REG. NO. M. 1284
VOL. XXIV No. 3.
SEPTEMBER 1932

The Madras Journal of Co-operation

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

ANNUAL SUBSCRIPTION :
INLAND RS. 4.
FOREIGN RS. 4-12.
SINGLE COPY AS. 8.

CONTENTS.

		PAGE No.
I.	EDITORIAL NOTES	116
II.	ARTICLES—	
	(1) PRACTICAL AGRICULTURAL CO-OPERATION—By Mr. K. Unnikrishna Menon	135
	(2) THE T. U. C. S. LTD.,—By Mr. M. R. M. Kaimal	139
III.	RECENT UTTERANCES—	
	(1) Mr. T. Adinarayana Chettiyar's speech at the Guntur Co-operative Conference	142
	(2) CO-OPERATION IN EAST GODAVARY—By Dewan Bahadur C. Venkatachalam Pantulu Garu ...	145
	(3) MARKETING INDIA'S PRODUCE — By Mr. V. Ramadas Pantulu	150
IV.	SPECIAL TYPES OF SOCIETIES—	
	(1) THE MADRAS CENTRAL LAND MORTGAGE BANK.	152
	(2) KOILPATTY CO-OPERATIVE SALE SOCIETY ...	154
V.	REVIEWS	156
VI.	CO-OPERATIVE NEWS	164
VII.	G.O.'s AND CIRCULARS	167
VIII.	SUPPLEMENT—	
	THE THIRD BAPATLA TALUK CO-OPERATIVE CONFERENCE — Presidential Address by Mr. N. Satyanarayana.	

THE

Madras Journal of Co-operation

Vol. XXIV] SEPTEMBER 1932. [No. 3.

The Editorial Committee do not hold themselves responsible for views expressed by contributors. Contributors are requested to write legibly and on one side of the paper. Manuscripts will not be returned unless stamps are sent to cover postage. Matter intended for the issue of any particular month should reach the Committee before the 15th of the previous month.

Editorial Notes.

The Commercial Crops Marketing Bill.

In an editorial note in the last November (1931) issue of our Journal, we invited the considered views of our readers on the provisions of the Bill for the Better Regulation of Markets for commercial crops. We are disappointed in the response made so far. The newspapers, however, have been reporting proceedings of meetings held, mostly by merchants and in a few cases by mirasdar-cum-merchants, where resolutions protesting against the proposed Bill have been passed, but with little or no data to back them up. We are simply told that such regulation would work havoc in this part of our country—whatever be its theoretical soundness of actual achievements in other parts of India like Berar, Bombay and Hyderabad, which have supplied the model and the inspiration for this piece of legislation. The merchants seem to affirm with a rare solicitude for ryots that these would suffer even more than themselves by the establishment of such regulated markets—we are not told exactly how.

So far as we could see, clause 4 might hit hard producers at some distance from regulated markets where no private market might be allowed to be opened. But there is an "Explanation" below which provides for producers selling their own crops to any-one outside the premises set apart by the market committee. They need not take the trouble of going themselves to the regulated market to sell their crops, if they do not care to be benefited by the undoubted advantages offered by the Bill of correct and standard weights and measures, of fixed trade allowances, of the prescription of standards of quality and the smooth and swift settlement of disputes.

Indeed co-operators should find fault with the above proviso allowing producers freedom to sell as they like outside the market premises; for such freedom is a misnomer and most often leads to the exploitation of the small farmer—if we believe in the findings of, and the mass of evidence submitted to, the commissions and committees of enquiry on agriculture, co-operation, banking etc. The safety that some find in the growing competition among middle-men for produce is of a dubious kind; for though they may apparently operate on low margins they more than make up by methods which are not above board. To suffer such competition in the hope of its benefiting producers leads to social waste ultimately. The whole civilised world seems to be bent on checking by legis-lation and otherwise such wasteful competition and compulsory co-operative sale seems to be the order of the day in predominantly agricultural countries like Canada, South Africa, Australia and New Zealand. Our bill does not even have the look of the thin end of the wedge of any such comprehensive control. It is an essentially police measure to check brazen malpractices; and the false alarm raised by vested interests will not, we hope, unsettle our legislators.

The ideal solution for the existing disorder and inefficiency in our marketing would undoubtedly be co-operative marketing. We, as co-operators, lend our support to the proposed Bill only as a kind of compromise or a half way house to co-operative sale. Unless a much larger percentage of producers join our fold, we may have to go on confessing our inability by ourselves to cope with the situation and support as second best the system of regulated markets.

We are surprised at the absence of any provision in the Bill for the representation of growers' co-operative sale societies in the market

committees; while representation of the local boards and munici-palities which seem to be increasingly manned by mirasdars and mercantile magnates is amply provided for. There has been a growing tendency for the mirasdar to become a money-lender and a merchant, noticed by Investigators of the Indian Central Cotton Committee and others who had opportunities to make similar in-vestigation. We are not sure if the small ryot has not more need to be saved *against* than saved *by* such representatives on committees said to be created in his interest.

The Bombay Co-operative Institute.

The June number of the "Bombay Co-operative Quarterly" is styled the special Institute number and deals exclusively with problems of the Institute. The introductory note makes the present financial position clear, a position which is far from satisfactory and which has necessitated a searching enquiry and readjustment. Vitally connected with the financial situation is the constitution of the Institute. To consider the whole question and to come to a workable conclusion, a questionnaire has been issued. A circular explaining the situation has also been issued by the Vice-President. The questionnaire deals with the constitution of the Institute and its inter-relation with the various co-operative bodies now in existence. It tries to elucidate popular opinion upon the various aspects of reform of the Institute.

Rao Bahadur Talmaki's article on Provincial Institute in "Co-operation in Bombay" edited by Prof. H. L. Kaji, elucidates very clearly the present constitution of the Institute, the nature of its working and its evolution to the present condition. It has got individual members and society members. There is the Provincial Co-operative Council, roughly the managing body of the Institute, and the Executive Committee in charge of the actual administration of the Institute. The Institute, like the Provincial Bank of Bombay, has gone on establishing its divisional and district branches. The existence of various languages in the province perhaps has necessi-tated the formation of divisional units. The problem has been rendered more complicated by the fact that, following the example of Madras, Bombay has started Supervising Unions and also federated them into district units, which have not been connected with the Institute and which threaten to form an independent non-official organisation of their own. The Institute is anxious to maintain its position as the chief co-ordinating body for all non-official activities, barring finance.

Its financial position is considerably complicated by the fact that the Government grant, which once came to nearly Rs. 34,000 has been cut down to Rs. 18,000 and the debt of Rs. two lakhs incurred in connection with putting up the present Thackersay Memorial Buildings remains practically undischarged, except for a small sum of Rs. 47,000 collected some years ago. How to integrate the non-official activities under the general guidance of the Institute, how to strengthen its finance and how to modify its constitution so as to bring about these desired ends is the problem. Important non-officials have met and given a lead and the tentative conclusions arrived at a meeting held on the 26th June last are also published.

The Provincial Conference to be held on the 3rd and 4th of September will have the reorganisation of the Institute as one of the most important problems to be considered. We await with great interest a report of the deliberations of our brethren in Bombay and wish them all success. We hope fissiparous tendencies would be put down and that real co-operative spirit will prevail and it should not be impossible for Bombay, which rightly boasts of such veteran co-operators of All-India fame, as Sir Lallubhai Samaldas and Mr. G. K. Devadhar, to arrive at a satisfactory solution of this problem.

The T. U. C. S. and its Reform.

Our readers would read with great interest the article upon the present position of the T. U. C. S. by an outsider. Mr. Kaimal, the author of the article, is an officer of the Co-operative Department, Travancore, who spent some weeks in Madras studying the various institutions and their working. His observations on the working of the premier consumer society in the province will attract the attention of all those who are interested in the consumers' movement and of the members of the T. U. C. S. in particular.

We have no idea of examining his statement or discussing the usefulness or otherwise of his recommendations. We shall attempt the more profitable course of giving to our readers an account of the real state of affairs in the T. U. C. S., the largest store not only of Madras, but of India as a whole. Its position has been considerably enhanced by the fact that a fine article dealing with its origin and

develpment has found a place in the book "Co-operation in India" which has been reviewed by all the Co-operative Journals of the world, English, European and American. The article, we are glad to note, is from the pen of one of the founders, Rao Saheb T. K. Hanumantha Rao. Therefore the problems connected with the T. U. C. S. are not mere local problems, in which its members alone are interested; but they have a provincial, nay an all India significance and that is our justification for dealing with them at some length.

The present situation can be summarised very briefly thus. Inspite of increasing numbers in membership, the total sales have been steadily on the decline. The world economic depression that has adversely affected the price of agricultural produce, has affected the transactions of the T. U. C. S., also, to the advantage of the consumer to a certain extent. No rebate upon the purchases or *divi* has been paid in recent times, at least not anything worth mentioning. There is a general dissatisfaction against the Directorate on the part of the Panchayat members of the different branches and of members as well. This unsatisfactory state of affairs is in our opinion due to various causes. In the first place, the store has not kept pace in the matter of studying the needs of its members with its competitors, the retail merchants. The latter have been enjoying the additional advantage of giving credit facilities to their clients which the Store founded on the famous Rochdale principles is not able to give. Secondly, the charges incurred upon permanent establishment have been going on steadily increasing. A time scale has been fixed for the staff and this was done 10 years ago, when the sales showed an upward tendency for the previous 10 years and the Management naturally enough thought that the upward tendency would be kept up. But unfortunately the curve took a horizontal turn and threatens to dip downwards, whereas the curve of establishment charges has been steadily mounting up on account of the time scale sanctioned. Thirdly, owing to lack of intensive education and propaganda amongst members, the principles and ideals of co-operation are not kept alive among them and members are not loyal to the store even in the matter of those articles which the store stocks. It must be said that the store has not pushed on its activity along any new line; but has been satisfied with supplying the simple grocery needs of its members. But even here members are seduced by ever so many other agencies, of which the most important is the specialist in single commodity, the man who professes to sell only coffee seeds, ghee or oil and professes to sell the best quality for the absolutely rock-bottom price. Moreover, there is no vital relationship between the staff and the business, that is, they have developed a sort of impersonal attitude towards the business of the house and they think that whether the business flourishes or not, they are entitled to their pay at the end of the month. Most of them if properly trained and appealed to, would be enthusiastic propagandists, but the requisite training has not been given and their enthusiasm has not been exploited.

From the above analysis of the present situation and its causes, it would be found that there can be no simple prescription by administering which cure would be immediately effected. The evils have been growing for some time past and they have to be gradually eliminated. But impatient idealists come forward with some ready made solutions and say that they have the key of the situation and their panacea will shortly cure the institution of all its diseases. One such panacea is what is called "decentralisation". The store has got 25 branches at present and the Head Office is in charge of purchasing and supplying them with goods. One set of people say, make these branches independent ones by registering them as separate societies. Let the Head Office be registered as a wholesale society into which these independent branches may be federated. There will be vigorous growth in the branches and the head office also will improve. This desire for decentralisation is naturally stronger in those branches that do respectable volume of business and left to themselves they would be able to declare decent dividends to their members. They feel that what they earn by their loyalty is taken away from them by other branches which suffer from the disloyalty of their members. Their feelings resemble those of an earning member of a Hindu Joint family, who thinks that a good deal of his earning is being consumed by other members, who do not earn but only spend, and the remedy which is sought for on such occasions by members of the Hindu family, that is, *partition* is clamoured for by those earning branches.

Objection is taken to this course on two grounds. It is feared that if every branch be independently registered as a separate society, the poorer branches that do not transact much business would be throttled by local competition of the retail shop-keeper, which they

are able to stand at present, because they are part of a mighty whole. These critics are also of opinion that the time is not ripe for the formation of a wholesale. The natural development is from retail to wholesale and from wholesale to production. That is admitted by everybody. The critics say, however, that the time is not ripe because, there is only one society the T. U. C. S. Ltd., and it would be inadvisable to try to dismember it into small units with a view to create a wholesale. They say that the actual time for the formation of a wholesale is when there is a demand from the stores from places round about Madras, say within a distance of 100 miles. If there are 10 such co-operative stores functioning successfully, these 10 can federate themselves into a wholesale and perhaps the biggest of them, the T. U. C. S. can function as a wholesale so far as these mofussil societies are concerned. As a matter of fact, the by-laws of the T. U. C. S. allow its performing this function. Thirdly it is pointed out that centralisation has been the line of development in Western countries and that successful societies like that of London and Manchester have not only 25 branches but 20 times 25 and that they do successful business because a good deal of time and energy is economised by centralised purchase and supply.

These critics are not however for completely shutting out proposals of decentralisation. They would say, try if you like the scheme of decentralisation in those branches which demand it and try it for a limited period, keeping the door open for them to come back. This experimental decentralisation is the second scheme.

A third scheme has been put forward, namely, of decentralisation into territorial units. The 25 branches scattered over the different parts of the city of Madras are to be grouped into four or five small circles on the basis of territorial contiguity and this plan like all compromises has got certain advantages of reconciling two extreme views. It satisfies the need for decentralisation to a certain extent and it also gives scope for union amongst the branches, which would enable them to stand local competition.

A committee was appointed to go into the whole question some years back, but very little was done and the late Mr. C. V. Gangadhara Sastri, another pioneer like Rao Sahib T. K. Hanumantha Rao, gave notice of a resolution about decentralisation and a good deal of local opinion was gathered on the matter. But nothting was done on that occasion as well. Recently the Education Committee has taken up the question in right earnest and had a meeting held on Sunday the 21st August, 1932. The question was considered in its various aspects and a small committee has been appointed to draft alternative schemes of complete decentralisation, optional decentralisation, decentralisation into territorial units and reforming the existing machinery, allowing devolution of more powers upon branches keeping the present institution in tact. We hope such a devolution of powers can be effected to the satisfaction of all local panchayats. It is hoped that this committee will soon conclude its labours and submit its report and the matter would be settled agreeably to the majority of members, and as a result of the settlement arrived at, the efficiency and usefulness of this great institution will be considerably enhanced. We wish the workers all success.

Audit of Co-operative Societies—Government's Latest Notification.

The fourth notification dealing with the amendment to the Rules relating to Audit of Co-operative Societies, G. O. No. 1124, Development, dated the 18th August, 1932, is published at page 1407 of Part I of the Fort St. George Gazette dated the 23rd August, 1932. The three former notifications were issued on the 2nd February, 9th July and 2nd August, 1932. The fourth one dated the 18th August reproduces and confirms the third one dated the 2nd August. We publish it elsewhere*.

The effect of the proposed amendment embodied in this G. O. dated the 18th August is briefly this:—

1. All agricultural credit societies with unlimited liability, whatever may be the size of their membership, or the volume of their working capital, and also all limited liability societies with a working capital of less than Rs. 20,000 are exempt from payment of any audit fees to the Government. The accounts of all such classes of societies will be audited free of cost by the Government's co-operative audit staff.

2. All other limited liability societies, that is to say, those with a membership of more than 500 or with a working capital of

* Vide page 127 of this journal. (Appendix A).

Rs. 20,000 or more are liable to pay to the Local Government audit fees according to a prescribed scale.

3. But such limited liability societies with more than 500 members or a working capital of Rs. 20,000 or more may, at their option, have their accounts audited *at their own expense*, either by the staff of an audit union in existence on the 9th July, 1932, or by a person authorised by the Registrar. In such cases, the societies concerned need not pay any audit fee to the Local Government.

4. The G. O., while thus giving freedom to central and urban banks to employ their own auditors or to resort to such audit unions as are in existence on the 9th July, virtually prevents the formation of new audit unions, local, regional or provincial, by laying down that audit conducted by the staff of audit unions not in existence on that date does not entitle the societies to the exemption from audit fees payable to the Government.

It is difficult to understand why any peculiar sanctity should have been attached to the Ninth day of July One Thousand Nine Hundred and Thirty two, Anno Domini. All that we know is that the restriction on the formation of audit unions in future was for the first time introduced into the notification of that date, for reasons not disclosed to the public so far. The notification of the 9th July expressly states that no objections are received to the proposals embodied in the earlier notification of the 2nd February, which contained no such restriction. Moreover, we fail to see why central and urban banks should not be permitted to act together in groups to make the best arrangement for the audit of their accounts, specially when freedom is given to them to act individually in the matter of making their own arrangements for audit. The net effect of the latest notification is that the Government neither propose to assume full and exclusive responsibility for the *conduct* of the audit of central and urban banks, as the advocates of official audit desire, nor do they permit the formation of regional or central independent audit organisations to look after the proper conduct of audit of central and urban banks, as the advocates of non-official audit desire. The G. O. will therefore not satisfy either school of co-operators.

There are however two good points about the G. O. which co-operators in general will, we are sure, appreciate; one is the wholesale exemption of unlimited liability societies, that is, the

2

rural credit societies, from the operation of the rule. They are mostly in a condition of financial distress and the levy of fees for the audit of their accounts will be a burden, which they cannot afford to sustain. Co-operators must therefore feel grateful to the Government for this wise concession. The other is the option given to central and urban banks to employ the services of qualified un-official auditors approved by the Registrar. The profession of public accountant and auditor is a growing one in India at present. In this province, the profession counts amongst its ranks a sufficiently large number of capable and trustworthy young men, who are available for employment for the audit of co-operative banks and who are any day better equipped for the task than the average audit inspector of the co-operative department. It would have been a deplorable blunder if the co-operative banks were deprived of their services, by an insistence on compulsory departmental audit. If the central banks and urban banks avail themselves of this option to employ the services of technically trained auditors and go in for really competent men without sacrificing the quality and efficiency of the audit in the pursuit of economy, there can be no possible doubt that the audit of co-operative banks will improve considerably. It may be noted in this connection that while the first three notifications spoke of recognised public accountants and auditors, the latest notification speaks of any person approved by the Registrar. This change need not, however, be interpreted to mean that the Government intend that unofficial auditors may be recruited from men without technical qualifications or proper equipment.

While we appreciate this option, we must say that a co-operative central organisation to mobilise the services of these qualified un-official auditors will certainly be much more helpful not only to encourage the profession but also to secure for the co-operative banks the best type of duly regulated and controlled non-official audit. The practice of canvassing for an engagement from each individual central and urban bank exposes these professional auditors to the necessity of cultivating the influential directors of the Banks and in localities where there are factions or parties, rival candidates may enter the field and undersell the profession. If there is a central audit organisation, these evils can be avoided. Any proposal therefore to prevent the formation of an independent central audit organisation is neither administratively wise nor co-operatively sound.

Moreover, we are to-day in a position to state with confidence that the proposal not to register any new audit organisations is opposed to the views of the majority of the central banks and of the bigger urban banks which have considered the question. The Provincial Co-operative Bank has rendered a very valuable service to the movement in the province by ascertaining, in as formal and definite a manner as possible, the considered views of the committees of the central and urban banks on the question. An analysis of the replies received from the central banks shows that 16 of the 30 central banks affiliated to the Provincial Bank are in favour of audit conducted under the auspices of a central audit organisation. Similarly an analysis of the replies received from such of the urban banks as have responded to the Circular of the Provincial Bank shows that 44 out of 70 urban banks are in favour of non-official audit by an audit organisation, central or local, 33 favouring a central and 11 a local organisation. We publish elsewhere the communication addressed by the Provincial Bank to the Government on the subject and also an analysis of the replies so far received by the Provincial Bank from the central and urban banks.* A perusal of these documents ought to convince the Government that the consensus of co-operative opinion among the institutions concerned, is decidedly against the proposal to prevent the formation of regional or central audit organisations in future and that there is also considerable genuine demand in favour of the formation of a central audit organisation. To put the case for a regional or central audit organisation at the lowest, the number of central and urban banks who favour it is sufficiently large to entitle them to combine to evolve a scheme of audit organisation suited to their requirements. Such a concession does not in the least interfere with the freedom of those banks who prefer Government audit to resort to it. The least that we ask for is that the advocates of Government audit ought not to oppose the formation of an organisation of their own by the banks which prefer non-official audit and that the Government should not yield to such an unreasonable attitude. The central and urban banks which have unequivocally expressed their preference for non-official audit must be given the freedom to determine for themselves the best form of audit organisation acceptable to them.

* Vide Appendix B and its enclosure. (page 129).

Now that the Government have given two months further time to ascertain co-operative opinion regarding the desirability of forming a central audit organisation, we hope that the Banks which expressed themselves against it so far, will re-examine the case for such an organisation, specially in view of the unsatisfactory and anomalous situation created by the latest notification which permits non-official audit but prevents the formation of an independent organisation to handle it. But the decisions on this question should not be allowed to be clouded by any controversy over the exact composition of the central organisation, which may be left to be decided later by the concerned institutions.

The urban banks of the Province, we understand, are soon meeting in a conference of their own. We hope they will avail themselves of that opportunity to arrive at definite conclusions on the important question of audit of urban banks. If the urban banks decide to have an organisation of their own apart from the central banks, let them evolve a concrete scheme in that behalf and submit it to the Government, before final orders on the subject are issued.

In conclusion we trust that the Government will carefully examine the question of giving adequate facilities to such Central and Urban Banks as favour non-official audit to form regional or central audit organisations of their own, in the light of the weighty communication addressed to them by the Provincial Bank and the valuable materials on which it is based.

APPENDIX A.

GOVERNMENT OF MADRAS

DEVELOPMENT DEPARTMENT.

Copy of G. O: No. 1124, dated 18th August 1932,

Co-operative Societies– Act—Rules—Rule VIII D—Audit Fees—Amendment-Confirmed.

ORDER.

In Notification No. 295, dated 1st August 1932, published on pages 1318-1319 of Part I of the Fort St. Charge Gazette, dated 2nd August 1932, the Government under sub sections (1) and (2) of Section 65 of the Madras Co-operative Societies Act (VI of 1932) read with sub-section (2) of section 62 of the Act published as required by sub-section (3) of section 65 of the Act certain amendments to rule VIII-D of the rules framed under Section 43 of the Co-operative Societies Act, 1912. No objections or suggestions were received by Government within the period of ten days allowed in the notification. The amendments, already published are therefore confirmed. The Superintendent, Government Press, is requested to publish the appended notification in the Fort St. George Gazette.

2. The Registrar of Co-operative Societies brought to the notice of Government that at the meetings of the Executive Committee of the Madras Provincial Co-operative Bank, the Bankers' Conference and the general body of the Provincial Co-operative Union, it was suggested that all Central Banks and limited liability credit societies with a working capital of Rs. 20,000 and upwards should be brought under a scheme of audit conducted through the Agency of the Madras Provincial Co-operative Bank. Details of this scheme have already appeared in the local Press. The Government do not propose to take any action on the scheme put forward until they have ascertained the views of those interested in the Co-operative Movement on the subject. All persons interested are invited to communicate their views to the Government within two months from the date of this notice.

NOTIFICATION.

In exercise of the powers conferred by sub-section (1) and clause (k) of sub-section (2) of section 65 of the Madras Co-operative Societies Act, 1932 (Madras Act VI of 1932), the Governor acting with Ministers is hereby pleased to make the following amendment to the rules published with Revenue Department Notification No. 483, dated the 2nd October, 1915, at pages 1039-1042 of Part I of the Fort St. George Gazette, dated the 9th November, 1915, as subsequently amended :—

AMENDMENT.

For sub rule (1) of rule VIII-D of the said rules, the following sub-rule shall be substituted, namely :—

"Every registered society which on the last day of any co-operative year (namely the year ending 30th June) consisted of more than 500 members or the working capital of which, on such day, amounted to twenty thousand rupees or more, shall pay to the Local Government a charge for the audit of its accounts for such year in accordance with the scale fixed by the Registrar with the previous approval of the Local Government in respect of the class of society to which it belongs:

Provided that this sub-rule shall not apply to—

(a) any agricultural credit society with unlimited liability, or

(b) any audit union, district federation or supervising union; or

(c) any society which has its accounts audited at its own expense—

(i) by the staff of an audit union in existence on the 9th July 1932; or

(ii) under an arrangement approved by the Registrar and in force on the 9th July 1932; or

(iii) by a person authorised by the Registrar to audit the accounts of the society under section 37 of the Act, if such person is willing to furnish the statements prescribed by rule V and in the forms required by the Registrar."

Endt. B. 6305/30.

OFFICE OF THE
REGISTRAR OF CO-OPERATIVE SOCIETIES.
Madras, 24th August 1932.

Copy communicated to all Deputy Registrars, Sub Deputy Registrars in independent charge in duplicate and all Central Banks, District Federations, Training Institutes, the Provincial Co-operative Union, the Madras Provincial Co-operative Bank, the Central Land Mortgage Bank, the Tamil Nadu Federation and the Somoboyo for information.

(By Order.)
V. VENKATAPPAYYA,
Manager.
26-8-1932.

APPENDIX B.

Copy of communication No. A. 4403 dated 23rd August 1932 from the Madras Provincial Co-operative Bank Ltd., to the Secretary to Government, Development Department, Fort St. George, Madras.

SUB :—Co-operative Societies' Act—Rules—Rule VIII-D. Payment of audit fees by societies having a working capital of Rs. 20,000 and over.

With reference to the second paragraph of G. O. No. 927, Development, dated 9th July 1932 inviting the opinions of those interested in the co-operative movement on the scheme formulated by the Provincial Bank for the audit of Central and Urban Banks with a working capital of over Rs. 20,000, I have the honour, by the direction of the Executive Committee, to state as follows :—

In notification No. 41 dated 2nd February 1932 published at pages 331-332 of Part I of the Fort St. George Gazette, the Government under section 43 of the Co-operative Societies Act, 1912, published certain amendments to rule VIII-D, the effect of which was that certain classes of societies were asked to pay audit fees to Government. However, societies which had their accounts audited by the staff of a District Federation, *Audit Union* or Supervising Union or by a certified public Accountant and Auditor were exempted from the operation of that rule.

The notification was considered by the Central Banks' Conference, the Board of Management of the Madras Provincial Co-operative Bank and the General Body of the Madras Provincial Co-operative Union. These bodies urged upon the Government the necessity to exempt all unlimited liability agricultural credit societies from the operation of the G. O. irrespective of the size of their membership or the volume of their transactions; but in regard to central banks and urban banks with a working capital of Rs. 20,000 and upwards, it was agreed that they should be brought under some centralised audit scheme acceptable to the concerned institutions and that they should contribute some reasonable audit fee for the concurrent and final audit of their accounts. The Madras Provincial Co-operative Bank was asked to prepare and circulate a scheme in accordance with those resolutions, and a scheme was accordingly prepared and sent to all the concerned institutions for their opinions and suggestions.

The Government, thereafter, issued G. O. No. 927, Development, of 9th July 1932 in modification of the earlier one dated 2nd February 1932, exempting from audit fees all unlimited liability societies and limited liability societies with a working capital of less than Rs. 20,000, and inviting opinion on the central audit scheme prepared by the Provincial

Bank. In doing so, the Government, however, for the first time introduced a new restriction in respect of audit unions confining the exemption from levy of audit fees only to societies which have their accounts audited by audit unions "in existence on the date of the publication of the notification."

The Provincial Bank supplemented its original circular inviting the opinions of central and urban banks on its central audit scheme by a questionnaire to elicit definite opinions on (i) audit by Government, (ii) audit by a central audit organisation, (iii) audit by local audit unions, and (iv) audit by recognised public Accountants and Auditors, in order to have a comprehensive idea of the views of the central and urban banks on all aspects of the question.

The views of the 30 central banks out of the 31 affiliated to the Madras Provincial Co-operative Bank and of the Christian Central Co-operative Bank (not affiliated to the Provincial Bank) have been received. The opinion of only one central bank (viz. Conjeevaram) is yet due; but it is not likely to be received before the end of September. The views expressed by these institutions are summarised in a separate note annexed, and true copies of their replies are also appended to this communication. It may be seen that 16 out of the 31 central banks in the Presidency (a numerical majority) are in favour of non-official audit through the medium of a central audit organisation; one central bank is in favour of audit only by a public Accountant and Auditor; one bank has qualified its preference for Government audit by a definite demand for the reduction of the audit fees to one-third of the proposed scale. Opinions of 70 urban banks have been received out of 226, who come under the scheme and to whom references were sent. From the summary of these opinions appended, it may be seen that, out of the 70 urban banks from whom replies have been received, 47 are in favour of non-official audit—33 in favour of a central audit organisation, 11 in favour of a district audit union and 3 in favour of a Public Accountant and Auditor, while 23 are in favour of audit by Government.

There is thus a substantial volume of opinion of the concerned institutions in favour of audit being conducted by non-official agency, the bulk of the number of institutions favouring non-official audit being also in favour of audit through a central audit organisation. No co-operative opinion has been received by the bank in favour of confining the exemption to societies audited only by audit unions in existence on the date of the notification of 9th July 1932.

Having considered the views of the concerned institutions received by this bank, the Executive Committee desires to state that it is in agreement with the view expressed by a majority of these institutions as summarised above. I have to state, however, that three members of the Committee prefer Government audit in the first instance; and if it is not forthcoming, two of them are in favour of a non-official central audit organisation, while the other member is of opinion that no organisation responsible for supervision shall be entrusted with audit.

(Sd.) V. C. RANGASWAMY,
Secretary.

ENCLOSURE TO APPENDIX B.

THE MADRAS PROVINCIAL CO-OPERATIVE BANK, LTD.

Summary of the views expressed by Co-operative Central and Urban Banks regarding G. O. on payment of audit fees.

Analysis of Replies received from Central Banks.

A. Of the 31 central banks affiliated to the Madras Provincial Co-operative Bank, Ltd., views of 30 central banks have been received up to date. The following 16 are in favour of non-official audit through the medium of a central audit organisation :—

1. Aska Co-operative Central Bank, Ltd.
2. Ganjam Dt. Co-operative Banking Union, Ltd.
3. Central Bank Ltd. Vizianagaram.
4. Dt. Co-operative Bank Ltd. Cocoanada.
5. Ramachandrapuram Co-operative Central Bank, Ld.
6. Sree Konaseema Co-operative Central Bank, Ltd.
7. Rajamundry Co-operative Central Bank, Ltd.
8. W. Godavari Dt. Co-operative Central Bank, Ltd.
9. Viziavada Central Bank Ltd., Bezwada.
10. Nellore Dt Central Banking Union, Ltd.

*11. Cuddappah Dt. Co-operative Central Bank, Ltd.

*12. Anantapur Dt. Co-operative Central Bank, Ltd.

13. Hospet Co.operative Central Bank, Ltd.

The working capital of these Urban Banks exceeds Rs. 50,000.

14. Madras Dt. Co-operative Central Bank, Ltd.

15. South Canara Co-operative Central Bank, Ltd.

16. Madura-Ramnad Co-operative Central Bank, Ltd.

* *Note*:—(1) The Board of Management of the Cuddappah District Co-operative Central Bank Ltd., is in favour of the Central Audit Organisation. The Executive Committee, however, states that while it is in favour of non-official audit agency, each bank should have an auditor approved by the Registrar.

(2) The Anantapur District Co-operative Central Bank would preferably have a regional non-official audit organisation for the Ceded Districts, if one can be secured.

B. The following Bank is in favour of audit by a Public Accountant and Auditor and is *against* Government Audit:—

17. Salem District Urban Bank Ltd, Salem.

C. The following 11 are in favour of Government audit and are against non-official audit:—

18 Chittoor District Co-operative Central Bank, Ltd.
19 Kurnool District Co-operative Central Bank, Ltd.
*20 Coimbatore District. Urban Bank., Ltd.
21 Malabar District Co-operative Bank, Ltd.
22 South Arcot Co-operative Central Bank, Ltd.
23 Co-operative Central Bank, Ltd., Kumbakonam.
24 Co-operative Central Bank, Ltd., Tanjore.
25 Trichinopoly District Urban Bank, Ltd.
26 Srivilliputtur Co-operave Banking Union, Ltd.
27 Tinnevelly District Co-operative Central Bank, Ltd.
28 Co-operative Central Bank, Ltd., Vellore.

* *Note.*—The Coimbatore District Urban Bank is in favour of Government Audit. Should Government, however, decide to permit non-official audit, the Bank is in favour of the Central Audit Organisation Scheme.

D. The following two Banks want Government to reduce the scale of fees and presumably prefer Government audit if it is made cheaper:—

*29 Guntur Dt. Co-operative Central Bank, Ltd.

* The working capital of these Urban Banks exceeds Rs. 50,000.

*30 Krishna Co-operative Bank, Ltd.

**Note.*—(1) The Guntur District Co-operative Bank has not, however, answered any point in the reference, and does not say what its attitude is, if the Government does not reduce the scale.

(2) The Krishna Co-operative Bank says that if the Government refuses to reduce the proposed scale of fees to *one-third*, the bank would prefer to have the audit done by a Public Accountant and Auditor and is against an audit union, local or central.

E. The views of the following central bank have not yet been received:—

31. Co-operative Central Bank Ltd., Conjeevaram.

F. The Christian Central Co-operative Bank Ltd, which is not affiliated to the Madras Provincial Co-operative Bank Ltd., is in favour of Government Audit.

Analysis of Replies Received from Urban Banks.

G. Replies are received from 70 Urban Banks out of 226 due. The following 33 are in favour of non-official audit through the medium of a central audit organisation:—

1 Innespeta Co-op. Urban Bank.
* 2 Madras Teachers' Guild C. S.
* 3 Gobichettipalayam Urban. Bak.
* 4 Gooty Co-operative Town Bk.
* 5 Narasaraopet Town Bank.
6 Puttur Agriculturist's Co-op. Wholesale Society.
* 7 Tiruvannamalai Co-op. Society.
* 8 Masulipatam Urban Bank.
9 Karaikudi Urban Bank.
10 Gudlavalleru L. M. Bank.
11 Bodinayakanur Town Bank.
*12 Krishnagiri Urban Bank.
13 Vizianagaram Samasthanam College Co-operative Society.
*14 Karkala Co-operative Society.
*15 Villupuram Urban Bank.
16 Prakasapuram C. S.
17 Walaja Urban Bank.
*18 Chicacole Urban Bank.
*19 Karur Town Bank.
*20 Kaveripatnam Town Bank.
21 Manapad Catholic Urban Bank.
*22 Dindigul North Urban Bank.
*23 Vizagapatam Co-op. Bank.
24 Madanapalle Town Bank.
*25 Cocoanada Co-operative Bank.
*26 Tiruppur Co-operative Bank.
*27 Bellary Town Bank.
*28 Cuddapah Town Bank.
29 Papanasam Urban Bank.
30 Karuthattangudi Urban Bank.
*31 Melur Urban Bank.
*32 Lalgudi Urban Bank.
33 Arantangi Urban Bank.
† 34 Srirangam Co-operative Bank.

H. The following 11 are in favour of non-official audit through the medium of a District Audit Union:—

*35 Velur Urban Bank.
*36 Madura Urban Bank,
*37 Hindupur Town Bank.
*38 Kasaragod Town Bank.
*39 Paramakudi C. S.
*40 Tinnevelly Junction C. S.

* The working capital of these Uurban Banks exceeds Rs. 50,000.

† Reply from this Bank was received after the communication was sent up to the Government.

*40 Tinnevelly Public Servants' Co-operative Society.
*41 Devakota Urban Bank.
42 Cannanore Urban C. S.
*43 Periakulam Urban Bank.
*44 Hirudeyapuram C. C. Bank.

I. The following three are in favour of audit by a Public Accountant and Auditor :—

*45 Mangalore Catholic Central Co-operative Society.
46 Vizag. Dist. Police C S.
*47 George Town C. S.

J. The following 23 are wholly for Government audit and are not in favour of non-official audit :—

1 Adoni Co-op. Town Bank.
* 2 Government Telegraph Employees' C. S., Madras.
* 3 L. Conjeevaram Urban Bank.
* 4 Madras Vellala C.S.
* 5 Sri Kamalambika Urban Bank.
* 6 Tindivanam Urban Bank.
* 7 Tirupathi Town Bank.
8 Negapatam Urban Bank.
9 Coonoor Urban Bank.
*10 Chittoor Town Bank.
*11 Vijayapuram Urban Bank.
12 Punganur Town Bank.
*13 Sree Krishna Urban Bank.
*14 Madras Posts & Tel. C. S.
*15 Dharmapuri Urban Bank.
*16 Government Press Employees' Co-operative Society.
*17 Chingleput Public Servant's Co-operative Society.
*18 Chingleput Urban Bank.
*19 Bhupathiraju C. S.
*20 Tinnevelly Town Co op. Bank.
*21 Kurnool Urban Bank.
*22 Srivilliputtur Urban Bank.
*23 Conjeevaram Town Bank.

* The working capital of these Urban Banks exceeds Rs. 50,000.

Practical Agricultural Co-operation.*

BY MR. K. UNNIKRISHNA MENON,

Deputy Director of Agriculture IV Circle, St. Thomas Mount.

1. As I have been studying co-operation with particular reference to agriculture, I am here attempting to place before you some of my views on the subject. My claim as an outsider to speak on co-operation before an audience of co-operators is the fact that the man in the forest can see only trees, whereas the man outside can see the forest as a whole. Before coming to the point, I shall attempt to describe the present position of co-operation in this country in the broadest way possible and contribute my mite by way of suggesting methods for improvement.

2. In the history of any organisation a few definite stages of growth can be noticed. With a number of enthusiasts who do propaganda work in favour of a movement and under their guidance, new organisations are started as the first step in their existence. Secondly, there is a period when people are busy forming organisations and their number easily mounts up. Good reports commenting on the encouragingly large number of organisations formed during the period please the public as well as the Government. This is followed by a third period of working difficulties due to practical inaccuracies of the programme of work forecasted for the organisations to follow. The original scheme was probably suited to the conditions which are available at the outset when the propagandist studied the question. There must have been some changes and as a result of it the needs of the country and the population have likewise undergone considerable change. Later on comes the more difficult and annoying period of stagnation which is marked by inactivity. The next stage is one of fear of the authorities that helped the formation of the organisations as to whether they are any good or can serve any useful purpose and so forth. It will be evident to them that these organisations can do little and the question of winding them up will then be looming large in their minds.

3. This is the economic principle on which all organisations in this world have been found to work and I fear that it will be

* Paper read at the District Co-operative Conference North Arcot held at Pallikonda.

unnecessary for me to explain to you now as to the stage in which we stand with regard to the co-operative societies in this country. Therefore without commenting upon this aspect of the question I directly come to consider as to how an organisation can remain useful to the public even though it was instituted scores of years ago. What I would consider necessary for an institution to live long and be useful to the public is that the organisors of it must study the changing conditions of the country and the needs of the people who are members of the organisation and adopt changes in the scope and work of the organisation. Any organisation which is prepared to expand according to the changing needs of the people, for whose benefit it is formed, cannot fail to become useful. For this purpose again we have to consider as to what the members of these organisations want them to do as different from what they have been doing hitherto. Putting these questions side by side with the directions in which the organisations should expand, we will be able to get at the solution of the difficulties which present themselves in our co-operative movement of the present day. I leave this question more for the kind consideration of the co-operators before me for solution with special regard to the needs of the particular society or union which has deputed them to this conference. However, I shall make some suggestions of a practical but general charactor.

4. Co-operation was worked as a purely credit movement in the rural areas with a fair amount of success at the beginning. Later on it fell into inactivity. A condition of stale mate was created by the larger overdues and the panchayat not being bold enough to take any action. This is a proof to show that it has failed to function as a pure credit movement.

The society with overdues is considered to be a bad society. It has to be reconstructed. We have to look at the causes as to why the overdues accumulated. In general terms the people may easily attribute it to the inefficiency of the managing committee but the members can easily find out the special reasons which contributed to it in each case and end or mend them as far as possible. The cause of the overdues is generally found to be that the loan was not used for productive purposes such that the borrower became financially stronger to be able to pay back the loan. Even the worst usurer in the country has been found to help his client with additional loans when he realises that the debtor is a man of character and that by only helping him with additional loans that

he can enable him to pay back the money which is long overdue to him. Taking the cue from the village banker the societies have to help the members with further loans in order to strengthen the financial position and more particularly see that they utilise the present loan entirely for productive purposes. Therefore what may be necessary in the case of co-operative societies will be to find further funds for giving cheap credit to the member suffering from overdues provided that the man has character. Such may be special loans for special purposes given with due regard to the purpose for which one must use the loan. The return of such loans with interest in moities or as a whole in due time must be very vigilantly looked for and effected. If things are arranged by the society to do so, the overdues can be slowly reduced.

5. The Townsend Committee found out that the overdues were due to short term loans having been used for long term purposes. This Committee as well as the Royal Agricultural Commission were not also well satisfied with the kind of supervision exercised on the societies. The educative work done in the rural areas was found inadequate and the Provincial Union deputed a number of gentlemen to do propaganda work very recently. When I had occasion to speak to a fairly enlightened co-operator he was not able to understand that a co-operative loan is money borrowed by a member from his own assets. The full significance of the term unlimited liability was not understood by most members until the liability of a society was actually demanded from the more well to do out of them. Such being the state of affairs, one can hardly think that supervision of the work of a society or societies can be very efficient if done by the ordinary run of members of the rural credit society. More educative propaganda of an intensive nature is evidently needed while the closer examination of the purpose of a loan must yet be done by some uninterested agency. As rural credit is mostly meant to finance cultivation, I mean to emphasise that the supervision must be done by one who has a full knowledge of the life and requirements of a farmer. From our old experience we have to see that the supervision must be more liberal but accurate. This is a difficult one. Unless we are able to carry out this in the best way, the economic progress of the villager which is the aim of the co-operator as well as the agriculturist cannot be effected. Without improving the economic position of the villager we cannot expect to clear the overdues. The chief productive work

for which a society may finance a member of the village is agriculture and in the fitness of things it devolves on the members of the staff of the Agricultural Department to examine the purpose of the loan and give the society and the party who takes the loan sound advice on the economic aspect of it and how best it can be utilised. The learned Director of Agriculture, Mr. S. V. Ramamurthi, I. C. S, aptly puts it as to "prevent the co-operative hen laying infertile eggs by fertilising her with agriculture, when the eggs she lays will lead to a chicken and further multiplication of life". I have got a full staff of Agricultural graduates who have been studying the economic life of the farmer and I believe that none else can be more competent to do both the educative progaganda work and a close examination of the purpose of such loans. If you, as co-operators are prepared to try the experiment with a few societies in each taluk, I shall be glad to offer the services of my staff for the purpose so that our joint work may bring about more satisfactory results.

It is found difficult to get a gathering or a quorum to hold a general body meeting in a society. This is due to the lack of interest on the part of the members in the affairs of the society which in other words means that the society is not functioning in such a way as to benefit the members. This is a practical proof of the statement I made at the beginning. Therefore the society must form the organisation of the village for various other purposes which are now found necessary for the villager as a result of the change in his outlook. Whatever is useful of the new ideas and informations for the progress of the villager must be made available at the society centre, such that the villager must be satisfied by the fact that the society is worked entirely for his benefit. If such a feeling is created in the minds of the members, no co-operative society can become unpopular. The practical working aspect of it may come to mean that the society must be almost a rural reconstruction centre of the village. It may have to function as an Agricultural Improvement Society to work up the economic advance of the villager besides attending to health, education, sanitation, medical aid etc., of the village. The society may be required to go so far as to take up the question of settling disputes of all kinds in the village. In order to effect the joint purchase of the requirements of the village and the co-operative sale of the produce, the society will have to function as a trading body. The society may have to serve the village even as a news agency since the villager of the present day is found interested even in such affairs as the Sino Japanese relations. If there should be a separate institution for each one of the above items of work, it will make matters very complicated with sometimes conflicting interests that may paralyse work and progress.

The Triplicane Urban Co-operative Society, Ltd.

AN OBSERVATION

By M. R. M. Kaimal, Travancore.

The present condition of the Triplicane Urban Co-operative Society is apparently alright except for the trouble which is often arising, more often than desirable, between the General Body of share-holders and the directorate. The soverign power of this demo-cratic institution is the General Body. This General Body in the earlier years consisted of a small number of members (share-holders) more or less conversant with the principles underlying the store-movement and amenable to the control and advice of the few who under the name of the directors, the Advisary Body, etc., etc., dictated its policy. In the earlier years the progress was slow. It depended upon the good will and loyalty of the share-holders, the attainment of which was the constant endeavour of the first Directors and their supporters who are being called the "early pioneers". After sometime commercial success was the reward of the early efforts and the institution grew in numbers and volume of business. The incessant propaganda which characterise the early days of its history disappeared. Large number of members, sales amounting to several lacs of Rupees, big amounts representing the Common Good Fund, Reserve Fund etc., became the chief attraction. Now the Directorate, elected by the people *i.e.*, the General Body of Share-holders recruited from the whole city of Madras, no longer represents people enthusiastic about co-operation, but people who are attracted to it (Directorate) by the commercial prosperity of the institution and all the benefits attendant thereon. The number of branches rose to 27, almost corresponding to the Municipal Division. Periodical Meetings for propaganda became rare and share-holders of the different branches hardly know each other, or possess similar co-operative ideas and ideals. The annual meeting held at one place *viz*., the Head Office, Triplicane, as it is called, became turbulant and clamorous for cheap goods and high dividends because nobody taught them to appreciate anything better than these. So now it may be described as a big commercial institution run more or less by a beaurocracy; the Directors and the little band of followers. There is discontent among all classes of share-holders on almost every point connected with its administration. To add to the difficulties there is a credit Department which originally was a small affair consisting mainly of chit funds. Now it has become large and unwieldy and unmanageable because the element of personal knowledge between the share-holders among themselves and between the directors and the share-holders is wanting and so all the evils found in the Co-operative Credit Movement elsewhere have found their place here also viz., heavy overdues, bad collections bad accounting and auditing, petty defalcations as rumoured. But the present success as a shop and its apparent prosperity are due to the good-will which the fair name of the store has attracted to itself. We see all round signs of competitive shops by petty-dealers growing alround threatening the very existence of the co-operative store with the 27 branches.

At present there is inside the store something like a revolution making itself visible and indicating the need for constitutional reform, change of methods in working and even the personale of the Directorate. There are also on the other hand signs of awakening on the part of those who were inert till now and who wish to see this institution placed on a sounder footing.

Judging from the conversations I had with several persons who have a keen eye on the benefit of the store movement I am able to gather that the chief reforms needed are mainly the following.

1. The separation of the credit branch of the store if not its entire abolition and its replacement by a Banking department to attract small deposits from members for strengthening the slender capital of the movement excluding altogether loans to members which cannot be, from the very nature of it, possible. This must be the province of specially organised credit societies and not of a co-operative store.

2. The separation of the existing branches into separate primary societies having complete local autonomy in every detail of its business.

3. Their immediate federation into a whole sale society for this exclusive purpose of joint purchase and production if possible.

4. Reviving the old habit of carrying on propaganda through lectures, pamphlets and leaflets as is done in every country that has shown progress in consumers co-operation.

There are people talking about this and who believe that there is no other device by means of which such a big body of share-holders numbering thousands scattered over the whole area of Madras being held together. With these reforms effected sooner or later, as I hope they will be, the Triplicane Store might possibly lead to a revival of the store movement which, at present, is considered by the official and the non-official alike as a "failure" in this country.

The failure of a big institution like the Triplicane Store will, indeed, be a great set back to the Consumers' Movement as a whole and it behoves therefore every one interested in the consumers movement to help in the restoration of this unique "Triplicane Store" to its former level of usefulness and greatness.

Recent Utterances.

THE CO-OPERATIVE MOVEMENT—ITS PRESENT POSITION *

OF

T. ADINARAYANA CHETTIAR, BAR-AT-LAW, SALEM.

You are holding the Conference at a most opportune moment. The new Act which was in contemplation for nearly a decade has just received the assent of His Excellency the Governor and the proposal of Government to levy audit fees is agitating the Province. This may not be the time for criticising the new Act; but one is, I believe, entitled to point out that under it official control over the movement has been strengthened. The Registrar has ousted the jurisdiction of the civil courts except as regards appeals in case of surcharges under Sec. 49(1). The Liquidator's powers continue to be enormous and his decisions final. The dangers of this have been exposed in full in a recent decision of the Madras High Court. I learn that the power of surcharging is already being used as a threat here and there—even before the Act actually received the assent of H. E. and the drastic power to suspend the Managing Committee and placing the management in the hands of the nominees of the Departmental officials is potent for great possibilities for evil and may easily ruin the morale of the non-official workers. For, it is common knowledge that under an alien system of government those non-officials who command the confidence of the officials do not generally command either the affection or the respect of the general public. Today I have time merely to indicate a few of the possible dangers ahead; but it is easily conceivable that these may assume greater proportions if the Departmental officials instead of remaining non-interfering take it into their heads to unduly interfere in local matters.

I know there are occasions when the interference of local officials has been for the good; but all the same they are bad on principle and whatever momentary good it may achieve, it is undesirable as in the long run, it vitiates public life. I know also instances when such interference is solely with the object of making institutions work smoothly. One can imagine these officials to say to themselves, "No matter whether X is unjustly ousted by Y; somehow let the institution get on if necessary with Y and so let me support Y. What we want is that the movement in the area in our charge should get on." But people who take a longer view of things or judge things from a moral point of view would rather allow the local people to commit mistakes and run their institutions if necessary on somewhat less efficient lines than they should make a "show" of smooth working. In view of the very drastic powers conferred by the new Act and in view of the present controversy as regards the substitution of a non-official agency in the place of the Government agency for audit and also in view of such matters as the abolition or retention of a Federation in a district or even as regards such occasional disputes as the shifting of the head-quarters of a central bank, it is desirable that officials maintain a strict neutrality. They should not be dazzled by temporary gain but must look to the ultimate good.

* Extracts from the Opening Speech at the Eleventh Guntur District Co-operative Conference, held at Tenali on the on the 7th August 1932.

In saying all this, I am not to be understood as holding the view that non-officials have always and everywhere been paragons of virtue and efficiency. If it were so this sordid earth would have been a paradise. It has to be admitted that often love of power and position and more often the power of exercising patronage have not only been the cause of the existence of many troubles but have, I am ashamed to own, been responsible for unscrupulous propaganda and even a low sort of bribery. I would not have even mentioned this nauseating feature but for the fact that many desirable people are in consequence keeping aloof from a movement which is potent for the greatest good for the toiling millions in this land. A prominent worker who has sacrificed a brilliant career to work for the people, confesssed to me very recently that for a good man who attempts to take up public work it is a regular obstacle race.

I would be stating only a truism if I say it behoves non-officials to take a larger view of things and not to be seduced by any temporary or personal advantages. Above all, we should neither dance to the tune of the local officials who are here to-day but gone to-morrow nor make much of their support and much less build upon it. As an instance of the existance of this evil, I need only point out to the views expressed by some non-officials and I believe even at some co-operative Conferences that audit should continue in official hands apparently for ever. If the thought out scheme of the Provincial Co-operative Bank is not acceptable to these gentlemen, it is open to them to suggest a better scheme or at least to point out defects in it. But to say that Government alone should control Audit is to own to a sense of unfitness for even this small measure of self-management.

Government would, of course, like to keep in their own hands the power of patronage to the extent of appointing 60 or 70 auditors. But it is equally our duty to point out that we are prepared to shoulder this important responsibility and that the choice of auditing staff by Government has not been very happy in the past as pointed out both by the Townsend Committee and by the Banking Enquiry Committee.

I hope I shall be pardoned if I venture to give a word of advice to the Unions. The managing boards of central banks and the executive committees which are elected from out of these bodies consist largely of the representatives of unions. These unions (except the very best) imagine they stand to gain from the laxity of management in the financing banks. So, at meetings they are against any extra strictness as regards investigation into loan applications and the like. They often elect their representatives to the Board with that one view. These in their turn elect such office-bearers as would promote the object in their view. Is it any wonder that some of the best people complain of the tyranny of the election methods adopted by the unions and as my good friend said they find their attempt an obstacle race? When such unworthy motives come into play, is it any wonder that societies are inefficient? The chance of not being elected prevents the would-be union representative on the board from dealing harshly or even strictly with primary societies with the result that benami loans and slack collections are the order of the day. This is a matter worthy of the attention of the best minds among non-officials.

2. CO-OPERATION IN EAST GODAVARY.*

By Dewan Bahadur C. Venkatachalam Pantulu Garu.

We have met here at a time when the co-operative movement is passing through a trying and critical stage. Local disasters, world wide economic depression and the heavy fall in the prices of agricultural produce, which is the mainstay of the ryots who form the bulk of our rural co-operators and consequent abnormal fall in the value of agricultural land, have contributed not a little to the present state of affairs. The arrears in the primaries of our district have mounted up from Rs. 11,34,139 in 1929-1930 to Rs. 22,19,503 in 1930-1931 with the result that most of our societies have been unable to keep their obligations to their financing agencies. The general working of good many societies is not what it ought to be and presents a gloomy and unsatisfactory picture. About 50 per cent of the societies are placed under "D" class in 1930-1931, indicating that they are bad societies which will have to be liquidated, should they fail to improve in two years.

The prevailing economic forces, coupled with mismanagement, have contributed to this present state of affairs. Benami transactions, frauds, misappropriations and falsification of accounts are not uncommon; instances where office-bearers who have unscrupulously misused the trust reposed in them and utilised public funds for private ends have also come to light.

It is high time for the co-operators in the district to bestir themselves and remedy these evils and place the finances on a sound and stable basis. The work of consolidation and rectification recently set on foot, does not appear to have produced the required results so far. The talents and energies of all honorary and paid workers should be concentrated and utilised to the full to arrive at a definite programme of work to set the societies in order. The false ideas of prestige, favouritism and power have to vanish.

* Extracts from his Welcome Address at the VIIIth East Godavary District Co-operative Conference held at Rajahmundry on the 10th July 1932.

It may not be out of place if I make some suggestions for the guidance of the workers in the field :

(1) The policy of enforcing collections from members by rigorously demanding "the pound of flesh" at a time when forces beyond their control render them unable to pay should not be insisted on.

(2) To ensure the security of the amounts now invested in the movement a thorough and searching scrutiny of all outstanding loans should be undertaken. The economic condition of each individual should be examined in detail and his repaying capacity ascertained. Sufficient time may be allowed for repaying the loan out of his earnings after obtaining adequate security. When it may be essential for a member to sell his property for discharge of his debts, time may be allowed to settle his transactions in a favourable market.

(3) Moral pressure and persuation may be used to recover the amounts. Recourse to coercive action shall be the last resort.

(4) The Central Bank shall arrange for marketting the produce of the members at favourable prices.

(5) The policy of restricting the healthy and natural growth of the movement is rather suicidal. Registration of fresh societies under favourable conditions shall not be objected to by the Department. Expansion has to go on along with the work of consolidation and rectification.

Primary Societies are working with very little margin of of profits. The levy of half registration fees has not only been a hardship but is even a prejudicial step to the best interests of the movement. To add to this the Government in G. O. No. 154 dated 2-2-1932 published a notification requiring societies with more than 500 members and with transactions exceeding Rs. 20,000 to pay fees for the audit of accounts annually. Statistics show that unlimited liability primary societies are not in a position to bear any extra taxation and the Government should be requested to exempt them from the operations of this G. O. and conduct a thorough and efficient audit at the expense of the State. The audit of Central Banks and big Urban Banks which are not unable to pay the audit fees has been

engaging the attention of all co-operators at present. The ultimate aim of all is to have the co-operative movement de-officialised and handed over to non-official agencies. The Government have asked us to take up audit, subject to their control; and we shall not express inability to rise to the occasion. It has been contended that the private audit, now proposed leads to loss of confidence in the investing public. I am not able to understand this proposition. The Registrar as usual undertakes the responsibility to control audit. He certifies the auditor to be appointed and himself issues the audit-certificates. He has expressed "I believe that the control of an audit staff by the non-official agency subject to the supervision and test audit by Government officers can be quite as efficient as the existing system". The only difference is the agency for the conduct of audit and it cannot be said that the audit of departmental staff alone carries any special weight. Under the circumstances the audit by a central provincial organisation, I believe, can maintain the necessary public confidence. The audit of the Madras Provincial co-operative Bank by a private auditor has not lowered its prestige. The Audit of Central and Urban Banks is almost similar. It is more mechanical and technical and differs from the audit of unlimited liability primaries. The audit of rural societies, where the funds of the movement are invested, will still rest under the proposed scheme with the department and keep the confidence of the investing public, if really there is any such fear. I do not subscribe to any proposition of the kind. All the joint stock companies are audited by non-official agencies and yet it is not said anywhere that people have lost confidence and therefore people are not investing their funds therein. These Banks are all in a flourishing condition inspite of private audit. The Townsend Committee have recommended the formation of a central organisation for audit of Central Banks and Urban Banks and pointed out that small local audit Unions cannot attract suitable men for the work. The evils of faction and favouritism will have their unbridled sway in the case of appointment of auditors by small local Unions and auditors cannot be hold enough to discharge their duties efficiently and well. A central organisation tends to economise the establishment and contingent charges and has all the advantages of the Government audit. Hence the creation of independent and separate provincial organisation with a pannel of auditors on a provincial cadre is not only necessary for cheap and efficient audit, but also conducive to the growth of necessary confidence in the minds of the investing public. I therefore commend to you the scheme suggested by the Madras Provincial Co-operative Bank Ltd.,

The question of the agency of supervision is also engaging the attention of all co-operators. Now that the Federation which could co-ordinate the work of the Unions and keep them in proper working order is liquidated, and the majority of the Unions are not properly and efficiently working and that the ideal of keeping finance and supervision separate is abandoned, I think it is desirable that the Unions may be dissolved and the work be handed over to the Central Banks, so that the conflict that is going on between financing and supervising agencies may be put an end to and the work carried on smoothly and efficiently. I suggest that all controversies be suspended for some time at least and that a practical scheme be formulated to tide over the present state of affairs.

The co-operative movement in India, unlike that in the Western Countries, has been initiated and is beeing controlled and guided by the State. Even after a lapse of about 28 years since the inauguration of the movement it cannot claim to be free from spoon-feeding. It is a pity that the Government have no definite policy in the matter. Mr. Hemmingway wanted to have a number of Central Banks while the present policy is to have a Bank for each district. Mr. Hood, the predecessor of the present Registrar, established agencies for supervision and propaganda. The present Registrar states in his report on the working of the Co-operative Societies Act II of 1912 for 1930-31, that it is not derirable to have separate bodies to attend to supervision and propaganda, and has no hesitation to entrust them to the financing agencies. Thus there is a change of policy each time there is change in the person of the Registrar. The movement can progress only when the Government can lay dawn a clear cut and consistent policy for the guidance of the subordinates and workers in the field after obtaining expert technical advice coupled with healthy public opinion on the subject.

India is predominantly an agricultural country with over 90 per-cent of the population living in villages, entirely dependent on agriculture and cottage industry. As Sir Lallubhai Samaldas observed the other day in his broadcast speech "Our principal concern is with the man behind the plough". History has shown that the co-operative movement alone can rescue the agriculturist who is groaning under the weight of unproductive debt. The

village agricultural credit society is the simplest form of organisation which serves the agriculturist to the full. The Government have so far developed the credit side of the movement well-nigh neglecting the non-credit aspect. Facile and cheap credit is of no use unless the villager is enabled to increase his earning power, to conserve his meagre savings and, to practise economy, to reap out of his land more than what he is now able to get, to save himself from the loss to which he is now a victim in what he buys and sells, and to lead a decent and healthy life with peace and plenty reigning in the land. Then only the Rural Problem can be said to have been solved.

Co-operators need not be discouraged by the defects, transitory troubles and other antagonistic factors that may to-day confront the growth of the movement, but should march on keeping the high idelas and noble aspirations in view. We err only to learn more. Our endeavours will be crowned with success only if we follow the wise words.

> "Ponder well and know the right
> Onward then, with all the might"

Co-operative work is one of the noblest that can fall to the lot of men. It requires men possessing great love for their fellow beings with a desire to serve them truly and well and with pleasure in the self imposed task. It requires men who have an abiding and firm faith in its potentialities for social, economic and political uplift of man. I wish that such people be constituted into a "Co-operative Service League" on lines similar to those of the "Servants of India Society" and dedicate their lives for the working of the advancement of the movement to reach the cherished goal of the co-operative commonwealth.

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 Educative and Inspiring. 62 slides. **Price Uncoloured Rs. 62. Coloured Rs. 95.**

---

3. MARKETING INDIA'S PRODUCE—SOME HANDICAPS ANALYSED.

By Mr. V. Ramadas Pantulu.

The inaugural meeting of the Economics Association of the Pachaiyappa's College was held on the 19th August, 1932 at the College premises with Sir A. P. Patro in the chair when Mr. V. Ramadas Pantulu addressed the students on the problem of marketing of agricultural products in India.

The problem presented some unique features in India, said the lecturer, and it would not be solved unless attempts were made to deal with it in a more serious fashion than had been done so far. India furnished her own home market for the bulk of her agricultural products. On the average five-sixths of the whole produce or nearly Rs. 1,000 crores worth of agricultural products were consumed internally; and only a sixth or about Rs. 200 crores worth exported. Nevertheless, India had the least organised internal market. Further, as a result of hostile propaganda in external markets, the reputation of many of the Indian products was low; others, whose quality stood high, lacked advertisement. The producers of exportable surplus of raw products were at the mercy of the foreign markets. They had no organisation for internal marketing and the flow of produce into the market was absolutely chaotic. During the harvest time, for example, there was constant daily flow into the market even though it was already over-fed. The causes were financial pressure on, and indebtedness and domestic expenditure of, the producers. The inevitable result was fall in prices. Not a little of the difficulty of the producers was due to the forward contracts entered into by many producers with money-lenders or exporting firms. The traders dominated the markets and the producers were almost entirely at their mercy and forced to sell on the terms dictated by the former. As cases in point he cited a few experiences of the Chirala tobacco producers and the jute-producers of Bengal which he said, had come within his personal knowledge.

FACTORS IN AGRICULTURAL MARKETING.

Some of the important factors in the organisation of marketing, continued Mr. Ramadas, would be the adequate provision of facilities for assemblage and collection of produce, cheap and quick transport, financial aid including tariffs and subsidies if necessary, and minimising of risk. In India the task of assembling and collecting products would offer serious difficulties for the cultivation of our products was on a small scale and scattered over an extensive country. One common method of minimising this difficulty was by localisation and specialisation in raising crops. If particular tracts in each province are marked out for cultivation of certain commercial crops their assemblage and collection at a central manufacturing or market centre would be easier. Another facility required was provision of cheap and quick means of transport. The State and the Railway Companies in other countries had a well-directed policy of giving every possible aid to agriculture in the matter of freight and quick carriage. But in India all these were entirely the other way. It would take a to bring one bale of cotton from New York to Karachi; but the same bale would cost him Rs. 12-8-0 to transport from Bellary to Karachi! In other countries there were bureaus to disseminate useful information about markets for various goods in various centres and banking institutions did this as part of their regular work. In India neither the State nor banks nor any private agency discharged this important function. Other countries had scientific methods of treating agricultural surpluses. They had warehouses and stores where the produce could be left accumulated pending the improvement of the market. In this connection he was sorry that the recommendation of the Economic Depression Enquiry Committee, presided over by Mr. H. A. B. Vernon for the organisation of warehouses and stores, had been turned down. Co-operative loan and sale societies had but very limited scope in this country and even they could not effectively discharge their duty without having some sort of warehouse and store. When these societies are started, he was sure the exporting firms interested in the produce would in no time be able to cripple the societies.

SOLUTIONS TO THE MARKETING PROBLEM.

Many were the suggestions made to improve the conditions and solve the problems of marketing in India. By far the best solutions offered were organisation and standardisation. Without State aid and public support these results could not be achieved. Perhaps legislative measures would also help to improve the conditions. The Berar and the Hyderabad State had now in operation Marketing Acts and the experience gained by the working of these acts had been on the whole encouraging. The Madras Government had actually copied these Acts in the bill now waiting consideration of the Legislative Council in regard to the marketing of commercial crops. In the representations made to the Development Minister and the Director of Agriculture during their tours over the province, he found that the cause of the traders had been powerfully laid before them; but there were only a few to plead the cause of the poor producer before the Minister or the Director. He was, however, glad that both these gentlemen had done their best to make the public clearly understand the aim and benefits of the measure, and he hoped that more and more people would take an interest in the subject and put forward the point of view of the producer.

This bill, he said, was only an enabling measure which gave power to Government to set up local markets and marketing committees, and all the details and procedure were left to be filled in by the executive in the rules. He would suggest that the bill must be more specific and contain ampler provisions dealing with the aspects and details of the problem it was intended to solve. Too much should not be left in the hands of the executive. The market committees should preponderatingly reflect the interests of the producers. He had no doubt that the bill was capable of improvement in the select Committee and the Open Council.

Concluding, he said that a bill of this kind by itself would not be effective unless the other factors he had referred to and which affected the problem were also considered and the drawbacks now existing remedied. He suggested the formation of a Provincial Marketing Board on the lines recommended by the Indian Central Banking Enquiry Committee. He hoped this matter would be taken up and dealt with seriously.

Special Types.

Audit Certificate by D. N. Strathie Esq., I. C. S., Registrar of Co-operative Societies, Madras on the accounts of the Madras Co-operative Central Land Mortgage Bank Ltd., for the year 1931—32.

2. *Membership and share capital.*—At the beginning of the year, there were 166 individuals and 37 primary land mortgage banks with a paid up share capital of Rs. 58,600 and 40,900 respectively. During the year two individual members joined the bank. Two primary land mortgage banks were removed from membership on account of liquidation. Thus at the end of the year, there were 168 individuals and 35 primary land mortgage banks with a paid up share capital of Rs. 58,500 and Rs. 48,500 respectively.

3. *Borrowings.*—At the beginning of the year, the total liabilities of the bank by way of loans and deposits amounted to Rs. 4,95,600. During the year a sum of Rs. 7,37,350 under debenture deposits and Rs. 90,000 under Government cash credit were received. The Government cash credit of Rs. 90,000 was repaid during the year. Out of the debenture deposits, debentures were issued to the extent of Rs. 7,27,000. The Government were pleased to convert the loan of Rs. 15,000 sanctioned to the bank in 1929—30 to meet its working expenses, into a free grant this year. Thus at the end of the year, the total liabilities of the bank by way of deposits and debentures amounted to Rs. 12,18,250 as detailed below.

	Rs.
Debentures issued 20 years	3,59,600
" " 10 "	7,19,300
Deposits received for the issue of debentures ...	1,39,350
Total. ...	12,18,250

4. *Reserve Fund of Primary Banks.*—The total Reserve Fund deposits of Primary Land Mortgage Banks rose from Rs. 5,331-9-0 (12 banks) to Rs. 12,352-15-0 (17 banks).

5. *Loans.*—A sum of Rs. 5,38,684-5-0 covered by 57 loans was outstanding against the primary banks at the beginning of the year. 94 loans aggregating Rs. 6,20,260 were disbursed to the primary banks during the year. The repayments of instalments on account of principal amounted to Rs. 54,398-10-0. 6 loans amounting to Rs. 26,800 were reloaned out of the collections for the unexpired portion of the debentures to which the collections related. The total outstandings at the end of the year were Rs. 11,31,003-9-0 covered by 157 loans.

A sum of only Rs. 109-3-0 under principal was overdue on the last day of the co-operative year from the Trichinopoly Taluk Co-operative Land Mortgage Bank. This amount has since been collected.

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

	RS.	A.	P.
Government Promissory notes	1,26,400	0	0
Debenture Redemption Fund.	1,000	0	0
Government Promissory Notes out of amount in instalment collection account.	23,030	0	0
Instalment Collection Current account	506	6	0
Current Account in Provincial Co-operative Bank. ...	63,276	5	0
Total. ...	2,14,212	11	0

7. As a result of the conversion of the Government loan of Rs. 15,000 into a grant this year, the bank worked at a net profit of Rs. 18,920-5-0. The establishment and contingent charges incurred in the years 1929-30 and 1930-31 amounting to Rs. 15,019-14-0, which had been carried over to a separate loan fund account to be written off in future years have now been debited to loss account. The net profit of Rs. 18,920-5-0 earned this year together with the net profit of Rs. 7,212-4-0 according to the audit certificate of 1930-31 and appearing as a liability in the accounts is therefore now available for distribution under the bank's by-laws after setting apart 25 per cent, namely Rs. 6,533-2-0 towards Reserve Fund. The balance thus arrived at is Rs. 19,599-7-0.

8. *Reserve Fund.*—The amount to the credit of the Reserve Fund on 30th June 1931 was Rs. 339-8-0. The present contribution amounts to Rs. 6,533-2-0. Out of the total amount of Rs. 6,872-11-0 under this head, the bank has already invested Rs. 300 in Government Promissory Notes. The bank is requested to invest the balance of Rs. 6,572-11-0 also.

9. The bank convened 1 general, 2 Board of Directors and 9 Executive Committee meetings of which none had to be adjourned for want of quorum.

D. N. STRATHIE,
4-8-32.
Registrar.

(True copy.)

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES, *Madras, 4th August 1932.*

V. M. SUBBA RAO,
Deputy Registrar for Land Mortgage Banks.

To The President, The Madras Co-operative Central Land Mortgage Bank, Ltd., Mount Road, Madras.

Copy to the Deputy Registrar, Madras.

—–—

Audit certificate by Muhammad Hayat Sahib Bahadur, B.A., B.L. Deputy Registrar of Co-operative Societies, Tinnevelly, on the accounts of the Koilpatti Co-operative Sale Society, Limited, No. 6522 for the year ending 31st December 1931.

1. *Members and Share capital.*—There were 823 members comprising of 37 society members and 786 individuals at the end of the year. The paid up share capital amounted to Rs. 8,615. There were no arrears under share capital.

2. *Borrowings.*—There were no amounts outstanding under this head at the beginning of the year. The society withdrew from the cash credit loan in the Tinnevelly District Bank, Ltd., Rs. 33,608-14-0 and repaid Rs. 20,951-13-0 leaving at the end of the year an outstanding balance of Rs. 12,657-1-0. The society also obtained as 'other borrowings' Rs. 1,500 from members and Rs. 1,475 from non-members of which the entire borrowings from members and Rs. 440 of borrowings from non-members were repaid leaving Rs. 1,035 under the latter head outstanding. The obligations under principal and interest were met on the due date.

3. *Loans.*—Rs. 902-4-0 were outstanding at the beginning of the year. Rs. 56,193 were issued as loans and Rs. 39,429 were repaid by them leaving an outstanding balance of Rs. 17,666-4-0 at the end of the year. The overdues at the end of the year amounted to Rs. 2,181-4-0 under principal and Rs. 66-14-0 under interest. Rs. 1,729 out of the overdue principal were collected since the close of the year. The society should take prompt steps to collect the overdue arrears. All the loans were short term loans advanced on the security of members' produce deposited in the society's godowns.

4. *Members' Produce.*—There was no stock of Kappas at the beginning of the year. 2,022¾ Pothis of Kappas were received in the year of which 47½ Pothis were sold before ginning and the rest ginned and converted into cotton lint. There were 44 candies 466 lbs. of cotton lint in stock in the society's godowns at the beginning of the year. 287 candies 70 lbs. of lint were received by the ginning of Kappas deposited with the society and 673 candies 133 lbs. were received as lint. 656 candies 257 lbs. of lint were sold in the year and the depreciation amounted to 470 lbs. There were in stock at the end of the year 347 candies 442 lbs. of lint.

The society purchased during the year 16,634 lbs. of pure cotton seed from the Koilpatti farm and sold it to members. A portion was also sold to non-members. The Muthulingapuram branch arranged for the sale of 53,625 lbs. of seeds belonging to members.

The society earned a commission of Rs. 709-11-0 on account of the sales effected by it on behalf of members.

5. *Net Profit.*—The society earned a small profit of Rs. 7-11-0 on account of the transactions of the year but it had Rs. 564-10-0 being the loss of previous years to be wiped off. It therefore incurred a net loss of Rs. 556-15-0.

6. *Reserve Fund.*—The Reserve Fund of the society amounts to Rs. 349-12-0 which has been invested in the Tinnevelly District Bank. The bank allowed Rs. 20 as interest for the year 1930-31 on the amount invested and has credited it to Reserve Fund. Necessary adjustments should be carried out in the society's book.

7. *Supervision Fund.*—The society should pay to the Koilpatti Co-operative Supervising Union Ltd., Koilpatti as supervision fund such sum as may be decided upon by the general body with the approval of the union and the Deputy Registrar.

8. *General.*—The transactions of the society will have to be developed so that it may earn sufficient profits to wipe off the loss.

The outstandings under adjusting head should be cleared soon.

Reviews.

1. ANNUAL REPORT ON THE WORKING OF THE CO-OPERATIVE SOCIETIES IN THE BARODA STATE.

for the year ending 31st December, 1931.

In reviewing the report of the Registrar of Co-operative Societies, Baroda for the year ending 31st December, 1931, the Dewan was pleased to remark "That the results achieved in the year, which has been marked by exceptionally difficult economic conditions, are creditable to Mr. Parwar and his staff." The following statement will give an idea of the progress achieved.

			31-12-30.	31-12-31.
1.	Number of societies	...	1,047	1,063
2.	Number of members	...	38,638	39.552
	Item.		1930.	1931
3.	Loans & Deposits	...	Rs. 35,34,432	Rs. 37,37,886
4.	Share Capital	...	„ 5,79,965	„ 6,36,820
5.	Reserve & other funds	...	„ 9,69,354	„ 10,46,996
6.	Total Working Capital	...	„ 74,94,811	„ 76,72,691

The following special features of the co-operative movement in Baroda would be read with interest by co-operators in this presidency.

1. The Government try to encourage honorary organisers. There are 16 such, but the Registrar has to confess that his attempt to persuade influential men to take up some work in Co-operation has not been much of a success.

2. There is a bewildering variety of co-operative societies and amongst those classed agricultural, "numbering 871, there are 727 credit, 28 thrift, 40 consolidation of small holdings, 29 cotton sale, 12 milch cattle, 2 milk supply, 3 cattle breeding, 15 provision supply, 4 seed supply, 1 water works, 4 power pump, 2 fodder and 3 better living and 3 other societies." The 184 non-agricultural societies consist of 149 credit, 8 thrift, 5 stores, 16 students stores, 5 housing, 1 mutual aid society.

3. Owing to financial crisis in the country, the Baroda Central Co-operative Bank which was entrusted with the business of organising Land Mortgage Bank on a small scale, did not start this particular line of work.

4. Co-operative Societies are given representation on the District Local Boards, each board having one member to represent the co-operative societies in the district.

5. The Shri Sayaji Sahakar Sevak Institute corresponding to our Provincial Co-operative Union did good work during the year. It helped two taluk conferences, conducted a training class and ran a quarterly called "Gram Jivan" in simple Guzarati language and celebrated the International Co-operators' Day.

6. The Central Banks and Banking Unions stood the general financial shock, when, owing to the decrease in the sterling value there was a rush upon the banks, many other banks were closed. The Registrar thinks of directing all the superfluous funds of the banks to finance non-credit activities.

7. The Registrar's observation about the Supervising Unions is not at all encouraging. "Generally these unions are nowhere a success. Even in the Madras Presidency where there are a number of such unions and their federations, they are far from being successful. In Guzarat where there is a very strong individualistic tendency, such unions cannot be a useful agency for supervision.

8. Cotton sale societies did good work in spite of heavy initial difficulties. The system of working them as unregistered societies and registering them only after they are sure of success might well be tried in other parts of the country.

9. The problem of organising marketing agricultural produce on co-operative lines is engaging the attention of the authorities.

10. Societies for the consolidation of small holdings also did useful work, in spite of the fact there is no responsible officer of some status entrusted with this work. There is only one clerk in the charge of this and he was able to do some work on the lines of the Punjab.

11. The Village stores, which are more correctly buying clubs, and run on indent system, did some work, though owing to the usual obstacles of lack of loyalty of members and partiality of customers for credit, they were not able to do much.

12. There are societies for erection of Power Pumps and for supplying drinking water to the various castes and creeds of people in their area.

13. There are societies for supplying pure seeds, and fodder, for encouraging better living and thrift and for distributing manure and demonstrating the use of improved implements.

Urban Banks and Employees' Societies have been as everywhere else, doing well. Students stores, we are glad to learn, are becoming more and more popular. There are 16 registered school stores and 99 unregistered which together have a working capital of nearly four thousand rupees and they did business during the year under review to the extent of Rs. 8½ thousands.

Special attention has been concentrated upon making co-operative societies agencies for village reconstruction and the village teachers while under training receive also instructions in sanitation, village administration, new agricultural methods, scouting etc., so that they may become village guides.

The Registrar obviously believes in co-operation as the gospel for social amelioration and so long as he keeps up this idealism and does not degenerate into a cynic, the future of co-operation in Baroda is assured.

S. K. Y.

2. REPORT OF THE SERVANTS OF INDIA SOCIETY, POONA.

for 1931-32

The Report of the Servants of India Society, Poona, for the year ending 31st May, 1932 is a record of good and useful work done effectively without much ostentation. The objects of the Society are as stated in the constitution to train national missionaries for the service of India and to promote by all constitutional means the interests of the Indian people. It was the ambition of the founder to spiritualise public life and we find from the report under review that to a great extent they have succeeded.

One praiseworthy feature of the work of members recorded in this report is that a good deal of their work was done under the auspices of other organisations with which the society is connected in one way or another. The spirit of co-operation and subordination of one's own individuality in that of another to bring about common good is highly praiseworthy.

Taking part in politics within constitutional limits, taking part in legislative councils and assemblies, Round Table Conference and its various Committees, in political organisations like Deccan Sabha and the National Liberal Federation' publishing journals like the "Servant of India" (English), *Dynan Prakash* (Marathi), "Hitavada" (English), taking part in Panchayats, giving help to political organisations in Indian States, organising Trade Unions and wisely and cautiously guiding Indian Labour that is just feeling its way, taking a prominent part in the running of institutions meant for social service like Poon Seva Sadan, Nagpur Seva Sadan, Bhagini Seva Samaj Mandir and Depressed Classes Mission at Mangalore, taking active part in Co-operation, Rural Reconstruction, Health, Sanitation, Scouting, Flood Relief, Temperance and other departments of national activities,— these constitute the volume of work on the part of members, wonderful in its variety and effective in its ultimate purpose.

We are sorry to be told that this good institution was not able to get all the financial support necessary from the public. The economic depression has affected it also and members have been forced to accept a cut of 10 per cent in their already meagre allowance. It is hoped that the splendid work done by the institution will be appreciated and necessary help will be forthcoming. We offer our hearty felicitations to the noble band of members who not caring for good things of life and actuated by a pure love for the motherland, deliberately accepted a life of sacrifice, service and poverty.

S. K. Y

3. AGRICULTURAL CO-OPERATION ALL OVER THE WORLD.

YEAR BOOK OF AGRICULTURAL CO-OPERATION-1932.

By the Horace Plunkett Foundation

London, Routledge, 10/6 net.

The brave and benevolent Sir Horace Plunkett has breathed his last; but his life-long work on behalf of the co-operative movement on the agricultural side is bound to live for ever. Perhaps the most lasting, and the last, of his creations is the Foundation that bears his name and offers, to a limited number of workers, excellent library and other facilities for the intensive study of agricultural co-operation in theory and practice. But what is of universal interest is its indispensable Year Book of Co-operation in which the annual progress of the movement in several countries is reviewed critically but sympathetically by authorities on the subject.

The Year Book for 1932 does not differ appreciably from the previous one in either plan or treatment, though fresh light is thrown on several problems. Information on the movement in the more important countries is brought upto date while some smaller countries are for the first time taken up for study. The latest literature on agricultural co-operation and allied subjects published all over the world and in several languages is reviewed briefly.

It is impossible in a review like this to do any justice to the several pithy and illuminating sketches of the working of societies in various countries. The serious student will find in them ample food for thought. We can only deal with the general chapters that must be of interest to all readers interested in co-operation.

The effect of the Economic Crisis on the co-operative movement is the theme of the first chapter and is the ever recurrent explanation for the failure or slow progress of societies in several countries. Agricultural co-operatives are in fact greater sufferers as the price of agricultural produce has fallen much below that of manufactured goods. Marketing societies could not dispose of the produce entrusted to them with or without State-aid. The supply societies have done little business due to the dwindling of demand for agricultural requisities in spite of the fall in their prices, as there is little prospect of return on capital spent. Credit societies have had their deposits withdrawn and their lending power restricted. Consumers' societies have not suffered much, but the decline in the spending power of members is

beginning to tell "demonstrating how useless it is to reorganise one aspect of economic life without the others."

A number of attempts have been made nationally and internationally to end or alleviate the crisis. Conferences, congresses, commissions and committees have been set up galore in the year. Almost all of them have failed due to the dominant spirit of 'economic nationalism' even among co-operators and the desire among some national movements "to set up a hegemony which is fatal to our ideals and in complete antagonism to co-operative principles." The attempts at rapproachment between producers' and consumers' societies within national limits have been continued with somewhat greater success, as it is more within the control of both parties and there is no tariff or currency complication. But producers of primary societies, outside England, have organised themselves more rapidly and widely—25 to 80 per cent of produce being in co-operative hands – and to them international trade is a vital necessity. Tariffs and currency barriers are formidable deterrents. The idea of international barter has been preached but it has little chance of success without a vigorously functioning International Wholesale Agency. If pure barter be impossible, some form of commercial paper current in the co-operative movement should be devised, for which an International Co-operative Bank is essential. All these may sound Utopian to us, pigmy co-operators that we are. But it is good to know the potentialities of the world movement.

We have a valuable sketch of the efforts to impart Co-operative Education in over 30 countries from the pen of Miss Margaret Digby, the distinguished Research Assistant of the Foundation. It is packed with data, so interesting and instructive that we are tempted to plan an article for a future issue. Our only complaint is that the contribution is a little too sketchy and we have been deprived of the benefit of the acute observations, of which Miss. M. Digby has shown herself so capable in her past writings and of which a sample may be seen in the concluding portion of the chapter. We are struck with the variety of courses in co-operation provided in several countries, particularly in Central Europe, for the benefit of different classes of people—co-operative employees, members, the general public, the university students, the young children, the priests and teachers. The centre, the season, the duration and the nature of training are all chosen carefully to suit the needs of each class. There is yet ample scope for expansion of co-operative education, while intensive research work of the kind done at the Horace Plunkett Foundation is yet all too rare, even among university departments.

Co-operative Auditing is another general theme and it is of great topical interest to us, as opinions are being canvassed for and against our

Provincial Bank's scheme of audit of co-operative societies. It deals with the law and practice in respect of audit in various countries, the functions of co-operative as against commercial auditors, and the agencies controlling or providing audit services. Several countries have no statutory provision for audit, but an efficient voluntary system nonetheless exists. Even where audit is obligatory and the State has the right to impose and carry out the audit, it seldom provides the services of auditors; It often delegates the function to voluntary and autonomous co-operative unions. We find that centralisation of audit is an accomplished fact in most countries; but the central institutions are audit unions, agricultural organisation societies or educational federations and not financing bodies except in the special cases of the Federal Farm Board in the U. S. A. and the Caisse Nationale de Credit Agricole of France. In England there is no centralised audit service for agricultural societies as such Some seek the help of the Audit Department of the Co-operative Wholesale Society and others get their accounts audited by private firms of accountants recognised as Public Auditors by the Treasury. These firms specialise in co-operative accounts and give the societies valuable advice. On the continent, co-operative audit is always understood in a comprehensive sense; it "includes inspection, consultation and the fullest advice on business and co-operative policy." The audit service is part of the educational and trading federations.

There is, as usual, a survey of New Legislation in the year dealing directly or indirectly with co-operation. A remarkable feature of recent times is the number of Acts dealing with co-operative marketing of primary produce. It is not only new countries like Australia and Canada that experiment on new forms of marketing and seek to enforce compulsion in co-operation. An eminently conservative country like Great Britain has now on her statute book an Agricultural Marketing Act—the last act of the Labour Government. Its bearing on co-operation is great though there are a few un-co-operative clauses (e. g., voting strength of members in proportion to production). The Act provides for 'schemes' of marketing on the initiative of 'substantially representative' producers and the later consent of two-thirds majority of producers. A Board is to be constituted for the administration of each scheme; it is authorised to buy, sell or adopt for sale the regulated product; it may, above all, require the product to be sold only through or to itself. It may encourage co-operation, research and investigation. It may create funds by levies or otherwise to meet expenses and make advances. It can create floating charge on agricultural stock vested in it. The Ministry may set up consumers' committees and committees of inquiry to deal with complaints and safeguard the interests of the public. Great Britain has indeed travelled far from her old policy of *Laissez faire* in conferring on a Board such compulsory powers over producers. The

principle is alien to English law and practice and even co-operators are not agreed on it. The orthodox co-operators believe only in mutual loyalty and self-help, while others wish to save the agricultural community from 'the wrecking powers of a small minority.' The new National Government with its Economy policy is not likely to give effect to the Act except perhaps for the regulation of the dairy industry.

Prof. H. L. Kaji's present contribution on Co-operation in India is unlike last year's, when categorical details of co-operative events were given as regards each Province. He now takes up a few problems and discusses the main trends in the movement; the effects of the economic depression and of the political upheavel. He attributes to the latter a certain demoralisation of co-operative members but recognises two incidental good results; one is the awakening of the rural folk to the wrongs they suffer and the other is the rise of women into the realm of politics and social service. He discusses the correlated problems of audit, supervision and inspection dealt within the last All-India Co-operative Institutes' Conference, and is inclined to recommend the functions of audit and supervision to the Provincial Institutes, leaving inspection alone to Central Banks. He neatly summarises the recommendations of the recent Banking Enquiry Committees bearing on the movement and concludes with a pious hope that the more important of them will receive early attention.

We have no space to deal with the many interesting co-operative institutions and activities of other countries; we can only just now refer to what strike us most: the Jamaica Banana Producers' Co-operative Association, the Cocoanut Planters' Union in Fiji, the Grain-banks of Java now more flourishing than the Government pawn-shops referred to in the last year book, the big co-operative marketing programs of the *Reichsverband* (the Raiffeisen Union of German Agricultural Co-operative societies) which is truly rationalising marketing in Germany, the agricultural insurance societies of France, the elaborate new milk plan of Norway, the splendidly organised dairies of Finland, the Agricultural Workers' Societies and the supply societies known as the co-operative Agricultural Consortia, and the Egytian General Purposes societies aided and indeed run by the State—all these provide very interesting and often inspiring reading. It is needless to say that no co-operative institution can neglect this precious Year Book.

K. C. RAMAKRISHNAN.

Co-operative News.

THE MADRAS PROVINCIAL CO-OPERATIVE URBAN BANKS' CONFERENCE.

We understand that the Second Urban Banks' Conference of the province is going to meet at Tiruvannamalai on the 15th and 16th of October, 1932. The first session was held at Erode some years back. The urban banks are sufficiently large in numbers and the subjects they have to deal with are sufficiently important in themselves as to justify a provincial conference of their own. The Registrar is to open the Conference and Mr. V. Ramadas Pantulu will preside. We hope the representatives of urban banks all over the province will muster in large numbers and make the conference a success.

TRAINING CLASS.

Training Class for the Panchayatdars of the societies affiliated to Arasavilli Local Co-operative Supervising Union Ltd., held on 19-6-32 at 1-30 p. m. in the Curzon Hall of the Municipal High School, Chicacole, Ganjam District.

In accordance with the Registrar's Circular No. R. Dis. 4600/31 dated 14-12-31 communicated with the Deputy Registrar's R. Dis. A. 3336/31 dated 18-12-31, it was resolved in the Governing Body meeting held on 25-5-32 at Calingapatam Co-operative Society to hold the training classes on 19-6-32 in the Curzon Hall Municipal High School, Chicacole.

Notices were duly sent to all the panchayatdars and the Bank and the Department requested to conduct the same. Forty panchayatdars of Societies attended the training class.

DISTINGUISHED VISITORS.

M. R. Ry., 1. M. Venkataratnam Pantulu Garu (Sub-Deputy Registrar of Co-operative Societies Ganjam.)

" 2. K. Venugopalam Pantulu Garu. (Bank Administrative Officer)

" 3. B. V. Ramaniah Chetty Garu. (Audit Inspector of Co-operative Societies, Chicacole Circle.)

" 4. Voleti Narasimhaswamy Pantulu Garu. (An Individual shareholder of the Central Bank.)

M.R.Ry., B. V. Ramaniah Chetti Garu proposed Mr. M. V. Jogannah Bhukta Garu to preside and M. R. Ry. Y. Hanumantharao Pantulu Garu seconded the proposal.

The President opened the meeting impressing upon the members present the necessity for such Training classes. He fully discussed the aims and objects of co-operative societies.

M. R. Ry., M. Venkataratnam Pantulu Garu, Sub-Deputy Registrar of Co-operative Societies, Ganjam, delivered a speech drawing the special attention of the audience on the following points.

The Constitution of a Credit Society.—The duties and responsibilities of the office bearers of the society; difference between limited and unlimited societies; the fact that the liability of a limited liability society extends to the amount of the paidup share capital by the members—whereas in the unlimited liability the share capital as well as the properties of the members are liable—Dangers of unlimited liability.

The question of overdues and their Collection—*The difficulties to which a member is put by dragging him to arbitration*—the proper way of filing suits and execution petitions to facilitate easy disposal.

Bank's financial condition owing to heavy overdues and the reasons for not sanctioning long term loans to societies.

Necessity for the preparation of forecast of loans to members.—Each member to intimate the loan required to the panchayat and the secretary of the Co-operative Society to send the total estimate to the union—to pay special attention to send a consolidated forecast of the societies to the Bank.

As soon as the speech was finished, M. R. Ry., Moyyila Ramamurty Naidu Garu, a panchayatdar of Voppangi Co-operative Society questioned as follows :—

" Hitherto, the Bank used to issue long term loans which were of great use to the agriculturists ; but now they have stopped entirely the issue of long term loans, which of course, is very disadvantageous to the ordinary riot of limited means. What is the reason for it ? Has the Bank resolved to stop issue of long term loans even to deserving societies which have no overdues to the Central Bank ? The question is answered by Mr. M. V. Jogannah Bhukta Garu, who explained to him about the heavy overdues from several societies to the Bank and the financial situation of the Bank, dealing with the Circulars of the Madras Provincial Co-operative Bank insisting upon the issue of short term loans only etc.

Further he dealt with the maintenance of records by the office-bearers of the society—the duties and responsibilities of the President and the Secretary—President's responsibility for cash balance and Secretary's responsibility for the accounts. The General Body of the societies; its powers and duties and the panchayat—its powers and duties-Individual members—Their responsibilities—the removal of undeserving members.

The president proposed M. R. Ry. B. V. Ramaniah Chetty Garu, Secretary of the Chicacole Co-operative Urban Bank to address the members on the subject of retention of cash balances.

M. R. Ry. B. V. Ramaniah Chetti Garu disclosed the dangers of retaining heavy cash balance, giving instances of Gottipalli case, the subsidiary by-law for keeping cash balance of not more than Rs. 5 and the loss of interest to the society by keeping heavy cash balance.

Further he discussed on the subject of re-loaning and its disadvantages.

The President proposed M. R. Ry. M. Venkataratnam Pantu'u Garu to speak on the subject of Refund of Share capital to members by the society.

M. R. Ry. M. Venkataratuam Pantulu Garu explained fully well about the share capital and entrance fees. He explained the bye-law No. 8, the conditions to be fulfilled by the members for getting their share capital refunded. He said that taking away their share capital means breaking away their society and also spoke on Share capital investment in the Central Bank, and entrance fee and its utilization.

M. R. Ry. Moyyala Ramamurthy Naidu Garu, Panchayatdar of Voppangi Co-operative Society and M. R. Ry., Borada Appama Chetty Garu, Panchayatdar of Sreekurmam Co-operative Society questioned as follows:—

"You say that we are getting interest on the Share Capital invested in the Bank. Should not the amount be distributed among the members?"

The question was answered by M. R. Ry., M. V. Jogannah Bhukta Garu who said that the interest on the Share Capital invested in the Bank will be adjusted towards the loans due to the Bank. Further he explained that unless the overdues interest on all loans due by members was collected within the close of the year, the dividend cannot be distributed to members on the share capital paid by them, and that the dividend cannot be distributed in the years in which they worked with loss.

Lastly, the secretary of the union gave a short Speech regarding the consideration of the repaying capacity when granting loans. Granting without taking notice of the repaying capacity led to the growth of the overdues. The tactics of Sahukaram must be entirely forgotten in Co-operation - Co-operation cannot earn immovable properties. He impressed upon the panchayatdars of societies to collect money only, as difficiency in realization brings forth the dangers of unlimited liability.

He also dealt with the several other points noted in the syllabus for the course of instruction to the panchayatdars of Co-operative Societies, previously followed when Berhampore Co-operative Federation took up the work.

The Panchayatdars that gathered, understood their duties and responsibilities, showed their willingness to have such meetings often and admitted that they can understand the principles by convening such meetings.

GOVERNMENT OF MADRAS.

LOCAL SELF-GOVERNMENT DEPARTMENT.
(LOCAL AND MUNICIPAL).

G.O. No. 2758, L. & M. dated 14th July 1932.

Investment—Local Bodies' funds—In Co-operative Central Banks—Instructions issued.

Read—the following paper :—

From the Registrar of Co-operative Societies, dated 31st May 1932, No. A-3079-32.

Order—No. 2758, L. & M., dated 14th July 1932.

In partial modification of G.O. No. 2316, L & M., dated 25th November 1921, the Government are pleased to issue the following orders in respect of investment of funds by local boards and municipal councils in co-operative central banks :—

(i) Local boards and municipal councils may invest their surplus funds in fixed deposits for periods not exceeding five years at a time, in such co-operative central banks as have received the general approval of the Registrar of Co-operative Societies for the purpose, up to the limit mentioned in the margin for each class of local body, subject to the condition that no investment exceeding Rs. 5,000 shall be made except with the previous special approval of the Registrar of Co-operative Societies and the sanction of the Inspector of Municipal Councils and Local Boards. Applications to the Inspector of Municipal Councils and Local Boards for sanction of the investments should be submitted through the Registrar of Co-operative Societies and should contain information as to the total amount of investments held at the time by the local body in all co-operative central banks.

Class of local body.	Limit up to which the local body may invest funds in Co-operative Central Banks RS.
(i) District Boords having railway cess funds	1,00,000
(ii) Other District Boards ...	50,000
(iii) Taluk Boards	20,000
(iv) Panchayat Boards ...	2,000
(v) Municipal Councils whose annual ordinary income exceeds Rs. 1 each ...	50,000
(vi) Other Municipal Councils ...	20,000

(2) If a local body proposes to invest its funds in a co-operative central bank in excess of the limit laid down in sub-paragraph (1) above, it

should submit an application to Government through the Registrar of Co-operative Societies for sanction of the proposal. The Registrar will forward the application to Government if he considers the proposal unobjectionable.

(By order of the Government, Ministry of Local Self-Government).

(Sd.) E. CONRAN SMITH,
Secretary to Government.

No. A. 4705/32.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES, MADRAS.
Dated 24th August 1932.

Copy of G. O. No. 2758 L. & M., dated 14-7-1932 communicated to all Deputy Registrars and Central Banks.

(By order)

(Sd.) V. VENKATAPPYYA,
Manager.

To All Deputy Registrars and Central Banks.

A. 3644/32

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES,
Madras, 4th July 1932.

D. N. STRATHIE ESQ., I.C.S.,
Registrar.

CENTRAL BANKS—RATE OF INTEREST ON DEPOSITS.

CIRCULAR.

The Registrar finds that his Circular No. 477/A/31 dated 24th January 1931 is still being quoted as an authority for offering high rates on deposits. That Circular was issued to meet a particular set of circumstances and has no application under altered conditions. It is hereby withdrawn. In view of the present state of the money market, the Registrar considers that the rates as settled in the last circular from the Provincial Co-operative Bank No 5/31-32 dated 16-7-1931 should in no circumstances be exceeded. He suggests that the question of their reduction, particularly for the deposits of local bodies, should be examined by the Provincial Co-operative Bank in consultation with Central Banks.

(By order.)

(Sd). A. CUNNIAH,
Manager.

To All central banks and the Provincial Co-operative Bank Ltd., Madras.
Copy to Deputy Registrars and Sub-Deputy Registrars.

THE MADRAS PROVINCIAL CO-OPERATIVE BANK LTD.

No. Adm. 33.

LUZ, MYLAPORE,
27th July 1932.

CIRCULAR.

SUB:—Rate of Interest on Deposits.

Reference is invited to Registrar's circular No. A. 3644/32 dated 4-7-1932 wherein he suggests that, in view of the present state of the Money Market, the question of reduction of the rates of interest on deposits should be examined. An additional factor that has also to be considered in this connection is the large surplus funds at present in the hands of the Provincial Bank.

The matter was considered by the Executive Committee at the meeting held on 23-7-1932 and it was resolved that the maximum rate of interest on fixed deposits be reduced to 4½ (four-and a half) per cent and the rate of interest on loans and cash credits granted to central banks *be reduced to 6 (six) per cent with effect from 1st August 1932.*

Central Banks are, therefore, requested to reduce their fixed deposit rates to a maximum of 5½ (five-and-a-half) percent, *i. e.* half a per cent less than the lending rate of the Provincial Bank, according to the prevailing rule. The rate of interest on the deposits of local bodies should not, however, exceed 4½ (four-and-a-half) per cent.

Central Banks are requested to intimate to the Provincial Bank the action taken in the matter.

(By Order)

K. SUNDAR RAO,
Ag. Secretary.

To All Central Banks.

The Third Bapatla Taluk Co-operative Conference,

Cheerala, 2nd and 3rd July 1932.

PRESIDENTIAL ADDRESS

BY

SJT. NARASIMHADEVARA SATYANARAYANA GARU.

Brother Co-operators,

I offer you my deepest thanks for the honour you have conferred on me in asking me to preside over this gathering. Your invitation to me, while there are many who deserve the honour better by their knowledge and experience, was indeed a pleasant surprise to me. It is perhaps your intention to encourage the youth and make them more attached to the movement by offering them such honours. It is this feeling that prompted me to accept your invitation. Though I am glad to have this high place of honour I feel diffident as regards my ability to discharge the duties of president successfully. But I of am sure of your hearty co-operation and that will make my task much easier.

The prospect of the co-operative movement in our Presidency is rather gloomy at present. It appears crippled and stagnant. Chaos has taken the place of harmony, and just as the movement was emerging from the difficulties and dangers of its nascent stage, it is upset by the present state of affairs. It can be again set right if all co-operators set aside their petty jealousies and work with a zeal for the attainment of the ideals of Co-operation. This is not the time for discussions, dissensions or communal controversies. We should look sharp and prepare a programme of work to set right the movement before it is too late.

You will to-day find many problems confronting our village co-operators and upsetting their minds. The foundation of the whole movement is laid in the village; and it is the village society that must be strengthened, as the soundness of the superstructure rests on the foundation. Of the 15,000 societies in the Presidency, only a third are working more or less satisfactorily. About 5,000 more may perhaps be set right if we make strenuous efforts. The other 5,000 merely adorn the provincial list. This state of affairs clearly shows the stagnation of the movement. What is the reason? Are the villagers above want? No. The rural indebtedness stands at the alarming figure of 150 crores. Thus there is a vast amount of work for the co-operative societies to do in this direction. Deposits are flowing into the Central Banks, and this money, for want of a safe investment in the villages for which it is intended is being of necessity invested in the apex bank. The working capital of the apex bank, including its reserve fund and share capital, is nearly Rs. 2 crores. Out of this, about Rs. 120 lakhs used to be lent to the District Central Banks till last year. But during 1931-32 its transactions with the Central Banks fell to about Rs. 40 lakhs and the surplus has either to be transferred to the other provinces or invested in joint stock banks and Government securities.

While the Central Banks are suffering for want of an outlet for their surpluses, the village societies are starving for want of funds. Unless we find an early remedy for this and set right the financial condition of the various institutions, I fear the movement may become totally extinct. We find much discussion about this trouble, but few suggest or administer a remedy. There is plenty of work to be done. To do the needful for the movement it is not enough that there is money. We require human material also. We want youths with high ideals of service for the uplift of mankind. It is chiefly by service in the cause of co-operation that such people can make their lives useful for the progress of their country. The one reason for the moribund state of many village societies is the want of human material to work them up. We find that the movement is being adversely affected by the presence of selfish and unscrupulous people in the management of societies. It is the first duty of all interested in the movement to organise selfless young workers and send them to the villages to rectify the societies. Any amount of finance is useless, unless there is good human material forthcoming.

One of the burning questions of the day is about the further expansion of the movement. The Government thinks that there is little need for starting more societies when there is enough good human material to run even the existing ones efficiently. In our Presidency there are about 30,000 villages which are not even acquainted with the idea of co-operation. The membership in co-operative societies in relation to the population of our Presidency is only 2 per cent. This clearly shows that the movement has still to spread far and wide. If the wellwishers of the movement give up all personal considerations and work heart and soul and with one mind for the growth of the movement and the spread of its message, it will not take long for us to reach the goal. During the last 25 years the movement gained enough strength to stand on its legs. Now it requires men who can gather its resources and work them up. A programme to work up all the institutions from the village society to the provincial organisation has to be drawn up. The Central Banks can reduce their profits and appoint enough paid workers to revive the village societies. They are to-day working with apparently large profits; but these profits cannot be real, unless all the debts due from the societies are collected. Though the District Banks show divisible profits by collecting interest and penal interest, all these profits will be nothing when compared to the probable losses that they have to sustain in the next few

years on account of the ever increasing overdues. The recent creation of Bad Debts Reserve is a step in the right direction, and it has to be increased and strengthened before long though it may reduce book profits.

In our province there are already some banks which have received the shock from overdues, and your central bank is one of them. Unless the Central Banks increase their field staff and see that the societies are worked on sound lines at least hereafter, they will soon find to their own cost that the next blow from bad societies may prove fatal. The apex bank on its part has already set an example to the Central Banks by liberal donations for the formation of administrative sections in them. Further delay on our part to follow the example would worsen the state of societies. About 44 per cent of the societies worked at a loss during last year. The following table shows at a glance the alarming condition of the societies.

Year.			Amount of loss in societies in lakhs of Rs.
1924—25	...	...	7·01
1925—26	...	...	8·23
1926—27	...	...	9·51
1927—28	...	...	10·97
1928—29	...	...	11·77
1929—30	...	...	13·09
1930—31	...	...	20·50

From a study of the existing conditions we may put the amount of probable loss in 1931—32 in the neighbourhood of 25 lakhs. This loss is due to the fact that the interest due to societies was not collected in time. Besides this we have also to bear in mind how much of the principal has to be written off if there are a few societies like the Guntur Urban Bank. The reserve fund of the Central Bank accumulated in a decade will be hardly sufficient to meet such losses. So the Central Banks should at once enquire into the state of each society and set right all the defects disclosed by the enquiry.

The overdues in societies are growing by leaps and bounds. There is no good our discussing the causes for this rise in overdues. We should only make strenuous efforts to collect the amounts. The purchasing power of money has increased and prices have fallen. The income of the borrowers has consequently decreased and they are at a disadvantage. They are not able to discharge their debts and wherever we see, we find the same complaint made. Economists and politicians have been working night and day at this problem of indebtedness. If we bring pressure on the debtors, perhaps they will unconsciously become converts to socialism, threatening te repudiate their debts. So they must be given time to repay their debts in instalments. When this is the state of affairs even in matters of international banking and commerce and industry, it is no wonder that our village banks show alarming overdues. Prices went fabulously high during the decade of the Great War, and they are to-day gradually coming down to their pre-war-level. It was a mistake to have thought that the high prices would continue long. The members of our credit societies made this miscalculation and, tempted by facile and cheap credit, borrowed right and left, and to-day when they find their incomes reduced, they are not able to meet their obligations. We should chalk out a scheme of work to recover these dues. To undo the havoc wrought by the mush room "growth" of societies during the last five years, it requires at least another five years of strenuous work. It is no use blaming either officials or non-officials for the increase or decrease in the number of societies. How can they be held responsible for a change in the world conditions? The movement is not wanting in money; and the members who cannot meet their obligations in time have to be given large extensions for payment by instalments. Of course each case should be considered on its own merits. On the security of sufficient immovable property, we can give them time from 10 to 20 years in Land Mortgage Banks. We should multiply these banks in the Presidency. In places where they are not available, the societies themselves must undertake the work. But their by-laws do not admit of long term investments. So the societies can help at least all such members as can discharge their debts within a period of 5 years. If the Central Banks and the apex bank take up the work, they can help them to a large extent, as they have got nearly one crore and 22 lakhs of Reserve Fund in the aggregate. Nearly a sum of Rs. 2·5 crores is available in our Presidency in the shape of share capital. This, added to the Reserve Fund, will make a total of about Rs. 3 crores and 72 lakhs. The total loans outstanding by the end of last year, is about 5 crores and 75 lakhs. So that only about 2 crores was obtained from the depositors. The overdues during last year amounted to 59 per cent. During this year they may amount to about 70 per cent. To reduce them we must either collect them as soon as possible or in at least five annual instalments. To the extent of 3 crores we have our own funds and can give them extension for 5 years. The Provincial Bank has safely invested about $1\frac{1}{2}$ crores in Government securities. We may, if absolutely necessary, utilise this fund to give extension to the overdue members; but when the outstandings in the province amount to only 5 crores, I think that our 3 crores may suffice for granting extensions to these unfortunate members. Owing to the general financial depression, money has become scarce and the Co-operative leaders should take a bold step and give time to the agriculturists for repayment of their loans. The panchayatdars should scrutinise the financial condition of every member, and adjust his loan to a new one taking sufficient security and giving him reasonable time for repayment by instalments. How this can be done is clearly stated in the 47th model by-law of the primary society. In this way, members will be enabled to clear off their dues without being obliged to pay penal interest. This work cannot be undertaken unless proper and adequate staff is engaged to collect debts in each and every society. Otherwise, societies have to come to grief when they are pressed by the Central Banks for their pound of flesh on the due dates. It is a regrettable fact that thousands after thousands of

societies were established without the full import of the by-laws being explained to the members at the starting period. If every society, according to the by-laws, launches proceedings against the defaulting members and drags them to courts, the Co-operative movement will have done more harm than good to the members concerned. Owing to the gross negligence of the panchayatdars to take action in time, the poor ryots in their anxiety to clear off their dues and thus to maintain their self-respect are forced to sell off not only all their gold and silver but also everything in the house they could lay hands upon.

In those villages, where the Co-operative movement is working well, money suits in Civil Courts have decreased. The Marwari is gradually losing ground in the money market. The poor ryot is able to get money in time for land improvements, cultivation expenses and Government Taxes. With this help he is able to sell his crop in good season to repay his loan to the society and to save a little. But during the last two years, his condition has grown from bad to worse; he could not save a pie to repay his loan to the society, not even the interest thereon. If you press him to repay, what do you imagine will be his plight? By dragging him to the court and distraining his property can we recover the loans? The ryot cannot be at any time more in need of the Bank's protection than to-day. If we to-day drive him to the Sowkar whom he learnt to get rid of but recently, what is the object of our movement: The Banks may question: How can we satisfy our depositors if every member of the society is to ask for extension? Well by all means do not neglect this aspect of the question, but it should not be overstressed. It should receive due attention in the programme which we propose to draw up shortly for rectification and consolidation of societies. Our Joint Registrar, Rao Bahadur K. Deivasikhamani Mudaliar Avl, who has the widest experience in the working of the primary societies has drawn up an excellent scheme of work. It is published in the Annual Report and it can help us to a great extent. Unless the banks strive their utmost to redress the plight of the debtors to-day without thinking of immediate profit, they will be doing incalculable harm to the movement.

The Government is to-day spending 11.59 lakhs for the staff working in the movement? It is not reasonable to expect from the State any further help. The Local Unions in the Presidency are spending about 8 lakhs in the aggregate for the same purpose. The Banks are spending about 5.18 lakhs. On the whole about 25 lakhs are being spent for the establishment and more than half of this is being supplied by the various organisations in the movement itself.

All the staff is engaged in supervising and inspecting the work of societies, but not at all in assisting the societies to function properly. If the panchayatdars are experienced, the records of the society are kept up-to-date. But where they are not so, the Secretary opens the books only when the Bank Inspector or the Union Supervisor visits the place. Nor can we expect much work from the Supervisor or the Inspector when he is entrusted with

20 or 30 societies. We require paid workers in all societies not only for the scriptory work but also to educate, advise and guide the panchayatdars and to attend to collections where the panchayatdars may fail to collect. Unless there are workers to attend to this, we cannot expect the consolidation and rectification work to be of any appreciable value. There is no good of increasing the supervising and inspecting staff unless there is a man on the spot to attend to this kind of work.

We do not require a paid man for every society; we have to employ hands according to its capital and area. You can entrust one man with 3 or 4 societies each having a working capital of Rs. 5,000. The larger societies may have their own staff. You may find in the Presidency about 5,000 societies which can afford to have their own staff. So that we require about 2,000 men to revive and work up the other 10,000 societies. These workers do not require salaries higher than those that are now being paid to the elementary schoolmaster or the village officer. The employed man will have his head-quarters in a village and can look after the societies in the adjoining two or three villages. We can be sure to revive the 10,000 societies with this establishment of 2,000 workers. But the question of how to maintain this establishment has to be solved. If we pay these workers not more than Rs. 15 each per mehsem, the annual expenditure will amount to 3 lakhs and 60,000 rupees. Out of this amount a third has to be borne by the societies, and the balance met out of the Central Bank Funds. Last year the Central banks made a profit of about 8 lakhs. If they spend this additional amount, it may lessen their profits by about $2\frac{1}{2}$ lakhs, but the increased transactions with the revived societies will undoubtedly more than recoup the loss. But if the Central Banks shrink from this responsibility, the village societies will gradually deteriorate and dwindle thus undermining the very foundations of these banks. Besides, if we have 2,000 young workers in the field, they will not only revive the societies, but also bring about the uplift of the villagers in various other ways. They can start village panchayats; they can improve village sanitation; they can establish village libraries and reading rooms; they can encourage the use of Indian goods in the villages; they can encourage and assist cottage industries; they can help the temperance movement and work for the moral and economic uplift of the villagers; they can resuscitate village life by their help, advice and friendship in a thousand ways. But for this purpose we want men who work not merely for wages but out of genuine love for the suffering humanity. Such workers need never suffer for want of subsistence. I pray that the leaders of the movement may at once create such a league of rural workers and send them to the villages. We have plenty of young men in search of employment. If we get them into this work, we not only give them employment but strengthen further the foundation of the Co-operative Movement—the village society. Though this scheme may not be started on work in the whole Presidency at once, it may be tried by every bank in one or two Taluks to note the results achieved. You know the present state of affairs

in the Guntur Bank. The leaders in your District seem to be concerned more about the change of the head-quarters of the bank than about the safety and good working of the village societies. Out of the 24 lakhs standing to the credit of the bank as due from the societies, nearly 16 lakhs are overdue. While there are 354 societies borrowing from your bank, there is not a single society which is not overdue. Is this state of affairs creditable to societies? Is it profitable to the Bank? What with the collections of interest and what with the interest accrued the Bank books seem to show a profit of about Rs. 70,000. The auditors after deducting the establishment and contingent charges of the bank, will fix the net profit at at least Rs. 30,000. Even when the societies are not working well, this is the profit of the Bank. Think of the profit that a Bank will earn if it appoints workers to improve these societies. I hope that your Taluk will lead the way in working up this programme in your villages by appointing the necessary staff.

CONTROL OF STAFF.

Which is the authority that should appoint and control this staff, is the next question to be answered. The financial responsibility rests with the Central Banks. It is but reasonable that the societies claim an autonomous control of the staff if they can get on without the assistance of the Central Banks. But the societies to-day cannot stand on their own legs for the purpose. The societies are to-day disbursing the funds borrowed from Central Banks. It is not desirable that any intermediary body which has no financial responsibility should come between the financing bank and the society. The organisation that disburses money should also look to its distribution and collection. The Department has thrust the responsibility of recommending loan applications on the Local Unions, only with a view to free itself from any liability that it may otherwise be subject to. It is time for the Unions also to give up this responsibility. The Banks are raising a hue and cry that the Federations and Unions are responsible for the improper working of societies and the increase in overdues. If the Banks take up supervision and inspection along with finance they need not complain against any one. All the Joint Stock Banks in our contry are working on these lines. All the money-lenders are also following the same procedure. Let our co-operative societies follow suit. Otherwise we are not sure of the safety of the funds invested in the movement.

If the Provincial Bank finances the Central Banks, the right of inspection vests with the apex bank. Some are afraid that the movement may not work well if the whole authority is vested in the hands of the financiers. But there need be no such fear in the Co-operative Movement. The difference between the co-operative and Joint Stock Banks is that while in the former the lender and the borrower are one and the same, in the latter they are two different persons with conflicting interests: the one hunting after profits and the other run down with debts.

Every co-operative credit institution from the Apex Bank down to the village society is a borrowing organisation. When it is ultimately the borrowers that frame the rules of lending where is the scope for capitalism; where is the place for the capitalist? The progress of the movement depends upon the character and steadiness of the borrowing members. If we can get the right sort of persons on the Board of Management of the various institutions, there is no need to fear the capitalistic tendency in the movement. If this movement also leads to capitalism, it defeats its own purpose. So it is only the financing institutions that are qualified to undertake the additional work of supervision and inspection of societies. "Next you may ask", "where is the place for Local Unions in that case?" In Bengal, the Central Provinces, Bombay and the Pūnjab the movement is working without Local Unions. If the funds now separately spent by our supervising and financing institutions are pooled, we can maintain adequate staff to efficiently carry on the movement. Just as all the industrial workshops in a country will, in case of an out-break of war, abandon their proper work and prepare ammunition, and sinews of war let us lose our individuality and unite in one strenuous effort to restore life to the dying societies at this critical period in the history of the Madras Co-operation.

Some may still question "is there no place for Unions and Federations?" They need not be extinct. There is work enough for them if they undertake to preach co-operation to every member of a society and to every villager. The movement is going astray for want of co-operative propaganda and education among the masses. The sort of education that is necessary for the members is indicated by the famous Co-operator Prof. Steward as follows:—

"If the mass of your members are not sufficiently instructed in economic science, in the facts of commerce, in the state of this and other countries, in the history of trade, in general knowledge and in particular knowledge of what you aim at and how you seek it—I say—if the mass of your members are not sufficiently instructed in these things, then arises a real danger to the Co-operative movement. Your members become a hindrance, and your possessions become a peril and your production endeavours will continue to be the failure which they too often hitherto have been. Your movement is a democratic movement, if there ever was one. It, therefore, cannot repose on the good sense of a few; Its success will depend on the good sense of the masses of your people. First you must educate your members in our own principles and those of economic science, and in the history of endeavours like your own; and in the second place, you must educate them generally. Education is desirable for all mankind, it is the life's necessity for Co-operation." (Gloucester Cougress, 1879).

The Townsend Committee and the Royal Commission on Agriculture cited the want of sufficient propaganda as a serious defect in the methods of Madras Co-operation and recommended that efforts should be made to remove this defect. If the funds in the movement are pooled and directed in

the right path we can give enough work to the Unions as propagandist bodies. The Common Good Fund in the various Banks and societies amounts to about Rs. 2·64 lakhs. This amount is at present being spent for no good purpose. In other countries this fund is being utilised for starting Universities, college libraries, reading rooms etc.; for the encouragement of the publication of scientific books, and for the spread of the message of Co-operation: In Russia it is only this Fund that is being utilised for the spread of Co-operative ideals in every nook and corner. If the supervising Unions give up supervision and take up propaganda they will serve the cause better. They can publish books and pamphlets in simple style and give magic lantern lectures. The village panchayats are also an offshoot of this movement. So, the Unions and Panchayats can work together and bring about a regeneration in rural life. Besides the Common Good Fund, the Unions can take donations from the members, societies and other local bodies. I wish that Co-operators do earnestly take up this work. I believe that it will prove a success, if the present Unions turn themselves into Taluk Co-operative Development Boards so to say and devote their attention to the propagation of co-operative ideals.

AUDIT.

Though the Unions may be relieved of supervision, the societies are not exempted from paying supervision fund. Under the new model by-laws large societies have to pay in proportion to their working capital, the maximum amount of Rs. 150, being inapplicable in their case. It is sheer injustice to ask the societies to pay this large contribution while they are not able to earn a profit even to meet their establishment and contingent charges. Besides, the Government proposes to levy an audit fee on all large societies and on the Central Banks also, as the latter which are earning large profits should not go scot-free. Under the notification recently published all societies with a working capital of more than 20,000 should pay this fee unless they make their own arrangements for audit. It is also said that Audit Unions may be established and that any auditor approved by the Registrar may be appointed to audit any society. Our leaders had started the agitation long before these rules were promulgated. All the Co-operative Banks' representatives met at a Conference in the Madras Provincial Co-operative Bank, Limited, and drew up a scheme of work to conduct audit by their own auditors. All the co-operators met in the Provincial Co-operative Union and accepted the scheme. They said that the Registrar should conduct the audit of unlimited liability societies free of charge. The Registrar accepted this. Then our leaders began to doubt the correctness of their original position and expressed the view that the interests of the movement may be jeopardised if the Government give up audit. Despite the experience of 25 years gained by the Central and Urban Banks, they say that these Banks are not competent to be allowed to manage their own audit. They are afraid that the movement cannot command public confidence, as before. What is to be done? Are we to favour the levy of audit fee on the societies? The small societies cannot afford it, and the large ones, though able to pay the fee, require all their earnings to build up the Reserve Fund to such an extent as to obviate the necessity for the enforcement of unlimited liability on the members in case of a mishap. So it is our desire that these societies numbering about 14,000 in this province should be audited free.

Let us consider next the audit of Central and Urban Banks. Out of the 15,000 societies registered, there are only about 800 societies of limited liability, whose working capital exceeds 20,000 rupees. These Banks are working, in towns with deposits and transacting business in bills etc. just on the same lines as the Joint Stock Banks. Joint Stock Banks working with crores of capital have no Government audit. Crores of public money are involved in their business. Why should the Co-operative Banks alone be audited by Government? It will be an exhibition of our incapacity if we tell them "We will pay the money, you will appoint the staff and control it." Even then where is the guarantee that the Government audit is the best? Was not the Guntur Urban Bank audited by Government? The Calicut Bank was also audited by Government staff. We need not multiply instances on this score. Unless we jointly organise a provincial cadre of auditors and get the concurrent andit done by them, the audit will be in the same unsatisfactory posit on as before. It is the lack of concurrent audit that has led to so many discrepancies lying undetected in Urban Banks and Store Societies at present. For the safety of the movement the concurrent audit is essential. The conduct of audit should be in the hands of all the Banks collectively and not in the hands of individuals. The Government too wishes to relieve the Registrar from this responsibility and to throw it on the shoulders of the Banks. So we should note this and be cautious in what we do. The Urban Banks, unlike the societies are managed by efficient and paid staff. They are run under the guidance of educated and experienced persons, thoroughly acquainted with the running of financial organisations, local boards and the local legislature. If such people cannot join together but exhibit incapacity to conduct audit and set right their own affairs, we will be merely showing our own incapacity to independently run any institution. Can the Government employ more intelligent people? Why need you be afraid that the depositors will not have confidence if the Government audit is withdrawn? Don't you see that your oun apex bank with transactions of nearly two crores is audited by a private agency and not by a Government auditor? We see that some of our large Urban Banks are appointing their own auditors and working quite successfully. In some districts audit of urban banks is being conducted by the audit unions and that too quite well. While we see that private audit is quite efficient in more than one place, I do not find any reason for the fear that is entertained by some of our brothers about the audit scheme that is proposed by the majority of the Central Banks. The Registrar's responsibility for audit is in no way lessened. The entire authority still rests with him under the Act. It is the Registrar that should determine the qualifications and certify the auditor. I do not find any force in the view expressed by our co-operators, when audit is conducted by duly qualified staff approved by the Registrar and controlled by a provincial non-official agency. So I am strongly of opinion that the audit should be controlled by a non-official agency only. Brothers, as you are all working day and night in the movement, I have nothing new to give you. I appeal to you not to be satisfied if the work in the movement is merely confined to accommodate members with loans, and collections of interest, but to bestow all your care and interest not only on the development of agriculture and cottage industries among your people but also on the moral and material well-being of the masses. I thank you once more for the honor you have

Edited by Prof. S. K. Yegnanarayana Iyer, M.A.,
and Printed at the C. C. P. Works, Chintadripet, Madras.