintenance. A large amount of money is necessary to achieve this object and we earnestly appeal to you to come to our aid in this our hour of distress by giving generous donations.

FLOOD RELIEF COMMITTEE.

N.B.—All donations may be sent to the Secretary, Central Co-operative Bank, Vizianagaram.

Reviews.

AMERICAN YEAR BOOK OF AGRICULTURE (1931).

BY MR. G. HARISARVOTTAMA RAO.

As usual the American Year Book of Agriculture for 1931 is full of interest. The first sentence in the foreword is significant of development that is taking place in the most forward country of the world. " Farmers and research workers ", we are told, " are partners in the task of shaping the Agricultural Industry to the most profitable and desirable ends. Each must therefore maintain close contact with the other." With the end in view the series of volumes of the Year Book is being published. The advantage to the farmers is set out in the following words :—

> " For farmers information about what the department is doing has a threefold value. First, it assists research, because the farm is the natural laboratory of the agricultural scientist ; farmers who understand the method and purpose of scientific research are its most efficient support. Secondly, science discovers short cuts to the knowledge required in adapting agriculture to its constantly changing natural and economic environment. In a stable situation experience alone could eventually perfect an adequate technique. But no situation is stable. In a rapidly changing situation, like that with which farmers have had to deal since the war, blind groping is too slow and costly a method of initiating necessary modifications in farm practices. Science, through observation and experiment under controlled conditions, establishes principles whereby the risks of experimentation may be minimised. Thirdly, information about agricultural science is necessary to farmers, because without it the progress of knowledge may actually injure them. Nowadays scientific discoveries soon become known throughout the world. If *not used in the country of their origin, they are used to its prejudice by competing countries. This is particularly true of the results of economic investigations.* Changes on both the demand and the supply side of the agricultural markets throw certain types of farming or combinations of crops into the discard and put a premium on others. Timely notice of these changes is indispensable to farmers who wish to direct their efforts into profitable channels and thus to avoid useless struggles."

The italics are mine. How one wishes the Indian Government, Indian leaders and Indian Ryots were one-hundredth as alive as the American Government and the American ryots are to the situation.

The most striking feature of the year in the U.S.A. was the drought. In 15 states, east of the rocky mountains, the rainfall is said to have been on the average little more than half the normal. In much of the area the yields were only about two-thirds of the normal. This in our country would not have been considered very serious by our Government. For our governments more crops have actually to fail. Men actually starve and begin to migrate from one place to another, prices have actually to rule high before relief measures may be thought of. In America droughts are not unknown, severe droughts having occurred in 1854, 1856-57, 1860, 1863-64, 1870, 1881, 1893-95, 1901, 1911, 1916, and 1924. The drought of 1930 is however said to be the severest. Even for that the American Government was found ready to take prompt steps. Eighteen lakhs of rupees were voted by the Congress for immediate loans to the farmers for emergencies for seed, food and fertilizer. A Federal Drought Relief Committee and State Drought Committees were organised, as also country committees in each country seriously affected. A special questionnaire was prepared, local conditions and reduction of railway rates extended to 1017 countries in 21 States on the movement of hay, feed and water into drought stricken countries and livestock out of such countries into sections where feed is available. Arrangements were made to provide employment and certain industries were asked to purchase preferably from drought stricken areas timber etc. Available supplies of feed were located and a special letter on feed and livestock market conditions was sent weekly by the Bureau of Agricultural Economics to the Extension Agents. Many other details were worked out all of which need not be narrated. One has to note the policy that underlies all this effect. America wants that its farmer should not fall in efficiency, not that he should be merely saved from starvation. That is only reserved for us in our Famine Policy ; we have really no drought policy at all.

The articles on research and the large bulk of statistics relating to fundamentals of world trade and the details of American production and trade maintain the high standard that is always associated with the United States of America in matters of agriculture. The existence of co-operative spirit in varying degrees in the American farmer is of interest particularly to the readers of this journal.

The article upon "the cotton exports of United States of America" lays emphasis on the changing markets as outlets for American cotton. We are told that 100 years ago the total domestic consumption plus exports were only one-half million bales, Great Britain and France being the only markets of any consequence. To-day Great Britain and France no longer hold predominent positions. The domestic mills have begun largely to absorb the cotton produced in America. The domestic consumption by mills has increased during this century from 16 to 43 per cent of local production. Germany's trade has increased from 1 per cent to 3 per cent. Italy's from practically nothing to 5 per cent, other European countries from 3 per cent to 8 per cent. This must remind us of the duty we owe to the Indian ryot with regard to statistical information that he must be in possession of. America watches our production of cotton and adjusts her trade. India must watch the production and trade of per competitors and adjust her trade and production in relation thereto.

There are many other articles of interest which one would most gladly touch upon. But the business of a reviewer is always limited by the space that is allotted to him and I refrain from further encroachment upon the space allotted.

In the statistical portion the New York prices for a number of years for cotton as also figures relating to world trade in all agricultural produce would be of interest to many of our cotton traders and agriculturists generally.

Government of Madras.

DEVELOPMENT DEPARTMENT.

Copy of G. O. No. MS. 1481 dated 10th October 1931.

ABSTRACT.

Co-operative Societies.—Fees payable by societies under law of registration. Recommendation of the Retrenchment Committee—Orders passed.

NOTIFICATION.

In exercise of the powers conferred by clause (*b*) of sub-section (2) of section 28 of the Co-operative Societies Act, 1912 (Act II of 1912) and in supersession of the Notification of the Government of India in the Home Department No. 376, dated the 24th April 1914, published at page 700 of Part I of the Fort St. George Gazette dated 5th May 1914, the Governor acting with Ministers is hereby pleased to remit one-half of all fees payable under the Law of registration for the time being in force.

(*a*) by or on behalf of any co-operative credit society for the time being registered or deemed to be registered under the said Act, or

(*b*) in respect of any instrument executed by any officer or member of any such society and relating to the business thereof.

OFFICE OF THE
REGISTRAR OF CO-OPERATIVE SOCIETIES,
R. Dis. F. 4071/30. *Madras, 14th October 1931.*

Copy of the notification communicated to all Deputy Registrars and Sub Deputy Registrars in charge of sections.

Copy to all Central Banks, Federations and Unions.
,, Editor, Madras Journal of Co-operation, Madras.
,, ,, Andhra & Kannada "Sahakari".
,, Superintendents of Training Institutes.

(By Order)
K. SARVOTHAMA RAO,
Manager.

Bill No. 11 of 1931.

A Bill to Provide for the establishment and the better regulation of markets for commercial crops in the Presidency of Madras.

WHEREAS it is expedient to provide for the establishment of recognized open markets for the purchase and sale of commercial crops in the Presidency of Madras and for the better regulation of such markets ; Preamble.

AND WHEREAS the previous sanction of the Governor-General has been obtained to the passing of this Act ; It is hereby enacted as follows :—

1. (1) This Act may be called the Madras Commercial Crops Markets Act, 19 . Short title.

(2) It extends to the whole of the Presidency of Madras. Extent.

2. In this Act, unless there is anything repugnant in the subject or context, Definitions.

(i) "Commercial crop" means cotton, groundnut, tobacco or any other crop or grain which the Local Government may, by notification in the *Fort St. George Gazette,* declare to be a commercial crop for the purposes of this Act, 'Commercial' crop.

(ii) "Grower of a Commercial crop" shall not include a dealer or broker in that crop although he may grow that crop. If a question arises as to whether any person is a grower of a commercial crop or not for the purposes of this Act, the decision of the Collector of the district in which the market is situated shall be final ; 'Grower of commercial crop.'

(iii) "Local body" means the Corporation of Madras or a municipal council or a taluk board or a panchayat constituted under any enactment for the time being in force ; 'Local body.'

(iv) "Market" means a market established under section 3 ; 'Market.'

(v) "Prescribed" means prescribed by rules or by-laws made under this Act ; and 'Prescribed.'

(vi) "Taluk Board" means a taluk board constituted under the Madras Local Boards Act, 1920*, and, wherein any part of a district there is no taluk board, the district board constituted under the said Act. 'Taluk board.'

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* Madras Act XIV of 1920.

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