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Editorial Notes.

Co-operation and Life Insurance.

M. R. Ry. Diwan Bahadur M. Ramachandra Rao Garu, B.A., B.L., President of the Central Land Mortgage Bank, has in an article published elsewhere in this number discussed the problem of co-ordinating Insurance and Land Mortgage Credit. As he points out, Insurance companies have got heavy sums which they have to invest consistent with safety and the hope of getting a reasonable interest thereon. In this country, considerations of security outweigh other considerations, so much so, we have large sums invested in Government securities which sometimes depreciate heavily. He describes the practice of America and Germany where spare money of Insurance societies is invested so as to help the former with long term credit and it is well known that he requires such a credit for clearing prior indebtedness and for effecting real improvements in his estate. Mr. Rao also shows how by linking a carefully planned insurance scheme with land mortgage scheme, the farm gets disencumbered in course of time. He enumerates 14 points which may be satisfied before an investment may be considered to be sound and comes to the conclusion that the debentures

Central Land Mortgage Bank, Madras, satisfy all these tests of soundness.

The need for long term credit in this country has been acknowledged by all specialists in agricultural economics; and the investigation carried on by the Central Banking Enquiry Committee reveals the extent of rural indebtedness to be somewhere in the neighbourhood of 700 crores of rupees. There is ample scope for profitable investment for all the spare monies of insurance companies in the co-operative movement, especially in the debentures of Land Mortgage Banks.

We are glad to note that Prof. K. B. Madhava, M.A., A. I. A., Actuary of the South India Co-operative Insurance Society, has kindly gone through the article and has endorsed the view of the learned author. We are glad to note that he himself suggested some schemes like those on a previous occasion and considers this to be an excellent form of social service. We hope the disabilities, if any, in the matter of the Land Mortgage Banks' debentures being regarded as Trustee Securities would soon be removed and Insurance Societies, both Indian and Foreign, working in India, especially the Co-operative Insurance Societies like the recently started South India Co-operative Insurance Society, which aim at ameliorating the condition of the masses will be given facilities for safely investing their money to the advantage of themselves and their borrowers.

Lines of Improvement.

M. R. Ry. Rao Sahib T. Srinivasa Rao Acl., Vice-president of the apex bank has laid the co-operators of this province under a deep debt of gratitude by his exhaustive survey of the present situation and by his helpful suggestions to get over the difficulty. Even official records are sufficiently gloomy and the picture about the present state of the co-operative movement painted by the Registrar in his latest report will depress any but the stoutest realist. Mr. Srinivasa Rao lays emphasis on the utterly rotten condition of many of the present societies that pursue absolutely unco-operative lines of business.

EDITORIAL NOTES

These societies are a direct negation of several fundamental principles underlying the constitution of a Co-operative Society, such as thrift in expenses of management, due care, caution and prudence in administration, unimpaired maintenance of tangible security for borrowings contracted, available in the society in the shape of paid up share capital, formation of reserve for meeting unforeseen losses and creating further tangible security for borrowings, failure to contribute anything towards what Village co-operators have a right to look upon as their absolutely owned capital etc."

In examining the causes of this present unsatisfactory condition, he comes to the conclusion that they are due in the first place to lack of efficient supervision of primaries by Unions and at the present time even after the starting of administrative sections in various central banks, to the lack of their effective working. There is no systematic method observed in tackling overdues "as large arrears uncovered by any process of recovery and large arrears covered by unexecuted awards and decrees testify." He is not satisfied with the recent step taken by the Department in reducing the profit set apart for distribution as dividend and assigning a portion thereof to bad debt funds. He also lays emphasis upon the fact that the rectification scheme should concern itself not only with bad societies, but with good societies as well so that they may not degenerate into bad ones. He wants the Central Banks to realise the gravity of the situation and raise equal to the occasion by effectively organising their administrative sections and removing such of the Unions as will not co-operate with them from the path altogether. He also recommends the revision of the constitution of Central Banks with a view to safeguard the interests of the depositors and finally he wants the apex bank to give a correct lead to the movement at this critical moment and not be satisfied merely by subventing rectification scheme. He wants the apex bank to hold itself responsible for the framing of a Central Banks Manual which is already overdue. He expects the Provincial Bank to suggest suitable forms to be maintained by all Central Banks and Societies, so that at a glance the situation in a particular institution can easily be grasped. Thirdly he wants the apex bank to push through its scheme of inspection of Central Banks, whether the latter are amenable to that or not. It is the false sense of autonomy that makes the Central Banks dislike inspection by the apex bank and he is not in agreement with the present policy of the apex bank, that is, dropping the

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systematic inspection and being satisfied with inspecting particular banks in each case, as necessity arises.

The scheme is well thought out and the various parts carefully co-ordinated and adjusted, but it is open to the obvious objection that there is too much of centralisation and smacks of bureaucratic efficiency. We would have published the whole note as a supplement but for the severe financial crisis. The note deserves to be in the hands of every true lover of the Co-operative movement in our province.

United Provinces Co-operative Conference.

Our readers in general and Madras readers in particular would do well to read with special attention the thoughtful address of Mr. V. Ramadas Pantulu as President of the XVII Provincial Co-operative Conference of the United Provinces held at Ghazipur on the 6th and 7th of the last month. The full text of his address is published elsewhere as a supplement to this issue. Before going into details of the movement, as it is found in that province, Mr. Ramadas summed up his general impressions about United Provinces Co-operation under six heads basing them upon his study of the available literature and his direct contact with some of the leaders of the movement, as for example, Rai Pandit Shyam Bihari Misra Bahadur, a former Registrar of the Province. Mr. Pantulu first dwelt upon the problem of land tenure in the Province as Sir Lalubhai Samaldas did when he presided over a previous session of the conference. Any intelligent and impartial observer, especially one coming from the ryotwari province, would note the peculiar tenancy system which gives the lion's share of the produce to the landlord and leaves the tenants very little. Mr. Ansorge, the Registrar of Co-operative Societies, Bihar and Orissa, points out this basic fact in his note on the movement in the province. It is this peculiar agricultural tenure that is responsible for a good deal of agrarian discontent which sometimes assumes huge proportions and threatens the peace of the land. The evils which the movement in this province has in common with other parts of India are summed by Mr. Ramadas as follows:—

- (a) Inadequate knowledge of the principles of Co-operation as well as of banking ;
- (b) Irrational financing ;
- (c) Indifferent audit ; and
- (d) Ineffective supervision.

Even though he pointed out from Official records how hopeless the position of the movement was, the President said, he was not prepared to accept "that the credit movement has failed in the province or that it has no promise for the future." He quotes regarding this very unsatisfactory state of affairs the evidence of the Registrar before the Provincial Banking Enquiry Committee and concludes "that there is nothing peculiar in the reasons to mark them out as special features of the United Provinces."

The second point emphasised upon in his address is the abnormally high rate of interest. We are told that the ultimate borrower has to pay 15 per cent to the primary society though the financing banks get deposits more or less at the same rate as in other provinces, *i.e.*, ranging from 6 to 8 per cent. We understand that in newly registered societies the rate charged to the ultimate borrower is as high as 22½ per cent, the extra 7½ over the usual rate of 15 per cent being carried to a compulsory saving deposit of the member. The financing banks keep for themselves a margin of 6 per cent profit which is against the traditions of other provinces and Mr. Ramadas puts in an effective plea on behalf of the poor agriculturists that this lending rate should be reduced. Thirdly, he referred to the question of the absence of an apex bank and examined at some length the new scheme contemplated and condemned in unequivocal language what he considered to be two objectionable features of the scheme, that is, (1) the lack on the part of Central Banks "of a preponderating voice either in the general body, or in the directorate or in the managing committee" of the proposed apex bank and the excessive spoon-feeding contemplated according to which a co-operative concern like the proposed apex bank is likely to be subjected to the guidance of capitalistic advisers. Fourthly, he discusses various methods of removing rural indebtedness, a point which he placed before the Economic Association of Madras and which was dealt upon by us at that time.* Next he laid emphasis upon the need for an audit scheme, especially because the Government are contemplating further reduction in the already attenuated staff of auditors. This was a point which was discussed at some length at the second conference of Co-operative Institutes held at Hyderabad in April last. Mr. Ramadas added that co-operators outside the province are watching with great interest the experiment of divorcing supervision from finance, an experiment which has a checkered career so far as our own province is concerned.

See page 207 of this Journal for October '31.

He laid great emphasis upon the importance of envisaging agricultural problems as a whole and assigning its proper place in a well organised scheme of rural reconstruction to co-operative activities. He concluded his extremely suggestive and thought-provoking address with an effective appeal not to allow disintegrating forces such as "class antagonism, sectarianism and communalism" to work havoc within this nation-building movement. A good deal of the address deals with fundamental points in which co-operators in general and not merely those of United Provinces would be interested and hence the address deserves to be read with careful attention.

Urban Banks.

Bombay:—The Urban co-operators of the city of Bombay held recently their second annual conference after an interval of five years since the first conference held in 1927. Prof. H. L. Kaji who has been in intimate touch with all phases of the co-operative movement in Bombay presided over the conference. We have given elsewhere extracts from his presidential address. Though he characterises the conference as a formal meeting to discuss "certain home problems", yet there are many points of wider interest in the address and we should like to draw the attention of our readers to some of them.

After emphasising the need for co-operative credit to the small traders and industrialists of the city, as much as it is necessary for the agriculturists in villages, Prof. Kaji went on to examine the way in which urban credit was organised and criticised the communal lines on which it was developed so far as the city of Bombay was concerned. As he has emphasised more than once in many parts of his address, Co-operation is business, and therefore it should have been organised on common economic needs, that is, on common economic basis and not on communal basis. The second class of organisation for urban credit societies intended exclusively for salaried servants of institutions also came up for criticism at his hands—a criticism which co-operators in other parts of India will do well to bear in mind. These societies are comparatively more efficiently managed partly because of the enlightened nature of its clientele and partly because of the unco-operative practice of withholding monthly dues in the pay bill itself. Even these societies do not encourage thrift as much as they should. Thrift is one of the fundamental objects of genuine co-operation and if co-operative societies exist merely to give facile credit accommodation without inculcating the lesson of

self-help and thrift, they fail to discharge one of their basic functions. Prof. Kaji also advocated the formation of a genuine People's Bank for the city, capable of doing all kinds of business. He would be glad to know that in Madras we have formed a District Bank to which all the primaries in the city are affiliated, and the formation of a similar bank for the city of Bombay cannot be done too soon. He also sketched a practical scheme of efficient audit for the various societies of the city and concluded his address with an eloquent appeal on behalf of the Co-operative Insurance Scheme which Bombay has started. Insurance, as is well known and as the extracts we have given in the Insurance Section will show, is one of the best methods of encouraging thrift and we heartily echo the sentiments of Prof. Kaji and recommend them to the careful consideration of every urban co-operator.

Paramakudi Urban Bank.

Mr. Srinivasaraghavachariar who presided over the Silver Jubilee Celebration of the Paramakudi Urban Bank in Ramnad District spoke some home truths to the co-operators assembled. Experienced veterans like himself are expected not to flatter the audience, but even at the risk of incurring their displeasure, tell them truths which would be unpleasant at first, but wholesome in the long run. While congratulating the authorities of the Bank on the success achieved which has enabled them to celebrate the Silver Jubilee, the learned President pointed out two or three defects in the bank which are not peculiar to that locality and to which therefore we feel bound to draw the attention of our readers in general. The first point was that the urban bank has confined itself mainly to lending and has not made use of the facilities in the bye-laws for joint-purchases and joint-sales by members, a step which would be of great use to them. Secondly, he pointed out how all the families in the locality have not joined the bank and how, though the membership appears to be large, it has not become the concern of the town as a whole. Thirdly, he drew the specific attention of the audience to the falling off in the number of people who subscribe

for Provident Fund Deposit according to the Bassack Scheme, a deposit which is bound to benefit both the bank and the subscribers. Later on in the address he referred to certain tests of a good bank and left it to the readers to find out whether their banks satisfy these tests.

Once again, he discharged his function as adviser and guide by boldly telling the audience about certain dangers that have to be faced and overcome, such as the unwieldy growth of the bank which makes personal knowledge of every member impossible on the part of the authorities, granting of loans to a few favoured members only, the preferring of real security to personal security and thus degenerating the co-operative institution into an ordinary lending bank and lastly the growth of party cliques and other narrowing tendencies. Mr. Acharya's words of wisdom are applicable not only to the Paramakudi Bank in particular, but to Urban Banks in general, nay to co operators as a class, and hence we hope his speech would be read by all with attention and great interest.

Our Home Affairs.

Our readers are aware of the fact that the Provincial Co-operative Union has maintained a reading room wherein are placed all the co-operative periodical literature we get in addition to some local dailies we subscribe for. The popularity of the reading room is decided by the fact that the readers joined together and celebrated an anniversary, an account of which is published elsewhere. The spontaneous acknowledgement of the obligation thereunder on the part of the readers to the Provincial Co-operative Union is flattering to the authorities of the Union. We only hope that out of hundreds of readers that come to our reading room, at least a decent percentage makes use of the co-operative literature which is made available to them.

There is an old proverb to the fact "that a hungry man looks up to his old accounts," with a view to find out whether he is to get any money from any one. We are more or less on that plight and

when we look up to our dues list, we find that out of 442 societies affiliated to the Provincial Co-operative Union of all sort of denominations from Provincial societies upto primaries 236 owe us some amount or other. There are some affiliated Unions whose arrears run up to 9 years' subscription. We give below a table prepared at the office which would be a sort of eye opener to our readers.

	9 yrs.	8 yrs.	7 yrs.	6 yrs.	5 yrs.	4 yrs.	3 yrs.	2 yrs.	Cur- rent.
Local Unions ..	3	2	5	3	14	11	35	62	38
Non-credit societies ...				1	1	3	1	20	5
Urban Banks ..							10	5	9

We earnestly appeal to these member societies to clear off all dues before the end of this co-operative year. The timely payment of overdues would be of great help to us to tide over the present financial difficulty.

More Fully Later.

Since the matter for this number was made up, the Madras Legislative Council has passed an amending Act to the existing Co-operative Societies' Act. The Provincial Co-operative Union tried to co-operate with the Legislative Council in various ways. At the last Provincial co-operative Conference a special committee was appointed to be in charge of the Bill and this committee did a good deal of spade work and published a memorandum pointing out the defects in the amending Bill and suggested useful improvements. The President of the last Conference, M. R. Ry., Rao Bahadur T. A. Ramalingam Chettiyar, Avl., B.A., B.L., M.L.C. was requested to take charge of the Provincial Co-operative Union amendments. He tried his very best We hope to be able to give our readers an idea of the amended Act by publishing it in our next number and thus see for themselves in what matters it is an improvement upon the existing Act.

Two Great Losses.

As we are going to the press, we get information from the daily press in the city and from the English papers to hand that Sir Horace Plunkett and Prof. Charles Gide, both very prominent figures in the field of Co-operation, have passed away. The movement in British Isles and in France is so much the poorer for this loss. We offer our sincere condolences to our British and French Co-operative brethren.

An omission Rectified.

We are sorry we have not acknowledged that the proper place that the extract on the "Ethics of Life Insurance" published in this number is from the Mysore Economic Journal.

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Indian Co-operation in the Light of the Central Banking Committee's Report.

By MR. A. P. MACDOUGALL, C.B.

(Expert Adviser to the Indian Central Banking Enquiry Committee).

No country affords such a vast field for agricultural co-operation as India, where 80 per cent. of the population of 350 million—almost one-fifth of the population of the world—is dependent on the land. In every part of the sub-continent the peasant cultivator is predominant. The average holding is very small, between 5 and 10 acres, and millions of cultivators are dependent on the produce of less than 1 acre. The output is also very low. The average yield of wheat throughout the whole of India is not more than 550 lbs. to 600 lbs. per acre, and that of other crops is correspondingly small. High farming, as carried out in Denmark and other parts of Europe, is unknown. Owing to the scarcity of wood or coal, the greater of her cattle manure is used for fuel. Another evil is the fragmentation of holdings, which has proved to be as difficult to remedy as it is in Europe, but in India the evil is exaggerated to such an extent that it menaces seriously the improvement of methods of cultivation.

Borrowing has become a habit with the Indian cultivator apart altogether from his agricultural requirements. Debts are handed down from father to son, and it is the social obligation of the descendants to take over such liabilities. Periodic droughts run the cross and cause further borrowing. An additional burden is entailed by marriage customs. Daughters of the poorest cultivators have to be provided with a dowry of at least 100 rupees. The total output of the holding may not amount to half that sum, and the result is that most cultivators are hopelessly in debt. Under these circumstances, it is natural that the greater number of the hundred thousand co-operative societies in India to-day are credit societies. In British India alone their membership is over 3 million, while that of non-credit societies is only 650 thousand.

India has based her movement on the Raiffeisen model. The foundation of the structure is the primary society, which is a local association of borrowers and non-borrowers, which combine for the purpose of mutual interest and help. Every resident of a village is

eligible for membership, if in the opinion of his fellow members he is a person of good character. Liability is unlimited. The assets of a society therefore consist of the property possessed by all its members. A list of the assets is entered in what is called the property statement, which is revised once a year. The societies raise locally as much as possible of the capital required. This is supplemented by loans from the State, deposits made by friends, and loans from the Central and Provincial Banks.

Primary Societies are linked up with Central Banks. These are situated at the headquarters of the most important towns in the district, and their boards of management are composed of men of influence and business ability, together with representatives of primary societies. They finance the primary credit societies and act as balancing centres. Their resources consist of share capital and reserve funds, deposits of various kinds including provident and saving deposits, overdrafts and short term loans from Joint stock Banks and from the Imperial Bank of India. This Bank has been and is used by the Government for its financial purposes. The surplus funds of primary societies are also deposited in the Central Banks. Interest on deposits varies considerably. In some cases they are secured at a rate as low as 4 per cent. Dividends of up to 12 per cent are paid, and 25 per cent of the Central Bank's net profits must, by statute, be placed to reserve. Adequate fluid resources must be maintained. The Central Banks, with the exception of those of one or two provinces, have federated themselves with Apex Banks, or Provincial Banks. These are able to attract capital at low rates of interest. They act as balancing centres to the Central Banks, and their funds are secured in very much the same way as those of the latter. The co-ordinating body of the whole system is at present the Indian Provincial Co-operative Banks' Association. It has been suggested that a stronger co-ordinating organisation is necessary and that the Provincial Banks should have as their apex an All-India Co-operative Bank. This scheme is not supported by the report of the Central Banking Enquiry Committee; the report recommends instead that a reserve bank should be established which will do all that is necessary, and it is expected that this suggestion will soon be carried out.

The urban co-operative societies resemble the Luzzati banks in Italy, and the Schulze-Delitsch banks in Germany, that is, they are based on the principle of limited liability. The maximum borrowing

power of the society is fixed on a basis varying from one-fourth to one-eighth of the value of the net assets. No loans are advanced for unproductive or wasteful objects. The purpose of the loan is scrutinised by the panchayat or managing committee. The societies are placed under statutory obligation to build up reserve funds, which are generally invested in Central Co-operative Banks. Otherwise they follow the essential principles which characterise the rural primary societies.

The favourable results of the working of the credit co-operative movement have been summarised by the Royal Commission on Indian Agriculture (1928) as follows:—

“The main results achieved may be said to be the provision of a large amount of capital at reasonable rates of interest and the organisation of rural credit which, carefully fostered, may yet relieve the cultivator of that burden of usury which he has borne so patiently throughout the ages. Knowledge of the co-operative system is now wide-spread, thrift is being encouraged; training in the handling of money and in elementary banking principles is being given. Where the co-operative movement is strongly established, there has been a general lowering of the rate of interest charged by money lenders: the hold of moneylenders has been loosened, with the result that a marked change has been brought about in the outlook of the people.”

While these positive results are undoubtedly a great achievement, they must not blind us to the weakness of the co-operative movement when it is compared with its achievement in Europe. In the opinion of Managing Government of the Imperial Bank “the fundamental principle of true co-operation is lacking. Overdues are highly excessive, audit is defective, control is inefficient.” Other defects are inelasticity, dilatoriness and inadequacy.

The most important of the recommendations of the Central Banking Committee is concerned with the establishment of a comprehensive system of mortgage banks. Co-operative Land Banks could fulfil a useful part in the rural economic life of India. At present the difficulty of providing adequate security is complicated by the existing land laws. In the Punjab, especially, the Lands Alienation Act makes it impossible to recognise mortgage as a gilt-edged investment. This act was passed to prevent the buying of land by speculators. It limits the sale of land to the cultivator class. The chief drawback to the progress of mortgage banks is the

fragmentation of holdings. For this reason the mortgage banks have not made as much progress as credit societies. Co-operation is the only solution of this problem, and it is to be hoped that the need for a comprehensive system of mortgage banks will soon be met.

Co-operative marketing of agricultural produce is as in so many other countries, making slow headway. India is not a highly industrialised country. The people live either in the villages or in small towns. The consuming population is therefore local, excepting for the minor proportion of produce which is exported either to such cities as Calcutta or Bombay, or abroad. Co-operative marketing has succeeded in such countries as Denmark or New Zealand where the major part of the produce is exported, and is not competed for by local merchants or consumers. But in India, only a small proportion of the total agricultural produce (about 1/11th part of the whole) is exported. The present method of marketing resembles that which can be found in the most primitive parts of Europe, and the need for introducing agricultural co-operative marketing is paramount. Unfortunately, the difficulties are as great as they need. The Central Banking Enquiry Committee have recommended that provincial marketing boards should be established in order to systematise distribution by stimulating co-operative effort.

But while the foundation of credit and co-operative societies on the European model could fulfil useful functions in the economic life of India, they do not deal with the root of the problem. The disease which necessitates continuous borrowing can only be remedied by eliminating its causes. These are social traditions which can only be broken down by education and example. The first need is to stimulate an increased output which will ensure a reasonable income to the cultivator. This is work that can only be undertaken by such bodies as rural reconstruction societies, and it is to this purpose that the Royal Commission on Agriculture devotes most of its attention. On those societies which aim at improving physical, social and moral conditions of the members, at introducing improvements in agriculture and in rural industries, at improving education and knowledge of hygiene, will ultimately depend the regeneration of India. Well might it be said in the words of the Royal Commission on Agriculture "the greatest hope of the saving of the rural classes from the oppressive burden of debt rests on the growth and spread of a healthy and well-organised co-operative movement, based on the careful education and systematic training of the villagers themselves." If co-operation fails, the hope of the agriculturist also fails.

Insurance Companies and Land Mortgage Banks

BY DEWAN BAHADUR M. RAMACHANDRA RAO.

Life Insurance Companies in India are doing a great deal of good in promoting thrift among the people and also in inducing them to make suitable provision for old age and for the maintenance of their families after their death. These companies have already accumulated very large funds and their total assets at the end of 1930 amounted to about 25 crores of rupees. The annual premiums collected by the Indian Insurance Companies in the same year amounted to a crore of rupees. The total assets of Non-Indian Companies in India at the end of the same year amounted to 31½ crores of rupees of which the assets in India of the companies constituted in the United Kingdom amounted to Rs. 28½ crores. The assets of the Insurance Companies constituted in the Dominions and Colonies and doing business in India amounted to 3 crores of rupees in 1930. At the present time the bulk of all these funds is invested in stock exchange securities (*i.e.*) in Government paper, municipal and port trust debentures. The sums lent on policies and also the funds invested in mortgages of land and house properties amount to very little. The Indian Insurance Companies have not as yet tried on any considerable scale any other form of investment other than stock exchange securities. This is to be regretted. As pointed out by the Townsend Committee on Co-operation this may be partly due hitherto to the absence of other suitable forms of long term investment in this country for Insurance Companies. In most of the Western Countries, Life Insurance Companies have made considerable investments in land credit institutions, land mortgage banks and other institutions of a similar nature intended to help the agriculturists. In America Insurance Companies have taken a leading part in investing their funds in farm mortgages and they have always been on the look out for better methods of serving the rural communities with credit.

AMERICAN EXAMPLE.

At the present time 20 per cent. of the accumulated funds of Insurance Companies in America are invested in farm mortgages. At one time, these companies encouraged the formation of separate Bond and mortgage companies to handle farm loans. Some time later the companies were of opinion that the best way to deal with

the problem was in the development of an organisation directly under the companies or an organisation commanding their complete respect and confidence for the handling of farm loans from the initiation of the application to the completion of the last details of the loan, an organisation in which the investor could have absolute faith and yet one which would be in direct touch with the borrowers. Such an organisation has been provided for in America in the form of the Federal Farm Loan System. This organisation is under Government regulation and not directly under the institutions of the Insurance Companies as they would have it. The amount invested by insurance companies in first mortgages of landed property upto 1922 is the enormous sum of 1,24,73,00,000 dollars which will be equivalent to about 312 crores of rupees. In Germany which is the home of the land mortgage banking system, the mortgage banks obtain most of their funds by the issue of bonds and debentures in the open market and Life Insurance Companies have also played a considerable part in financing these institutions. Interesting developments in the Land Schaft Institutions have taken place recently.

DIS-MORTGAGING AND LIFE INSURANCE IN GERMANY.

The system of dis-mortgaging by means of life insurance has met with favour with the public in Germany, and this method of mortgage debt redemption is now becoming more and more popular. The ideal of combining life insurance with the extinction of debts is due to Von Hecht, a wellknown student of land credit institutions in Europe. He made the proposal for the first time at the Agricultural Congress of 1894. By the plan he outlined, side by side with the ordinary amortisation there was to be a special form of extinction of mortgage debt by means of taking out of a life insurance policy. The insurance was to be effected for the amount of the debt to be extinguished and since this becomes less every year in consequence of the payment of the annual amortisation charges, this means affecting it for the sum that remains to be paid. Thus what is insured is the remainder of the debt, the amount of which is always diminishing and consequently the premiums are gradually reduced. In the event of the death of the insured person, the residue of the capital debt not yet repaid is covered by this insurance and thus complete dis-mortgaging is rendered possible. Life insurance is not

thus regarded as an end in itself, but was introduced into the system of dis-mortgaging as an essential factor. Von Hecht's scheme was subsequently examined at great length in the German council of Agriculture and ultimately a scheme was agreed upon and operations were begun in 1910 by the institution established for the purpose and approved by the German cabinet in 1910 and administered completely by the Land Schaft. This was the first public body to engage in Insurance in Germany. The life insurance institution thus started was practically endowed with the foundation capital by the Land Schaft of East Prussia from the owned capital of the Land-Schaft which has also contributed substantial sum in cash for organisation expenses. The Savings Banks, the Raiffeisen organisation for East Prussia and the Federation of Co-operative Societies, all these take an active part in the propaganda of popular insurance. The spread of the practice of Life Insurance also owes much to the action of the Chamber of Agriculture. The Life Insurance as arranged by the Land Schaft of East Prussia is not concurrent with amortisation but acts in its stead to effect dis-mortgaging and consequently the annual payments made by land owners are not in any way increased. On the understanding that the premiums are not allowed to lapse, the life insurance carries with it the certainty of the extinction of the debt. This dis-mortgaging of land by means of life insurance by the land schaft of East Prussia has attained considerable success and it is unnecessary to go into further detail. This problem of combining life insurance with mortgage credit deserves very careful consideration both from the insurance companies and such of the land credit institutions as now exist in India.

ASSISTANCE TO RURAL COMMUNITIES.

It will thus be seen that the insurance companies in America and Europe have taken a large part in assisting rural communities by investing their funds in land mortgage banks and in various other ways so as to help the communities from which their premiums are drawn. This policy is commendable in every way and there is no reason why the same policy should not be adopted by Life Insurance Companies in this country. I consider that they have been too much tied down hitherto to stock exchange securities. A policy of making the funds available for the economic salvation of the agriculturists is, therefore, eminently desirable. It is true that stock exchange securities are more liquid than any other, but is this form

of investment absolutely necessary in regard to all the funds in the hands of insurance companies ? The essentials of sound investment are (1) absolute security of principal, (2) a fair stable income, (3) a marketable security one which is saleable on an organised market, (4) a security which can be borrowed upon, (5) one which will run for a long time, and (6) a security requiring little attention. Life Insurance Companies do not require all these on some of their investments. A high American authority on this question has stated that "life insurance companies must keep a certain amount of their capital and surpluses in securities which are readily marketable and from which they can get their money on very short notice. The largest part of their surplus can be invested in securities which will run for a long time and need not necessarily be so readily marketable. Farm mortgages are taken in under this class of investments". It is clear, therefore, that life insurance companies need not have all their assets in liquid securities but only so much of their assets as may be required to answer their calls for policies which may mature during the year and for other incidental expenditure need be so invested. The debentures of institutions like the Madras Co-operative Central Land Mortgage Bank satisfy all the tests of sound investment required for the funds of the life insurance companies. This Bank has been formed on the recommendations of the Townsend Committee on Co-operation and the Royal Commission on Agriculture and the formation of land mortgage banks has also been recommended by the Central Banking Enquiry Committee for the purpose of supplying the needs of agricultural communities.

THE MADRAS CO-OPERATIVE CENTRAL LAND MORTGAGE BANK Ltd.

The salient features of this bank are as follows :—

(a) In order to finance the Primary Banks the Central Land Mortgage Bank is empowered, following the precedents of land credit institutions in Europe and America, to issue interest-bearing debentures on the security of the mortgages executed by the borrowers in favour of Primary Banks, and assigned by them to the Central Bank. The Central Bank cannot, therefore, issue any debentures to the public, unless it has as cover first mortgages assigned to it and the total value of the debentures floated by the Central Bank cannot exceed, at any time, the total value of the mortgage bonds and other assets of the Central Bank. The

debentures of the Central Bank are, therefore, safe and stable investments and are secured by the mass of mortgages taken from the borrowers, the share capital and other assets of the Central Bank.

(b) The debentures are issued in denominations of Rs. 1,000, 500, 100. (Debentures of Rs. 100 are issued so as to give facilities to small investors).

(c) The period of the debentures is 20 years. As there is a demand for a short term debenture, 10 year debentures are also issued on which interest at 6½ per cent per annum is payable. Interest on debentures for 20 years is 6 per cent per annum.

(d) The Bank undertakes to pay interest during the whole period of the currency of the debentures.

(e) The interest is payable half-yearly on the 1st June and 1st December.

(f) The debentures are issued at par, 50 per cent of the money being payable on application and 50 per cent within 15 days after allotment.

(g) The debentures are secured by a floating charge on the mortgages transferred to this Bank by the Primary Banks and also on the general assets of this Bank.

(h) The debentures are transferable by an approved transfer from upon registering it in the Bank's books, and the transfer deed is exempt from stamp duty.

(i) No debenture-holder can claim the repayment of the value of his debenture before the expiry of the term fixed. The Bank may, however, to prevent depreciation in the market, arrange to purchase the debentures from debenture-holders as occasion may arise.

(j) To secure the debenture-holders against ultimate loss, a Debenture Redemption Fund has been opened into which all payments made by the Primary Banks are paid. The fund is administered under the general directions of the Trustee.

(k) During the currency of the debentures, the Directors may call in any debentures after 3 months' notice and the debentures so redeemed will be paid in full.

(l) The Madras Provincial Co-operative Bank and the Co-operative Central Banks in the districts of the Madras Presidency have been authorised by the Government to lend on the security of

the debentures 80 per cent of the face value of the debentures to any person requiring temporary accommodation.

(m) There is also a Trustee for debenture-holders (at present the Registrar of Co-operative Societies) who can intervene at any stage on behalf of the debenture-holders.

(n) As a further safeguard to the investors, the Government of Madras have with the approval of the Legislative Council, undertaken to guarantee the interest not exceeding $6\frac{1}{2}$ per cent per annum from provincial revenues on all debentures issued during the first five years to the extent of 50 lakhs of rupees, until the debentures are paid off or redeemed by the Bank.

DISTRICT STAFF.

Government have lent, for a period of 3 years in the first instance, the services of two Deputy Registrars of the Co-operative Department of the Bank of Deputy Collector to assist the Directors of Primary Banks and to inspect the Primary Banks on behalf of this bank and the Trustee. The chief duties of these Deputy Registrars are to scrutinise loan applications, to investigate the real necessity for the long-term loan applied for by the ryots, to verify the title to the lands offered as security and their true market value and to assess the repaying capacity of the borrower. The Deputy Registrars are assisted in this work by other Government officers of the grade of Sub-Deputy Registrar who have been posted to different districts.

The accounts of the Primary Banks are audited by the regular district Co-operative Staff under the Registrar of Co-operative Societies.

The debentures of this Bank are a first class security for long term investments and they are as advantageous and safe as Government Securities.

IMPORTANCE OF THE PROBLEM.

The last point that may be mentioned in this connection is the tendency that is noticeable on the part of some of the Insurance Companies to invest funds on buildings in presidency towns. There is not much scope in this class of investment. Moreover, most of the funds of life insurance companies are drawn from people living in rural parts and the investment of these funds on buildings in towns does not help the rural communities in any way whatever. In

organising the public type of insurance in Germany this point was kept in forefront. In discussing in 1910, the problem life insurance as a method of dismorgaging, the Director-General of the Land Schaft in Germany made the following observations :—

“ The total funds representing life insurance as undertaken by German private companies amount to nearly 4,300 millions of marks. Out of this about, 3,400 millions are invested in mortgages. But only 50 millions have come back to the country districts under the form of mortgages, and 3,350 millions have gone to the towns. These figures make quite clear the nature of private insurance loan. The contributions paid by the rural population to the funds of the private life Insurance Companies do not return to the country, but they serve directly or indirectly to re-inforce all the causes of the rural exodus so frequently deplored. And in my opinion it is just the agricultural circles that have every reason to exert themselves to put a stop to this process. This will only come about through the existence of a public body for life Insurance, safeguarding the general interests ”.

It is, therefore, clear that a policy of investments which will make the funds of the Insurance Companies available to the rural communities is urgently called for and a whole range of economic interests of the country which are involved in this policy have not hitherto received any attention from the directors of Insurance Companies. It may be true, as observed by the Townsend Committee on Co-operation, that the Life Insurance Companies in this country have suffered in the past by the absence of suitable long term investments for their funds, but the establishment of institutions like the Co-operative Central Land Mortgage Bank in Madras has removed this difficulty. There is an almost unlimited scope for the grant of long term loans to cultivators in India and the Indian Central Banking Enquiry Committee which has estimated the requirements of long term credit in India at about 700 crores has recommended the establishment of Land Mortgage Banks to deal with this problem. It is to be hoped that the Indian Insurance Companies will by financing the Land Mortgage Banks in India, play the same part as the Insurance Companies in Europe and America have done. Debentures based on the collective responsibility of mortgages of landed property constitute one of the soundest forms of long-term investment, and the Directors of the Insurance Companies in India have now an opportunity of playing their part in the work of national reconstruction.

"Insurance Companies and Land Mortgage Banks."

BY

DEWAN BAHADUR M. RAMACHANDRA RAO,

(Reprinted from "The Hindu" dated February 1932).

MEMO BY

PROFESSOR K. B. MADHAVA. M.A., F.R.A.S., A.I.A.,

Professor of Statistics, Mysore University & Public Actuary, Mysore.

1. A greater part of the article is a plea for the investment of Life Assurance Companies' funds in valuable estate mortgages—in particular, in the debentures of land mortgage banks like those of the Madras Co-operative Land Mortgage Bank Ltd. There can be no two opinions in regard to the suitability of such an investment. Practice in several forward countries of the world—though not in England—follows this recommendation. The present writer himself put forward this plea (perhaps for the first time in this country and certainly before the formation of the above referred Land Mortgage Bank) in the issue of "The Indian Insurance Journal" December, 1927 and January 1928. A part from purely financial considerations, this scheme has recommendation also from the point of view of social service. It serves to give a direct *quid pro quo* where the funds collected from the large mass of people are improvised directly and primarily for their own service. It is held too in some business circles that such a procedure aids business productivity also, because of the local advertisement gained. This writer believes that certain companies—viz., Andhra Insurance Company, The Ideal Democratic and Mortgage Loans Ltd., (Nagpur) have already engaged themselves in this or similar investments. He is however informed—subject to verification—that the Law of Trustee Investments as it stands at present, or the Articles of Association of certain companies prohibit the investment in this form, and if so, that may be rectified.

2. There is however one form in which the debenture bonds may be issued more advantageously to Life Assurance Company. The problem of investment is always one of considerable difficulty to a Life Office. Usually in a progressive and rapidly expanding office, it happens that receipts are in excess of current payments (both for expenses and as claims by death and by maturity included) and this

"INSURANCE COMPANIES AND LAND MORTGAGE BANKS"

excess continually comes up for investment. Added to this the interests received on stock exchange or other securities at half-yearly intervals (usually) amount to substantial sums and they are also directed to the market for reinvestment. As I gather, this reinvestment of interest earnings rapidly so as to derive the benefit of compound interest is a standing puzzle to a Life Office. It will therefore be very attractive and serviceable to a Life Office if it can make its investments for a term certain during which the principal accumulates at compound interest and the entire sum is repayable at maturity. This form of investment (which is in the nature of an incentive to the accumulation of wealth) has recently been held up as a great attraction to small investors by Governments. Thus in England the National Savings Certificates are issued at \$ 15-6d (and sometimes at \$ 16) to fetch £ 1 at the end of five years; the Indian Post Office 5 years cash certificates are also issued to the same purpose at prices varying between Rs. 75-0-0, Rs. 77-12-0 and even Rs. 80 per cent. Certain banking offices—The Central Bank of India Ltd., Bombay, for instance—issue even 3 years cash certificate. The debenture bonds of the Madras Co-operative Land Mortgage Bank, Ltd., may also have been issued for 10 years and 20 years certain in the same way—and at an average yield of 6 per cent compound interest, the issue price may be fixed at Rs. 55,839 for a lakh of rupees for 10 years bond and at Rs. 31,180 for a lakh of rupees for 20 years bond. (Any other rate of interest remunerative to the Bank and attractive to the investor may also be employed). Such an offer would be of greater service—certainly of greater convenience—to a Life Office, and the Land Mortgage Banks would need to do a little bit of window dressing like this.

3. In this article is also referred an alternative process of dismortgaging by a life insurance policy. In its ultimate reduction, from the point of view of a bank which has to make a capital investment, the problem of finding this money is again the problem to which reference was made in the prior two sections. From the point of view of the borrower, or of the replacement of capital, it is presumed that an instalmental system—an annual amortisation plan—is adopted, and that, in addition, a foreclosure as it were, but by the debtor, is sought when the not-due and the unpaid instalments are all paid together in a lump as a result of life insurance policy resulting in a claim by death. That is to say, on the original debtor, a life assurance policy (probably also an endowment plan) is also taken and this is of course done in the usual way. To reduce the cost, it is also the custom to make the sum assured a decreasing series just representing the remainder of the debt (and probably half an year's interest on this outstanding). But it should be noted that since the residue of the capital not yet repaid—and indeed not yet due—has got to be repaid earlier in the event of death of the insured person, there is technically an extra cost added to the bargain to cover this "anticipation". It should also be noted that in order to scienti-

fically base the scheme on actuarial principles, the ordinary requirements of an insurance contract, *vis.*, a risk not involving extra hazard, medical selection and the like must be satisfied. In this case, the annual premium that has to be paid may be calculated in the usual way, familiar to actuaries. The present writer is not certain that the author of the article requires an actuarial formula from him. That may be gone into in its practical application if the writer of the original article is concerned with any actual transaction. Meanwhile, for the sake of completeness, it is thought that an academic formula like the following may be sufficient (it is not possible to explain briefly the notation to an uninitiated person). The sum advanced may be assumed 1 unit; the annual sinking fund contribution to wipe out this debt in n years is $1/a_n$ at the appropriate rate of interest i . The balances owing at the end of any year t is ${}^a_{n-t} \mid {}^a_n$ which is also the sum at risk if the debtor dies. The insurance value of this at the inception of the contract is $\{ {}^a_{n-t} \mid {}^a_n \}^c_{x+t}$ where x is the then age of the debtor. The sum of such expressions for all the possible values of t *viz.*, from 0 to n which

may be denoted ${}^aM_{x:n} = \sum_{t=0}^n \{ {}^a_{n-t} \mid {}^a_n \}^c_{x+t}$, is the total risk

and the annual premium to pay will be ${}^aM_x : {}^a_{x+n} \frac{D}{x}$ (payment being receivable at the end of the year). Accordingly the annual

payment needed is $\frac{1}{a_n} + {}^aM_x : {}^a_{x+n} \frac{D}{x}$ of which the first part is

for the loan transaction, and the second for the dismorgaging of the residue of the capital debt, if any, in case of premature death of the mortgagor. A mortgage bank may retain both or may make over the latter part to a Life Office according to its convenience. The rate of interest to be employed (uniform or graduated) the surcharge that may have to be made for incidental expenses and a number of other things that will have to be fixed before a numerical value for the above expression is arrived at and utilised for public quotation must properly be left to the judgment of a duly qualified Actuary.

4. From the English papers to hand since writing the above, it is learnt that in response to the Chancellor's national appeal for the prompt payment of income tax demand due on 1st January, 1932 which was, as is well known, incident on such a larger number of persons and so much more severely than usual, employers advanced very extensively to their employees the necessary sums of money and sought insurance against the loss of this sum by the death of the employees before repayment. No fewer than seven British insurance companies have come forward to underwrite this risk.

Need of Libraries in the Banks.

(By DR. J. T. AUSTIN, G. B. V. C., KUMTA).

That it is the duty of every bank to educate the public round about it on the several advantages of possessing a bank was never so keenly felt as it is to-day. The reasons why several of our banks, though well managed and pretty longstanding do not thrive well, and often prove not so useful are two. Firstly, the ignorance of good many people on the several advantages of possessing a bank; and secondly, the negligence of the bankers themselves in not sufficiently educating the public on these points. Do we not meet even to-day people who look upon banks as nothing more than trading houses on money matters, receiving money at a certain rate of interest and giving loans at a higher one? And at the same time do we not come across so many banks, which attend to no other business than this, and are quite satisfied if they should make up certain profits sufficient to meet the running of their establishment?

NEED OF LITERATURE.

If the people are really to be benefited by the existence of these banks, and if the banks also are to flourish well by the good co-operation of the public, the only way now opened is to educate the public by means of suitable literature on these subjects, the lead for which is required to be taken in the first place by the bankers themselves. As long as there is no such education undertaken, the present lack of full confidence of the public towards these banks will continue, and the vitality of these banks will therefore slowly but surely get attenuated for want of further development. The sincerity of the bankers in thus educating the public must not be only confined to the points purely for their own advancement, but they must possess in their hearts the true motive that these banks are purely for the benefit of the public, rather than for their own, and then begin to educate them accordingly in all such matters of economy and usefulness, minding not whether it would turn out a blessing to their own banks or that of their neighbours.

LITERATURE ON BANKING METHODS.

In the first place, the literature should enlighten them in the A. B. C. of banking, explaining how the capital is made, the deposits collected made use of, the expense of the establishment met, with

the accounts checked, the profits made and how they are spent. The study on these points bearing on the internal management of a bank in itself will slowly begin to create a certain confidence in the hearts of the ignorant public towards the bank, and easily lead them to give their co-operation. Their next move is to enlighten them on the several means and ways by which they can take advantage of a bank in every direction of their own advancement.

LITERATURE ON THE USES OF BANKS.

There must be such books that would serve as a guide in a man's domestic management, instructing him how to adjust his expenses according to his income, to save a portion of his earning regularly, and also how an immense sum he could thus command after some years by such systematic saving, however little the amount saved every time might be. It must appeal to his sense of honour in looking to the future of his wife and children, instructing him to be always prepared for some unexpected necessities, should there arise any, revealing to him the evils of debt and the several sources that would draw him into it, and make him more careful so as not to exceed his provision in the celebration of his several festivals, marriages, funerals and such, which now and then are bound to occur in every family. Next, how the agriculturists can get their timely help that can be easily returned after their harvest; how plots can be secured and houses for healthy living erected by the help of these banks and the amount returned by easy payments by instalments; how a student can carry on his studies by the help of these banks in the beginning and can refund the money when he becomes an earning member; how a trader can obtain his timely help and so on the several useful purposes by which a bank can serve towards the advancement of the public must be brought to their notice. By this means every student of the national economy can come to know what a great part these banks can play in the advancement of a country and lead him to take all his efforts for their improvements.

NATURE OF THE LITERATURE REQUIRED.

As far as possible this literature containing information useful for a trader, merchant, agriculturist, land-lord, student, labourer and such, must not be dealt with all in a single volume; but must be in form of small books, that should be easy to distribute, easy to refer and comparatively of a cheap cost, facilitating a wide circulation, according to the taste and requirement of different individuals.

Thus, by this method of educating the public, a great blessing can be conferred on our nation, and the existence of numerous banks in our land will of themselves speak of the glorious advancement of her people.

Recent Utterances

THE PARAMAKUDI CO-OPERATIVE URBAN BANK SILVER JUBILEE CELEBRATIONS

EXTRACTS FROM THE PRESIDENTIAL ADDRESS

OF MR. G. SRINIVASARAGHAVACHARIAR, AVL.,

Retired Deputy Collector and Assistant Registrar of Co-operative Societies, Madura.

"Having regard to the magnitude of your town and the large number of persons in receipt of monthly or daily income there is no reason why every one of such persons cannot put in their monies, be it however small, in one or other of these deposits and draw upon them whenever needed.

Joint purchases and joint sales, more especially in the case of men of limited means in urban areas who cannot pursue any subsidiary occupation, are some of the principal methods for economising one's expenditure or increasing his income, and I am afraid that few members have taken advantage of these by availing themselves of the provisions of the Joint Loans.

It seems to me that the present state of things is due partly to the general improvidence, indifference or ignorance obtaining amongst our people, and partly to want of development of banking habits in them. Even in the direction of accommodation of loans, the progress made cannot be said to be as satisfactorily as it ought to be, by reason of the fact that the bank is catering—perhaps not fully—to the want of only 505 out of 20,000 persons which I find is the population of your town. I state these facts not to disparage you in any manner but for the purpose of making you realise the enormity of work yet to be done by you. I hope and trust you will all put your shoulders to the wheel and see by means of actual door to door propaganda, that every one of your citizens is brought into your Bank, be it for the purpose of borrowing from it for productive purposes or putting in his savings with a view of accumulating them or for benefitting himself in other ways. I deliberately urge this door to door propaganda, as experience has shown that appeals through lectures or leaflets to people, more especially to those belonging to the middle and lower classes, are not generally attended to with success. The one important direction in which you can

carry on propaganda with greater success is, in the enlistment of members to subscribe for the 'Bassack Scheme' of Provident Fund which, if I remember right, you were the foremost, if not the first, to adopt in this Presidency. From the figures furnished to me I find that, in recent years, there is unfortunately a falling off in the number of members contributing to this provident fund, which is apparently due to the members who had first subscribed to it having withdrawn the amounts due to them on maturity and not continuing it, and to other new members not taking their places. As this kind of deposit will put the bank in possession of funds which are not withdrawable either simultaneously or for a long time and which can be lent to members for long-term purposes, the importance of persuading people to join this scheme of provident deposits needs no emphasis.

Gentlemen, the soundness of a Bank, whether it be for the purpose of attracting new members or fresh local deposits must depend to a large extent upon:—(1) the efficiency of its management, (2) the growth of its share-capital, (3) the building up of a good Reserve Fund, (4) the frequent audit of its accounts and timely publication of its Balance Sheet and (5) last but not least, proper Leadership.

The inefficiency of the staff to cope with the work of Urban Banks, which are getting more and more heavy and complicated day by day, coupled with the want of a full timed and qualified Secretary to supervise and control it, has led in many places not only to want of proper maintenance of accounts but also to actual defalcations. In the opinion of many co-operators actually connected with the working of Urban Banks, time has come for persons who are responsible for the management of such banks to consider seriously the desirability of the appointment of a full timed Secretary therefor, on decent pay and security and not liable to be thrown out at the annual elections, even if it should result for a time in the declaration of a lower rate of dividend on share capital. I would therefore, commend this aspect of the question for your serious consideration.

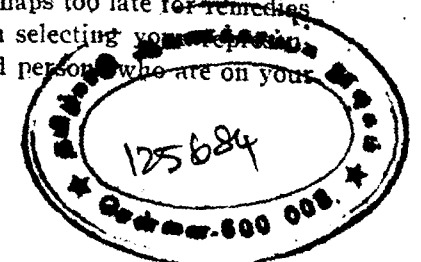
To bring about an increase in the paid-up share capital, either the value of the share must be increased or more persons should be admitted as members. The former course is obviously unsuited as it may prevent poor persons from joining as members and may not proportionately increase the volume of transactions but may on the other hand tend to over-capitalisation as has actually occurred in several banks. I would therefore recommend for your consideration the adoption of the latter course for which I consider there is ample scope in your place. I find there are about 2500 houses in your town and it must be possible for you to persuade at least

1500 householders to join your bank as members which, if done, must enormously increase not only the share capital but also the volume of your bank's transactions.

You have no doubt built up a decent Reserve Fund, but from a co-operative point of view, the reserve fund of a Banking institution cannot be considered adequate until it reaches a figure, when it can be considered sufficient to meet all the needs of its members and thus become independent of outside assistance. I hope you will keep this ideal in view and endeavour to reach it as quickly as possible.

As regards audit, you know for one reason or another, it has not been possible till now to make any satisfactory arrangements, though the question has long been engaging the attention of both the official and non-official co-operators. As observed by the Townsend Committee on Co-operation, the audit of Urban Banks is divided into concurrent and final. Though the latter is being done by the departmental staff, no satisfactory arrangements have as yet been made for the former which includes the checking of each day's transaction, of interest calculations etc, which, according to Government, should be arranged for at banks' cost. You know that, on account of the exertions of the Madura Ramnad District Co-operative Federation and the kindness of Mr. Strathie, our present Registrar, who was good enough to deal with the problem in right earnest, an audit union on right lines for Madura and Ramnad Districts has recently come into being and when it is brought into full working order by our enthusiastic Deputy Registrar, which, I hope will not be ere long, it is sure to be in a position to carry on both the final and concurrent audit, more promptly and efficiently. The Central Banking Enquiry Committee, in its report recently published, has recommended that, with a view to make the audit more effective and independent, the Government officer responsible for the issue of audit certificates must be ex-officio member of the Board of Management of the Audit Union. It is hoped that the by-laws of the newly registered District Audit Union contains or will be made to contain necessary provision therefor. Past experience of the working of Audit Unions here and in other places has brought out the fact that on account of the office-bearers or other members of the Board of Management of an Urban Bank being office-bearers or members on the Board of Management of an Audit Union, the auditors working under the Audit Union have felt it delicate to fearlessly expose the defects and irregularities existing in the affiliated Urban Banks, with the result that, either such defects were not allowed to see the light of day or they came to light after they had assumed a horrid form, perhaps too late for remedies being applied. It is therefore desirable that, in selecting your representative to the Audit Union, you should avoid persons who are on your Board of Management.

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I stated that not the least important of the factors conducing to the success of a Bank is proper leadership, which unfortunately does not count much in these days of so-called democracy. On this point I would like to quote the observation made by Mr. Coyajee, one of our present-day eminent Co-operators, which runs as follows :—

“The most important factor is, of course, leadership. It is from one point of view one of the greatest paradoxes, but from another point of view, one of the greatest harmonies of sociology that Co-operation depends materially on *successful leaders*. The value of leaders is even greater under the complex conditions of urban banking than for rural banking where the conditions are simpler and the practice is more capable of being reduced to a set of rules.”

That this observation of the Bengal Co-operator is a truism has been borne out by the history of your Bank which has the unique good fortune of having M.R.Ry*, K. Gopala Iyengar Avl., one of the leading citizens of your town, as your President successively for over 2 decades. May we all wish him Godspeed and many more years of useful service to the Co-operative Movement. In this connection I would be failing in my duty, if I should omit to make a reference to the invaluable services rendered by Mr. Sivagnanam Pillai, who, under the able guidance of your illustrious president, had been carrying on the executive administration of your Bank for a continuous period of 11 years with commendable efficiency and enthusiasm. May we wish him also long life.

The development of your Urban Bank on the lines indicated above may lead to its growing unwieldy, and when this should happen, the tendencies will be, as rightly observed by Mr. Hemingway, for the Managing Committee not to know the members and for the bank to deteriorate into a common leading shop, divorced from moral considerations. As a matter of fact, one of the Urban Banks which I know of, has already become so unwieldy that neither any of the members of the Managing Committee nor its office-bearers are in a position to identify a good many of the borrowing members or their sureties, except, with the aid of one of their clerks, who alone happened to know them, but who unfortunately has gone out of office. When tendencies of such unwieldiness disclose themselves, it is wise to consider the desirability of splitting up the bank into two or more small ones. But the splitting up cannot be done unless and until suitable human materials are available to work them and the transactions therein are adequate enough to maintain the minimum efficient establishment required therefor. Meanwhile, with a view to enable the members of the Managing Committee to know the members

and continue to be in touch with them, it is desirable that the members of the Managing Committee should be recruited from the several wards of the town instead of their being drawn only from a few wards.

Another danger that may arise from a bank growing in size, is the tendency to grant excessive loans to single individuals and to prefer real to personal security, which will lead to arrears and extentions mounting up. As you are aware, arrears accrue generally as a result of non-action or want of prompt action on the part of the bank in collecting the dues as they accrue and to some extent to fixing up repayment dates or instalments wrongly without having regard to the circumstances of the borrower. This danger can however be easily avoided by the exercise of a certain amount of care on the part of the Secretary, who must get himself acquainted with the circumstances of each borrower. For this purpose, the Secretary should, as already stated by me, be a permanent man, not liable to be thrown out of office at the annual elections.

A third danger which is threatening Urban Banks is the tendency for members to bring into their Administration their communal or private differences and other local politics and I trust you will steer clear of them. I may add for your information, that party feelings of the kind in some of the banks have actually become so acute and ruinous to the administration, that the Government have thought it necessary to make in the amending Bill to the Co-operative Societies' Act, now on the anvil of the Legislative Council, suitable provisions not only for supercession of societies but also for surcharge orders, as in the case of Municipalities.

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Second Urban Co-operative Banks' Conference, Bombay,

EXTRACTS FROM THE PRESIDENTIAL ADDRESS

OF

PROF. H. L. KAJI, M.A., B.SC., I.E.S.

At present, we are passing through very abnormal times and we are in the midst of an economic and political crisis of the first magnitude. The Co-operative Movement has not escaped from this crisis, and we are in many respects at the parting of ways. Small conferences, the scope of which is restricted to but one form of co-operative effort and that too in a definite area, are, therefore, very desirable as focussing thought on the problems connected with that type in that area.

The Co-operative Movement in India from its start was largely related to the organisation of credit facilities for agriculturists. It was a pity that the Co-operative Credit Societies were expected to solve the problem of their heavy indebtedness, since short term credit and that too restricted to small amounts, cannot possibly help in the solution of this big problem. It is no wonder, therefore, that the Co-operative Credit Movement in rural areas has not been able to do anything substantially in the matter of lightening the burden of indebtedness. Credit for productive purposes is not merely the life blood of commerce but is the fundamental requisite for production and agricultural finance being severally neglected by the banking organisation of the country, it was a very good thing indeed to bring into being these rural credit societies to meet the wants of the agricultural population. In that direction our credit societies have been generally speaking quite successful and their importance in the realm of rural finance has been increasingly recognised by the Government and the people.

Co-operation is essentially a method whereby the weak can make themselves strong by associated effort and it was natural therefore for the co-operative credit movement to spread to urban areas also in the interests of the small man in towns. Credit to be useful must be for productive purposes. It was, therefore, unfortunate that the urban credit movement in the City should have first been organised on the basis of community, since members of a community do not necessarily follow the same occupation. The small man in towns who needs credit is a small producer or a small trader and urban credit should therefore have been on the basis of trade and industry rather than on communal lines. The credit societies should have been thus small industrial banks or small commercial banks but not small loan offices for clerks and others who may be needing financial accommodation to tide over a bad period. At the same time, consumers credit is not by any means

fundamentally unsound. A person who normally does make both ends meet but who owing to some extra-ordinary circumstances, such as illness in the family, finds himself in difficulties, does indeed need a credit institution on a co-operative basis.

But the loans that should be advanced to him should rest on his ability to save in normal times and on his ability to repay. Co-operation should not be regarded as something divorced from business, where you are called upon to express your sympathy with the unfortunate by extending loans to him, even when he has not shown by his past relations with the society that he is a thrifty prudent man, saving something in normal circumstances. Merely two signatures by way of sureties cannot be regarded as enough. Co-operation does take note of personal credit; but to understand by this personal credit, merely two signatures, without a knowledge of the habits and circumstances of the past of the borrower is to entirely misread the true significance of Co-operation. If you go into the ills that threaten the urban credit societies particularly those that are organised as Communal Credit Societies, you will be able to trace them to this fundamental misconception of a movement, which while accepting all the principles of management which go to make a business successful discards capitalism by insisting that the surplus profits should be distributed to all those who help in the making of these profits—the shareholders, the borrowers, the managers, the depositors.

The salary-earners' societies, which from such an important part of the urban co-operative credit movement in the city, are also meant for the consumers not in this case organised as a community, but as members of a firm or office, government, public or private. These would in theory be as doubtful of success as the communal societies, but for the fact that the apparently unco-operative device of recovering the loan-installments through the pay-sheet has been adopted in most of these. Communal societies having no such device to fall back upon have to face the dangers of bad and doubtful debts or as we say, of overdue loans, while the problems facing the salary-earners societies are rather those of the profitable use of their surplus funds and of the utilisation of their reserve funds. These societies are more in the nature of thrift societies in the first instance, a certain percentage of the salary being taken towards the payment of the share capital, but also giving financial accommodation to the members. As thrift institutions, they perform a very useful purpose, while as loan offices, they supply a felt want. It is upto them however to emphasise more and more their thrift function and to encourage greater and greater savings as deposits or towards purchase of more shares. It is not necessary to discourage lending operations of such societies, secured as they are by deductions from the monthly pay, but it is necessary, in my opinion, to regard these as but a subsidiary business, the prime purpose being to encourage the savings habit and to find profitable

THE MADRAS JOURNAL OF CO-OPERATION

investment for the savings of the members. The unfortunate tendency to encourage borrowings by members or to be lenient in the sanctioning of loans as the only profitable source of investment should be discarded and new sources of investment tapped. It is true that the monthly savings of the members of such a society cannot be considerable and the managing office bearers cannot necessarily be financial experts. The time has therefore come in my opinion, to seriously consider the question of promoting and establishing an investment trust on co-operative basis. The Bombay Provincial Co-operative Banking Committee considered this question and came to the conclusion that while such trusts in Great Britain and the United States met very satisfactorily the needs of the small investor, they were not a practicable proposition in India to-day. The reasons for this conclusion do not appear to be very convincing, particularly when we need not necessarily think of very big trusts in the first instance. The salary earners societies might very well consider whether they should not move towards promoting a big Peoples' Bank at least in Bombay, which could function as an investment trust, and act as a sort of an apex bank.

While we in Bombay call every urban credit society a Bank which has a working capital of Rs 50,000 and over, I think, it will be acknowledged that there is hardly any one institution in the City which we can really call a Bank. It is not the working capital or the turn over that makes an institution a Bank; it is the kind of business an institution does that stamps it as a bank or otherwise. While it is satisfactory that some of the big employees' societies do receive substantial amounts as deposits, and that all do lend out their monies, there are no societies which undertake banking business of all kinds, making advances, receiving deposits and discounting inland bills. The difficulties in the way are firstly that the very nature of the membership in most of these cases precludes the possibility of their working as banking institutions. The salary-earners have no other need but for an institution to receive their savings and to advance monies to them for tiding over a bad period. The communal societies, being also for members of a particular community or caste, serve the same purpose. It is only when we have small commercial banks or small industrial banks that the need for developing into banking institutions would be felt. It is the establishment of Peoples' Banks that is thus therefore a great necessity. Co-operation has hitherto generally meant small societies with naturally a small and inefficient staff, not trained in banking theory and practice. While co-operation is meant for the small man, the small trader or the small industrialist, it does not follow that their society should be a small concern. The economies attendant upon a large scale business, and the efficiency in management that would be secured are indispensable for success in institutions—whether co-operatively organised or capitalistically formed. In my opinion, the time has come for us in Bombay to organise a Peoples' Bank or at least to develop

and expand an existing successful bank into a fairly big Peoples' Bank, which with branches in different parts of the City and for different trades if necessary would function as an efficient bank, doing all sorts of banking business with an efficient staff and efficient directorate. To this could be affiliated all the urban banks, whether for salary earners or for members of communities, so that it would be a sort of an apex bank in the city, much as the Provincial Co-operative Bank is for the primary rural credit societies. It could function also as an investment trust, finding suitable investment for the surplus funds of its constituent societies. Rather than fritter away the energies of co-operative workers, it would be wise, in my opinion, for co-operative workers in Bombay to concentrate their efforts on organising an upto date full fledged Peoples' Bank for the City. Bombay's contribution to the Co-operative Movement in India has been the rapid development of co-operative urban banking and while some of our up-country towns boast of good peoples' banks, it is a sad reflection that we in this great city—the commercial and industrial metropolis of the country—should not have a model urban co-operative bank, not organised on narrow sectarian or communal lines, but broad—based on principles of business and efficiency.

Till this is done, however, it appears to me that in view of the prime requisite for the development of urban banking on sound lines being proper supervision and technical advice, the urban banks in the city might well be federated into a Union of the kind already organised in Gujarat. Such a union would, while retaining the individuality of each bank furnish an expert agency, to supervise and advise the constituent banks and societies and would make for greater efficiency and progress. There such union are desirable—one for the Salary-earners' societies, one for the communal societies and the third for the Mill-hands societies. These would have the way for the establishment of a big Peoples' Bank and would in the meantime bring about improvements and uniformity in the principles of management. I am conscious that in Bombay, we have a few big banks for the salary-earners and for some communities; these might well wonder what good an urban banks' union is going to do to them. But, if co-operation teaches us anything, it surely teaches us that while the small people should by co-ordinated action seek to gain strength, the strong people should feel satisfaction in helping the weak, and in remembering that even they might benefit considerably now and then by the combined action of the whole group. The individualistic tendencies of a large city militate against co-operation, but surely when these have been overcome and societies formed on a co-operative basis, there should be no great difficulty in taking the next logical step, that of further combination into unions.

The question of the audit of co-operative societies has been much in the fore-ground in recent years. The financial situation has driven the Government into severe retrenchment on the one hand and into tapping new sources

of income on the other. They have therefore approved of the levy of audit fees from even primary societies in the villages. The urban banks of course were already paying audit fees, and they have therefore no reason to grumble about the withdrawal of a privilege hitherto enjoyed as the rural primary societies might have justification to. I personally feel that while it is the duty and privilege of Government to assist co-operative societies, it is the duty of the co-operative societies to learn to be self-reliant as soon as possible and not to seek perpetuation of spoon-feeding. Like protective tariffs, governmental concessions to co-operative societies are essential in the early stages to lead them on to success. If however even after a series of years, a society is unable to pay its way without all sorts of privileges and concessions, the society has no right to exist as a co-operative society, based upon the principles of thrift, self-help and mutual help. Continued help from outside, even from the State, is incompatible with the ideals of Co-operation, as I conceive it. I therefore for one would not grumble if co-operative societies of a certain standing were expected to pay audit fees, particularly so in urban areas. But while we might not object to the payment of audit fees, we do certainly object to paying higher fees than what we would have to pay if we were allowed independent audit. Audit is a statutory function of the Registrar and an independent audit cannot be permitted. But this does not preclude us from devising a scheme whereby we might have our own audit in such a way as to satisfy the Registrar about its efficiency. The scheme recommended in this connection by the All-India Co-operative Institutes' Conference which met at Hyderabad last April and endorsed practically in all essential details by the Central Banking Enquiry Committee deserves our attention. The Institute could be placed in charge of audit; it would select and appoint auditors for various areas and for various classes of co-operative societies; it would levy audit fees on a scale approved by Government; and the Registrar would, if he deems fit, issue licenses to the auditors so selected and appointed by the Institute and cancel them, when necessary. So long as audit was free, societies had no occasion to grumble about the government audit being costly. But when they have to pay for their audit, it is certainly reasonable if they ask that they be allowed to make their own arrangements, with a view to economy, provided of course that the Registrar was satisfied about the efficiency of those arrangements. It is possible that urban banks might like to have their own independent audit and might want neither the Registrar nor the Institute to bother about it. But expediency and wisdom alike suggest that strength lies not in individualism but in collective action. It is better in the large interests of the Movement to create a strong union or federation in the Institute and see that it is placed in charge not only of education and propaganda but also of supervision and audit, thus rendering service not only to the Movement as whole, but to each and every society. Supervision of societies is intimately bound up with audit and it is possible for the Institute to provide an agency for cheaper and

satisfactory audit and supervision. The question of audit and supervision of societies is a very important one and merits full consideration at the meetings of the Provincial Co-operative Conference or of the Provincial Co-operative Council. But it should be possible for this Conference to move for an experimental arrangement for the Urban Co-operative Banks in Bombay City. Two arrangements seem to be possible. Either the Bombay Divisional Institution may submit a panel of auditors to the Registrar for his approval and the Urban Banks might select any one auditor out of the panel every year at their annual general meeting. Or, the Institute might appoint one qualified auditor with the approval of the Registrar for all the Urban Banks in the City. This latter arrangement is better, in my opinion, since it secures a continuity in audit arrangements which will conduce to greater efficiency, particularly as co-operative audit is not merely an accounting business, but is also something more and could be made to develop into friendly supervision and guidance. Besides, if the experiment succeeds in Bombay city, the same system could be applied to Districts and Talukas, which would have their own District and Taluka Audit Unions, and ultimately the Provincial Co-operative Institute would develop into a Provincial Audit Union, performing very substantial services to its constituent societies. It is of course also possible to entrust this work so far as Bombay Urban Banks are concerned to their Union, if such could be formed at an early date.

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Extracts.

THE ROCHDALE PRINCIPLES OF CO-OPERATION.

BY MR. H. J. MAY.

One of the most important, as it is one of the most interesting, tasks ever undertaken by the Alliance is that of enquiring into the present day application of the fundamental principles of our Co-operative Movement. Throughout the world, wherever genuine Co-operation exists in the form of organisations of consumers, the basis of the Rochdale Pioneers is acclaimed as the unalterable basis of our peculiar economic system. The farther one travels from Rochdale, the deeper and more intense is the tribute of loyalty paid to the poor weavers whose simplicity and insight, courage and skill, propounded the universal basis of a new order of society. After more than three-quarters of a century of devoted adherence those principles have been called in question, at least so far as their application to modern conditions is concerned. An inquiry into their application has been demanded and conceded by the Congress of Vienna. Make no mistake about the object of that enquiry. It was initiated not with the object of enhancing those great principles but of diminishing them. On the other hand, the enquiry was welcomed by many and supported by them at Vienna as a necessary exercise of self-examination, a sort of intellectual and moral stock-taking, and a means of ascertaining how far various National Co-operative Organisations of the world, as represented in the membership of the Alliance, are really loyal to their faith, and how far they only render lip service to the founders of our Movement.

In fulfilment of the mandate of the Vienna Congress, the Executive started upon this task a year ago. They first constituted the Special Committee by adding to their own number, in accordance with the desire of the Central Committee, seven representative co-operators from different countries, chosen with a view to giving the widest possible representation to racial and territorial standpoints. The Executive, however, decided not to convene the Special Committee until the groundwork of their enquiry had been prepared by the issue of a Questionnaire to all the members of the Alliance. The Questionnaire—which dealt with six main "Principles" of the Rochdale Pioneers, and set out enquiries on 37 specific points—was issued last June and elicited replies from 45 out of 62 Organisations to which it was sent. An abundance of material was obtained and, after careful analysis, a summary was presented to the first meeting of the Special Committee at Strasbourg. The replies, however, revealed a considerable variety of practice, much of which it

will be difficult to reconcile with any sound theories of Co-operation. The enquiry so far only touches the surface of the wide and important question with which it deals, but it was recognised that the preparation of the report to the Congress of 1933 involves an agreement amongst the members as to what constitutes the Rochdale basis of our co-operative system as it is evident that the present interpretation varies nearly as much as the practice.

It was, therefore, decided at Strasbourg that the General Secretary should take steps to complete the enquiry envisaged by the Questionnaire by obtaining additional and clarified information. Also that, side by side with this, an objective report on what constitutes the Principle of Rochdale, supported by such documentary evidence as exists, should be prepared for the next meeting of the Special Committee when it is hoped that an agreement may be arrived at about the standard which is to be applied to the present practice, and the way made clear to the final report to the Congress.

(Review of International Co-operation, February 1932).

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Insurance Section.

1. THE ETHICS OF LIFE INSURANCE

By MR. B. S. RAMANATHI B. A.

It is indeed unfortunate that in this country Life Insurance Agents and other workers in Insurance business should be considered to occupy a somewhat inferior position in the social scale. A little thought will show that these are rendering an invaluable social service.

The changes wrought by death are in themselves so sharp and final and so terrible and melancholy in their consequences that many a prosperous and happy family is wrecked by a gross neglect of parental duty on the part of the earning members to provide for the comfort of their families. "Death", says Robert Louis Stevenson, "outdoes all other accidents because it is the last of them. Sometimes it leaps suddenly upon its victim like a Thug: sometimes it lays a regular siege and creeps upon their citadel during a score of years. And when the business is done, there is sore havoc done in other people's lives." If an earning member does not realise this fact and endeavour to provide for his family, he can be said to be callous to parental duty and responsibility.

In the tragic moments of life when one feels himself orphaned and dissolate, an Insurance Policy comes as a panacea, nay a Heavenly gift. As one working in an Insurance Office, the writer knows a large number of helpless men and women enabled to live a decent life because of the wisdom of their parents in insuring their lives. "Life Assurance", says a great authority on the subject, "is altogether the most serviceable invention of modern times for defeating contingencies, disarming fate and depriving casualty of its terrors."

This article should not be considered an advertisement for the Insurance business. Insurance in the European countries has passed the stage of advertisement, and to-day it would be a case of carrying coal to Newcastle if one were to reiterate its benefits. It is no small wonder to see that India, a country than which there is no poorer one and where the life of an individual does not even extend to half that of an European, should be in dismal darkness about the ethical value of Life Insurance. Instances are not wanting where in other countries it has been popularised by Government making it compulsory on their people although our own Government have, except to a limited extent, chosen to stand and allow matters to drift for themselves. In a country like India where the strength of a single family is thrice or even four times that of one in the west and where the death of a single earning member

means practically the starvation of his survivors, Insurance is the only hope of the forlorn and consolation of the despair, and unless our own Government endeavour to bring pressure upon the public to realise the necessity of Insurance, the future is bound to be dark.

India has been progressing in many directions, but she has not even touched the fringe of this most important field of social endeavour to alleviate the economic life of the community against the inevitable distress which accompanies death. The following table gives an idea of the negligible stand of India in regard to Insurance when compared to other countries :—

Country.	Population.	Life Assurance in force.
		Rs
United States	... 120 millions.	30,000 crores.
United Kingdom	... 5 "	3,300 "
Canada	... 9 "	1,500 "
Japan	... 54 "	1,000 "
Australia	... 3½ "	600 "
India	... 333 "	70 "

We need no further demonstration of the poverty and backwardness of our country in this most useful art of conserving and preserving an estate or fortune. Much remains to be done to dispel ignorance on this vital subject.

To be successful, an Insurance Company depends on two things: (1) its own soundness as a business venture, and (2) the character and capacity of its agents. An Insurance agent, in the true sense of the term, holds a position of some importance; it is partly fiduciary and partly social like that of a doctor, or a lawyer.

One often hears, and it is really sickening to hear, the word "Canvassing" being freely used in Insurance. There is no need to canvass for breathing, much less for drinking water. Insurance is to the poor what water is to the thirsty. There are curiously enough some even among the educated who have to think over the ethics of Insurance and it has always been the unfortunate experience of the writer to find this class of people difficult to approach, hard to convince and impossible to persevere with.

In these days of economic depression, we find the Government and a number of private offices are pursuing a policy of retrenchment and the "Axe" is said to be mercilessly and ruthlessly at work. Some of these offices are practically having a life and death struggle. Why should these offices still waste a large amount by way of Provident Fund contribution to the members of their staff when this can safely and with advantage be left to the Life Insurance Companies who are ready and willing to do the business for them? The savings effected by this course might be enough to keep half the number of the retrenched in service. The much advertised Provident

Fund Scheme, whatever its merits, is not without grave defects. In the first instance, it is not so sound an investment in the sense that an Insurance Policy is for the family. The Provident Fund dies with the appointment. Very often in the case of Government servants, teachers and others who pursue a strenuous avocation in life and whose lives in India prove unfortunately short, it is far from being helpful to the surviving members. If only these were compelled to direct their Provident Fund contributions to the purchase of a Life Insurance Policy, one could easily see a large number of these people leaving behind them happy families. In the case of surviving the period stipulated, they have the added pleasure and satisfaction of receiving a substantial sum of money at a time when they are grown old and their earning powers have ceased and probably when they need most to meet their sons' education in a College or their daughters' expensive marriage. If, on the other hand, they are snatched away from this mundane existence, there is the consolation of a decent amount, a worthy reward for the labours of the deceased, coming in handy to their dependants and dear ones. In a word, Insurance, like the quality of Mercy, is not strained. It is twice blest: "it blesseth him that gives and him that takes"; nay, it is thrice blest, it blesseth the Policy-holder, his dependants and the Company.

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PROF. H. L. KAJI,

Apart from the small trader and the small artisan, we have in Bombay a large body of small wage or salary earners and the best help that Co-operation could render to them is in the direction of the development of the saving habit among them. I have already referred to this, but I would like to add that for a small man mere thrift does not solve his problems. Provision for old age and provision for family against premature death are as necessary as thrift. You, as custodians of the interests of the lower middle class salary earners, would be failing in your duty, if you did not devote attention to the need for making such provision. For this purpose, the Bombay Provincial Co-operative Insurance Society has already been established and it is a matter of satisfaction that in the course of barely 18 months, it has made its way successfully, bringing insurance to the doors of the small man. Policies are issued even for small sums like Rs. 150, while the maximum is limited at present to Rs. 2,000. There is nothing radically different in Co-operative Insurance as compared with ordinary insurance of the mutual type, excepting in this that in the former, co-operative societies could and would work as agents for canvassing business, not necessarily in the interests of the Insurance Society, but in the interests of their own members. The agents' commissions, not a negligible item, would be saved to the members, indirectly through their co-operative credit society getting the commission and in the event of a borrowing member's death, the sureties would be secured against any loss and the society against any chance of bad debts. Insurance is a husband's duty and a wife's claim; and this is particularly so, when the husband is in financial difficulties which force him to borrow. Urban Banks would therefore be well advised, in the interests of the members as also in the interest of the sureties and their own interests, to insist that the loan applicants should, or at least to persuade them to, get themselves insured, and that too in their own co-operative insurance society, so as to secure low rates of premia and to secure facilities in the payment of premia. It is in this connection worthy of consideration whether it is not possible for the societies to pay the premia for their members for at least three years, till the policies acquire a surrender value, and to recover the advance by instalments like any other loans, but without interest, since the agent's commission received by the society will more than compensate it for the loss of interest.

* Extracts from the Presidential address of Prof. H. L. Kaji at the 2nd Urban Co-operative Bank's Conference, Bombay.

District News.

1. SILVER JUBILEE CELEBRATIONS OF THE PARAMAKUDI URBAN CO-OPERATIVE SOCIETY, LTD.

We publish the following extracts from an account received from the Secretary about the Silver Jubilee Celebrations of the Urban Co-operative Society, Paramakudi :—

The Silver Jubilee Celebration of the Co-operative Society, Paramakudi, was celebrated with great éclat and enthusiasm by its members on Sunday the 28th February 1932 on the happy occasion of completing its quarter of a century of much useful service to the citizens of Paramakudi.

The President of the day was Sreeman G. Sreenivasaraghavachariar Avl., Retired Deputy Collector and Deputy Registrar of Co-operative Societies. At about 10 a.m. the President was taken in procession to the building of the Co-operative Society where the first item of the programme of the day, the unveiling of the bromide enlargement of the bust of the President, Mr. Gopala Iyengar, took place.

The distinguished President of the day along with many of the prominent co-operators and the prominent citizens of Paramakudi who were invited for the celebration as also the members of the society were treated to light refreshments, pansupari and music in the Raja Sethupathi High School premises at 4 p.m. Group photos were taken. After prayer, Mr. G. Gopala Iyengar read out the welcome address to the President and the Secretary Mr. M. R. Sundaram Iyer read his report detailing the strength of the members, the financial strength, soundness and usefulness of the Bank, summing up its achievements of the past 25 years.

The President read out his splendid address in English. He chalked out the course to be adopted and gave many valuable suggestions to bring the society to its cherished ideal. The President made a fitting reference to the disinterested and able work done by Mr. K. Gopala Iyengar as President and by Mr. Sivagnanam Pillai who had been Secretary for a decade.

An excellent translation of the Presidential address was read out to audience by Mr. Matrubbhutham Iyer, B.A., B.L., the propaganda Inspector.

As the address is an excellent essay on co-operation and with a view that other co-operative institutions might profit by the practical suggestions and advice given therein, the authorities have thought it fit to send copies of the same (English and Tamil) to all co-operative societies in the district.

2. ANDHRA SAHAKARA SAMMELANAM, LTD.,

Election of the Directors, the Executive Committee and the Office bearers.

On 1—1—1932, a meeting of the General Body of Andhra Sahakara Sammelanam was held at Bezwada under the presidentship of Sjt. N. V. L. Narasimharao Pantulu Garu, M.A., L.L.B., Bar-at-Law, at which 15 gentlemen were elected as Directors.

On 10—1—1932, a meeting of the Directors elected on 1—1—1932 was held at Guntur under the Presidentship of M.R.Ry. G. Simhachalam Pantulu Garu, M.L.C., and the under-mentioned gentlemen were elected as Office-bearers and Executive Committee.

President :—Sjt. N. V. L. Narasimharao Pantulu Garu, M.A., L.L.B., Bar-at-law

Vice-President :—Alluri Ramakrishnamrazu Garu, B.A., Deputy Collector, (Retired.)

Secretary :—G. Ramachandra Rao Garu.

EXECUTIVE COMMITTEE.

The President, the Vice-President, the Secretary and Messrs. Munaganti Venkatarao Pantulu Garu, Panganamula Chennurangaray Pantulu Garu, and Samavedam Satyanarayanamurthy Pantulu Garu.

(Sd) G. RAMACHANDRA.
Secretary.

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3. THE MADRAS PROVINCIAL CO-OPERATIVE UNION "READING ROOM."

"VISITORS' DAY."

The celebration of the Visitors' Day of the Madras Provincial Co-operative Union Reading Room took place on the evening of the 13th March last in the premises of the Servants of India Society, Royapettah. Mr. V. Ramadas Pantulu, presided. After a short musical entertainment and serving of refreshments, the proceedings of the evening commenced with a speech by Mr. G. Harisarvottama Rao.

He explained how even a reading room served a triple purpose of recreation, culture and social life and stressed the necessity for the cultivation of social virtues that would bring more and more communal harmony into every day life. He requested his hearers to join the study circle that was already in existence there under the leadership of Prof. Yegnanarayana Iyer and give some time and thought to the problems affecting the life of the villagers—more especially Co-operation and Panchayats.

Messrs. T. G. Ranganatha Iyer, T. K. Krishna Iyer, Narasimha Yogi, M. V. Cheriyan and T. M. Singaram on behalf of the visitors spoke of the good work the Provincial Co-operative Union was doing and thanked the authorities for the very good reading room which was one of the best in the city and in lovely surroundings. They expressed appreciation of the services rendered by the Uniate Library Assistant Mr. Senapati.

The President explained how the Reading Room came to be started. He stated that the library located in the office of the Provincial Co-operative Union was a public library and the visitors could very well use that library, take books, read them in the premises and hand them back to the librarian. If the visitors organised a debating society for themselves, the Provincial Co-operative Union would provide them all conveniences to hold meetings in an orderly manner. He concluded by stating that co-operation was a religion, devoid of all communalism and sectarianism and appealed to those present to take more and more interest in co-operation.

Mr. V. Venkatasubbaiya, Secretary of the Provincial Co-operative Union, then treated the guests of the evening to a magic lantern exhibition.

The slides exhibited related to two stories one of Harihara Iyer, a thoughtless educated spendthrift and the other to Ramiah a drunkard, who were ultimately rescued by Co-operation.

With a vote of thanks to the chair and to those present the function came to a close.

LIABILITY OF MEMBERS IN A CO-OPERATIVE SOCIETY.

AWARD AGAINST THE ALAKKUDI CO-OPERATIVE SOCIETY.

The Subordinate Judge of Mayavaram pronounced orders on the 12th March 1932 in an application for execution in which a very important question came up for consideration. The Registrar of Co-operative Societies had passed two awards for an aggregate amount of about Rs. 12,000 in favour of the Central Bank at Kumbakonam against the Co-operative Society of Alakkudi in Shiyali Taluk. Application for execution of the two awards by attachment of the immovable properties of some of the individual members of the society were made in the local Sub-Court, alleging that the society being a rural society whose liability was unlimited, the decree holder Bank was entitled to proceed direct against its members, even though in the proceedings in which the awards were passed, it was only the society that was the party and the members were not individually and specifically made parties. The members, who were there sought to be proceeded against, opposed the applications and contended that, as the awards by the Registrar were only against the society, the decree holder can take out execution only as against the assets of the society, that, if these assets were ultimately found insufficient to meet the liabilities of the society, liquidator alone can pass contribution orders for the balance as against individual members of the Society and that, it was only under these orders that the liability of the members can be enforced.

After hearing the arguments, the Subordinate Judge held that, in the case of a co-operative rural society whose liability was unlimited, awards by the arbitrators, though they were against the society only and not against individual members, could be enforced by execution against any of the members of the society and accordingly allowed execution to issue as prayed for.

(Hindu, 17th March '32).

Rectification and Consolidation of Primary Societies.*

BY

RAO SAHEB T. SRINIVASA RAU.

REMEDIAL MEASURES AND RECOMMENDATIONS.

Nature of Remedial Measures.—Remedial measures called for fall under three distinct divisions. In banking and accounting, the work by its very nature, and under the regulation and guidance of the Registrar and the Provincial Bank and with the accumulated experience of the past two decades and more, may be said to have got into more or less well defined grooves and the responsibility of individual central banks in regard to them rests entirely on their Executive Committee, officers and staff, although even in regard to them, so far as improvements over existing methods are concerned, outside help and guidance are wanted. As regards the administrative side, which is new and even foreign to the tradition in which central banks have been brought up so long, though their responsibility is none the less direct, individually they are much helpless and stand in need of aid, regulation and guidance from the Provincial Bank which, by virtue of its position as such and other responsibilities undertaken by it, is under an obligation to render. There are further some more matters in regard to which central banks can hardly introduce effective improvements until the constitution of central banks and allied institutions is altered suitably. The reforms and improvements, it will thus be seen, fall under three distinct heads :

I. Those which may emanate from within central banks themselves.

II. Those which may emanate from the Provincial Centre either through the Board of Management of the Provincial Bank or the Central Banks' Conference ; and

III. Those relating to amendment of constitution of central banks which may emanate from the above source acting in consultation with the Registrar.

* Extracts from the Scheme on the subject sent up by Rao Sahib T. Srinivasa Rau to the Provincial Co-operative Bank Ltd.

The gist of the proposals.—For conditions like those which we now find in a few Central Banks—and I am pretty sure there are some other central banks also which, though not already as unsatisfactory, are not free from methods of work which are bound sooner or later to result in similar conditions—though the Executive Committees, past and present, are largely responsible, even to a larger extent is the responsibility due to a combination, rather conspiracy, of a variety of circumstances, too powerful for individual central banks to contend with, still less to overcome. Present conditions of at least some central banks and competence of the Executive Committees thereof appear to be contradictions in terms as well as substance. Executive Committees being carved out of Boards of Management of the present kind can be no better, barring of course exceptions due to presence of strong personalities. And the present Boards of Management which in reality do not serve either the interests of the borrower or the money investor is the outcome of the present constitution. The latter, however well-intentioned when framed, is far from conforming to present needs. The tradition in which central banks have been brought up so long and the huge responsibility which has now devolved upon them is another circumstance. The third circumstance is the want of positive aids for better work in the shape of a Manual for guiding the day to day work of the bank in almost every aspect of its working. In their early stages the banks, with a small amount of business to transact and under closer guidance of the Registrar, might not have felt the need for a manual ; but with the present complexities of finance and management, conditions are quite different. A fourth reason is that there are arising from time to time a number of intricate and difficult questions which call for deep consideration and careful decision but which are left unconsidered or undecided. And central banks are left without guidance in those respects. The periodical central banks' conference is regular in being held but far from fulfilling the several purposes for which it came to be organised under non-official auspices. This is No. 5. Still another reason, No. 6, is that resolutions on important matters are left unenforced. Statutory audit and non-official supervision have in recent times been separated and distinguished from one another ; but, both covering almost the same ground, a better co-ordination of the activities of the official and non-official agencies is called for. No. 7. While amidst this variety of circumstances and reasons proper management becomes difficult, the difficulty in some quarters is

enhanced by want of discipline over the establishment due to employment of relations and connections of office-bearers and other directors.

A few main conditions are indispensable to get over these difficulties. No. 1 is an effective scheme of supervision. No. 2 is a competent board of management and a competent executive committee. No. 3 is an administrative officer in whose hands the entire secretarial work of the bank may be entrusted, leaving to the executive committee and the board of management questions of initiation of policy and decisions in management. No. 4 is supply of positive aids for better, prompter and sound despatch of business, as well as lead, guidance and help from the provincial centre. These in other words mean a well-ordered system of business, combining thoroughness and accuracy and calling into play a considerable amount of initiative both from central banks and the Provincial Bank.

"Order and system rule the world. Where there is no system there can be no success. The best test of a business is a test of its system and system is the axis of the business world. In a bank everything must be done systematically, thoroughly, accurately, quietly, honestly; good handwriting is essential; the neat and tidy appearance of a bank office and employment of modern methods to reduce manual labour as much as possible are necessary." This is what an eminent businessman and co-operator, G. J. M. Hamilton, Fellow of the Institute of Bankers (London), Late Agent of the Bank of Upper India, Ltd., Inspector of General of Commerce and Industry, Inspector-General of Municipalities and *Director of Co-operative Societies and Agricultural Banks, Gwalior State, C. I.* at present Director of Commerce and Industry to the Government of Bhopal, C. I., states in No. 1 of general instructions in his *Hand Book on the Practical Side of Co-operative Banking*.

In my suggestions and recommendations as to reforms and improvements of various kinds, I have done nothing more than attempting to elevate the quality of supervision of primaries and the

working of financing banks so as to conform as far as possible to the above conditions. Accordingly I beg leave to commend my recommendations to the consideration of my colleagues on the Executive Committee of the Provincial Bank, the Executive Committees of Central Banks and the Registrar.

Before concluding, let me quote another passage from the Hand Book referred to above as to what its author says in the matter of employment of relatives. "Above all things avoid filling up the higher post with any of their (directors') relatives or connections." After citing an instance of nepotism the author adds: "It produced the most disastrous results for the Bank. The plums always went to those relatives, whether deserving or otherwise. The result was that all the brilliant and good men in the Bank when they came to know of this, got out of the Institution at the first opportunity. The conduct of a bank and its officers viewed in all aspects, are like unto the chastity of a woman, for once this invisible and visible veil has gone, it has gone for ever, and the public have no "Itbar" (confidence) in an institution, which is a family preserve or has other defects."

Reviews

1. AGRICULTURE IN BRITISH COLUMBIA.

The twenty fifth Annual Report of the Department of Agriculture in British Columbia (Canada) gives a succinct account of the most important activities of the different branches of the Department for the year 1930 in a way that appeals to the lay reader. The Agricultural legislation of the year has been largely concerned with the control of pests and the marketing of crops. Indian readers would be struck by the amount of discipline that agriculturists in British Columbia are prepared to subject themselves to in their best interests. Another striking feature of agricultural development in British Columbia is the increasing interest that is being paid to two lines of agricultural specialities, animal husbandry and horticulture which seem indeed to eclipse the importance once attached to cereals in new countries.

Efficient marketing methods engage the minds of State departmental people even more than the reduction of costs of production. They take a special pride in the growth of export trade, particularly in apples from British Columbia to Argentine, Egypt and the Far East; markets nearer home in the Prairie districts are prospected in detail. Better packing of perishable vegetables and cold storage for fruits have resulted in great gains to farmers; certificates of inspection have been issued for goods in proper condition consigned for export. The Department participated in the negotiations with the Railways about the proper minimum car-load for fruits and vegetables and for concessions in freight rates.

The Department also co-operated with the Canada National Railway in the operation of an Agricultural Demonstration train which made calls at several rural centres and in which films depicting dairy-herd improvement methods and various phases of crop production were shown by representatives of different branches.

Most pleasing to note is the interest said to be taken in agriculture by the Women's Institutes as seen in their organising live-stock and other agricultural clubs for children and holding two flower shows in the year: more than this, the women's institutes have been the outstanding agency for the Department of Health to reach the rural population in its campaign to promote public health.

It is a fine record of official and non-official work done in the cause of rural welfare in the Far West.

‘R.E.’

2. THE SOUVENIR VOLUME OF THE MADURA URBAN BANK PUBLISHED ON THE OCCASION OF ITS SILVER JUBILEE.

The Society has published a Souvenir volume which contains a readable history of the society and some interesting articles by well-known co-operators. It contains a large number of half-tone blocks, some of which are pictures of eminent co-operators outside Madura.

From the Secretary's Report about the origin and growth of the society we gather that the Madura Urban Bank started on its career on the 3rd April, 1906. It had both credit and distributive departments for a long time, and only in October 1923 was the store separated and registered as a distinct society. In 1920 the members of the Bank took the initiative in organising a Milk Supply Society which is still serving the public under the guidance of Mr. S. Lakshmana Iyer, one of the distinguished former secretaries of the Bank. A special feature of this Bank is that it has conducted very successfully a large number of chit funds. That it has promoted thrift among its members to a fair degree is apparent also from the volume of different kinds of deposits it has attracted. Recurring deposits are very satisfactory, but saving deposits are larger than even fixed deposits. The Bank has never had occasion to borrow from the District Bank and has always relied on its own resources. It possesses its own building situated in a very convenient locality and acquired at a cost of about Rs. 21,000. Its reserve fund exceeds Rs. 30,000, while its share capital collected from nearly 800 members is about Rs. 39,000. The annual net profit has been about Rs. 5,000 during the last few years. If in the past, it had the services of renowned co-operators like Rao Bahadurs K. Ramaswamy Iyer and G. Srinivasa Rao, it continues to have quite enthusiastic and capable men on the directorate and there is every hope that its future will be quite worthy of its past.

From the Common Good Fund, it is supplying free of cost to the public of Madura musk of good quality which is in demand in cases of delivery.

We wish the Society a long life of public usefulness.

LIST OF PUBLICATIONS RECEIVED.

1. A **Bulletins** (Missourien University,)

- (a) The Missouri Farm Real Estate Situation for 1927-30
- (b) The Analysis of Social Data
- (c) The Development of the Mammary Gland as Indicated by the Initiation and Increase in the yield of Secretion
- (d) A study of the causes of the Normal Development of the Mammary Glands of the Albino Rat
- (e) The Relation of the Anterior Pituitary Hormones to the development and Secretion of the Mammary Gland
- (f) A determination of the Blood and Plasma Volume of Dairy Cattle
- (g) The Anatomy of the Mammary Gland of Cattle
- (h) Rural Community Trends
- (i) Inspection and analysis of commercial fertilisers Spring 1931.

B **United States Department of Agriculture**

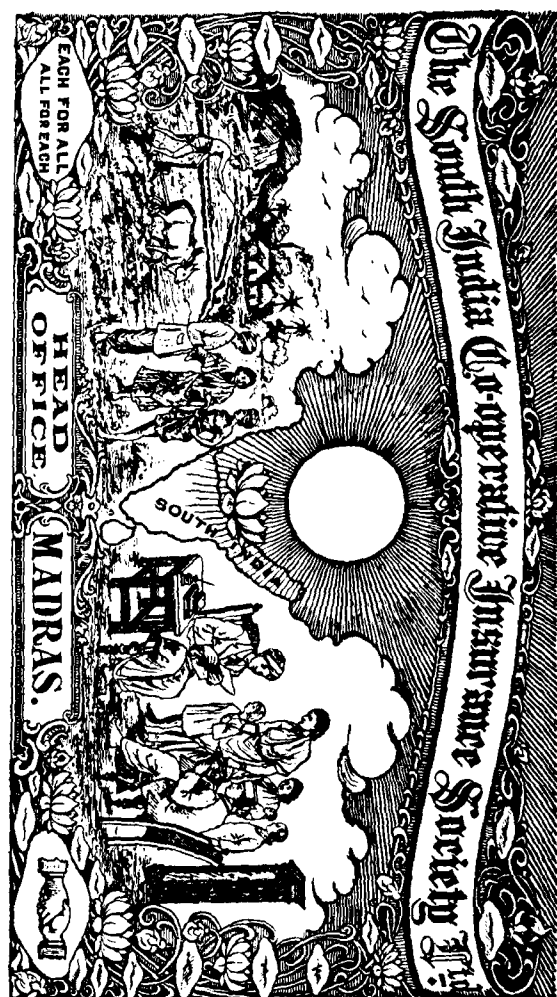
Proten Tests for wheat and oil tests for flaxseed and soybeans.

C **The University of Wisconsin**

- (a) The Foreign Type Cheese Industry in Wisconsin
- (b) Directors of Farm Co-operatives—their duties and responsibilities.

2. **Books.**

- 1. People's Year Book 1932.
- 2. Year Book of Agricultural Co-operation 1932 (Horace Plunkett Foundation).



Proposals for Policies from Rs. 100 to Rs. 5,000 and Rates of Premium to Suit the MIDDLE and POOR Classes.

The Society Works Mainly through Co-operative Organisations.

For Particulars apply to:—

V. VENKATACHALAM, M.A., B.L., Secretary.

PUBLICATIONS OF THE P.C U.

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

TAMIL.

The MacLagan Committee Report—

(The portion relating to rural primary societies translated: 2nd Edition) Per Copy

For copies please apply sharp to :

THE JOINT SECRETARY,

The Madras Provincial Co-operative Union,
Royapettah, Madras.

The South India Co-operative Insurance Society, Ltd.,

SCHEME TO LINK UP

THE CO-OPERATIVE BANKS WITH THE SOCIETY.

The aim of the organisers and the Board of Directors is to make the co-operative central banks and select urban and rural banks the main instruments in working the scheme and thereby keep down the expenditure on outside agencies as low as possible, consistent, of course, with the requirements of the expansion of business on progressive and modern lines. The central banks and the select urban and rural banks will be admitted to membership on their taking shares in the Society for such amount as they wish to. A Local Board of the South India Co-operative Insurance Society, Ltd., will be planted at the headquarters of the member central banks. The area of the operations of the local board will be coterminous with that of the central bank. It will consist of three members to be nominated by the Board of Directors of the Society, two of whom will be representatives of the Central Bank concerned, one of these two being the President, Vice-President, the Secretary or a member of the Committee of the bank; the third will be a competent registered Medical Practitioner of the locality. The local board will select agents to canvass business and may give preference to Inspectors and Supervisors of societies, who, in the opinion of the Board, will prove efficient and trustworthy. These agents will get commission on business secured, according to a prescribed scale and the local board may appropriate towards that commission such portion of the premium collections as may be allotted by the Board of the Society. The Head Office will in any case, guarantee a reasonable sum to the local board for its office expenses, besides supplying all the necessary forms, account books and literature. The Head office will also appoint organisers in the mofussil for groups of districts who will act as representatives of the Society and give instructions to the local boards in regard to management, securing business, enquiry into claims and other matters. The representatives of the co-operative central banks on the Board of Management of the Madras Provincial Co-operative Bank will, wherever possible and willing, be requested to act as such organisers. The members of the local board may receive sitting fees for attending meetings to transact the business of the board

in accordance with the rules framed by the Board of the Society in this behalf.

As soon as a local board is constituted, the Secretary of the Head office will put himself in touch with that board and supply copies of the prospectus, proposal forms, agency application forms and other forms and books. The local board will then appoint the agents, receive all proposals sent up by them, obtain the results of medical examination of the proponents and all other requisite certificates, and proofs as required by the bye-laws and consider them at their meetings which will be held on dates to be fixed and notified to the agents and proponents. The local board will then sent up the proposals together with all connected papers to the Head Office. They shall also enclose a confidential report of the results of their enquiry and their recommendation in each case. On the acceptance of the proposals by the Head Office, the proponent will be required to pay the first premium and the full value of the share capital subscribed by him within a time to be fixed. On payment of the prescribed premium and the share capital subscribed by the proponent, a first premium receipt carrying risk will be issued and the policy and the share certificate will thereafter be made over to the local board for delivery to the proponent with the least possible delay. In regard to subsequent premiums, the Society will issue a list of all premiums payable with due dates thereof to the local board. All premiums will be collected by the local board, which will issue receipts for the same on behalf of the Society. An account shall be opened in the name of the Society at the central bank to which the board is attached and all moneys received by the local board will be credited to that account. The central bank will remit the moneys to the account of the Society with the Madras Provincial Co-operative Bank, Ltd.

The same procedure will be followed in attaching local boards to select urban and rural banks. But such boards will not be constituted in centres where a board is already attached to the Central Bank. The boards attached to the select urban and rural banks will operate only over the area of the banks to which they are attached.

In regard to policies which are issued without medical examination, detailed instructions will be issued to local boards as to how to obtain satisfactory evidence of the health of the assured and to guard against "under average" lives coming in.

The South India Co-operative Insurance Society, Ltd., Esplanade, Madras.

INSTRUCTIONS TO THE AGENCIES OF THE SOCIETY.

1. The Agencies of the Society.

It is proposed to constitute Local Boards of the Society at the headquarters of all the Co-operative Central Banks in the province and to attach the Boards to them. Where there is need for Subsidiary Local Boards for intensive work in special localities, smaller Local Boards will also be set up in such areas, with the concurrence of the concerned Central Bank. These Subsidiary Boards will ordinarily be attached to select urban or primary land mortgage banks to do business within the area of the operations of the banks to which they are attached. But they will transact business directly with the Head Office of the Society and not through the Local Board attached to the Central Bank in the district. All the Local Boards will be the agents of the Society. The Society reserves to itself the right to appoint individual agents in any area, where the business of the Society necessitates such a step. Ordinarily such individual agents will be required to work under the direction of the Local Board operating in the area.

2. The Terms of Agency.

Every Local Board is authorised to appoint as agents persons who, in its opinion, are responsible and influential. Preference may be given to inspectors, supervisors or other employees of co-operative institutions. A commission of 25 per cent of the fully paid up first year premiums, annual or half-yearly, will be paid to the Local Boards on business done in an year up to Rs. 50,000. But if the business done in an year exceeds Rs. 50,000 a commission of 33½ per cent of the said premiums will be allowed. If, however, the volume of business in the year exceeds a lakh of rupees, a higher rate of commission, to be ascertained from the Head Office, may be allowed. Five per cent of the renewal premiums will be allowed in all cases. The rates of commission mentioned above are intended to be utilised by the Local Boards for securing business to the Society. The commissions payable by a Local Board to the agents, whom it appoints, will naturally be lower than those mentioned above, a portion of the commission allowed by the Society being reserved by the Local Board for office expenditure to be incurred by it. We suggest that ordinarily 15 per cent of the fully paid up annual or half-yearly premiums may be allowed by way of commission to an agent appointed by a Local Board where he does not guarantee any specified quantity of business in an year. It will be advisable to stipulate with an agent that no

commission will be earned if he does not complete at least Rs. 10,000 worth of business in an year; but the Local Board may exercise its discretion in each case, according to circumstances. If an agent guarantees Rs. 50,000 worth of business, 25 per cent may be allowed. Even in the case of an agent who has actually earned commission, it is not advisable to pay the whole amount of the commission earned by him on the several policies separately, before he completes a certain guaranteed volume of business. A portion of it, say 5 per cent, may be retained and after he completes business to the extent of at least Rs. 10,000, the balance so reserved may be paid to him on the entire volume of business secured by him. If a Local Board finds it more advantageous to appoint agents on a salary instead of commission basis, it may do so. But in no case the Society shall be liable for such salaries, which must come from the commission allowed to the Local Board on the scale stated above.

3. Lapsed Policies.

In the case of policies which lapse within an year of their commencement, the Local Board should make it a condition precedent that, if the premium realised by the Society in connection with such policy is below Rs. 20, no commission will be payable to the agent on it. If the agent has already received commission on such policies, the amount received by him should be deducted from any future commission payable to him. This will ensure the agent taking interest to see that the policy does not lapse within the year of its commencement.

4. Advance payment to Agents.

Sometimes, Insurance agents apply for advance allowances to be recovered from the commission to be earned by them in future. We would request the Local Boards in all such cases to exercise great caution in making such advance payments, as they often prove irrecoverable. In any case, it must be made sure that the amount can be recovered from the agents if they fail to secure the required volume of business. The desirability of asking them to furnish security in such cases may also be considered.

5. Forms to be duly and accurately filled in.

The proposal forms, the share application forms, agent's confidential report forms and the examining doctor's report forms will be supplied from the Head Office from time to time and will be stocked by the Local Boards. No other forms should be used except those supplied by the Head Office. They must be duly filled up and sent to the Head Office to enable it to accept the proposals. Special care should be taken, before the forms are despatched, to examine whether they are correctly and completely filled to avoid delay, which might be otherwise caused by further references and calls for supplemental information. Before forwarding the proposals for acceptance to the Head Office, the Local

Boards are requested to meet and consider the proposals, to satisfy themselves that all the formalities are duly complied with. If it is found inconvenient for the whole Board to meet, and proposals accumulate in the meanwhile, the Board may empower one of its members to look into the proposals and to expedite their transmission to the Head Office.

6. Medical Examination.

The Local Boards will appoint registered medical practitioners to examine the health of the proponents, and communicate their names and addresses to the Head Office soon after their appointment. The proponents may then be examined by such medical practitioners. Proposals backed by reports of examination by unregistered medical practitioners will not be accepted. Whenever it is not possible to secure the services of an M. B. B. S., or an L. M. & S., the medical examination may be entrusted to an L. M. P., who, in the opinion of the Board is efficient. But, in no case can proponents for sums above Rs. 2,000 be examined by an L. M. P., unless he is specially recognised by the Head Office. The medical member of the Local Board also can examine the proponents, subject to the above limitations and can receive the prescribed fee.

Special attention of the Local Boards is drawn to the necessity of the proponents being carefully and thoroughly examined and the medical reports being drawn up correctly, in order to guard against under average lives getting in. The successful working of an insurance society, it is hardly necessary to say, depends on the thoroughness and the accuracy of the medical examination. As medical examination is the last act to be done in connection with a proposal, it is requested that all the forms may be despatched to the Head Office without any delay, as soon as the medical examination is completed, in connection with each proposal.

7. Medical fees.

Medical fees will be paid on the following scale:—

For proposals below Rs. 500	...	Rs. 2
„ from „ 500 to Rs. 1,000	...	„ 4
„ „ „ 1,001 „ „ 2,000	...	„ 5
„ „ „ 2,001 „ „ 5,000	...	„ 7

In cases where a medical practitioner has to travel beyond three miles for examining a proponent, his actual conveyance charges also will be borne by the Society. A certificate by the medical practitioner to the effect that he had to travel beyond three miles from his place of residence to examine a proponent shall accompany his bill for fees, if conveyance allowance is claimed.

The Society bears the medical examination charges in the case of proposals for Rs. 500 and above. For proposals of less than Rs. 500

where the proponent wishes to have the benefit of medical examination, he will have to bear the medical examination charges. (Vide para 16 of the Prospectus for the advantages of a medical over a non-medical policy.)

Where a proposal for Rs. 500 or above does not result in a policy by reason of the proponent failing to pay the first premium, a sum not exceeding Rs. 10, but subject to a minimum of Rs. 6, should be collected from the proponent towards the expenses incurred in connection with such a proposal. In case of proposals for below Rs. 500, the levy need not exceed Rs. 3.

Along with the proposals and medical reports referred to in para 6, the fee receipt slips of the medical examiners will also be sent by the Local Boards with a certificate that they are in order. Fee receipt slip forms will be supplied from the Head Office. The amount of such fees will be remitted to the Local Boards for payment to the medical practitioners or will be paid in such other manner as may be desired by the Local Board or the Medical Practitioner.

8. Acceptance letters.

Proposals sent by the Local Boards will be considered by the Head Office of the Society; and with regard to each proposal that is accepted, a letter of acceptance will be sent to the concerned proponent and the fact will also be communicated to the Local Board.

9. Bankers for the Local Boards.

The Local Boards are requested to open accounts in the name of the Society with the co-operative central banks to which they are attached or operating in the area, and remit all the collections, as and when they are received, to the credit of the Society with such banks.

10. Collection and remittance of premiums.

In the collection of first premiums it must be clearly noted that sums below Rs. 10 should not be received unless such sums happen to be the entire annual premiums. The Local Boards are requested to make arrangements for enabling the policy holders to pay their premiums in the most convenient manner by opening accounts in sound co-operative credit organisations working in the area of the Local Boards' operations. They should so arrange with the organisations to which remittances are made that remittance advices are also sent to the Head Office. The accounts should in all cases be opened in the name of the "**South India Co-operative Insurance Society, Ltd.**" A policy holder or an agent may pay the premiums either directly to the Local Board or to the Central Bank or other co-operative credit institutions in which an account has been opened.

When the premiums are thus paid, collection and remittance advices should be sent to the Head Office, giving all particulars. Only on the receipt of the remittance advice, the Society will issue the premium receipts. Temporary receipts may be issued by the Local Boards, when collections are made.

All payments will be made from the Head Office. Local Boards are not to make any payments from collections in their hands. All collections must be remitted to the credit of the Society in the accounts opened with the banks. The Local Boards are requested to send monthly statements of collections and expenditure to the Head Office. The Head Office will make all payments, such as commission to agents and other items of expenditure incurred by the Local Boards, by cheques on Banks with which accounts are opened, on receipt of requisition from the Local Boards in that behalf.

11. Non-Medical Policies.

The Society will accept proposals of Rs. 500/- and below, without the necessity for the proponents undergoing medical examination. For such proposals, a form different from that of the Medical proposals should be used. Local Boards are requested, when sending for acceptance such non-medical proposals to the Head Office, to see that the questions printed on the back of the proposal forms are all duly and accurately answered. In the case of this class of proposals, the Local Boards should issue special instructions to the agents, who canvass such business, to take special note of the proponents' health. There is also a special form for obtaining a neighbour's certificate regarding the general health of the proponent. This certificate should invariably be obtained and sent along with non-medical proposals.

Note:—Regarding the rates of premiums and other conditions governing non-medical proposals, vide the Prospectus, para 16 and the tables III & IV.

Magic Lantern and Slides.

PREPARED BY THE

**Madras Provincial Co-operative Union,
ROYAPETTAH, MADRAS.**

Magic Lantern. This is a Swadeshi article, very suitable for Village Propaganda and quite cheap. It is worked by a Baby Petromax light, which, unlike carbide light, can be used for other purposes as well. The mechanism of the Lantern is very simple. Running cost very little, less than one anna per lecture. **Price of the Lantern Rs. 45 only.**

SLIDES.

The Provincial Co-operative Union has prepared so far three sets of slides for co-operative propaganda.

I. The Evils of Drink and Benefits of Co-operation. This set of 33 slides depicts a very interesting and edifying story of village life. **Price Uncoloured Rs. 35 ;
Coloured Rs. 50.**

II. Thrift and Co-operation. An urban story. It shows how an educated man in Madras got into trouble owing to his thriftless ways and how he was saved by a Co-operator. 40 slides. **Price Uncoloured Rs. 40 ;
Coloured Rs. 60.**

III. Rural Reconstruction in Alamuru. These slides illustrate the activities of the Rural Reconstruction Centre at Alamuru and the various benefits conferred on the people by Co-operative Societies and Village Panchayats. Educational and Inspiring. 62 slides. **Price Uncoloured Rs. 62.
Coloured Rs. 95**

THE SEVENTEENTH SESSION

OF THE

United Provinces Co-operative Conference
(Ghazipur, 6th and 7th March 1932.)

PRESIDENTIAL ADDRESS

BY

MR. V. RAMADAS PANTULU,

BROTHER CO-OPERATORS AND FELLOW WORKERS ;

Let me tender to you my most sincere thanks for the honour you have done me by inviting me to preside over this year's session of your Provincial Co-operative Conference. I have accepted your generous offer without a moment's hesitation, not because I considered myself capable of giving you a lead or making any definite contribution to your deliberations, but because of the opportunity it has afforded me to be amidst you and to gain some first-hand knowledge of your institutions and the methods of their working. There is indeed very little fresh light that I can throw on your problems, coming as I do after a succession of brilliant, distinguished and tried leaders, non-officials and officials, who presided over your past sessions.

Co-operation in the U. P.—General Conclusions.

The first serious study of the progress of Co-operation in your province was made by me in reading the Oakden Committee's Report, soon after its publication. More recently in connection with my work on the Indian Central Banking Enquiry Committee, I had to make a somewhat detailed study of the chapters dealing with rural credit, co-operation and allied subjects in the report of your Provincial Banking Enquiry Committee. I had other opportunities too. It might interest you to know of at least one such opportunity which I greatly valued. Rai Pandit Shyam Bihari Misra Bahadur, who was your Registrar till a few years ago, was my colleague in the Upper Chamber of the Central Legislature, during the time he held that office. I naturally availed myself of my daily contact with him to get acquainted with the conditions of the Movement in your province.

The discussions we had in our leisure hours, which were far more numerous than the working hours in that Council of Elders, turned as may be expected, not only on the state of affairs as they existed, but also on schemes for the reform of the movement. The conclusions which I formed from all these sources of information may be easily stated in the form of half a dozen propositions.

(1) The people of the United Provinces are not after all much behind their brethren in other provinces in their journey to the promised land of Co-operative Commonwealth.

(2) Nowhere in India are conditions *ideal* for the healthy growth of Co-operation, but in the United Provinces they are less favourable than in the Punjab, Bombay and Madras on account of the differences in the systems of landholding and the economic and social position of the agriculturists arising therefrom. The peasant proprietors, with heritable and transferable interests in their holdings in those three ryotwari provinces, unquestionably furnish better material for membership of economic organisations like ordinary Co-operative Credit Societies or land mortgage credit institutions which are quasi co-operative.

(3) The Co-operative Movement is only one of the several instruments which help in the economic reconstruction of India and can do very little, unaided by other constructive activities of the State and the people.

(4) To bring about a change in the standard of living of the agriculturist and in his outlook on life, which I believe to be the chief aim of the co-operative movement, far reaching measures like the overhauling of the Land Revenue System and the radical modification of the Tenancy Law and usages are absolutely necessary; co-operation must remain a very minor item of your economic programme with hardly any achievements to its credit so long as the legal status of the cultivating tenants and their rights in the soil remain what they are in your province.

(5) The fortunes of non-credit Co-operation on its industrial and trading side are naturally bound up with the general industrial and fiscal policies of the State and the peculiar conditions of trade, commerce and industry in particular localities. Co-operative trade and industry made little headway in any province except in regard to Cotton Sale Societies in Bombay and the Consumer's stores in Madras. The Sugar industry in the United Provinces might perhaps have been tackled on a co-operative basis but even in the case of that

industry there have been difficulties which co-operation could not overcome without State Aid.

(6) The defects in the working of the Co-operative Credit organisations are more or less common to all provinces, and may be thus enumerated:—

- (a) Inadequate knowledge of principles of the co-operation as well as of banking;
- (b) Irrational financing;
- (c) indifferent audit; and
- (d) ineffective supervision.

In the United Provinces you suffer from the additional disadvantage of want of an Apex credit institution which can co-ordinate and control the activities of the Central banks, act as the financing agency and balancing centre for them and connect the co-operative institutions in the province with the money market generally.

Co-operative Credit Societies.

I may be pardoned, if I content myself with thus enumerating my general conclusions, without pursuing further the first five of them, confining my attention to the sixth and the last, the progress of your credit movement. I attach considerable importance to the development of a sound system of rural finance in all the provinces of India. Agriculture in this country has been a very unremunerative occupation, owing to a variety of causes, the most important of which, in my opinion, is the economic weakness of the peasant arising from want of capital, credit and organisation. Any investment on agricultural production can prove beneficial, only if the agriculturist can obtain the necessary finance on reasonable terms and on a regulated system, which eliminates tendencies to wasteful or unproductive expenditure. I cannot think of any institution other than a co-operative credit society which can satisfy these conditions. Many Commissions and Committees, which investigated into the matter fully endorsed this view. I need not quote from their reports. I shall content myself with stating that the foreign Banking Experts who came out to assist the Indian Central Banking Enquiry Committee have also added the weight of their expert opinion to this general belief.

It must be conceded that co-operative credit in your province has not made satisfactory progress. In classifying the

5,000 primary credit societies in your province, according to the degree of their vitality, your Registrar says, in his latest report, as follows :—

“ So far as credit societies are concerned roughly it may be said that *one third* are bound to go sooner or later, *another one third* are on the border line, whose future depends on circumstances, while the *remaining one third* are in the main thoroughly sound.” It is perhaps roughly the position elsewhere also in regard to the proportion of good societies. It is gratifying to learn from that report that the vast majority of the members of the societies are substantial tenants with an average holding of 7·7 acres, paying a rent of Rs. 37½ and that “ the ordinary member of a society is somewhat better off than the average cultivator in the province as he holds a larger area and pays slightly lower rates of rent.” But judging from the financial position of these societies the economic condition of these ordinary members seems to be very unsatisfactory and their repaying capacity extremely slender.

Mr. E. C. Ansorge, the Registrar of Co-operative Societies, Bihar and Orissa, in his interesting notes of his recent tour in your province sums up the position thus. “ Enquiries tend to show that a very considerable proportion of the cultivators in the province have *little or no surplus income* after meeting their necessary expenses year after year and in all such cases, the problem has to be faced of how to apply co-operation where it is unsafe to allow ordinary credit.” This is more or less an invitation to put co-operation in your province to other uses than organisation of credit societies, for the latter have little chance of success. At first sight, one might be tempted to accept this advice, coming as it does from a friendly expert. An examination of the position as to overdues and growth of loss societies might also go to confirm this advice. It is said that in 444 cases, societies owe more to the bank than what they have to recover from the members, that in 1255 societies overdues amount to nearly cent per cent, that in 2949 societies they amount to more than 50 per cent and that as many as 1780 societies are altogether unable to finance their members. But, I do not think that these facts should be accepted as conclusive evidence that the credit movement wholly failed in this province or that it has no promise for the future. When we probe into the actual causes for the failure of the working of these societies, we are impressed with the fact that they are capable of being remedied, if better organisation and effort are forthcoming. Giving evidence before your Provincial Banking Enquiry Committee,

Mr. Kharegat, your Registrar, stated those causes in these words : “ To some extent, the better class of cultivator is frightened by the bogey of joint responsibility. The chief reasons however are that accounts have not always been correctly maintained ; that the members have had to put up with a great deal of personal inconvenience and even indignity ; that they cannot get sufficient money for their requirements ; that they have often to wait for a long time for it and that they are not educated to the necessity and importance of punctuality in repayment and prefer the more accommodating policy of the moneylender, forgetting its ultimate consequences.” Surely no one can contend that there is anything peculiar in these reasons to mark them out as special features of the U. P. Co-operation or that they cannot be overcome.

Need to make your credit cheaper.

Your Registrar rightly emphasised in his evidence quoted above the necessity for co-operative credit being *prompt* and *sufficient* in order that it may prove beneficial. In so far as he condemns inelasticity, dilatoriness and inadequacy of that credit, there will be universal agreement. There is one unfavourable aspect of that credit which he has not adverted to, but which in my opinion is equally important if not more. Credit must not only be forthcoming promptly and in an adequate measure, but it must also be *cheap*, if the economic benefits of rural finance are to be real and lasting. In 1929, I told my fellow co-operators of Bihar and Orissa assembled at Cuttack that I was in emphatic disagreement with those who preach the so-called dangers of credit being made available to the agriculturist too cheaply. It has yet to be proved that cheaper loans are more dangerous than dearer loans have been. I may therefore state at once that I do not agree with the conclusions of your Provincial Banking Enquiry Committee about the maintenance of the present lending rates of interest to the societies and the members. Coming from Madras, where no more than 9½ per cent is generally charged on loans to members of primary credit societies and 8 per cent to members of Primary Land Mortgage Banks, your 15 per cent rate shocks me and is hardly distinguishable from the demand of the much abused sowcar. The Indian Central Banking Enquiry Committee were of opinion that 12 per cent was about the maximum that a primary society should charge to its members. Here is their recommendation : “ We consider that if any rural society charges its members a rate higher than 12 per cent per annum, it should form the subject of careful enquiry by

the Provincial Government and the Provincial Bank concerned, and steps should be taken to reduce the rate of interest." It is impossible to maintain that investment of co-operative loans at 15 per cent per annum on agriculture could help the agriculturist to produce profitably.

The question really is whether it is possible for you to bring down your rates. Your Provincial Banking Enquiry Committee definitely say; "We do not therefore think that any reduction is possible even if it was *desirable*." They add that "co-operative societies must wait to lower the rate of interest till they have accumulated sufficient funds of their own." This conveys the idea that money is dear in U.P. But the rates at which your central banks are able to get money, namely 6 and 7 per cent, do not compare unfavourably with those in other provinces. What we in Madras, Bombay and the Punjab are really unable to understand is why your central banks require a margin of 6 per cent between their borrowing and lending rates while we in those provinces are able to manage with a margin of 1 to 2 per cent. It will be presumptuous for an outsider like myself to question the opinion of your Banking Enquiry Committee, specially when experts of the eminence of my esteemed friend Dr. Radhakamal Mukherjee were on it. However I cannot help pleading the cause of your rural co-operators.

I make my plea for a lowering of interest rates, a particularly earnest one in the U.P. because I am satisfied that loans were borrowed by your members, on the whole for genuine co-operative purposes, although there might have been some over-financing, of which your Registrar complains. I notice that your Provincial Banking Enquiry Committee say:—"It is to be regretted that, though a quarter of a century has elapsed since the introduction of Co-operation, no serious attempt has yet been made to ascertain the *normal requirements of a cultivator* for maintenance and expenses of cultivation." We should have felt grateful to the Committee if they stated the agency which should have attempted it and the facilities that existed for their ascertainment. It is a problem of Agricultural Economics, pure and simple, and the co-operative society is not the proper agency for the work. What have been the Economics Departments of the Universities and the experts of the Agricultural Departments of the Government doing? I am content to deal with the materials available. Analysing the table of percentages of the objects for which loans were advanced in 1930-31, fully 78.16 per cent. were borrowed for purposes connected with the cultivation of land, in which

include the maintenance of the members, for the cost of cultivation in effect includes wages of the cultivator and his dependents, who toil in his small farm day in and day out. The percentage of loans borrowed for ceremonies was as low as 4.33, that for repayment of old debts was 11.65 and that for trade 10.86. This is good co-operation. If these percentages are reliable, your rural co-operators deserve all the sympathy and help which the leaders of the Movement can extend to them. Loans for these purposes at 15 per cent. cannot put cheer into the borrowers nor can they prove really beneficial, and I therefore appeal to my brother co-operators of the United Provinces to do their utmost to reduce the present level of interest to the lowest extent possible.

Central Banks.

Coming to your central credit societies, they are very tiny things compared with ours in Madras. 70 small central banks, with an owned capital of 36 lakhs and a total working capital of Rs. 93 lakhs and outstanding loans of 62 lakhs, cannot be said to testify to the strength, stability and soundness of co-operative credit in the Province. The smaller the bank, the larger the margin it absorbs for its working expenses: the larger that margin the higher the rate of interest charged to co-operative societies. So, the heavy interest rates in your province can be traced partly to the weakness of your central banks. Indeed, in some of your central banks, the annual expenditure seems to exceed the annual income. If I may express my opinion on a matter of detail like this, it seems to me that a scheme for amalgamation of smaller banks in suitable areas into larger units may be usefully attempted. Stimulation of collections and paying off the depositors to reduce the burden of interest, which your Registrar suggests is only an emergency remedy and not a permanent cure to your trouble. The reform I have suggested, namely, making your central banks fewer but stronger is, I admit, not easy to effect. But it must become easier after the establishment of an apex bank to act as the financing agency and balancing centre for the central banks.

Apex Bank.

Co-operators from other provinces cannot but miss the most imposing part of the credit structure, namely, the Provincial Bank, which is conspicuous in your province by its absence. I am glad to find that your Provincial Banking Enquiry Committee has given a right lead by vigorously advocating the early establishment of an apex bank for the Province. As they correctly point out, supply of money

is not the only function of a Provincial Bank, and one of its most important duties at the present stage will be to guide, direct and control the financial transactions of other co-operative banks. I am, however, unable to say that the constitution, which the Committee proposed for your future Provincial Bank is calculated to bring it up to our expectations of it. I am not of course expected to make any detailed examination of that scheme; but I desire to point out what I consider to be its two chief defects. The most outstanding feature of it to which I take exception is that the central banks of your province do not command a preponderating voice either in the general body or in the Board of Directors or in the Managing Committee. In the General Body, the central banks' delegates can be only 70 at the most, while individual preference shareholders may be hundreds. In a Board of Directors, 14 strong, the central banks have only 6 representatives. In a Managing Committee of four, there is room for only one representative of the central banks. I would certainly not give such a bank any control over the central banks. The decisions of the Provincial Bank must be essentially those of the representatives of the member banks, in order to be binding on the latter. I argued for this position at length in my address to the All India Provincial Banks' Association at Simla in 1928, and I do not wish to repeat myself here. The second unwelcome feature of the scheme is the desire for excessive spoon-feeding. The Board of Directors will be dominated not only by the ex-officio Chairman, the Registrar, but also by three other persons unconnected with the co-operative department, nominated by the Government for their special knowledge, from the business and banking community. I am sceptical about the wisdom of placing a co-operative concern under the guidance of capitalist advisers. This is the negation of a century's preaching of co-operative philosophy. There is little evidence of co-operation with its attributes of self-help and self-reliance in the scheme.

Rural Indebtedness.

It is not necessary for me to deal with the *extent, causes and effects* of rural indebtedness in your province. Not only has your Banking Committee investigated into the matter carefully, but a special committee seems to have been recently set up to deal with it. I read in the Press a very brief note of the work of that special committee. Your Banking Committee estimated the total indebtedness of your Province at Rs. 124 crores and the percentage to total

population of agriculturists who are free from debt at 33 to 61 in different localities. It is needless to discuss how far these estimates may be accepted as being even approximately correct. They reveal a sufficiently alarming state of affairs. So, our immediate concern must be to evolve *measures* for the liquidation of that indebtedness. I advisedly use the *plural* as no single measure affords a complete solution of the problem. Before I proceed to deal with the measures which, in my opinion, should be attempted, I desire to make my position clear as to what I mean by rural indebtedness.

Speaking in a broad sense, a debt contracted for any purpose creates indebtedness. But, from a correct economic standpoint, I feel that money borrowed for the pursuit of agricultural industry and repaid out of the produce raised on the land in one or more seasons, should be distinguished from accumulated debt not capable of being so repaid. Short term credit which is repaid out of the next harvest, the intermediate credit which is repaid out of the margin of income in a small number of years and long term credit which is repaid out of the enhanced profits created by investing permanent capital on land, are all varieties of rural credit. Normal financial accommodation to agriculture and standing debt of agriculturists are distinct factors in our rural economy. I would prefer to call the former "*rural credit*" and the latter "*rural debt*." It is true that the portion of seasonal credit which is not duly repaid gets accreted to standing debt and the agriculturist himself does not distinguish between seasonal credit and prior debt. But that is no reason for our mixing them up. I am of opinion that such mixing up has led to much avoidable confusion of thought both in envisaging the problem and in searching for remedial measures. The problem of finding rural credit in an adequate measure and on reasonable terms for productive enterprise and profitable pursuit of agriculture is, to my mind, wholly different from that of reduction, conciliation, adjustment, redemption, liquidation or extinction of the standing debt of the agriculturists. We, co-operators, are called upon to deal with *rural credit* as well as with *rural debt*. But we must keep our programmes of rural credit distinct from our schemes of liquidation of rural debt.

Coming to remedial measures, the present economic depression has brought to the forefront the *urgency* of at least temporary relief. Indeed the position created by the catastrophic fall in the prices of land and agricultural products has become so acute that the immediate adoption of various temporary measures of relief to rural debtors has

been vigorously urged by men belonging to all schools of thought. Suspension of collection or partial remission of revenue and rent by the Government and landholders, distribution of *takkavi* loans on a wide and liberal scale, expansion of currency by the Government, grant of extension to debtors by the banks and other credit agencies, postponement of execution sales, permitting satisfaction of decrees in instalments and the like have been suggested. These are no doubt calculated to afford immediate partial relief but not any lasting solution of the problem. Among the schemes for liquidation of rural indebtedness, the following may be mentioned :—

(a) *Moratorium*.—There is a school of thought in this country which advocates the wiping out of all rural debts by a decree of the Government and starting the agriculturist afresh on his life. This may be ruled out for the present as being out of the range of practical politics.

(b) *Regulation of Money lending*.—If the evils which are associated with money lending can be really checked, and money lending can be regulated there will be tangible relief to rural debtors and rural debt will get reduced. But, in practice, it is found that the ways of the money lender are inscrutable and can defy all the ingenuity of the legislators and administrators of law and justice. Nevertheless, I am of opinion that some form of legislation for the regulation of money-lenders' accounts and suppression of usury must be attempted in every province.

(c) *Measures to protect the agriculturist against himself*.—These fall under two distinct heads — (i) measures to ensure to the agriculturist fair treatment in the determination and recovery of debts by means of suitable modifications in the processual and contractual laws and to permit the unsettling of his settled accounts to relieve him against the consequences of hard bargains ; (ii) measures restricting powers of voluntary alienation of agricultural land, exempting holdings from liability to sale in execution of decrees and prohibiting eviction from land without fully compensating the occupant for the improvements made by him to it. Opinion is sharply divided on the desirability or efficacy of these measures. Speaking for myself, I am opposed to measures restricting powers of voluntary or involuntary alienation over agricultural land. The other items under this head will prove beneficial.

(d) *Simple Rural Insolvency Law*. I am unable to agree with your Banking Committee that the existing Insolvency Law is sufficient to give adequate relief to the agriculturist debtors. I am

in entire agreement with the Royal Commission on Agriculture and the Indian Central Banking Enquiry Committee in regard to the necessity for a simple Rural Insolvency Act.

(e) *Replacement of usurious debt by co-operative loans on less onerous terms*. The consensus of co-operative, as well as other expert opinion, seems to be that ordinary co-operative credit societies cannot deal out money for discharge of prior debts. All the Provincial Banking Enquiry Committees have now reported that a rural credit society is not the proper agency for clearing off old debts.

(f) *Conciliation and Adjustment of debts*.—The essence of schemes for conciliation or adjustment of rural debt is this ; it is generally accepted that much of the existing debt is the result of renewal of prior debt with accumulated interest and other advantages secured by creditors ; when accounts are re-opened and a fair settlement of the debt is arrived at, there will be a considerable reduction in the burden ; the creditors are expected to receive the sum so settled and to give full discharge to the debtors. These schemes were tried in at least three provinces in India, at one time or another, the Punjab, Bihar and Orissa and Central Provinces. The main difficulty experienced in the carrying out of the schemes was the absence of an agency that would advance the sums, which the creditors were prepared to accept in full settlement of their claim under the adjustment. The creditors naturally declined to agree to a reduced paper debt being substituted for the subsisting larger debt. The Punjab Provincial Banking Enquiry Committee make the valuable suggestion that the co-operative banks (credit societies and land mortgage societies) may treat the sums agreed to be paid to the creditors as deposits or debenture stock of creditors and liquidate the same on some agreed scheme of repayment in instalments. The State can step in to augment the funds of the co-operative banks for the purpose, on certain conditions, specially in areas, where the resources of those banks are inadequate to work the scheme. This, in brief, is the substance of schemes of voluntary conciliation or adjustment of debt.

There are some who advocate that debt adjustment and conciliation schemes should be pushed a step forward by placing them on a compulsory basis where voluntary conciliation could not be effected. I am one of them. For this purpose, officers should be appointed with statutory powers to re-open accounts, apply the provisions of the Acts intended to give relief to debtors (like the Usurious Loans Act) and to bring down the debt within the limits of the repaying capacity

of the debtors. The principle applied in fixing the quantum of debt recoverable in such cases is that it should not exceed a certain multiple of the annual margin of the debtor's savings, arrived at after an estimate of his probable income and reasonable expenditure. The Royal Commission on Indian Labour has given full recognition to this principle in their chapter on Debt. (Vide page 231). The Indian Central Banking Enquiry Committee has also dealt with the question in paragraphs 86 to 92 of their Report and accepted the principle stated above. Elsewhere experimental legislation on those lines has already been undertaken. An Act was recently passed by the Province of Manitoba in Canada to facilitate the adjustment of debts.

I have perhaps dwelt at wearisome length on this well-worn out subject of rural debt. My excuse is the anxiety that further ignoring of the problem or even the postponement of its solution is attended with serious risks. The economic condition of the Agriculturists is getting worse day by day on account of the disastrous effects of the heavy load of unproductive debt. In this connection, I wish to cite the warning which my esteemed friend, Mr. Manu Subedar, has uttered in his Minority Banking Report: "I shall only complete this dark picture by sounding a note of warning, that progressive deterioration in the agricultural districts might bring about, particularly in a bad year, socio-economic consequences of a dangerous character. The most potent forces of disorder and anarchy in the world have emanated not merely from bread riots of urban unemployed, but from agrarian distress carried to the point of desperation." So, we who are interested in the just and orderly progress of our masses and the evolution of a sound rural economy on peaceful lines, must deal with the problem of rural debt promptly and effectively.

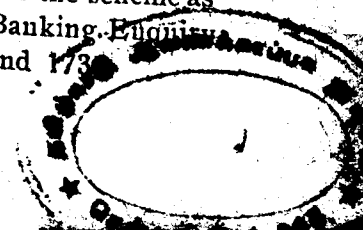
Supervision and Audit.

Closely connected with co-operative finance are the schemes of supervision and audit of societies. Your system in the United Provinces is slightly different from ours in Madras. We have also our Inspectors, Auditors and Supervisors like you, but their functions are somewhat differently distributed. Your new experiment of separating the supervision from the financing of the societies, and placing the supervisory staff under your Provincial Union, is watched by co-operators elsewhere with interest. Already 4/5 of the supervisors in the province seem to have been employed by your Union. It is a matter for regret that the economic depression has almost dogged the footsteps of this experiment. It is therefore

difficult to say whether any part of the deterioration in the financial condition of the societies, which has been so much a feature of the last two years all over India, can be attributed to removal of the direct control of the central banks over the supervisors. Your Registrar vigorously maintains that there is no foundation for such a conjecture by an argument founded on a separate analysis of the figures relating to those banks who still retain their control over the supervisors. When things are wholly out of joint in the economic life of the rural co-operators, one agency can give no better account of itself than another, in dealing with the societies.

As regards audit, I cannot say that your agency is adequate. You have only 52 auditors and it works out on an average to 100 societies for an auditor. Each one of your circle Inspectors who is expected to review the audit notes of all societies and to conduct a test audit of 10 per cent of the societies, which have been audited, is given 120 working societies and 30 liquidated societies on an average. They have other work to do besides. With 60 societies allotted to each auditor in Madras, we find it difficult to manage. From the penultimate paragraph of your Registrar's Annual Report for 1930-31, I gather that the chances of the Government sanctioning more money to increase the audit staff are not bright. In fact, there seems to be a proposal to cut it down. I earnestly join your Registrar in appealing to your Local Government not to stint expenditure on the department. I have no doubt that the staff is already over-worked and any attempt to reduce it will not only cause hardship to the officials, but also hit the movement adversely.

But the danger of the Provincial Legislatures curtailing the expenditure on the Co-operative Movement must be faced in all provinces and co-operators must evolve self-sufficient audit scheme. I think the time has come to centralise the audit staff also under the Provincial union or another Provincial Institution on the Punjab lines and find practically all the money necessary for its running within the movement itself. As such a scheme was fully discussed at the Second All India Co-operative Institutes' Conference at Hyderabad in April 1931, and is widely published, I do not propose to deal with it here. Modifications may of course be made in it to suit local conditions. The foreign banking experts and the Indian Central Banking Enquiry Committee have also arrived at a similar scheme in substance. I commend to you a perusal of the scheme as set out in the Report of the Indian Central Banking Enquiry Committee at pages 134 and 135, (paragraphs 172 and 173).



Rural Reconstruction.

We, in Madras, have heard something of your rural reconstruction activities, specially in the Benares, Lucknow and Patabgarh areas. I am hoping to see for myself the working of your central organisation at Ghazipur for co-ordinating the activities of better living societies. We in the south have not attempted better living societies, but have introduced many of the activities of such societies into our intensive rural reconstruction work in selected groups of contiguous villages, situated within a radius of five miles. The training of persons for rural reconstruction work is of the utmost importance, for everything depends on the human material equipped to handle the work. It is gratifying to learn that your Local Government have sanctioned an annual grant for the training of school teachers to become village guides and that syllabuses for their instruction include not only co-operation, but rural education, first aid, village hygiene and sanitation, scouting and simple village administration. The foreign experts who assisted the Indian Central Banking Enquiry Committee gave a very appreciative account of your rural reconstruction work in some villages in the Lucknow District. I was much delighted to read that account. The experts have left their impression to us in these words: "The first impression to draw from this example (Dhanwara village) is whether there is not co-operative work to be done of even greater importance than the establishment of credit societies and indeed before credit societies, generally speaking, function properly. * * * A very careful enquiry should therefore be made into the possibility of introducing, if not before credit societies are established, then, at the same time, rural reconstruction societies." This is an idea which is well worth our serious consideration. The truth is that the life problems of the villager should be tackled in their entirety, that the producer cannot be separated from the man and that therefore any schemes for the amelioration of the agriculturist ought to take note of "the inseparable inter-relations existing between the social and economic activities of farm life and try to correlate them." I notice that you include in your draft agenda birth control as an item of your constructive programme. You are right. In order to successfully tackle the reconstruction of our rural economy, we must find means to relieve pressure on the land where it is excessive and in that connection, not only birth control but other measures like emigration, reclamation of virgin soil and creation of subsidiary rural occupations will have to be explored. Viewed from this standpoint, rural reconstruction programmes become integral parts

of the co-operative movement and we, co-operators are destined to play a noble and conspicuous part in India's nation-building activities.

Conclusion.

I have many more things to say, but I must resist the temptation to be ambitious, lest in my attempt to cover a larger field, I may fail to focuss your attention even on the few matters with which I have dwelt so far. At this stage of our development, it is perhaps far more important to rectify our errors than to explore fresh fields and pastures new. If we feel that any part of our organisation is moving on wrong lines, our immediate duty consists in arresting its further march along that path, for—

"When people are once in the wrong,
Each line they add is much too long;
Who fastest walks but walks astray
Is only furthest from the way."

The future of our Movement depends upon how we conduct ourselves. As a thoughtful writer on Co-operation says, "difficulty about compacts does not lie in *making* them, though that is often difficult enough, but in *keeping* them alive and fruitful after they are made." I have noticed in some provinces, including mine, much to my extreme regret that the co-operative compacts in certain localities, are manifesting signs of disintegration for want of true co-operative spirit. Let us remember that class antagonism, sectarianism and communalism are violently opposed to the religion of co-operative compact and therefore strive to exclude their entry into our Movement, and to instal Co-operation in the Temple of Akbar's Dream:—

"A temple, neither Pagod, Mosque nor Church,
But loftier, simpler, always open door'd
To every breath from heaven, and Truth and Peace
And Love and Justice came and dwelt therein."

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PREPARED BY THE

**Madras Provincial Co-operative Union,
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