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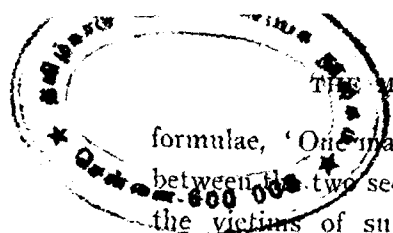
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Editorial Notes.

A Great Moral Victory.

We rejoice with the whole of India and that part of the world which has been taking a sympathetic interest in Indian affairs, that Mahatma Gandhi has been able to win his point and that the pact agreed upon between the Caste—Hindus and the Depressed Classes has been accepted by the Premier and the Government of India. Though this incident may loom large in the political world, it is the moral significance that appeals to us as co-operators. It was in the fitness of things that Mahatma Gandhi, as soon as he returned from South Africa to settle in India and play his part in the public affairs of this country, should turn to Co-operation and should have read a paper on the moral significance of Co-operation at one of the sessions of the Bombay Conference. As co-operators, who believe in the fundamental equality of all people, as expressed in our



formulae, 'One man One Vote,' we rejoice at the amicable settlement between the two sections of a great community which were hitherto the victims of superiority and inferiority complexes. As Poet Rabindranath Tagore said with his characteristic vision, it is in the co-operative societies that the new nation is getting forged, it is there that most of the man-made inequalities get forgotten, and it is there alone that all members learn mutual help, self-control and ability to manage their own affairs. For us Co-operators, this triumph of the principle of unity against separatist tendency, is the triumph of the principle of co-operation. We join in the Universal Prayer for the long and healthy life of Mahatmaji, so that he may be able to pilot the ship of Indian State into the safe harbour of contentment and prosperity.

The Ottawa Conference.

In August last there was held at Ottawa, in the Dominion of Canada, a conference of the representatives of the units comprising the British Commonwealth of Nations. The Indian delegation was led by Sir Athul Chatterjee and newspaper reports give the impression that the whole session was a great success. There was all the inevitable pomp and ceremony. Mr. Bennett, the Canadian Premier, made the stay of guests very pleasant and the session began with His Majesty the King's message and ended with a loyal address to him.

As co-operators, we are not deluded by newspaper head lines. We ask what is its ultimate contribution to the peace and prosperity of mankind? Has it in any way made the world safe for democracy, safe for peaceful life of the millions that form the bulk of the world's population, which was one of the declared aims of the Great War? Very reluctantly we have to answer in the negative. The mentality of the delegates that assembled at the Conference was the usual capitalistic mentality tyrannising over weaker units and yielding to stronger ones where necessary. Their gospel of competition and mutual accommodation was only a method of strengthening the bonds between themselves to compete with the rest of the world.

One great lesson the war taught us was the ultimate oneness of the world. It is no longer possible for a nation to grow rich by impoverishing its neighbour. The whole world is knit together so closely that what affects one part, ultimately affects the other part as well, and shrewd economists prophesied the utter failure of all proposals of making the defeated Nations pay. This fundamental truth has not yet been fully realised by the Powers that be in the various units that compose the British Empire. They still believe in competition and not in universal co-operation and the present arrangement is expected only to strengthen the units of the British Empire against the rest of the world. Its success even in this sphere of a new orientation of the Old Imperial Preference is highly problematical.

As co-operators we advocate an international outlook and if this Ottawa Conference will pave the way for the economic adjustment among the various parts of the world, the victor and the vanquished, those who have to receive and those who have to pay reparations, then only can we look upon this Conference as having done some useful work.

Co-operators all the world over have been trying to put down all national barriers and are thinking of making consumers' organisation international. One obstacle to such a consummation is the existence of aggressive nationalism in politics with its counterpart of tariff walls in the economic world. Unless this spirit of isolation and mutual distrust is uprooted, there can be no peace for the world. Politicians are thinking of war disarmament. There should be economic disarmament as well. It should be preceded by a moral disarmament, that is, every nation should give up the attitude of distrust and hatred and adopt the Co-operators' Policy of "Live and Let Live." Then alone there can be permanent peace on earth and goodwill amongst men.

The Madras Central Land Mortgage Bank.

The Bank was established on the 12th December, 1929. Excluding the first half year of 1929-30 which was taken up in the

preliminary work of organisation, the Bank has been functioning only for 2 years, that is, 1930-31 and 1931-32. During this period the Bank raised a share capital of Rs. 1,07,000 and a debenture capital of Rs. 12,18,250 which make up a total working capital of Rs. 14,38,700. The value of the debentures represents roughly 33 per cent of the value of the property mortgaged under the bonds by which the debentures are covered. Loans to the extent of Rs. 11,31,000 were outstanding from the Primary Banks on the 30th June, 1932. There were no defaults by the Primary Banks to the Central Bank. A dividend of 7 per cent was declared on the paid up value of the shares for 1931-32 and a sum of about Rs. 13,000 was carried to the dividend equalisation fund. It will suffice for two years' dividend. This is indeed a satisfactory record. We congratulate the Board of Management of the Central Land Mortgage Bank on the steady progress disclosed by the Third Annual Report of the working of the Bank for the Co operative year 1931-32. The outstanding feature on the lending side of the bank's business as disclosed by the report is that the idea of 20 year loans with which the Land Mortgage Banks originally were started, was virtually dropped in practice very soon, after the establishment of the central institution at Madras, though it is still kept up as an ideal to be striven after. This has undoubtedly caused keen dissatisfaction and a certain amount of discontent among the members of the Primary Mortgage Banks. The finding of 20 year money to fulfil the expectations raised at the time of organising these banks is a live problem and we hope, that the Central Land Mortgage Bank will not relax its efforts in this direction. We are glad to publish elsewhere a scheme by Mr. V. Ramadas Pantulu in which he not only emphasises on the need for 20 year loans but also formulates concrete proposals for finding the much coveted 20 year money within the movement itself. We commend his scheme for the earnest consideration of the financial organisations concerned and the Registrar.

Our Telugu Journal.

Our readers would be glad to note that the Provincial Co-operative Union has again taken up the responsibility of publishing a

Co-operative Journal in Telugu. Time was when this Union was publishing the English Journal, which it continues to do even now, and the Tamil and Telugu Journals as well. The Telugu Journal was the first to be handed over when the Andhra Sahakara Sammelanam was registered and later on when the Tamil Nadu Federation came into existence, the Provincial Co-operative Union willingly handed over the Tamil Journal to it. Owing to circumstances, which we need not detail here, the Sammelanam has ceased to publish the Telugu Journal. The Provincial Co-operative Union, realising that propaganda in the Andhradesa should be kept up and that the Telugu Journal should be continued has taken up its re-publication. The first two issues have already come out and we hope the Journal would have a long career of prosperity and usefulness.

*What we have to Learn from Others.

(a) *The need for advertisement even with regard to Co-operation* :—The Rochdale pioneers believed that "good wine needs no bush," and therefore set apart a portion of their Common Good Fund for education rather than for propaganda by advertisement. The modern man unfortunately is more easily accessible to the latter process, and the present day British Co-operator is aware of this fact and is adjusting himself to the altered circumstances. We are told that the Executive Committee of the British Co-operative Union has granted £ 150 for the preparation of a talkie film dealing with Co-operative Milk Trade. The Co-operative Milk Trade Association, the recipient of the grant has already reported to the Executive Committee that they have guarantees of 69 weeks' rent of the film.

(b) *New Line of Development* :—We are glad to be told that the London Co-operative Society has opened a new department called the Estates Department, "which will arrange auction sales for members, undertake valuation for probate and see to the letting and selling of houses and the collection of rents for members." This

*We are indebted to the "Co-operative News Service" published by the International Co-operative Alliance for information in this Note. (Editor—Madras Journal of Co-operation).

entirely new line of co-operative service, it is hoped, will make London Co-operation still more attractive to its members.

(c) *Co-operation stands for service and not for profit*:—This well-known maxim is illustrated by recent development of the co-operative productive movement in the U. S. S. R. The productive societies which were hitherto under certain official restrictions with regard to purchasing of raw materials and selling of finished articles have been given greater liberty and the relationship between them and the consumers' movement and State retail enterprises are hereafter to be regulated in accordance with reciprocal agreements on a voluntary basis. The Local Productive Societies are advised to concentrate on the production of commodities in general use with a view to ensuring that by 1933 seventy per cent of the articles manufactured by them are articles in general use. They are next advised to produce school room appliances, surgical and medical instruments, toys, etc.

We are told that the Co-operative Productive Movement over and above producing the articles used by them also runs repair shops, hairdressers' shops, laundries, photographic establishments, etc. In this year, their transactions have increased by 700 per cent and by the end of 1932 it is expected to rise to 10 times that amount. The Productive Movement includes 80 per cent of the artisans in Russia. Even Bolsheviek Movement, which is so unduly condemned on account of its radical tendencies has got its attractive side and that is its co-operative activity.

(d) *Consumers Societies and their employees*.—An interesting case arose in England, where a Co-operative Society dismissed several of its employees, because they did not spend a certain amount of their wages in purchasing articles from the society. Their case was taken up by the National Union of Distributive and Allied Workers. It is interesting to note what our esteemed contemporary "Co-operative News" has to say on this subject. Co-operative Societies which adopt tactics of this sort "are legally and morally wrong. There is moral obligation on co-operative employees to spend every possible penny of their earnings within the movement

that employs them, but to coerce them into honouring that obligation is no part of co-operative policy. Careful selection and proper education are the essentials for 100 per cent loyalty from employees. Given these two they will not only keep their earnings within the Movement, they will be ubiquitous missionaries to increase co-operative trade."

(e) *A Strange Problem*:—Another interesting fact about the consumers' co-operation comes to us from U. S. S. R. We in this country are accustomed to get credit from retail shops and one of the reasons why co-operative stores do not flourish in India is that these stores following the Rochdale principles do not give credit to their members. In Russia however, the case is entirely the other way about. Not only do members purchase for cash, but they are willing to advance payments to their co-operative societies for goods to be delivered to their members later. Just as in India where consumers are heavily indebted to their shopkeepers, so in Russia, these societies have received such advances from their members that they find it difficult to discharge their obligations. The Executive Committee of the Central Organisation has been called upon to intervene and it has issued an order to all its affiliated societies to deliver goods paid for by their members positively by the end of the third quarter of the current year. Very strange are the problems that co-operators have to solve.

Well Done, Co-operative Insurance.

The authorities of the South India Co-operative Insurance Society, Ltd., deserve to be congratulated on the excellent work they have done in the first quarter of the current co-operative year.

Our readers would remember that we published a brief account of the affairs of the Society as it stood on 30th June 1932 in the

July issue of our Magazine. During this quarter the progress achieved is commendable as the following table will show.

				As on 30-6-1932.		As on 30-9-1932.	
				No.	Amount.	No.	Amount.
					RS.		RS.
1	Proposals received	...	...	235	2,63,300	355	3,76,300
2	„ accepted	...	...	219	2,43,300	357	3,55,300
3	„ rejected	...	...	7	9,000	8	7,000
4	„ awaiting completion	...	...	11	11,000	10	12,000
5	Policies issued	...	...	148	1,70,800	252	2,72,500
6	Local Boards started	...	...	22	...	27	...

The Secretary and many of the Directors of the society have been touring in various parts of the Presidency and popularising the institution. This is an institution fraught with great potentialities for the good of the Co-operative Movement. In the fullness of time the Co-operative Insurance Society will be able to give a good deal of the long term money, which the movement sorely needs. It will also bring Insurance within the reach of the poor man, who has been severely left out by the Capitalistic concern. Again it will not only increase his creditworthiness but will bring about a healthy change in his outlook on life by making him more optimistic than he is, because it will enable him to have the assurance that if worst comes to the worst, his family will have something to fall back upon. As it is, one of the causes contributing to the despair and resignation, which characterise the villager and poor urban worker, is the absence of such a provision. Co-operative Insurance is bound to be a source of joy and cheerfulness to the poorman. We wish the Society continued success.

Co-operative Land Mortgage Banks—A Scheme to find 20 year Money within the Movement.

BY MR. V. RAMADAS PANTULU.

The Third Annual Report of the Madras Central Land Mortgage Bank contains some interesting details about the debentures floated by the Bank. The Bank began with the issue of 20 year debentures carrying interest at 6 per cent. But as the inflow of 20 year money did not keep pace with the demand for 20 year loans from primary borrowers, the Bank offered to the public 10 year debentures carrying interest at $6\frac{1}{2}$ per cent. The response for 10 year money was satisfactory on the whole. During the last two years and odd of its working, the Bank issued debentures of 20 year period for Rs. 3,59,600 and of 10 year period for Rs. 7,19,300. The issue of 10 year debentures at $6\frac{1}{2}$ per cent practically stopped the flow of subscriptions for 20 year debentures. Consequently the period of the loans was also cut down to 10 years in so far as such loans were advanced from the 10 year money. But the 10 year loans have not, generally speaking, satisfied the bulk of the borrowers and the Primary Land Mortgage Banks have naturally been clamouring for loans for a longer term.

In order to meet this demand at least half-way, the Central Land Mortgage Bank, as a compromise, recently hit upon the plan of issuing 15 year debentures at $6\frac{1}{4}$ per cent in the expectation that money would be forthcoming somewhat more easily for 15 years than for 20 years. It is difficult to say how far it will be realised and how much 15 year money will be forthcoming.

The offer of the 10 year debentures bearing interest at $6\frac{1}{2}$ per cent was closed to the *general public* since the inauguration of the 15 year bonds. But 10 year debentures carrying interest at 6 per cent will be issued to the *Local Bodies*, which may prefer the 10 year to the 15 year debentures, and presumably only to the extent that 10-year money can be absorbed in loans for a corresponding period. As ten-year loans have to be practically abandoned, I do not consider it profitable for the Bank to encumber itself with this ten year money. I am also opposed to the idea of this variety of ten year money of the Local Bodies being lent out for longer periods, say for 15 years.

I consider that there are objections to such lending and feel that it should not be attempted. Similarly the 15 year money should not be lent out for 20 years. It is not necessary to labour this point here for it is not my immediate topic.

The offer of 20 year debentures carrying interest at 6 per cent to the public remains in tact and is not withdrawn.

The net result is that three types of debentures are now on the market; twenty year ones carrying interest at 6 per cent; 15 year ones carrying interest at $6\frac{1}{2}$ per cent and 10 year ones (open only to Local Bodies) carrying interest at 6 per cent. The interest is guaranteed in all cases by the Government.

It may be conceded that the 10 year, 15 year and 20 year mortgage loans to agriculturists may each have their own economic uses and that there may therefore be some justification for the Central Land Mortgage Bank to float 10 year, 15 year and 20 year debentures simultaneously to obtain funds to advance loans for like periods. Speaking for myself the arrangement does not commend itself to me. I do not think that it is conducive to the sound working of the bank either. What is however more important to remember is that the Government who took the initiative in starting the Primary Land Mortgage Banks and the non-officials and officials who collaborated in the organisation of the Madras Central Land Mortgage Bank, were definitely of opinion that the bulk of the loans advanced to the agriculturists, for the redemption of their prior indebtedness and for effecting substantial improvements to their holdings, through co-operative land mortgage banks in this province, should be given for at least 20 years in order to be really beneficial to the borrower and to ensure convenient repayment by him. The shorter the period, the larger the instalment amount, which must come out of the annual harvest.* The idea is that as far as possible the repayment must come out of the *margin of profits* from the borrower's holding and savings from other sources, if any, and that the loans must be collected in instalments which must be made as small as possible in size. Otherwise, the borrower must either be partially starved in respect of his normal needs or be driven to borrow elsewhere to repay the land mortgage bank. Even the 20 year

*The annual instalment for Rs. 5,000 lent out at 8 per cent will be Rs. 745-2-6 for 10 years, Rs. 584-2-3 for 15 years, Rs. 509-4-4 for 20 years.

limit will not altogether eliminate these risks. But having regard to various extraneous factors, social, economic and legal, it was considered inexpedient or unsafe to take the period of these loans to over 20 years, though this is very short in comparison with that allowed in the European countries. The Townsend Committee indeed put the limit as high as 30 years. It does not admit of any doubt that the number of eligible borrowers in this province who can normally repay substantial land mortgage loans in 10 or 15 years must indeed be very small. The tests laid down by the bank for scrutiny of the repaying capacity are very stiff. (Vide Land Mortgage Bank Manual, page 14). The benefits of the Primary Land Mortgage Banks will therefore be denied to many whose needs they were expected to serve when they were started, if 10 or 15 year debentures can alone be floated and the idea of 20 year loans recedes to the background or remains an ideal.

The Third Annual Report of the Bank draws attention to the fact that facilities have been created for the investment in debentures of the funds of the Religious and Charitable Endowments, the Local Bodies and the Insurance Companies, or at any rate impediments to their investment have been partially removed. It is expected by the authorities of the Bank that when the Bank's debentures are made trustee securities, ample funds will in due course be forthcoming from these sources and from individual investors for 20 years. It is not certain how much time it may take for this hope to be realised.

In the meantime, it is worthwhile examining the question whether funds are available in the Co-operative Movement itself which can be attracted into the business of the Central Land Mortgage Bank and whether any 20 year money can be had from that source. The Registrar recently asked the Provincial Bank whether it had any objection to his suggesting to the central banks the desirability of investing their annual statutory contributions to their reserve funds in the debentures of the Central Land Mortgage Bank. The Provincial Bank stated in reply that it had no objection to the central banks being given the option to do so. These contributions roughly amount to Rs. 2½ lakhs a year. Besides these annual additions, an accumulated sum of about Rs. 27 lakhs is now lying with the Provincial Bank to the credit of the Reserve Fund deposit account of the central banks. This sum also may be allowed to be gradually withdrawn from the Provincial Bank and put into the debentures of the Central Land Mortgage Bank. It is for the

Central Land Mortgage Bank and the Registrar to convince the central banks of the desirability of taking such a step and of the safety of the investment. The Registrar has since issued a circular on the subject. But something more than a circular of the Registrar is necessary to accomplish the object, though such a circular paves the way for it. I am of opinion that much cannot be done in this direction unless genuine co-operation between the Central Land Mortgage Bank, the Provincial Bank and the Central Banks is also forthcoming to evolve a suitable scheme.

I venture to suggest the outlines of a scheme for the consideration of these institutions and of the Registrar. Its potentialities will, I hope, be examined by them. The scheme contemplates the investment of a sum of Rs. 4 lakhs from the reserve funds of central banks and one lakh from the general funds of the Provincial Bank annually in the 20 year debentures of the Central Land Mortgage Bank over a period 10 years. I believe that a sum of Rs. 1½ lakhs out of the amount of annual statutory contributions of central banks to their reserve fund (roughly 60 per cent of such contributions) and a sum of Rs. 2½ lakhs out of the Reserve Fund deposits with the Provincial Bank (roughly 1/10th of the aggregate sum now in deposit) may be so invested safely. The Provincial Bank may also invest one lakh of rupees a year (1/200 of its total working capital) from its loanable funds in these 20 year debentures without any financial embarrassment. In effect practically the whole money comes from the Provincial Bank as the annual additions to the central banks' reserve funds are made by adjustment of interest on the Reserve Fund deposit account, the deficit thereafter alone being received in cash from central banks. Nevertheless this will not cause any inconvenience to the Provincial Bank. Interest on these 20 year debentures may be fixed at 6 per cent. The transaction, in its essence, being in the nature of a loan by one co-operative institution to another, I presume that the interest yield on these debentures will be income tax free. Otherwise, a special exemption may be asked for in regard to these debentures held by the co-operative banks under the Income Tax Act. If the exemption is not forthcoming the Central Land Mortgage Bank must bear the Income Tax. I am unable to say whether the last suggestion will involve a revision of the terms on which the Government guaranteed the interest. If such revision becomes necessary, the Local Government ought to make it. If none of these conditions is forthcoming,

the central banks will be well advised to accept a clear 5½ per cent net yield. If the Central Land Mortgage Bank cannot manage to guarantee even that to the central banks, my scheme will have to be abandoned. It will be unreasonable to expect the central banks to accept anything less, in an investment of this kind, at present.

The diversion of these funds into the 20 year mortgage debentures in accordance with the aforesaid plan will not in my opinion have any disturbing effect on our co-operative finance and will not dislocate the finances of the central banks. The Reserve Funds of central banks are not used in the business of these banks and are required to be invested outside that business in some securities of an unimpeachable character, which yield a reasonable rate of interest, such as redeemable Government securities, or in fixed deposit with the Provincial Bank. The central banks cannot borrow against their reserve funds, except, of course, in the sense that their borrowing power is fixed at 10 times their reserve funds plus share capital. So, the question whether the debentures into which they are put will or will not be accepted as cover for cash credit, loans or other varieties of *normal* financial accommodation by the Provincial Bank or the Commercial Banks does not arise. The only two points on which central banks have to be satisfied are whether there will be any depreciation in the market value of these debentures in course of time, so as to cause capital loss to the central banks, and whether the debentures can be liquidated without difficulty when the central banks have to recoup unforeseen losses from their reserve funds or to meet such financial obligations as the reserve fund is intended to provide for.

On the first point, I do not entertain any reasonable doubt. The interest is attractive and is guaranteed by the Government; there is a redemption fund provided for; there are facilities for the Central Land Mortgage Bank to purchase its debentures in the open market at par; the debentures are fully covered by mortgages, on which not more than 50 per cent of the market value of the property can be advanced, while only a third is in practice actually advanced; and the standards adopted for determining the repaying capacity of the borrowers are sufficiently exacting to ensure collections coming in regularly. In these circumstances, capital depreciation of the 20 year debentures is very unlikely. My own belief is that as time goes on, they will become more and more coveted as securities by those who have surplus wealth to invest in. Their position will

become still more unassailable when they are made trustee securities. The central banks may therefore, in my opinion, safely invest a portion of their current and accumulated reserve funds to the extent of 4 lakhs annually in the 20 year debentures.

As regards the second point, namely, whether the debentures can be turned into cash, when the necessity arises for a central bank to draw upon its reserve fund to meet its liabilities which cannot be otherwise met, it must be remembered that the contingency itself is a fairly remote one. The reserve fund is trenched upon to recoup losses only after the liability of the indebted members and their sureties is fully worked out, and the securities offered by them have been exhausted. Thanks to the vigilance of the Registrar, bad debt funds are created in many central banks in addition to the statutory reserves and portions of the annual profits are being systematically put into them by cutting out where necessary dividends to members. Moreover, the central banks are being placed on a more and more sound footing as regards their fluid resources, from which their obligations to their creditors and depositors can be normally met. Thanks to the Imperial Bank's boycott of co-operative paper as cover for cash credit to the central banks, the latter are now forced to find a more liquid form of security for such accommodation. Thanks to the economic depression, the cash position of many central banks is embarrassing the other way round; the shrinkage in the loan business of central banks has left them with excessive cash.

The position of the central banks as regards their fluid resources as computed from the figures available for 30 out of the 31 central banks in the Province as on 30th June 1932 is as follows :—

Total immediate Liabilities. (100 per cent of fixed deposits matured but not claimed and 50 per cent of fixed deposits falling due in next 30 days and 50 per cent of current deposits and undrawn portion of cash credit and 25 per cent of savings deposits.)	Cash on hand.	Undrawn cash credit with Imperial Bank and Provincial Bank.	80 per cent of the market value of Government Paper.	Total fluid resource.
RS. 35,81,513	RS. 29,36,653	RS. 41,84,236	RS. 21,40,769	RS. 92,61,658

The 80 per cent of the market value of the gilt edged securities, which the central banks now possess, thus covers over 60 per cent of the immediate liabilities and forms about 23 per cent of the total fluid resources on that date. The cash credit accommodation of 25 lakhs given by the Provincial Bank on cover of rural societies' paper to the central banks is about 30 per cent of the total fluid resources and about 70 per cent of the immediate liabilities as on that date. The time has perhaps not yet come to include the debentures of the mortgage banks among the fluid resources and to expect the central banks to get accommodation on their cover from the commercial and co-operative banks. I have no doubt that the time will soon come. When that time comes the Provincial Bank will undoubtedly prefer land mortgage debentures held by the central banks to promissory notes of rural societies as cover for cash credit. There are the reserve funds of Primary Agricultural Credit Societies now invested in the central banks amounting to about Rs. 60 lakhs. But as these are allowed to be used in the business of the central banks, I have not included them in this scheme.

The ideal we are working up to is this; the only co-operative paper on which we need ask for accommodation from the Imperial Bank at present and from the Reserve Bank, when established, is the pronote of a central bank containing the Provincial Bank's second signature. The legitimate character of such accommodation was fully recognised in the Reserve Bank Bill, as originally drafted and as subsequently improved, though it never found its way into the statute book. Nevertheless, it was exactly this kind of limited accommodation that the Imperial Bank declined to give when the Provincial Bank applied for a short term loan for 6 months of Rs. 10 lakhs early last year, when the demand for loans from central banks was unprecedentedly high. We must renew our efforts to secure from the Imperial Bank occasional accommodation on a central bank's pronote bearing the second signature of the Provincial Bank. If such accommodation can be had, even the little apprehension that the tightness of January 1931 may recur, will be removed. The Provincial Bank can, in any case, be safely depended upon to be in a position to come to the rescue of any particular central bank in trouble, by lending against its debentures in which the reserve fund is invested. I believe, I have said enough to convince the central banks and the Provincial Bank that the investment of a

portion of the reserve funds of the former will not cause any disturbance to, much less a dislocation of, their finances.

There is another condition which must be forthcoming to make the scheme workable; the Central Land Mortgage Bank must be prepared to place these 20 year debentures on the basis of really long dated securities. The right reserved under the by-laws of the Bank to redeem its debentures is a wholly one-sided contract which is not the case in regard to the Government securities or the debentures and time deposits of banks in general. While the Central Land Mortgage Bank's debenture holder cannot ask for his money till the full period expires, the Bank can at any time compel him to receive it back, on three month's notice, even in the first year of issue. This right is ordinarily conceded to land mortgage banks all over the world, mainly for two purposes. Firstly, it is necessary to provide against the bank sustaining financial loss by not finding scope for the utilisation of its collections in its business. The primary borrowers have invariably the right to make advance payments in reduction of their loans. If collections come in abundance and cannot be reloaned or used up by a land mortgage bank in purchasing in the open market its own issues, not above par, or otherwise invested on remunerative terms, then the bank resorts to compulsory redemption of the debentures before maturity. A debenture redemption fund is therefore created for this purpose. (*Vide* Townsend Committee's Report page 66 and bye-law No. 16 of the Bank). Secondly, the obligation of the Bank to see that the value of the debentures actually in circulation at any time does not exceed the value of the mortgage bonds and other assets transferred to it by the primary banks may necessitate compulsory periodical redemption of the debentures before their due date on a definite scheme, which is however so worked as to cause the minimum inconvenience to the debenture holders. The power, when used for these purpose, and as a last resort, will indeed help to strengthen the debentures and operates on the whole to the benefit of the debenture holders themselves. But any extensive use of this power merely for increasing the profits of the bank, without confining it to the limited purposes mentioned above, will have the opposite effect by prejudicially affecting the popularity of the debentures in the market. The investors, who calculate on the prospect of getting a uniform yield in a fluctuating money market for at least some definite period, will find themselves stranded, if money is dumped

on them just at the time when the money market is low and the outlet for investments are not easy to find. They will naturally view the debentures with disfavour if such a contingency is of frequent occurrence.

I wish to point out how the contingency will adversely affect the scheme with special reference to the central banks. The central banks have been getting, till the 30th June 1932, interest on their reserve fund deposits at a uniform rate of $5\frac{1}{2}$ per cent, free of income tax, from the Provincial Bank. Even in these days of easy money conditions and surpluses, they are getting a comfortable clear 5 per cent. net. If they put that money in the 20 year debentures at 6 per cent without any guarantee that the debentures will run on at least for 10 years, what will be the situation? Suppose in an year or two the money market goes down still further, and the Central Land Mortgage Bank is able to secure 20 year money at 5 per cent or less and asks for conversion of the 6 per cent debentures into those carrying a lower rate on pain of compulsory redemption on three months' notice; then the central banks will naturally have to turn to the Provincial Bank for ready investment. It is an impossible proposition to put to the Provincial Bank to keep its offer of 5 per cent perpetually open and to receive back the money at that rate whenever the Central Land Mortgage Bank chooses to turn it out in its own financial interests. The central banks cannot then legitimately expect to get any more than what the Provincial Bank does or ought to pay on fixed deposits in a low market and with superfluous money in its chest. This contingency, unless adequately provided against, will effectively bar the way to the flow of the funds of co-operative central banks into the Central Land Mortgage Bank for 20 years. My concrete proposal in this behalf is that the Central Land Mortgage Bank should, by virtue of the power vested in it under its bye-law No. 15, guarantee to the 20 year debentures purchased by the central banks a minimum life of 10 years. The debentures issued in 1932 for 20 years at 6 per cent. may, for instance, be designated 1942-52 debentures. While the central banks cannot demand money before 1952, the Central Land Mortgage Bank may return it at any time from the year 1942. The Registrar, in his dual capacity as the ultimate controlling authority over these banks and the trustee for the debenture holders, should in my opinion secure such an agreement before he brings about the investment of the central banks' reserve funds in these debentures. All that I have said about the 20 year debentures will apply with equal force even to the 15 year debentures. I am fully prepared to concede that the Central Land Mortgage Bank will not use its power of compulsory redemption nor enforce conversion of high rated into low rated bonds capriciously or lightly and that the Registrar may be depended upon to prevent such action. But in order to ensure full success to this scheme and

to inspire the necessary amount of confidence into central banks and the Provincial Bank, nothing short of a definite contract will suffice. It is for this reason that I lay stress on the guarantee of a minimum 10 year period of non-redemption for these 20 year debentures in which the central banks put their reserve funds.

This concession on the part of the Central Land Mortgage Bank will not be without *quid pro quo*. The money of the Central Banks will at no time be an inconvenient burden on the Mortgage Bank. It need not be received as an advance for debentures and put in temporary investments entailing loss of interest till debentures are issued. It can be drawn out from time to time as the loan applications reach their final stages and the time for actual disbursement of money comes. It is a facility which ordinary subscribers to the debentures will not give.

I am confident that if the scheme outlined by me above is adopted, with such modifications as may be found necessary in the light of further discussion, a *steady inflow* of 5 lakhs of 20 year money *annually* into the coffers of the Central Land Mortgage Bank can be ensured during the next 10 years. At the end of the decade, the position may be carefully reviewed in the light of the experience gained in the meantime and the then financial position of the central banks and the Provincial Bank. If the scheme fructifies, about 50 lakhs of 20 year money would have been lent out for 20 years from this source alone to rural co-operators by the end of the next decade. It will thus be possible to redeem, to some tangible extent, the original promise held out by the organisers of the Co-operative Land Mortgage Banks in this province to advance 20 year loans through them and to allay the discontent caused among rural co-operators by virtually stopping the 20 year loans almost at the inception of the working of the Central Land Mortgage Bank. I am anxious that the new plan of 15 year loans should be abandoned at its very inception. In order to inspire confidence in the public, the Central Land Mortgage Bank must have a firm financial policy which should not be modified with each little wave of fluctuation of money market, specially when the movement itself can supply 20 year money.

I have perhaps travelled very wide. I have done so purposely to place before the central banks and the Provincial Bank every possible consideration which may enter into their decisions on this question. It is now for them to examine my scheme and find for themselves how far it will help co-operators to obtain, within the movement itself, real long term money which is now so much in demand from rural co-operators.

Cardamom Planters Co-operative Banks.

BY MR. V. MATHRUBUTHAM IYER, B.A.,

In the Madura District, in the Periyakulam Taluk there are to-day working five co-operative banks for the exclusive benefit of the cardamom planters. They are situated at Bodinayakkanur, Cumbum, Kombai and at Thevaram. In the last mentioned place there are two banks working, one of which is exclusively for the use of Rajus, a community of Kshatriyas who mostly inhabit Rajapalayam in the Ramnad District. Owing to the foresight of the then Assistant Registrar of Co-operative Societies, Mr. G. Sriinivasaraghavachariar, the first bank was started at Bodinayakkanur in 1924; and the other two banks were started in the same year at Cumbum and at Thevaram. The remaining two banks at Kombai and Thevaram were started in 1926. Though of a very recent origin, these five banks have developed to an enormous extent that they have absorbed nearly half of the short-term loans of the Madura Ramnad Central Co-operative Bank, Limited, which finances them. Thus, out of a total outstanding of Rs. 5,26,965 (short term) on 30—6—1931 in the Madura Ramnad Central Co-operative Bank, three of these banks alone owed to the Central Bank Rs. 2,85,812, while the two others—viz., Cumbum and Thevaram Rajus' had no loan outstanding at all to the central bank. On 30—6—1931 the working capital of all these five banks stood at Rs. 5,91,965, while their turnover in the year 30-31 was nearly ten lakhs of rupees. How and why these banks came to be so prominent in such a short time is to be traced to the particular business they are transacting.

CARDAMOM PLANTS.

Cardamom is a species of spice, yelakkai as it is called, and this is grown on the hills belonging to the Travancore State bordering the Periyakulam taluk on the west. Cardamom is grown in several other places like Kodaikanal hills, Coorg, Mysore and the Archipelago, but the variety that is grown on the Travancore hills finds great favour and better price with the consumers for its superior

quality. Cardamom is consumed throughout Northern India as an article of luxury by the indulgent for Bhang and as a beverage—and a part of it is exported to foreign countries for medicinal preparations such as Tintchure Cardamom. Hence the produce is marketed from these production centres and these Co-operative Banks help the growth and running of the plantations and to a little extent also the marketing of the produce. There are about 3,000 cardamom planters in the Periyakulam Taluk and these banks are helpful to more than half of them as will be evident from the 1605 members in all the banks on 30-6-'31 chiefly owing to their popularity and unique service they are rendering to the planters. Only in Cumbum the bank has not taken deep root and the number of members is falling and consequently many of the local planters are under the bitter mercy of local money lenders. This state of affairs here is partly due to the lack of efficient human material such as the banks at Kombai, Thevaram and Bodinayakkanur are happily in possession of, and partly to lack of propaganda among the planters. The sooner this state of affairs is remedied the better for the entire community of cardamom planters, for this would avoid a rift in the lute.

THE PLANTATION.

Cardamom plantation thrives only in cool places of the torrid zone and the rich soil of the Travancore hills with its plenty of rain fall seems to be particularly suited for this crop. The life of a cardamom plant is from 15 to 25-years and in the first 3 years it does not yield—(Kannippayir) as it is called. The cultivation season begins in the month of April, May with the outbreak of the monsoon and the plants begin to yield from August to October and lasts till about the end of March. The plantations are not manured as the plants grow under the shade of trees which manure them with their leaves which get decomposed by wind and rain and so the soil has only to be turned out very often and it is only labour that costs. Cheap labour is obtained in the British territories and they move with the planters. The co-operative banks finance mostly for this purpose and loans are repaid from out of harvest. The foot of the hills is from 2 to 4 miles distant from the various places in which the banks are situate and the estates on the hills extend up to 25 miles into the interior and they have the benefit of good roads in the Native State territory. Many planters have built pucca buildings on their estates in which they live for part of the year and there is

constant exodus to and from the hills. The period from cultivation to harvest lasts only from 8 to 10 months and hence, the loans given to the members do not last more than a year and the financing bank lends only short term loans to the various banks. The loan outstandings against the members in all the five banks on 30-6-31 stood at Rs. 5,67,138 of which all but Rs. 6,681 lent by the Cumbum Bank, was for short term only.

MARKETING.

Before the institution of the co-operative banks, the planters were selling their cardamom produce individually and later on through their own Association which had provided godowns in all the above production centres by holding public auctions. This practice was continued even after the starting of these banks since none of them undertook marketing. A few only undertook joint-sales. Sometimes, loans are given on the pledge of the produce by some of the banks. In 30-31, the Bodinayakkanur Bank which possess a godown of its own lent Rs. 21,208 on pledge of produce and only Rs. 1,370 was outstanding under this head at the close of the year. There are special by-laws prescribing the procedure and conditions for the members obtaining loans under this head. This is a very good form of security which is well worth being tried by other banks and this has the special benefit of reducing the overdues as well.

“THE CARDAMOM PLANTERS ASSOCIATION YELASARAKKU VIRPANAI COMPANY, LIMITED.”

In 1927 a concern registered under the Indian Companies Act was started known as “The Cardamom Planters Association (The T. C. P. A.) Yelasarakku Virpanai Company, Limited” as it is called, with head-quarters at Bombay, to market the entire cardamom Produced by the planters belonging to the association. To this end, it has set up branches at Bodinayakkanur, Thevaram and Cumbum to purchase the stock and sell them either locally or abroad. The produce is usually taken by the members to the Company's godowns and are purchased outright under what is called “Consignment System” and an advance of about 50 per cent of their estimated value is paid on deposit, and the balance after the realisation of the money after sale. The sale of the produce is being done either locally or through its sale branches located at any of the following centres.—Delhi, Amritsar, Cawnpore, Karachi, Bombay and Calcutta. This period might extend sometimes to 6 months or even more,

after which the respective planters will be intimated and paid off their balance. The grading and the packing is done by the Company. An idea of the business transacted by the Company may be had from the fact that last year the company's branch at Thevaram alone purchased cardamom for the extent of about of Rs. 2,30,000 and the price of cardamom have increased this year and in some varieties, to more than 25 per cent. Thus, enormous business is done by the Company throughout the year and this fact once called my attention to the remark in an article that appeared in the "Madrass Agricultural Journal" some months back that "If this marketing should be successfully done through co-operative lines as well, it would be a marked achievement in the Indian Co-operative Marketing. The entire profit would then go to the producer. Here is a good opportunity for the business co-operator."

CO-OPERATIVE SALE SOCIETY.

As hoped, this question was not lost sight of, for in December 1931 a Co-operative Sale Society was registered at Thevaram. But this society being new and bounded by inelastic rules (Sale Societies requiring great command of ready money) the intermediary of the Thevaram Cardamom Planters Association, Yelasarakku Virpanai Company, Limited, has to be continued since it possess vast knowledge and resources to carry on the marketing business. Only a change has occurred in the procedure. The stocks are now sold outright in public auction as usual, but the same is conducted by the Co-operative Sale Society. In the auctions, however, the Thevaram Cardamom Planters Yela Sarakku Virpanai Company comes in as the "controller" of prices by which it fixes the upset price for the various qualities of cardamom. If there is a higher bid, the merchants are enabled to buy and take delivery of the stocks, otherwise, the Thevaram Cardamom Planters Association Yela Sarakku Virpanai Company Limited, buys the entire stock at the upset price even as the other merchants. They then sell it through their various sale agencies. The Sale Society should improve in the number of members and business and only then can it control the price, and the real purpose be secured.

AUDIT.

These five banks were formerly affiliated to the Uthamapalayam Co-operative Supervising Union, Limited, but as their need was audit more than supervision, they got themselves disaffiliated from

the supervising union and formed themselves into an Audit Union on 5-7-29, with head-quarters at Thevaram. At the instance of the Madura Ramnad Central Co-operative Bank, Ltd., which has invested very large sums in these banks, the by-laws of the banks were amended affording greater security and control over their funds and the affairs respectively and the amendments were registered with great difficulty, and the interim period was one of very great anxiety to the banks themselves. By this, the members have now accepted thrice their original liability and they have raised their contribution to the reserve fund from 25 to 30 per cent. After the levy of audit fees by the Registrar to all big societies, the audit union has appointed an independent auditor—the appointment being made by the District Co-operative Federation, Limited, from out of the qualified persons certified by the Registrar to do both concurrent and final audits. The Audit Union by recognition of its great importance is given a seat on the Board of Management of both the Central Bank and the District Co-operative Federation and its representatives are holding seats in the Executive Committees of both the Central Institutions.

BUSINESS OF THE BANKS.

Herein below is appended a statement showing the transaction of the five banks to give an idea of the volume and amount of transaction done by each. The figures are culled out from the Audit Certificates for 30-31 and they are the final figures as on 30-6-31. All the banks have an accumulated share capital of Rs. 2,49,874 of which Rs. 27,700 is invested in the Madura Ramnad Central Co-operative Bank, Ltd., as share capital, along with reserve fund of Rs. 28,307 paid up. Rs. 928 is yet due to be paid by the Thevaram Rajus Bank for reserve fund. All the three borrowing banks have had no overdues to the Central Bank either for interest or for principal. At the end of the year principal overdues in all the banks stood at Rs. 1,04,940, *i. e.*, 19 per cent of the balance to demand and the interest overdues stood at Rs. 30,235, *i. e.*, 23 per cent in the cases of members loans. Great care is bestowed in the collection of overdues and but for the severe economic distress, better progress

could have been shown. The reserve fund and the building fund of these banks should be built up briskly. All the banks in the year under audit, have worked under profit, and the Secretary of the Thevaram Cardamom Bank has been remunerated with an Honarium of Rs. 1,200 for the year. He is also the secretary of the Audit Union and of the Sale Society and a through business man as he is, he is giving his unstinted labours and best energies to the betterment of the various institutions. The Audit Union will have to bestow great attention on the Kombai Bank which is developing a sickly attitude and should build it up to the eminance of the other banks in the other three centres. That "Union is Strength" has been very well vindicated by the work of these banks which by securing higher prices and good command of credit to its members are truly working the co-operative axiom of "Each for All and All for Each". The group of banks in this area have successfully tackled the problem of helping one particular set of agriculturists for all their needs and in all manner possible. All best wishes and encouragement are due to them.

THE THAVARAM CARDAMOM BANKS' AUDIT UNION LIMITED, A. 1166.

Statement showing the state of affairs of the Cardamom Planters' Co-operative Banks on 30-6-1931.

Particulars.	Name of Bank and Date of starting.				Total.	
	Bodi 18-3-24	Cumbum 19-5-24	Thavaram 11-11-24	Kombai 27-1-26	Thavaram Raju 25-7-26	On 30-6-31 On 30-6-30
1. No. of Members	608	210	257	511	19	1,656
2. Paid up share capital	Rs. 74,900	Rs. 8,928	Rs. 69,683	Rs. 88,183	Rs. 8,180	Rs. 2,37,404
3. Deposits	10,335	5,721	11,313	—	603	25,517
4. Central Bank Loan	25,187	—	1,30,000	1,30,625	—	1,58,042
5. Paid up Reserve Fund	10,788	3,360	6,747	7,146	266	20,472
6. Working capital	1,21,210	18,009	2,17,743	2,25,954	9,049	4,41,435
7. Members Loan Outstanding	1,10,058	10,821	2,15,625	2,20,284	10,350	4,24,359
8. Overdue Principal	56,300	8,321	25,785	14,534	—	—
9. Overdue Interest	5,439	3,920	1,866	2,007	3	11,233
10. Central Bank Share Capital	10,000	3,500	6,500	7,600	100	23,140
11. Net Profit	6,745	691	11,111	11,088	896	—
12. Turn-over	1,02,113	22,552	4,12,161	4,50,265	6,142	9,93,233
13. Joint Sales	—	—	—	—	41,153	—

All Banks are affiliated to the M. R. C. C. Bank, Ltd., Madura, which finances them. The Audit Union by virtue of its importance is represented on the Board of the Central Bank and that of the District Federation.

*All short term loans and there are no overdues to the Central Bank either in interest or in principal.
†Of which all but Rs. 6,681, are short term loans.

The Late Sir H. Plunkett.
HIS WORK FOR IRELAND—CO-OPERATION IN
AGRICULTURE.

RECORD OF A FRUITFUL LIFE.

(Reprinted from the 'Irish Times' of 28-3 1932).

We announce with deep regret the passing of one of the noblest Irishmen of his generation. Genuine patriot, far-seeing social reformer, signal benefactor of his country, Sir Horace Curzon Plunkett, whose death took place on Saturday night at his residence, The Great House, Weybridge, Surrey, at the age of seventy-eight, was known and honoured throughout the world, and the citizens of the New World will associate themselves to-day with those of the Old in rendering homage to his memory. It may be that the time has not yet come for an adequate or just estimate of his public services, but the people of Ireland well know, and freely acknowledge, the debt they owe to the pioneer who introduced and adapted the co-operative movement to Irish Agriculture. If his moderating influences in Irish politics seemed to be barren of result, his efforts had some considerable influence upon the Treaty which brought the Irish Free State into being.

Born on 24th October 1854, at Sherborne House, Gloucestershire, Horace Curzon Plunkett was the third son of Edward, sixteenth Baron Dunsany, and Anne, daughter of the second Baron Sherborne. Receiving his early education at Eton, he passed in due time to University College, Oxford, where he took his Arts degree without any special distinction. Having made a decision to carve his own career, he departed for the United States of America in 1879, and for the following ten years he followed the arduous life of a cattle rancher in Montana.

During his career in Montana Sir Horace acquired a considerable fortune, and at the same time established for himself a reputation for farming knowledge and pioneer land development, both of which were to be used in Ireland during the remainder of his life. Although he left the United States in 1889, he returned there many times for consultative and health reasons, and he was one of the most trusted friends of Theodore Roosevelt when that statesman undertook his agricultural development campaign directed by Gifford

THE LATE SIR H. PLUNKETT

Pinchot. The so-called Wisconsin idea, in which the famous Professor MacCarthy, of Wisconsin University, figured so prominently, was also to a considerable extent inspired and influenced by Plunkett; and in later years the Rural Development Commission which was appointed by President Roosevelt came to Ireland especially to consult Plunkett, and to investigate his work for Irish agriculture.

A NEW ASPECT.

On his return to Ireland in 1889, Horace Plunkett saw the country from a new angle—the angle of the farmer. He saw that Irish agriculture was not only restricted in its scope, but was conducted in what amounted to a haphazard manner. It was at a time when a world market was just opening up for agriculture, and it was only too obvious that the Irish farmer must face the world competition at a great disadvantage. The farmer's capacities were either latent or ineffectively employed, his outlook was narrow, and his individual efforts stood little chance against the organised marketing scheme of his competitors.

Viewing Irish agriculture and the condition of the Irish farmer from the stand-point of the specialist, Horace Plunkett discovered what was to be his mission in life and embarked upon his most important and distinctive contribution to modern Irish social affairs. The task to which he proposed to devote his health and his wealth, his fame and his fortune, was afterwards summarised by him in the motto: "Better farming, better business, better living." It consisted in nothing less than the awakening and organisation of the economic and social life of the countryside, and of everything affecting the life of the agricultural community, and in such a task there was none of his contemporaries more suitably equipped or more thoroughly in earnest.

He possessed a familiarity with the lives of the country folk, and an intimate knowledge of their ways of living that few could match, and in addition he had the sympathetic optimism, the necessary leisure, and the personal fortune, which made his position unique at the time. It was a time when many new ventures were coming to germinating point in Ireland, when literature and art were beginning to be spoken about again, and when the effort to revive the Irish language was in its early infancy. The Parnell

split seemed to doom the country to a long period of barren controversy, but with the passing of Parnell attention was diverted to problems other than the purely political and personal, and the economic and artistic movements came into prominence.

THE PIONEERING SPIRIT.

The few personal friends who had been inspired by Plunkett had laboured to convince the farmers of Southern Ireland that the path to prosperity would have to be made by themselves, and the early propaganda began to bear fruit in the erection of co-operative creameries in some southern countries. The model upon which Plunkett worked was that of the great co-operative movement in Great Britain, and he obtained splendid assistance from the officials of the Co-operative Union in Manchester for the initiation of the movement in Ireland. The principles involved in co-operative organisation were largely the same for urban or for rural co-operative effort, and, with the assistance of the British Movement, the co-operative idea was adopted to the peculiar needs of the Irish farming industry of the 1890's.

Despite much ignorant, and often malignant, opposition, conspicuous success attended the experiment almost from its inception, and by 1894 the dairy industry was realising the necessity for complete organisation. Shortly before that time the invention of Laval had changed butter-making from a home to a factory business and the introduction of the power cream separator was the lever that ultimately effected this new "agricultural revolution." At a later stage much began to be heard about the example of Denmark, but it is a peculiarity of the Irish co-operative movement that at the time of its inauguration little or nothing was known about it by the Irish pioneers. Like so much that had its beginnings in the Ireland of the early 1890's, the agricultural co-operative movement came into being through English inspiration and example and largely through English assistance. Long before Plunkett began his co-operative campaign, as far back as the 1820's, there were a few co-operative societies working successfully in Ireland.

THE I. A. O. S.

The co-operative organisation throughout the country developed so successfully that it soon became evident that an effort would need to be made to establish it upon a sound public basis, much as was

the co-operative movement in Great Britain. For this purpose a meeting was called at the Antient Concert Rooms, Dublin, on 18th April 1894, which was attended by many of the most prominent personalities in Irish life of the time. Included in the gathering were Lord Iveagh, Lord Mayo, Lord de Vesci, Lord Rathmore, Lord Carson, Sir Charles Gavan Duffy and Mr. John Redmond. As a result of the meeting the Irish Agricultural Organisation Society came into existence, with Plunkett as its first President.

The publication of "Ireland in the New Century" led to an attack upon him from both the religious and the political angles at a later date, but in 1892 he contested South County Dublin successfully as a Unionist. In the House of Commons it soon became manifest that he would use his position there for other than purely party purposes, and, indeed, he used it consistently for the advancement of his agricultural economic designs. At that time much was feared in Nationalist circles, both in Parliament and outside from the Unionist attitude of "Killing Home Rule by kindness," and, as a consequence, Plunkett's scheme were viewed suspiciously, and often with open hostility, by the majority of Nationalists.

In an effort to dissipate suspicion and neutralise hostility, Plunkett published, on August 27th, 1895, a letter entitled, "A Proposal Affecting the General Welfare of Ireland," in which he strongly stressed the urgent need for economic legislation, and urged the hopelessness of securing such legislation, unless it were removed from the region of party controversy. He suggested, therefore, the formation of a committee, which would sit during the Parliamentary recess, and consisting, in the first instance, of members of Parliament, nominated by the leaders of the several parties. Thus, in July 1896, the famous Recess Committee came into being, and issued a report, of which its Chairman (Plunkett) was acknowledged to be the author. The Committee came to unanimous agreement upon the main points of the case submitted, and made as its chief recommendation the suggestion that a Government Department, with a responsible Minister at its head, should be immediately created to foster agricultural industries in Ireland. The report was submitted to the Chief Secretary in August, 1896, but it was not until 1899 that the bill, introduced in 1897, ultimately passed, to create the new Department of Agriculture and Technical Instruction in Ireland.

THE DEPARTMENT.

In November, 1899, it was announced that the Queen "had been pleased to approve of the appointment of the Right Hon. Horace Curzon Plunkett to be Vice-President of the Department of Agriculture and other Industries and Technical Instruction for Ireland." The selection of Plunkett for this post, which had been generally anticipated, led to his withdrawal from the Presidency of the I. A. O. S., and Lord Monteagle was elected in his stead; but it was definitely declared that the change involved no difference in the policy and objects of the I. A. O. S. In the spring of 1900 the new Department entered upon its functions, one of its first acts being the allocation of an annual grant of £ 4000 to the funds of the Irish Agricultural Organisation Society.

The opposition to Plunkett now came, to a considerable extent, from his own party colleagues, because he had appointed Mr. T. P. Gill, once a Nationalist member of Parliament, to be Secretary of the new Department. On the friendliest terms with Independent Nationalists, Plunkett came to be viewed with suspicion and distrust by his own party, and it was not surprising to find that a second Unionist candidate was nominated for South Dublin in the general election of 1900. With the Unionist vote divided, a Nationalist gained the seat, but a memorial was presented urging his retention in the vice-presidency of the new Department, and, as the Government acceded to the request, he continued to direct the operations of the Department without a seat in Parliament. He contested a by-election in Galway a little later, but, with his defeat there, his Parliamentary aspirations came to an end, and he devoted all his energies to the work of the Department.

The publication of a letter written by Mr. T. W. Rolleston to an American friend, in which he suggested that a quarrel between Nationalist farmers and Nationalist traders would seriously affect the whole Nationalist political movement, led to the withdrawal of the support which Mr. John Redmond had given consistently to the Agricultural Co-operative Movement. It was conveniently ignored that Mr. Rolleston wrote merely his own private and individual opinions, and that he had no official position in the I. A. O. S. But, as Mr. Redmond then was harassed by the Dillonites, on account of his support of the I. A. O. S., the pretext served.

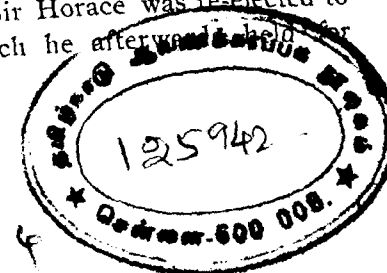
THE LATE SIR H. PLUNKETT

"IRELAND IN THE NEW CENTURY"

Under Plunkett, the new Department prospered from the beginning, and the operations, which he conducted with a free hand, were characterised by enterprise and sagacity. In 1902 he was elected a Fellow of the Royal Society, and in the following year was created a Knight Commander of the Royal Victorian Order. Early in 1904 the publication of his book, entitled "Ireland in the New Century," created such a furore that its opinions hardly yet have been forgiven or forgotten, and they largely influenced his subsequent career.

Sir Horace Plunkett's desire in the book was to attract attention to the new spirit in Ireland, "clearly based upon constructive thought, and expressing itself in a wide range of fresh practical activities." Its author's candour and frank expression of unpalatable truths infuriated the extreme section of Nationalist and Roman Catholic opinion, with the result that Plunkett was pursued with ruthless energy in his subsequent activities. The attacks increased in bitterness as the years passed, so that when Sir Henry Campbell-Bannerman and the Liberals came into power in December, 1905, it was believed that he would be superceded. However, the new Chief Secretary, Mr. James Bryce (later Viscount Bryce) requested Sir Horace Plunkett to remain in office, pending the completion of the report of a Committee which had been appointed to inquire into the working of the Department of Agriculture and Technical Instruction.

The Nationalist clamour against Sir Horace Plunkett grew in volume, and in 1907 the Liberal Government stated its decision, in response to a Nationalist resolution in the House of Commons, that the post should be held by a member of the Government. When the report of the Investigation Committee was published in July, 1907, it was found to destroy the main argument against Sir Horace Plunkett by recommending that the Department should be represented in Parliament, but not by its Vice-President. Upon the resignation of Sir Horace Plunkett, during the Whitsuntide Recess of 1907, Mr. T. W. Russell (later Sir T. W. Russell) was appointed to the position, and withdrew the grant of £ 4,000 per annum from the I. A. O. S., against which he afterwards maintained an attitude of unconcealed hostility. At the annual general meeting of the I. A. O. S., in the following December, Sir Horace was re-elected to the Presidency of the I. A. O. S., which he afterwards held for almost twenty years.



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THE PLUNKETT HOUSE.

Towards the end of 1907, it was realised that the time had arrived to mark in some tangible manner Sir Horace Plunkett's unselfish work for Irish agriculture. When he was informed of the idea by the committee in charge he promptly vetoed a personal testimonial, but would consent to a presentation if it took the form of a gift which could be utilised to further the work to which he had devoted himself. Originally it was agreed that the presentation should take the form of a Bureau of Rural Social Economy, to bear Sir Horace Plunkett's name, but ultimately it took the form afterwards familiar as The Plunkett House, in which the I.A.O.S. had its head-quarters. A sum of £3,000 was contributed, and with the money was purchased the house 84 Merrion square, South, Dublin, which was presented to Sir Horace Plunkett at a very representative gathering, presided over by Lord Monteaule. The *Irish Times* then said that the dedication of this special institution to the service of Irish economy marked also the definite beginning of the final triumph of Sir Horace Plunkett over an unexampled catalogue of disappointments and difficulties.

Application was made later to the newly constituted Development Commissioners for a grant-in-aid of the work of the I. A. O. S., the funds of which were intended for the benefit of the farming community. All the opposition to Sir Horace and his schemes were again aroused by this proposal, with the result that it was agreed to make the grant if the I.A.O.S., were brought definitely under Government control. Sir Horace Plunkett refused "to let the control of it slip out of their hands into the hands of the State, or let it be manoeuvred by one or other political party for its own ends." Thence forward he continued to direct the policy of the I.A.O.S. as a private organisation with his old energy and enthusiasm.

In 1908 the University of Dublin conferred upon him the degree of *L.L.D. honoris causa*, and in the following year he was elected an Honorary Fellow of University College, Oxford. After a recrudescence of opposition from traders, because of the growing power of the co-operative societies and the virtual triumph of Sir Horace in his application to the Development Commissioners, he went again to the United States in 1912. There he was compelled to remain under medical treatment in Michigan, whither he again repaired in 1920. Returning to Ireland in the early summer of 1913, he resumed his labours at the Plunkett House.

IRISH CONVENTION.

One of the greatest honours paid by his fellow-countrymen came to Sir Horace Plunkett when they elected him unanimously to the Chair of the Irish Convention in 1917. No better selection could have been made, and none laboured more assiduously for the success of the Convention than its Chairman. In a letter to the Prime Minister, Sir Horace outlined the proceedings lucidly, explained the views of the discordant elements, and concluded by saying:—"Notwithstanding the difficulties with which we were surrounded, a larger measure of agreement has been reached upon the principle and details of Irish self-government than has ever yet been attained. Is it too much to hope that the scheme embodying this agreement will forthwith be brought to fruition by those to whose call the Irish Convention has now responded?"

He strove hard to maintain the atmosphere that the Convention had created, but events proved too strong for him. Pressing for a settlement by compromise, he threw the weight of his influence into the scale in favour of Dominion Home Rule, and founded a weekly review, *The Irish Statesman*, to advocate such a settlement. Having failed again in his effort to settle the Irish political problem, he announced at the annual general meeting of the I. A. O. S. in December, 1921, that his life henceforth would be devoted to the furtherance of the Co-operative Movement. With this object in view he founded and endowed a bureau in London, known as the Plunkett Foundation, for the study and propagation of agricultural co-operation in all parts of the British Commonwealth and Empire.

A FREE STATE SENATOR.

When the Senate of the Irish Free State was created, in 1922, Sir Horace was chosen as one of its first members. He attended only a few of its meetings; and at his last appearance, towards the end of 1922, he made a distinctive contribution to the proceedings, when he undertook to procure, during his impending visit to the United States, for the Irish Government a collection of books on agriculture published in that country. It was during his absence in the United States in 1923 that his beautiful home at Kilteragh, Foxrock, County Dublin, was burned because he was a member of the Senate. This wanton act left Sir Horace without a home and so affected his health that he was compelled to live thenceforth in the South of England. In October, 1923, he resigned his seat in

the Senate on account of his health. The Senate heard of the resignation with deep regret, and asked for its reconsideration, but Sir Horace's health was so affected that he found himself unable to accede to the request.

In his new home at Weybridge he had devoted himself to agricultural problems, and to the work of the Horace Plunkett Foundation. His visits to Ireland were made only at long intervals, but he found it possible to be present at the annual meetings of the I. A. O. S. almost to the end. In 1929, at the age of 76, Sir Horace set out to secure a pilot's certificate as an aviator. He began to take lessons at the Brooklands Aerodrome, and was the first member of the local Aero Club to undertake such difficult work. Having qualified as a pilot he became an enthusiast of aviation, but his flights were neither spectacular or prolonged.

A LAST APPEAL.

At the annual meeting of the Irish Agricultural Organisation Society in January, 1932, the chairman read a letter from Sir Horace Plunkett, beginning: "I had made up my mind that if I never attended another annual general meeting, I would be at my post on Tuesday next. As I told you, my doctor refused to let me go. All I can do is to compress into a letter . . . the thoughts I had determined to express in order to make another appeal on behalf of the movement and the society. . . ."

In the course of the letter, Sir Horace went on to say: "Our movement was in its origin a practical protest against the neglect of our agriculture by a country which had persistently subordinated its basic industry to manufacturing and commercial interests. We were in effect, laying the foundations upon which, so soon as our political, economic and social destinies were transferred to Irish hands, the new rural civilisation we had conceived could be built.

"I must not deal with the past further than to say that the Irish Government have accepted, as far as possible, the principles of our movement in framing their agricultural policy. We may gratefully acknowledge that they have recognised to the full the necessity of having the farmers organised, and organised on the co-operative plan. They have subsidised the Society for the work delegated to it, and many of the societies have contributed well towards the services they have received. I think the strengthening of weak,

existing societies is a more urgent matter for the moment than starting new societies. I say for the moment, because I would not be understood as suggesting that we should, here and now, set a limit to our work. Rather may I be inclined to believe that heavier demands will be made upon us in the immediate future than in the past.

"World conditions are compelling every people to readjust its economic life. Everywhere that readjustment is taking the form of more effective organisation, and it is only by a 100 per cent. organisation on the co-operative plan that we can secure our basic industry, upon which depends a satisfactory standard of living for a country mainly agricultural. That is what we should aim at as a nation. and, to my mind, it is something more than a dream, but if the Society is to do its part in giving reality to it, it must have the whole-hearted support of every class in the country."

Sir Horace Plunkett will be remembered for the great work which he undertook on behalf of Irish agricultural co-operation in days when such work was both difficult and unrewarded. Now that his work has entered another, and a very different, phase, it can be seen that without it Irish agriculture would have been almost without support in the strenuous days which came after the war. It now is generally acknowledged that only through the co-operative method of organisation can Irish agriculture hope to hold its own in the British markets, and the organisation will have to be more intensive and more ruthless than Sir Horace Plunkett recognised. The State now has definitely undertaken the supervision of the business, and less of the voluntary spirit is in evidence, but "Better farming, better business, better living" long will remain to bear witness to the sagacity and the unselfish enthusiasm of Sir Horace Plunkett.

[We are indebted to Mr. Walter of the Horace Plunkett Foundation, London, for this extract from the "Irish Times"—Editor.]

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Recent Utterances.

THE MADRAS CENTRAL LAND MORTGAGE BANK

Speech at the annual meeting held on 3rd September 1932.

BY

M.R.RV. DEWAN BAHADUR M. RAMACHANDRA RAO GARU,
Gentlemen,

On behalf of the Board of Directors I have great pleasure in presenting the third Annual Administration report of this Bank for the year 1931-32 for your consideration. We have now reached a definite stage in the affairs of this bank and are now in a position to declare a dividend for the first time. As you are aware, the bank was established on 12th December 1929. The first six months after its establishment were taken up in making the preliminary arrangements for the organisation of the Primary Land Mortgage Banks and their affiliation to this Bank. Excluding this period, the bank has been in existence for two full years. For obvious reasons it is not possible for any bank to pay dividend during the first year. The report now under consideration relates to the second complete year during which the bank has carried on its operations. That we are able to recommend the payment of a dividend for the year under report is due mainly to the fact that the working expenses of this Bank during these two years as explained in the report have been met by a grant by the Madras Government. During the preliminary conferences held prior to the establishment of this bank, it was recommended that in view of the very small margin between the borrowing and the lending rate of this bank, Government should render financial assistance for the administrative charges of this bank during the first two or three years of its existence. This assistance has been given and we are grateful to the Government for this help at the initial stage. Otherwise the bank would have been in the very awkward position of spending a part of its share capital for administrative charges, which in view of the very little margin that there is, would have taken several years to recoup. In consequence of this help the Board is now in a position to recommend to you the payment of a dividend of 7 per cent for the year under report. The first two years of the existence of this bank coincided with a period of

the most acute financial and trade depression of recent years. Nevertheless, the progress made by this bank during these two years is, I venture to think, satisfactory and initial difficulties of various kinds have been got over. As you will see from the report, the bank has been able to attract up to the end of the year under report, a share capital of Rs. 1,07,000 and a debenture capital of Rs. 12,18,250. The total share and debenture capital of the bank up to date is Rs. 14,38,700. The conditions of the money market at the present time is more favourable and all indications are that for some time to come money will be cheap and we are likely to have a much larger sale of our debentures during the current year. We have been advised by Foreign experts that Land Mortgage Banks should offer a competitive rate of interest, generally at least 1/2 or one per cent over the rate offered by Government. The rates of interest on the bank's debentures have been fixed in conformity with this advice. Our debentures have been purchased from distant places outside the Madras Presidency like Bombay, Secunderabad, Travancore, Bangalore, Rangoon and Lahore. Their merits are getting known and I take this opportunity of bringing to the notice of the investing public two important features of our debentures. The first is that the debentures are fully covered by first mortgages of immovable property. As you will see from para 11 of the report, the debentures issued up to the end of the year under report were for Rs. 10,78,900. The value of the properties included in the mortgages assigned to this bank is Rs. 37,18,186, three times more than the amount for which debentures have been issued. Our debenture-holders have as security valuable wet lands in the delta districts of the Presidency. In addition to this, there is the guarantee of the Madras Government who have undertaken to pay interest on the debentures till they are redeemed. These two important features, I claim, place the bank's debentures in point of stability and safety on a par with the best gilt-edged securities available in the money market. There is, however, the fact that the people who can invest their money for long periods are not so plentiful and that ordinary Indian Investor in this country is not accustomed as yet to long term investments like the first mortgage securities of Land Mortgage Banks, and they are more familiar with systems of short term deposits. The policy of the Government of India in recent years has familiarised the public more and more with short-dated securities. I am glad, however, to say that the knowledge about the intrinsic merits of our debentures is growing day by day and people are recognising that the debentures

are a stable and dependable securities free from financial disturbances, panics, political changes, or industrial depressions. The history of Farm Mortgage Bonds in America and the history of Land Mortgage Debentures in the continental countries of Europe, clearly show that the debentures which are backed by the security of landed properties are very popular and sometimes command better prices in the market than even Government securities. I hope that in due time our debentures will come to occupy the same position in this country. One class of investors in every country who need not keep their funds in a liquid condition and who have invested in long term loans like the Bank's debentures are the Insurance Companies. One main difficulty in the way of some of the Insurance Companies, as explained in the Report, is the fact that the bank's debentures have not been as yet declared as Trust securities. The Madras Government have strongly supported our request in this matter, and I have every hope that the Government of India may be able to undertake the necessary legislation in the coming session of the Legislative Assembly.

There is one other aspect of our work about which I should like to make a brief reference. Some of the loans granted by the ordinary co-operative societies, you are aware, though granted as short term loans, are really for long term purposes. This has added considerably to the difficulties of the co-operative movement in this Presidency. One difficulty in the collection of these debts is the fact that the members cannot pay back their debts unless arrangements are made to spread over the instalments over longer series of years. These the ordinary co-operative societies are not able to arrange. The total amount of debts exceeding five years from members of Agricultural Co-operative Societies on 30-6-1931 amounts to Rs. 1,24,20,000. Of the applications for loans received so far, only a small proportion is for clearing of debts due to the ordinary village societies. It is, therefore, desirable that the help of the Land Mortgage Banks should be more freely utilised to meet the existing difficulties of ordinary societies. The Registrar of Co-operative Societies has recently issued a circular that an intensive campaign should now be launched to transfer to Land Mortgage Banks wherever they exist, those debts of ordinary societies which cannot obviously be cleared within the period for which these societies are now allowed to lend. I am in entire agreement with this scheme and provided the borrowers satisfy the tests laid down in regard to

loans by Primary Land Mortgage Bank, the Board will endeavour to help the members so far as funds permit. It must, however, be clearly understood that the tests as regards repaying capacity, the value of the lands to be mortgaged, and other necessary requirements should be fully complied with as in the case of loans hitherto granted by the Primary Land Mortgage Banks, and there can be no relaxation of the essential conditions under which loans can be granted by these banks. An investigation will shortly be undertaken to find out how far such a scheme may prove satisfactory. I am glad to say Mr. Ramdas Pantulu, President of the Madras Provincial Co-operative Bank, has kindly promised to find the necessary funds for this investigation, which, if successful, might yield very useful results to the ordinary societies and the Central Banks.

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MUTHIA PILLAI STREET, MADURA

Reviews.

1. ANNUAL REPORT ON THE WORKING OF CO-OPERATIVE SOCIETIES FEDERATED MALAY STATES.

for the Financial year ending 30th June 1931.

The Report of the Director of Co-operation for F. M. S. and S. S. for the year ending 30th June, 1931 follows more or less the line adopted in the last year's report. The following table will give us an idea of the progress :—

	1930	1931
1. No. of societies	... 158	165
2. No. of members	... 28,303	25,879
3. Paid up share capital	... \$ 27,26,339	\$ 29,26,754
4. Reserve Fund	... 1,66,616	2,03,757
5. Total working capital	... 29,38,241	31,51,267

It is gratifying to be told that a Better Living Society has been organised by the leading Malays of Seremban and that its activities have been devoted mainly to the reduction of expenditure on wedding and other social functions. Thrift and Loan Societies and Indian Estates Labourers' Co-operative Credit Societies have been doing well. The Co-operative Rubber Societies in spite of the low prices in the rubber market did good work and showed financial benefit to their members. The plan of having a rural lecture caravan operated jointly by the Agricultural and Co-operative Departments and the Rubber Research Institute seems to have been very popular and is one well worth imitation in India, where literacy being very poor, visual instruction would be found to be the only method of reaching the masses. The following paragraph from the report sums up the situation and we hope it is a correct picture of the same.

"There is a reason for despondency or pessimism with regard to the progress of co-operation in this country during this abnormal period. The figures indicate generally a steady advance in the accumulation of funds, investments and cash despite the "slump". Some might cavail at the "Overdues" in the rural societies. The overdues in the other societies are negligible. They are all well-secured and recoverable in time. There are no outside creditors impatient for their money, and there is no dread of frozen credits."

S. K. Y.

2. ANNUAL REPORT ON THE WORKING OF CO-OPERATIVE SOCIETIES, STRAITS SETTLEMENTS

for the year 1930-1931.

The Department is under the same Director as the F. M. S. and hence naturally the main features of the report of the F. M. S. are found repeated in this. One interesting feature of rural societies is that they handle their own capital and therefore failure to meet instalments punctually affect only the members themselves and not as in India and elsewhere the depositor or the investor. Co-operative credit societies for the benefit of Indian Estates Labourers worked satisfactorily. There would have been considerable progress in this section of co-operation but for the fact that the conditions prevailing are very uncertain and society managers were not willing to start new societies until the position become clearer.

S. K. Y.

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3. PROCEEDINGS OF THE PROVINCIAL COMMITTEE AND THE GENERAL BODY MEETING OF THE UNITED PROVINCES CO-OPERATIVE UNION.

Held on 5th and 6th March 1932.

We have received a copy of the Proceedings of the Provincial Committee and of the General Body of the United Provinces Co-operative Union, Ltd., held in March last. The resolution adopted by the General Body on the recommendation of the Committee regarding better realisation of dues from liquidated societies is given below.* The Committee also recommended that such banks as wish to do so may adopt the Punjab system, that is, instead of having a fixed instalment at each harvest to fix the demand after the consideration of local circumstances for each harvest, and intimate the society of the amount so fixed. This

* *Subject No. 7*:—Consideration of the report of the Sub-Committee appointed under resolution Nos. 10 and 11 of the last meeting of the General Body to go fully into the question of the manner and means to be adopted as to realisation of dues from liquidated societies and from those defaulters of working societies against whom awards have been obtained.

Resolution.

Resolved that in view of the great difficulties in the realisation of dues of co-operative societies and following the practice in vogue in the Central Provinces and Berar, the Government be moved:—

- (a) to invest all inspectors of co-operative societies with the powers of the Thasildars under section 221 of Land Revenue Act, to designate them as additional Thasildars and to issue instructions to the District Officers to take from them the work of Thasildars in the matter of collection of co-operative dues.
- (b) to instruct District Officers to appoint the Supervisors of co-operative department as special Kurk Amins for collection of dues of co-operative societies whenever requested by the Inspector to do so.
- (c) to amend clause (1) of paragraph 15 of page 54 of Vol. I of the Manual of Co-operative Societies so as to make the United Provinces Co-operative Union or the bank concerned responsible for depositing in advance the pay of the Amin in Government Treasury for such period as their services are

RECENT UTTERANCES

system has the obvious advantage of fixing the demand after taking overdues, the repaying capacity and other factors into consideration, a fair one from the point of view of both the debtor and creditor; and there would be no accumulation of overdues with all the necessary consequences, such as, denial of fresh loans even to good members and consequent demoralisation and deterioration. The report also contains the report of the sub-committee appointed to investigate the question of effecting prompt recoveries from liquidated societies, on which the resolution quoted was based.

The scheme for the establishment of a sugar factory on co-operative basis, the details of which were submitted in a special note upon it, was referred to a Committee which was empowered to approach all banks and individuals with a view to find out whether sufficient capital would be forthcoming. We await with interest the report of this Committee and the possible line of action by our brother co-operators of the United Provinces.

required and to make provision for crediting of attachment and sale fees recovered by the Union to the United Provinces Co-operative Union or the bank concerned; and

- (d) to amend sections 19 and 42 of the Co-operative Societies Act II of 1912 and in order to guard against fraudulent transfer and removal of property to add to the rules made under section 20 of the said Act a provision authorising District Officer or S. D. O. on the recommendation of the Registrar or the arbitrator to order attachment before judgment.

Further resolved that pending the acceptance of the suggestion referred to in clause (c) above, banks should, in cases in which they consider early appointment of extra Kurk Amins essential for the recovery of decretal amounts and dues from liquidated societies, offer to pay from their own funds the money required for their entertainment."

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IMPERIAL STORES, KASUR. (Punjab)

The Provincial Co-operative Union.
PROCEEDINGS OF MEETINGS
1. THE RURAL RECONSTRUCTION COMMITTEE.

(Held on 20th August 1932.)

PRESENT :

- Messrs. 1. V. Ramadas Pantulu, (President).
 „ 2. V. Raghaviah, (Indukurpet Centre).
 „ 3. S. C. Venkatappa Chettiar, (Elur Centre).
 „ 4. L. Gangadhara Sastry, (Lepakshi Centre).
 „ 5. A. Ranganatha Mudaliar, (Malpangudy).
 „ 6. Rao Bahadur S. Hanumanta Rao Pantulu Garu, (Gudlavelluru).
 „ 7. N. Satyanarayana, (Alamuru).
 „ 8. V. Venkatasubbaiya, (Secretary).

RESOLUTIONS.

Item I.—Financial condition of all the centres.

1. Resolved that the accounts of all the centres be written up-to-date and the balances to the credit of each centre as on 31st August 1932 be ascertained and circulated.
2. Resolved to carry on the Rural Reconstruction work for three years more, 1932-33, 1933-34, and 1934-35, at the following six centres:—
 1. Lepakshi, (Anantapur District).
 2. Indukurpet, (Nellore District).
 3. Elur, (Salem District).
 4. Alamuru, (East Godavari District).
 5. Malpanagudy, (Bellary District).
 9. Ariyalur, (Chingleput District).
3. Resolved to carry on the Rural Reconstruction Work for the year 1932-33 at the Gudlavalleru Centre.
4. Resolved that the contribution of the Central Committee to the local centres be Rs. 700 from 1932-33.
5. Resolved that fresh centres be started if a local contribution of at least Rs. 1,000 is forthcoming from the locality and the Madras Provincial Co-operative Bank agrees to make a similar grant.

Item II.—Application from the Rural Reconstruction Supervisors and the Physical Instructor regarding their salaries.

P.C.U. MEETINGS

1. Resolved that the fixing of the salaries of the Supervisors be left to the Local Committees subject to the Central Committee being satisfied about their competency and qualifications.
2. Resolved that the salary of the Physical Instructor be fixed at Rs. 50. No other allowances will be paid to him. This will be given effect to from 1st July 1932.

Item III.—Letter from the convener, Maharajapuram Centre, regarding refund of Rs. 159 to Sundarapandiyam Co-operative Union.

Resolved to refund Rs. 159 to Sundarapandiyam Co-operative Union and close the Maharajapuram Centre unless Rs. 1,000 for the current year be forthcoming and a similar grant from the Provincial Bank.

Item IV.—Contribution from the Provincial Bank.

Resolved to apply to the Provincial Co-operative Bank for a sum of Rs. 3,000 for the year 1932-33 and also for Rs. 10,000 each for the next two years for Rural Reconstruction work.

Item V.—Opening of new Rural Reconstruction Centres in Guntur and Coimbatore Districts.

Resolved to open centres in Guntur and Coimbatore Districts if funds are forthcoming from the Districts concerned and from the Provincial Bank.

Item VI.—Constitution of the local committee for the Ariyalur Rural Reconstruction Centre.

Resolved that the following names suggested by Mr. V. Venkateswara Sastrulu for the Local Committee of the Ariyalur Centre be accepted:—

- Messrs. 1. V. Venkateswara Sastrulu, (convener).
 „ 2. B. Perumal Naidu
 „ 3. K. L. Narasimha Rao

Item VII.—Starting of an Adult Education Centre in West Godavari District—Scheme of Messrs N. Satyanarayana and S. Subba Rao.

“Adjourned”

Item VIII.—Resolution No. 3 (b) dated 6-8-32 of the Non-credit Committee requesting that the Rural Reconstruction Supervisors of the Provincial Co-operative Union be instructed to popularise Co-operative Insurance in their areas.

Resolved to circularise the Rural Reconstruction Supervisors to popularise Co-operative Insurance in their areas.

THE MADRAS JOURNAL OF CO-OPERATION

Item IX.—Mr. N. Satyanarayana's letter and proposals for appointing workers in Alamuru Centre.

14. "Approved"

Item X.—Statement of Accounts for the year 1931—32 and bills paid from April 1st to 20th August '32.

"Approved and Recorded"

Item XI.—Travelling Allowance for the Central Committee members.

Resolved that the Travelling Allowance for the Central Committee's meetings be met from the funds of the Rural Reconstruction Central Committee.

Item XII.—Budget for the year 1932—33.

"Resolved that the budget for the year 1932—33 be circulated."

(Sd.) V. RAMADAS,
President.

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2. THE EDUCATION COMMITTEE.

Held on the 20th August 1932.

PRESENT:

- Messrs. 1. V. Ramadas Pantulu, (President).
" 2. T. A. Ramalingam Chettiyar.
" 3. N. Narasimbachariar.
" 4. O. A. Narayanaswami Iyer.
" 5. V. Venkatasubbaiya, (Secretary).

RESOLUTIONS.

Item I.— Co-option of two members to the Committee.

Resolved to co-opt Messrs. K. C. Ramakrishnan and S. K. Yegnanarayana Iyer to serve in the Education Committee.

Item II.—Results of the Examination conducted in April 1932.

"Ratified and Recorded"

Item III.—Standard for declaring results of the future examinations.

Resolved that the following standard be adopted in declaring the results of the future examinations:—

- (a) The two papers on (i) Co-operation—Historical and General and (ii) Co-operation—Law and Principles, will form Part I, and the Papers on (i) Book-keeping, (ii) Banking and (iii) Audit form Part II, of the examinations.
(b) Whoever gets less than 35 per cent in the aggregate and less than 30 per cent in either part shall be deemed to have failed.
(c) Candidates who have failed will have to sit again for the part or parts in which they failed to secure 35 per cent.

NOTE.—Candidates who fail in one or more subjects in the previous examinations shall be required to appear for the whole part or parts in which such subjects are now included.

- (d) Candidates who get 35 per cent of the total marks with a minimum of 30 per cent in each part be declared to have passed in second class.
(e) Candidates who get a minimum of 50 per cent of the total marks be declared to have passed in first class.

THE MADRAS JOURNAL OF CO-OPERATION

Item IV.—Issue of Certificates to successful candidates.

1. Resolved that Messrs. V. Ramadas Pantulu and K. C. Ramakrishnan be requested to draw up a form of the certificate.
2. The certificates shall be issued under the signature of (1) the Registrar of Co-operative Societies, (2) the President of the Provincial Co-operative Union, and (3) the President of the Institute from which the students' pass the examination.

Item V.—Fixing the Examination fees payable by students appearing for the Provincial Co-operative Union examinations.

Resolved that for future examinations a fee of Rs. 5 for the whole examination and Rs. 3 for each part be collected from each student.

Item VI.—Constitution of a Board to be in charge of Examinations to be held in April 1933.

Resolved that the following gentlemen do constitute the Board to be in charge of the conduct of the next examination.

1. The Registrar of Co-operative Societies
2. The President of the Provincial Co-operative Union
3. Mr. K. C. Ramakrishnan
4. Mr. S. K. Yegnanarayana Iyer
5. Mr. R. B. Shaw
6. Mr. V. Venkatasubbaiya (Secretary)

Item VII.—Letters from the Grey Co-operative Institute, Vellore and the Andhra Institute, Bezwada regarding the sanction of a commercial instructor.

Dropped, since the commercial instructors were sanctioned in the meanwhile.

Item VIII.—Letter from the Hood Co-operative Institute, Tanjore regarding allowing students who failed twice in the examination to appear for a third time.

Resolved that students may be given a third chance to appear for the examination. The third chance shall be the last chance.

Item IX.—Letter from Mr. V. Suryanarayana, Secretary, Kovur Local Co-operative Union to the Registrar regarding his Circular No. 1983/32,

P. C. U. MEETINGS

dated 23rd April 1932 on the appointment of trained men in Co-operative Societies, requesting him to exempt employees of Co-operative Societies with an experience of 5 years from the operation of the Circular.

10. "Recorded."

Item X.—Resolution No. 3 (e) dated 6-8-32 of the Non-credit committee requesting that the subject of Insurance be prescribed for study in the Training Institutes.

Resolved that Superintendents of Institutes be requested to arrange for lectures on Insurance to the students in their Institutes.

Item XI.—Practical Training—Arrangements for.

1. Resolved to recommend to the Institutes that practical training also should be given and the students taken to typical societies for the purpose.
2. Resolved that a six weeks' course of practical training should be arranged for, after the completion of the theoretical course, and separate diplomas be awarded for those who are declared to have taken the course satisfactorily.

Item XII.—Syllabus on Co-operative Audit.

Resolved that Messrs. K. C. Ramakrishnan and R. B. Shaw be requested to draw up a syllabus on Co-operative Audit for adoption in the Training Institutes.

(Sd) V. RAMADAS,
President.

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Co-operative News.

THE LITTLE CONJEEVARAM URBAN BANK LTD.,

OPENING OF NEW PREMISES.

The function of the opening of the new buildings of the above Bank at Conjeevaram was celebrated at 9 A. M. on 14-7-32. Exactly at the appointed hour, the Hon'ble Minister arrived. A procession started with band and music in front of the Vishnu Conjee Police Station consisting of all the leading citizens of the place, officials and non-officials. The Hon'ble Minister and other distinguished gentlemen were garlanded. The new building was beautifully decorated, a big pandal having been put up in front of the building with flags and festoons. As soon as the Hon'ble Minister took his seat, the President began to read his Address of Welcome. The Registrar of Co-operative Societies, the Joint Registrar, the Deputy Registrar and all the important officials and non-officials were present. The Hon'ble Minister replied in suitable terms on the points raised by the President in his Welcome Address. In the course of his remarks he congratulated the Board of Directors on the successful working of the bank and on the prosperous condition of the finances of this bank and that he was extremely glad about the stability and soundness of its finances. He emphasised on the point that the bank had no necessity to apply for any loan from the Central Bank nor for any cash-credit accommodation from that bank. Then the Hon'ble Minister accompanied by the gentlemen present opened the building with the Silver Key made for the purpose. After this function was over, the Vice-President of the bank presented an Address, welcoming Dewan Bahadur A. Ramaswami Mudaliar to unveil the portrait of the President of the bank. Mr. A. Ramaswami Mudaliar spoke in eulogistic terms of the several qualities of head and heart of the President. He said that he knew him intimately for a long number of years and that he had the highest respect for him and that if anybody deserved any public recognition for unselfish work, the subject of this portrait eminently deserved it. With these remarks he unveiled the portrait of the President. Letters of congratulations received from Dewan Bahadur C. S. Ratnasabapathy Mudaliar, E. S. Sunda of Madura and Dewan Bahadur M. Ramachandra Rao, President, Land Mortgage Bank, V. Krishnamachari of Villupuram and from the President, Madura Bank, were read by the Secretary and laid on the table. The Collector's letter expressing inability to attend was also read and placed on the table. Then the Hon'ble Minister presented a gold medal to the Head Maistri, Munuswami Mudali, who did excellent work for the construction of the building throughout. It was a brilliant function, the like of which Conjeevaram never witnessed before. All the distinguished guests were treated to dinner. In the evening a group photo consisting of the Minister, the officials of the Co-operative Department and the members of the Board of Management with their office staff was taken. Then there was a grand tea-party in commemoration of this event to the Hon'ble Minister and the general public.

Registrar's Circular.

R. Dis. B. I. 4231/32

OFFICE OF THE
REGISTRAR OF CO-OPERATIVE SOCIETIES.
Madras, 2-9-'32.

D. N. STRATHIE ESQ., I. C. S.,
Registrar of Co-operative Societies.

CIRCULAR.

SUB:—Reserve Funds - Central Banks—investment of a portion in the debentures of the Central Land Mortgage Bank.

REF:—Resolution of the Executive Committee of the Madras Provincial Co-operative Bank Ltd., dated 21-7-32.

The question of permitting the investment of the reserve funds of the Central Banks in the debentures of the Madras Co-operative Central Land Mortgage Bank Ltd., has been under consideration for some time past. The Central Land Mortgage Bank is now firmly established and with its increased transactions, its debentures are becoming more popular and fluid. The Central Banks moreover are likely to get a higher rate of interest on such investments than what they would otherwise get. It is therefore suggested that the reserve funds of Central Banks as declared in the audit of 1931-32 may, with safety and advantage to all, be invested in 15 years debentures of the Central Land Mortgage Bank. This proposal does not involve any withdrawal of funds at present from the Provincial Bank. The Executive Committee of the Provincial Co-operative Bank Ltd., have accepted the Registrar's proposal in their meeting dated 21-8-32. A copy of their resolution is enclosed.* The Registrar therefore advises all Central Banks to invest their reserve fund declared in the audit for the year 1931-32 in the fifteen Years' debentures of the Central Land Mortgage Bank.

(By Order).

V. VENKATAPPAYYA,
Manager,

6-9-32.

To All Central Banks.

Copy to the Madras Provincial Co-operative Bank Ltd., Luz, Mylapore, Madras.

Copy to the President, Central Land Mortgage Bank, Mount Road, Madras.

Copy to all Deputy Registrars and Sub Deputy Registrars including the Special Deputy Registrars for Land Mortgage Banks. (in duplicate)

Copy to the Editor, Madras Journal of Co operation, Royapettah, Madras.

Copy of the Resolution of the Provincial Bank.

* The Executive Committee has no objection to the Registrar making the suggestion to Central Banks giving them the option to invest their reserve funds in the debentures of the Central Land Mortgage Bank. The question of the rate of interest to be allowed on Reserve Fund Deposits is adjourned to the next meeting.

Magic Lantern and Slides.

PREPARED BY THE
Madras Provincial Co-operative Union,
ROYAPETTAH, MADRAS.

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

SLIDES.

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

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

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

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

Report on the Working of The South India Co-operative Insurance Society. *for the quarter ending 30th September 1932.*

The last meeting of the Board of Directors was held on the 26th June, when the Report on the working of the society from the time of its commencement till the date on which the Board met was submitted. The progress in the first quarter of the current co-operative year under review is quite satisfactory in all respects and did not belie our expectations. But for the fact that most of our staunch supporters were engaged and are still engaged in Local Board elections, the progress in business would have been still more marked.

The Business Committee met eleven times since the last meeting of the Board to transact the business of the Society.

120 proposals to the extent of Rs. 1,13,000 were received during the period under review, out of which 118 proposals to the extent of Rs. 1,12,000 were accepted and acceptance letters were issued to the respective proponents.

104 Policies were issued during the quarter under report assuring a sum of Rs. 1,013,00.

Renewal premiums from 74 policy-holders were received. 14 policies lapsed out of which 7 policies were revived by paying the minimum revival fee of annas eight as the lapses were for a very short period. 7 Policies have yet to be revived and lapse notices as well as reminders have been issued. In these cases communications were received from the policy-holders to the effect that they would have their policies revived during the course of this month.

The total premium revenue actually received on the 252 policies issued is Rs. 6,567-5-0 and the outstandings Rs. 7,376-9-0.

Six Co-operative Institutions have subscribed Rs. 3,620 towards share capital and the requisite number of shares have been allotted to them.

Four new local boards of our Society were constituted since the last meeting of the Board at Amalapuram, Anantapur, Cocanada and Tinnevely.

The Secretary of the Society visited Rajahmundry, Amalapuram, Sullurpet, Madurantakam, Bezwada and Bhimavaram in connection with the organisation work of the Society. Mr. N. Satyanarayana did propaganda work in Guntur district during the various co-operative conferences over which he presided. Mr. V. Venkatasubbaiya, visited Bellary in connection with the famine relief work and did propaganda work for the Insurance Society. During his recent tour in Salem district, he did much to promote the interests of the Society. Mr. Yegnanarayana Iyer had an extensive tour in the Tamil districts and did effective work and addressed several gatherings in various places about Co-operative Insurance.

The President of the Society, during his visits to Trichinopoly, Pudukottah, Ramachandrapuram, and Cocanada, introduced the Society to the local Co-operators and others.

THE MADRAS JOURNAL OF CO-OPERATION

Rao Bahadur A. Rajabadar Mudaliyar, Chairman of the local board of our Society at Conjeevaram, is taking keen interest in our Society. He visited Madurantakam and Ponneri for organising agencies in those places to secure business for the Society. The Society expresses its grateful thanks to him.

Mr. A. Sreenivasan, a member of our staff, was sent to Hindupur and Anantapur in connection with our insurance work. His reports show that substantial business will be forthcoming from these places.

The Board when it met last sanctioned the appointment of two organisers, one for Travancore, Cochin and Malabar and the other for East and West Godavari districts. Mr. R. Ganapathy, B. A. and Mr. P. Satyanarayana B. A. were appointed for the respective posts for a period of three months on a monthly consolidated pay and allowance of Rs. 50.

Mr. P. Satyanarayana did good organisation work in East Godavari and has also sent proposals to the extent of Rs. 18,500 during these three months. The reports submitted by him are good and encouraging.

Mr. R. Ganapathy had two or three handicaps in his work. He mentioned in his reports that he was unwell during the whole of July and actually commenced work only in August. The most important factor to be taken notice of in this connection is the starting of a Co-operative Insurance Society on identical lines as ours for the Travancore State. It may also be mentioned that they copied our tables, scheme and other books and forms wholesale and as such there is absolutely no difference between the terms offered by our Society and theirs; and local patriotism naturally plays an important part.

The Board, at its last meeting, sanctioned the appointment of a clerk on Rs. 40 and a clerical attender on Rs. 20. Mr. Sreenivasan, B.A., who worked as an unpaid apprentice for 4 months was appointed as a clerk on Rs. 40 with effect from 1st July 1932. Mr. Lakshminarayana, who was serving as an unpaid apprentice in the P. C. U. was appointed as clerical attender on Rs. 20 from 1st July 1932. It is very pleasing to note that all the members of the staff are discharging their duties with due diligence and enthusiasm.

The Board, when it met last, left the question of settling the payment of fees to the Medical Referee to the President. On the suggestion of the President, a sum of Rs. 250 was paid to the Medical Referee as honorarium till 30th June, 32' which he acknowledged with thanks. He has promised continued attention to our society.

It is very gratifying to note that most of the local boards constituted by our Society in the various districts have commenced in right earnest to secure business for the Society. The Society's thanks are due to the members of the various local boards for their co-operation in making our venture a success.

1st October, 1932.

V. VENKATACHALAM,
Secretary.

THE SOUTH INDIA CO-OPERATIVE INSURANCE SOCIETY, Ltd.

Statement I.—Showing Progress during the 1st quarter of 1932—1933.

PARTICULARS.	As on 30-6-1932.		As on 31-7-1932.		As on 31-8-1932.		As on 30-9-1932.		Total amount of work done during the quarter.	
	No.	Amount.	No.	Amount.	No.	Amount.	No.	Amount.	No.	Amount.
		Rs.		Rs.		Rs.		Rs.		Rs.
1 Proposals Received ...	235	2,63,300	262	2,90,200	311	3,35,900	355	3,76,300	120	1,13,000
2 Proposals accepted ...	219	2,43,300	242	2,63,700	296	3,19,900	337	3,55,300	118	1,12,000
3 Proposals rejected ...	7	9,000	8	10,000	7	6,000	8	7,000	...	...
4 Proposals pending Acceptance ...	9	11,000	12	16,500	8	10,000	10	12,000	...	...
5 Policies issued ...	148	1,70,800	179	2,05,800	217	2,40,300	252	2,72,500	104	1,01,300

THE MADRAS JOURNAL OF CO-OPERATION

Statement II.—Showing the amount of work done by the various Local Boards of the South India Co-operative Insurance Society, Ltd., as on 30—9—1932.

Serial No.	Name of the Local Boards.	No. of proposals received.	Amount. Rs.	No. of policies issued.	Amount. Rs.
1	Ramachandrapuram local board	51	42,800	27	28,300
2	Alamuru Local Board ...	31	32,600	26	27,600
3	Vizianagaram „ ...	16	20,000	15	19,000
4	Rajahmundry „ ...	14	15,000	9	9,000
5	Nellore „ ...	16	14,500	10	8,500
6	Conjeevaram „ ...	12	11,000	10	9,000
7	Ganjam „ ...	14	10,000	6	4,100
8	Madras „ ...	5	7,500	4	6,500
9	Coimbatore „ ...	6	7,000	5	6,000
10	Sivaganga „ ...	6	5,000	4	3,500
11	Cuddapah „ ...	6	4,500	4	3,000
12	Krishnagiri „ ...	5	4,500	5	4,000
13	Anantapur „ ...	3	3,000	...	...
14	Tanjore „ ...	4	3,000	1	1,000
15	Hindupur „ ...	2	3,000	1	1,000
16	Bhimavaram „ ...	1	1,000	1	1,000
17	Madura „ ...	1	1,000	1	1,000
18	Adoni „ ...	...	...	...	...
19	Amalapuram „ ...	...	...	...	...
20	Gudlavelluru „ ...	...	...	...	...
21	Guntur „ ...	...	...	...	...
22	Hospet „ ...	...	...	...	...
23	Kistna „ ...	...	...	...	...
24	Kumbakonam „ ...	...	...	...	...
25	Periyakulam „ ...	...	...	...	...
26	South Canara „ ...	...	...	...	...
27	Tinnevely „ ...	...	...	...	...
	Total...	193	1,85,400	129	1,32,500

Note.—The remaining 162 proposals amounting to Rs. 1,90,900 were secured by the Head Office and by the various individual agents appointed by the Society.

SUPPLEMENT TO THIS ISSUE.

In the Court of Subordinate Judge of Rajahmundry.

Wednesday, the 31st day of August 1932.

PRESENT :—

M. R. RY. V. PURNAIYA PANTULU GARU, B.A., B.L.,
Principal Subordinate Judge,

Original Suit No. 34 of 1932.

Between :—

1. BIKKINA VENKATARATNAM ... }
2. MUTYALA SITARAMAYYA ... } Plaintiffs.

and

KANDULA SUBBARAO, ELECTION OFFICER, }
RAMACHANDRAPUR ... } Defendant.

This suit coming for final hearing on Monday (29—8—1932) in the presence of Messrs. V. Ramadas Pantulu and B. Satyanarayana, advocates and Messrs. D. Sriramamurthi and M. Sivaramakrishnayya, pleaders for the plaintiffs and of Mr. Rao Saheb A. Ramarao Pantulu, Government advocate for defendant and having stood over to this day for consideration the Court delivered the following :—

JUDGMENT.

This is a suit for a declaration that the plaintiffs 1 and 2 are validly nominated candidates for elections to the District Board of East Godavari and the Taluk Board of Ramachandrapur and for an injunction restraining the defendant from proceeding further in the election of members thereto, excluding the plaintiffs as validly nominated candidates.

2. The plaintiff alleges as follows :—The 1st plaintiff filed nomination papers before the defendant on 17-8 1932 for election to the Ramachandrapur Taluk Board from the Kapavaram circle and to the District Board of East Godavari from the Mandapeta firka. The 2nd plaintiff filed nomination papers for election to the Taluk Board of Ramachandrapur from Thapeswaram circle. The defendant is the Tahsildar of Ramachandrapur Taluk and he has been appointed officer to conduct the elections. The defendant fraudulently with a view to remove the plaintiffs from the field and facilitate the return of his friends to the said Boards, rejected the plaintiffs' nominations as invalid under section 55(2)(c) of Act XIV of 1920, on the ground that

the plaintiffs are directors of the Ramachandrapur Co-operative Central Bank Ltd., and that the Taluk Board of Ramachandrapur and the District Board of East Godavari deposit their funds in the said Bank. The deposit of the funds of the Boards in the Bank of which the plaintiffs are the directors cannot be regarded as a disqualification nor does it make the plaintiffs persons interested in a subsisting contract made with the local board. The deposit of the funds of the Boards in a bank cannot be construed to disqualify the plaintiffs' candidatures, even if the case comes under section 55(2) (c) as it is governed by the proviso (ii) of the said section. The plaintiffs pray that they may be declared to be validly nominated candidates for election and that an injunction may be issued directing the defendant from proceeding further with the election of members excluding them as candidates.

3. *The defendant states in his written statement as follows.*—The defendant in rejecting the plaintiffs' nominations as invalid acted according to law and the rules laid down under the statute. The two plaintiffs are the directors of the Co-operative Central Bank of Ramachandrapur and the funds of the Taluk and District Boards have been and are being deposited in the said Bank and the Bank pays the Boards interest etc., on the deposits. There is therefore always a completed and subsisting contract between the Bank and the Boards in which the directors are interested. The proviso to section 55(2) does not take away the disqualification of plaintiffs. The proviso does not at all apply to the facts of this case as the transactions between the said Bank and the said Boards cannot under any circumstances be regarded as "agreements for a loan." Under the circumstances, the plaintiffs are not entitled to continue as validly nominated candidates.

4. *The following issues have been framed:*—

- (i) Whether the plaintiffs are disqualified under section 55(2) (c) of the Madras Local Boards Act?
- (ii) To what relief are plaintiffs entitled?

5. *Issue 1.*—The 1st plaintiff is a candidate for election as a member of the Ramachandrapur Taluk Board for the Kapavaram circle and as a member of the District Board of East Godavari for the Mandapeta firka. The second plaintiff is a candidate for election as a member of the Ramachandrapur Taluk Board for the Thapavaram circle. Both the plaintiffs filed nomination papers on 17-8-1932 which was the day fixed for that purpose. The defendant is the Election Officer for the Ramachandrapur taluk. The next day i.e., 18th August 1932, was fixed for the scrutiny of the nominations. Certain objections were filed on that day before the defendant regarding the validity of the nominations of the two plaintiffs. These were based on the ground that they had been acting as Directors of the Ramachandrapur Co-operative Bank in which both the District Board and

the Ramachandrapur Taluk Board had been depositing their funds and as such they were interested in contracts made with the Boards and were therefore disqualified for election under Section 55 (2) (c) of the Madras Local Boards Act, (Act XIV of 1920). The said section deals with the disqualifications of the candidates for election. The section is so far as it is relevant to this case runs as follows:—

"2. A person shall be disqualified for election as a member of a local board if such person is at the date of nomination or election

(a) & (b) * * *

(c) interested in a subsisting contract made with, or any work being done for the local board, except as a shareholder (other than a director) in a company;

Provided that a person shall not be deemed to have any interest in such contract or work by reason only of his having a share or interest in

(i) * * *

(ii) any agreement for the loan of money or any security for the payment of money only; or

* * *

The plaintiffs admitted before the defendant that they were directors of the Ramachandrapur Co-operative Central Bank and that the funds of the two local boards had been deposited with the bank but contended that there was no subsisting contract between them and the local boards and even conceding that there were subsisting contracts they would come under proviso (ii) of sub-section (2) (c) of section 55. This proviso which has been quoted above relates to "any agreements for the loan of money or any security for the payment of money only". Their case is that the deposits made by the Boards to the Bank must be regarded as having been made in pursuance of agreements for loans of money and they (the plaintiffs) cannot be regarded as having any interest by virtue of the proviso quoted above. The defendant however disallowed their contention and upheld the objections raised against their nominations. Ex. I is a copy of his order. Hence the plaintiffs have filed this suit for (1) a declaration (a) that the 1st plaintiff is a validly nominated candidate for the election to the District Board and Taluk Board; (b) that the 2nd plaintiff is likewise a validly nominated candidate for election to the Ramachandrapur Taluk Board, and (2) for the issuing of an injunction restraining the defendant from proceeding further with the election of the members for the Taluk Board and District Board excluding the plaintiffs as validly nominated candidates.

6. *The defendant contends that, in rejecting the plaintiffs' nominations as valid, he acted according to law and the rules laid down under the statute.* His case is that the plaintiffs are directors of the Co-operative Central Bank of Ramachandrapur in which the funds of the Taluk Board and District

Board have been or being deposited and which pays the Boards interest etc., on the deposits, that there is therefore always a complete and subsisting contract between the Bank and the Boards and that therefore the proviso to section 55 (2) does not take away this disqualification. It is further contended by the defendant that the proviso does not at all apply to the facts of this case as the transactions between the said Bank and the said boards cannot under any circumstances be regarded as agreements for a loan of money. The main issue that has been framed in the case is—

Whether the plaintiffs are disqualified under section 55 (2) (c) of the Madras Local Boards Act?

It is admitted that both the Boards in question have deposits in the Ramachandrapur Co-operative Central Bank. It is also undisputed that both the plaintiffs take part in the management of the affairs of the Bank though they deny that they call themselves directors. They however contend that there is no subsisting contract between them and the Boards, that the said Bank is not a company and that therefore section 55 (2) (c) does not apply to them. They further allege that, even supposing that the said clause applies to them they come within the purview of the proviso (ii) as the deposits in the bank must be regarded as loans made to it by the two local boards and such transactions are exempted by the said proviso.

7. I shall first deal with the question whether the proviso applies to the facts of the case. The point for consideration is whether the deposits made by the Boards in the Bank may be regarded as having been made in pursuance of agreements for loans. In the first place it is contended by the learned Government pleader who appeared for the election Officer that an agreement for a loan means only an agreement to give a loan hereafter. This proviso seems to have been copied almost verbatim from an English Act of 1835. This appears from the English Act quoted in Sir Murray Hammick's Municipal Council. On a first reading no doubt, "agreement for a loan" interpretation is given to the agreement referred to in the proviso, only persons who agreed to give or take a loan hereafter would not be disqualified, whereas persons who have already given or taken a loan would be disqualified. There is no reason why a distinction should be made between the two kinds of agreements. The learned Government pleader has not suggested any reason why the legislature should make any distinction between the two classes of agreements. As I cannot see why any material distinction should be made between an agreement to take a loan and a loan actually taken, I interpret "agreement for a loan of money" as an agreement "with regard to" or "in respect of" a loan of money. I therefore hold that the proviso applies to loans which have already been made as well as to loans agreed to be made.

8. The next question for consideration is whether a deposit in a bank can be regarded as a loan. There are two contentions raised by the learned

Government pleader in this respect. Firstly, it is contended that the relationship between a banker and a customer where deposit is made by the latter is that of a trustee and *cesti que trust* and not that of a debtor and creditor. Secondly, it is contended that even supposing that the relation between the banker and its customer is that of a debtor and a creditor, a deposit differs substantially from a loan in its legal incidents. As regards the first contention no authority has been cited on behalf of the defendant. On the other hand, the leading case of *Foley vs. Hill* reported in 2 H.L. page 28 decided that "the relation between a banker and customer, who pays money into the bank is the ordinary relation of debtor and creditor, with a super-added obligation arising out of the custom of bankers to honour the customer's drafts; and that relation is not altered by an agreement by the banker to allow the interest on the balances in the bank and that the relation of Banker and customer does not partake of a fiduciary character, nor bear analogy to the relation between Principal and factor or Agent, who is a *quasi* trustee for the principal in respect of the particular matter for which he is appointed factor or agent." This case has been followed as a leading authority in England as well as in India. I may refer to the decision of the House of Lords in *London Joint Stock Company vs. MacMillan* reported in 1918 A.C. page 777 in which Lord Haldane pointed out as follows:—"ever since this House in 1848 decided *Foley vs. Hill* it has been quite clear that the relation between a banker and the customer whose balance he keeps is under ordinary circumstances one simply of debtor and creditor." The principle on which the case of *Foley vs. Hill* has been decided was also adopted by the Madras High Court in a case reported in 32 Madras 68. That was a case of money sent by a customer to the Bank with instructions that that amount together with a further amount that was to be remitted should be held in fixed deposit. The customer one Mr. Smith, wrote to Messrs. Arbuthnot & Co., enclosing a cheque in his favour on the National Bank of India for Rs. 627 and asked them to receive the amount in fixed deposit together with Rs. 523 which he would remit on receiving their acknowledgment—the whole amount to be treated as fixed deposit for one year payable to Mr. or Mrs. Smith, either or survivor. The Bank acknowledged the receipt of the cheque for Rs. 627 but before Mr. Smith could remit the Rs. 523, Messrs. Arbuthnot & Co., became insolvents. Mr. Smith claimed Rs. 627 on the ground that it must have been held by the Bank in trust for him. The learned Commissioner in Insolvency held that the amount must have been held by the Bank on trust. On appeal, the High Court differed from the opinion of the learned Commissioner on the strength of the ruling in *Foley vs. Hill* and it was held that the Bank was a debtor for the amount to Mr. Smith. The learned advocate for the plaintiffs has also relied upon Grant's *Treatise on Law relating to Bankers and Banking Companies*. On page 2 and 3 of the said treatise 7th Edition the following observations occur:—

"The usual relation between banker and customer arises as follows: The customer opens an account with the banker by paying a

sum of money into the bank, and in return the banker becomes liable for the payment of a like sum to the customer's use and is bound to honour or cash any cheque, or orders for the payment of money, which the customer may send to him, during business hours, to the extent of the sum deposited. Whether or not interest is payable on the money deposited depends on the course of business of the bank or any special agreement between it and the customer".

* * * * *

"The legal relation of a banker and customer in their ordinary dealings in money is simply that of debtor and creditor. If the banker makes advances or grants an overdraft the banker is the creditor; on the other hand, if the customer opens an account and deposit money, the customer is the creditor; and the amount deposited or advanced can be recovered in an action for money lent, the deposit or advance creating a common law debt. So money paid into a bank ceases altogether to be money of the person paying it in. It is the money of the banker, who is bound to return an equivalent by paying a sum equal to that deposited with him when he is asked for it. To all intents it is the money of the bankers to do with as he may please; though in a popular sense it is spoken of as "my money at my bankers," or "my balance at my bankers" or described by words of similar import."

* * * * *

"The implied promise of the banker is to repay at the branch of the bank where the account is kept during banking hours and it includes a promise to repay against the cheque or written order of the customer."

Foley vs. Hill was the authority on which some of these observations have been made.

In para 1192 of Halsbury's Laws of England, Vol. I it is observed as follows:—

"Save as regards the following of trust funds into his hands, the receipt of money by a banker from or on account of his customer constitutes him merely the debtor of the customer. He is not a trustee for the customer and the latter has no right to inquire into or question the use made of the money by the banker."
(Vide also para 1203 of the same volume).

It is clear from the authorities cited above that the relation between a customer and a banker in respect of deposits made is that of a creditor and a debtor.

9. It is contended that the legal incidents of a loan differ substantially from the transaction of a deposit in a bank. The learned Government pleader has pointed out only one distinction, viz. that relating to limitation. In the case of a deposit the starting point for limitation is generally the date of the demand whereas it is necessarily so in the case of other debts. It cannot be denied that where the subject matter of a loan is money and not goods, the relationship of creditor and debtor subsists between the person who lends the money and the one who borrows it. Thus, in the case of a loan as well as in that of a deposit, the relationship between the two parties concerned is that which subsists between a creditor and a debtor. I see no material distinction between a loan and a deposit in a bank except that the loan is a wider term, while the term "deposit" is generally used with special reference to transactions with banks. I therefore hold that the transactions contemplated in the first part of the proviso (ii) to section 55 (2) (c) includes deposits made in a bank and that the proviso applies to the present case.

10. In the view I take of the applicability of the proviso to the facts of the case, I think it is unnecessary to discuss the questions whether the plaintiffs, though they are members of the Board of Management of the Bank, cannot be regarded as directors, whether they are not interested in a subsisting contract and whether a Co-operative Central Bank is not a company as defined in the Local Boards' Act.

11. Since I agree with the contention of the plaintiffs based on the proviso relied on by them, I hold they are not disqualified from being elected to the Local Boards. I find on the issue for them.

12. Issue 2.—It follows from my finding on the 1st issue that the plaintiffs are entitled to the declaration and injunction prayed for. It is alleged in para 7 of the plaint that "the defendant fraudulently with a view to remove the plaintiffs from the field and facilitate the return of his friends to the Taluk Board and District Board, rejected the plaintiffs' nominations as invalid under section 55 (2) (c) of Act XIV of 1920". No evidence is offered in respect of the contention that the defendant acted *malafide* when he rejected the nominations of the plaintiffs. There is no reason to suppose that he did not act *bona fide*. Under these circumstances I would award to plaintiffs only Rs. 50 on account of pleader's fee. They shall also recover from the defendant the court fee and other expenses incurred by them.

13. There shall be a decree to the plaintiffs for the declaration and injunction asked for and the costs as awarded above.

Dictated to shorthand writer and pronounced in open court this 31st day of August 1932.

(Sd.) V. PURNAIA,
Principal Subordinate Judge.

No witnesses examined on either side.

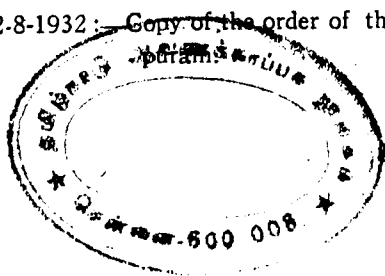
Documents filed :—

For plaintiff :—

A/4-2-1931:—Bye-laws of the Ramachandrapur Co-operative Central Bank, Ltd, No. 4201.

For defendant :—

I/22-8-1932 :—Copy of the order of the Election Officer Ramachandra-



(Inld.) V. P.,
Principal Subordinate Judge.

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