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Editorial Notes.

Registrar's Report 1930-'31.

The annual report on the working of the co-operative societies for the year 1930-'31 submitted by the Registrar of Co-operative Societies to the Government of Madras is, as we noted on a previous occasion, the only reliable source of information we have about the progress of the movement as a whole, and Mr. D. N. Strathie, I,C.S. the present Registrar makes that document not a mere dry-as-dust one, of facts and figures only, but full of interest by introducing his personal observations on various matters.

The first thing that strikes us in the report, especially when we compare it with what obtains in other parts of India is the enormous number of the officers of the Department and the increase in cost. Over and above the Registrar and the Joint Registrar, there are 24 Deputy Registrars and 44 Sub-Deputy Registrars, besides Senior Inspectors, Junior Inspectors and clerical staff costing on the whole Rs. 11·59 lakhs to the Government. That this establishment has been growing steadily in numbers and more especially as seen by the following table :—

Year.		Cost of Establishment.
1925—26	...	Rs. 6,87,401
1926—27	...	„ 7,29,636
1927—28	...	„ 7,72,743
1928—29	...	„ 8,88,890
1929—30	...	„ 10.31 lakhs.
1930—31	...	„ 11.59 „

The Registrar of Bengal complains in his latest report that he has only one Personal Assistant and five Assistant Registrars and his scheme of re-organisation of the Department has not yet been given effect to. We are not in possession of facts relating to the cost of the Department in Bengal, but we should consider that proportionately it would be less. In spite of the fact that the Department in our Province has practically given up supervision and that there have been very few cases of fresh registration (that is, the work of preliminary investigation and organisation is also very little) the cost of establishment was allowed to go on increasing. Even in audit, which is the only work done by the department, some portion of the work is taken off by Audit Unions and by some societies having their own certified auditors approved by the Registrar. In these days of economic depression and general retrenchment, the establishment of the department deserves careful scrutiny.

As usual, the report is divided into two sections, the first dealing with the general features of the movement and the second dealing with some prominent individual institutions and classes of societies. The most outstanding feature of the year is naturally the economic depression, which is practically world wide and the effects of which we also experience to the fullest extent. As an inevitable result thereof, overdues have increased, as the following table will show.

—	Amount due by		
	Societies to central banks	Members to Agricultural societies.	Members to Non-Agricultural societies.
	Rs.	Rs.	Rs.
Amount overdue on the 30th June 1930	1,02,78,652	1,77,53,461	44,43,035
Demand for 1930-'31 ..	3,00,87,405	2,54,21,983	1,99,28,007
Total Demand ...	4,03,66,057	4,31,75,444	2,43,71,042
Extension	7,66,415	7,38,400	6,06,609
Collection	2,24,26,762	1,68,27,781	1,82,29,918
Total of extension plus collection	2,31,93,177	1,75,66,181	1,88,36,527
Balance ...	1,71,72,880	2,56,09,263	55,34,515
Percentage of balance to the demand	42.54	59.31	22.71
Percentage of balance to demand under arrears interest.	42.73	65.16	49.54
Percentage of balance to demand under current interest.	8.29	49.92	19.37

The Registrar draws pointed attention in the report to the fact that the apex bank failed to accommodate the central banks for a short time and the Government had to come to the rescue of the movement by lending 10 lakhs of rupees for a short period. We are, however, reliably informed that the apex bank lent larger sums than usual to the central banks in the period immediately preceding the crisis and that the period of dearth was a very short one. Government it is true lent 10 lakhs of rupees, almost the whole of which was returned within the period fixed, but it would have been better if the Government had lent the money direct to the Provincial Ba k and made that bank accommodate the district banks instead of themselves lending directly, as they did, to the central banks.

The main work of the movement has been one of consolidation and the Registrar refers with appreciation to the good work done by the Provincial Bank, partly by subsidising the district banks for a well-planned rectification scheme and partly by its careful scrutiny of the affairs of District Banks themselves—a scrutiny which was resented by some district banks labouring under a wrong notion of independence and autonomy. The rectification scheme proposed by the Joint Registrar is also given in the report in detail. In spite of all this gloom it is cheering to be told that "the great hope of the movement here is that its leaders are fully alive to the dangers of the present situation and are straining every nerve to combat them. So long as that spirit prevails there need be no fear of a repetition of the Burma fiasco in Madras Presidency."

The Registrar's remarks about the beneficial effects of the policy of restraint in the matter of registration deserve careful consideration. One may be inclined to accept his dictum that a co-operative society cannot be expected to flourish in every Indian town or village, as the conditions necessary for its successful working may not always be found. The department plays the role of a Friend, Philosopher and Guide, and the Provincial and District propaganda institutes are there to find out the latent talent and tap more successfully the existing sources. Unless a policy of cautious expansion is also followed side by side with merciless pruning of bad societies and their disregistration, enthusiasm is likely to wane and stagnation to set in.

In spite of the very vigorous action taken in the matter of liquidation, it is said "that the process of liquidation has not been commensurate with the indefatigable efforts partly on account of the economic depression and fall in prices and partly on account of the obstacles put in the way of the liquidator by seasoned defaulters and an unsympathetic public in villages where societies have been liquidated." It is the duty of the non-official organisations to co-operate with the department in the matter of expediting liquidation. If villages take up an attitude of non-co-operation towards liquidators, Unions, Federations and other organisations will do well to educate them about the evil effects of such an unsympathetic attitude.

In the last year's report the Registrar had expressed his opinion that in certain circumstances the central banks might continue the practice of 10 year loans. But in the report under review he explains how it is necessary, if ordinary co-operative societies were to grant 10 year loans, that they must be in strictly limited quantities.

There is a long paragraph about the Central Land Mortgage Bank. We have dealt with its main problems in discussing its

annual report and proceedings of the General Body meeting.* Its position is still insecure, as it is not able to make both ends meet without substantial Government grant to meet the cost of its establishment.

The following remarks of the Registrar, about Federations and Administrative Sections of District Banks will be read with great interest:—

> "Personally I am quite convinced that it was never desirable to create separate bodies to attend to supervision and propaganda. This involved additional and unnecessary expenditure and, in my opinion, there was never any justification for the view that Central Banks, if entrusted with these functions, would tend to lay undue stress on the financial aspect. Directors of Central Banks are usually keen co-operators not mere financiers—and I have never seen any signs of their ignoring the co-operative side of their work. The real rock, however on which both Federations and Administrative Sections of Central Banks may founder is the difficulty of getting Unions to agree to centralised control of staff and finance. The experience of the last year has shown that, when a Federation or a Central Bank tries to exercise real control over the work of supervisors or to distribute supervision fund according to the needs of localities, it usually meets with strong opposition from the Unions, even in good areas. Yet these two points, centralisation of control over staff and supervision fund are undoubtedly of the greatest importance and it has been most disappointing to find so many Unions unwilling to surrender what they call their "independence". Some Union directors have behaved as if the deprivation of their power of appointing supervisors meant the end of their power to do good work—as if they sought and retained office merely for the patronage they secured,"

There are interesting paragraphs about Supervision by Union (para 26), The Madras Milk Supply Co-operative Union (para 32), Agricultural Demonstration Societies (para 34), Stores, especially Students Stores (para 37), Weavers Societies (para 38) particularly that of Salem "started owing to the indefatigable efforts of Mrs. Todd who devoted a great deal of time to the task and visited several places in the Presidency to popularise the products of the society."

It is very unfortunate that such a sympathetic and popular Registrar should be in charge of the Department at a time when the

* See p. 277 of the Journal for the month of November' 31.

economic condition is at its worst. If he had been at the head of affairs under normal conditions, he would have been able to show a very much better result of good work done and good lead given to co-operators whose unselfish work done in many centres, the Registrar generously acknowledges.

The Provincial Bank on Its Defence.

Our readers in general and office bearers of central banks and of societies in particular will read with great interest Mr. V. Ramadas' article on the "Financial Policy of the Provincial Bank". "The nine gentlemen who sit once a month in the cool shade of their metropolitan retreat at the Luz" have arrested the attention of the co-operators and evoked some severe criticism and even opposition. The other day the co-operators at Bhimavaram, while presenting an address to the Registrar of Co-operative Societies, drew his pointed attention to the policy of centralisation in financing carried on at present by the Provincial Bank and pleaded for more liberty to district banks.

Mr. Ramadas' article, as usual, is a clear statement of the position of the Provincial Bank. After dealing with, in a very general way, the underlying principles of banking, co-operative as well as commercial, and pointing out the peculiar disabilities which co-operative banking now labours under on account of the policy of the Imperial Bank in the matter of discounting agricultural paper, he traces in detail the sources of finance available to district banks that have to lend money to primaries and to the Provincial Bank that is looked up to for financial help by central banks themselves. He lays deserved emphasis upon the supreme importance of there being two streams, one flowing from the Provincial to the Central, from the Central to the Primaries, from Primaries to individual borrowers, and the other, back from individual borrowers through Primaries and Central Banks to the Provincial Bank. It is unfortunate that the latter current is not so steady and regular as everybody expects the former current to be and hence all these troubles.

The President of the Provincial Co-operative Bank then explains the main features of the present changed policy of the Provincial Bank in more carefully scrutinising the loan applications of central banks and in expecting them to do the same with regard to loan applications of primaries, so that the apex bank may have an idea as to how the money it lends is ultimately utilised and what

prospects it has of coming back at the appointed time to be utilised again for similar purposes. The introduction of elaborate forms spoken of with approval in the Registrar's latest report has enabled the lending banks to get the necessary information. We cannot understand the mentality of the people who would in effect say, "Give us money we ask for, and to the full extent we ask for and do not put us inconvenient questions as to what we are going to do with that money. It is your duty to come to our help whenever we are unable to meet our obligations. How we manage our financial matters, how we budget anticipating demands upon us, all these are purely questions of internal administration with which you as financier have nothing to do." The Provincial Bank would tell these persons that they have every right to see how the money which they take the trouble to procure is ultimately utilised.

The President also mentions how the executive of the Provincial Bank has definitely ruled out two kinds of loans, that is, those for the purchasing of land and for clearing prior debts, out of the category of ordinary co-operative loans and in this they have not only the approval of the Registrar, but of the various Provincial Banking Enquiry Committees and of the Central Banking Enquiry Committee. This sort of granting long term loan is the legitimate work of Land Mortgage Banks, Central and Primary, which have been brought into existence. The President also points out that the central banks are not justified in managing their affairs in their own way without making adequate provisions to meet possible demands and turning in times of distress to the Provincial Bank as a milch cow to come to their rescue to the fullest extent that they require. The Provincial Bank is prepared to accommodate central banks, provided, it is satisfied that the banks have done all that they could to help themselves.

As Mr. Ramadas points out, much of the criticism against the present policy is ill-informed and he has laid the co-operators under a deep debt of gratitude by a clear and fearless exposition of the present policy of the Provincial Bank. We have no doubt that in the pursuit of this policy, the executive of the bank will have the support of all true co-operators who realise the limitations of the movement and who have at heart the ultimate good of the ryot.

The Silver Jubilee Celebrations of the Madura Urban Bank.

On the 24th of January 1932 the Madura Urban Bank celebrated its Silver Jubilee under thr Presidency of the Hon'ble Mr. Peri

Sundaram of Ceylon. Like the Urban Bank of Coimbatere which celebrated its Silver Jubilee on 21st November 1931 the Madura Urban Bank also was started as a combined Urban Bank and Stores on the model of the now-famous T.U.C.S. These three institutions, it is interesting to note, stand as examples of three different lines of development though all of them were started almost alike. After some years of combined work the credit section was cut off from the stores section in Madura. In Madras and Coimbatore they still remain combined; but in Madras the stores side has developed and overshadowed the credit side; whereas the development at Coimbatore is just the other way. The Urban Bank is flourishing and the Stores nestles under its protecting wings.

Mr. Peri Sundaram, one of the present Ministers of the Ceylon Government, was born in the district of Madura—Ramnad and hence the appropriateness of his presiding over the celebration. He laid great stress upon the "ties that subsist between India and Ceylon in the matter of race, religion, culture and history." "I am also cognisant," Mr. Sundaram went on to add, "of the close relationship which the city of Madura had with Lanka in times gone by. The great temple of Madura has always been a place of pilgrimage to a large section of the people of Ceylon. Madura is the centre of Tamil Sangam. It has a special fascination for those speaking the great Tamil language. The Kings of Ceylon went to the City of Madura for their consorts, especially to the Royal House of the Pandyas of Madura".

Mr. Sundaram dwelt at length on some of the salient features in the history of the Madura Bank. He rightly emphasised the point that the spirit of co-operation has been for ages familiar to the people of this country with our hoary traditions of the joint family system and of autonomous and self-sufficient villages.

We offer our felicitation to our Co-operative brethren of Madura upon their successful working of the society and upon the grand celebration under such a distinguished presidency. We wish them more success in times to come.*

* We are sorry that owing to compulsary retrenchment we are not in a position to devote more space and give larger extracts from Mr. Peri Sundaram's speech as we should like to have done.

(Editor, M. J. C.)

The Madras Provincial Co-operative Bank.

A STATEMENT OF ITS FINANCIAL POLICY

BY

V. RAMADAS PANTULU.

The co-operative year, 1930-31, was one of a severe trial for the Movement. The current year, so far, has been one of equal strain, but the unexpired third of it will, I hope, prove less difficult. This crisis in the Movement, resulting from the unprecedented economic depression, is not, however, without its lessons to co-operators. The Primary Societies, the Central Banks and the Provincial Bank, are all going through new experiences.

After all I do not think that we have by any means seen the worst of the depression yet. Both the Provincial and the Central Banks, have on the whole managed so far to retain the confidence of the public even in this crisis. Compared with 1928-29 there was indeed an appreciable increase in their working capital in 1929-30 and the fall in the figures for 1930-31 as compared with those for the previous year was small. The following two tables will show the position at a glance.

I. Provincial Bank.

	1928-29. In lakhs of Rupees.	1929-30. In lakhs of Rupees.	1930-31. In lakhs of Rupees.
Working Capital ...	141·08	179·26	178·17
Out of which Deposits and other borrowings including overdraft ...	131·88	163·45	161·41

II. Central Banks.

Working Capital ...	576·25	627·18	615·96
Out of which Deposits and other borrowings including overdraft ...	507·91	550·58	535·08

There is likely to be some further fall in 1931-32 compared with 1930 31 in the resources of the central banks as far as I am able to ascertain. The figures for the Provincial Bank on the 1st March 1932 are as follows :—

	Rs. in lakhs.
Working Capital	175
Out of which deposits and other borrowings ...	153

These figures show that the resources of the Provincial Bank maintained a fairly steady level so far. There is no reason to apprehend any change for the worse in this position in the remaining four months of the co-operative year.

The actual level, at any particular time, of the Provincial Bank's resources is however, no index of its capacity to satisfy the demands on it at that time. The source of the trouble is elsewhere. With Rs. 147 lakhs of working capital in 1928-29 and Rs. 179 lakhs in 1929-30, the Provincial Bank had idle funds after supplying the demands of the central banks. But, with the same resources in 1930-31, it was unable to meet the demands of the central banks for a period of 4 or 5 months, between December 1930 and April 1931. Again, with about the same amount of working capital at its command, it has to-day a loanable surplus to the extent of half a crore of rupees, which is a source of loss to the Bank, the loans outstanding to central banks amounting to no more than 63 lakhs of rupees. In order to understand the full implications of these apparent anomalies, one must study the financial operations of the Central Banks and the Provincial Bank side by side, and from time to time. In 1928-29, the analysis of the central banks' working capital shows that 60·95 per cent of it was derived from deposits, while the percentage of that derived by loans from Provincial Bank and other sources was 27·22. In the year 1929-30, the corresponding percentages were 43·53 and 47·65. In other words, in 1929-30, the percentage of central banks' deposits to their working capital fell by 17·42 per cent, while the percentage of loans from Provincial Bank and other sources went up by 20·43. The reaction of this on the Provincial Bank's finances in the harvest months of 1930 were reflected in the unprecedentedly large sums outstanding as loans to central banks in that season, the inability of the Provincial Bank to meet further demands for about four months, and in the inconvenience and hardship it must have undoubtedly caused to good societies and central banks, who had a claim for accommodation and who were thirsting for it.

If interest rates on deposits were put up betimes and sufficient time money was attracted, instead of cultivating profitable but precarious inter-bank call money, whose withdrawals were crowded into a week or two, the Provincial Bank might have averted that situation. Indeed, I myself said so in a note I circulated to the Executive Committee at that time ; and any complaint or criticism made in that behalf must, therefore, be accepted as reasonable. But, there was no need to import any " bitterness " into that complaint or "anger" into that criticism. Without meaning to question the validity of that complaint or criticism, it is permissible to enumerate at least three grave factors which show under what serious handicap, the Provincial Bank was working at the time : (1) It has loaned out Rs. 123 lakhs, the maximum it ever touched. But, the expected or accustomed repayments were not forthcoming from the central banks ; if they had come, things might have been slightly different. (2) Of the loanable assets invested in gilt-edged securities, a portion was wiped out owing to substantial depreciation of their book value, and another portion was absorbed in the replacement of co-operative paper by Government paper in consequence of the Imperial Bank's unfortunate decision. (3) An application for a loan of Rs. 10 lakhs for 6 months at the Bank rate, on cover of co-operative paper and the general assets of the Bank, made to the Imperial Bank, was refused, and the sum of one crore and a quarter of rupees invested in co-operative paper by the Provincial Bank and the substantial share capital and reserves built up by it were worth nothing in the eyes of the Bankers of the State. These are, in my opinion, at least extenuating circumstances in favour of the Provincial Bank which should have ruled out bitterness and anger.

We are all grateful to the Government for the timely loan of Rs. 10 lakhs to the central banks. But the Government might have helped the rural co-operators if they lent the sum, made available by them for the Movement, to the central banks through the Provincial Bank. After all, the central banks that borrowed from the Government repaid the Government in many cases these sums by diverting the collections from societies which should have gone towards repayment of the Provincial Bank's prior loans. The procedure adopted by the Government was ill conceived, and is, in my opinion, calculated to do much harm to the Movement if repeated. I hope that the Government will give their best consideration to the following unanimous recommendation of the Indian Central Banking Enquiry Committee :—

"We recommend that when a Provincial Government is satisfied that for meeting the needs of the movement in exceptional circumstances, or for the development of the agricultural industry, it is necessary to make loanable capital available to the co-operative banks, the Provincial Government, with the concurrence of its legislature should place at the disposal of the Movement such loans as may be necessary to meet the requirements. *Such funds shall be placed at the disposal of the Provincial Banks to be* loaned out to central banks and primary societies." (Para 189).

The questions which are, however, of more immediate importance are: can such situations be entirely avoided in future and how to avoid them? In answering them it is necessary to bear in mind two considerations: *Firstly*, the loanable capital of the Provincial Bank will, at any time, be limited and no guarantee can be held out to find all the money which the Central Banks may demand at a time when general monetary conditions are difficult. There is a [illegible] in some quarters that far too much was invested by the Bank with [illegible] the Movement, in Government securities, and some of it [illegible] be released at such times for loans to co-operative banks. This [illegible] correct. The book value of the Provincial Bank's total investments in such securities on date is Sixty-seven lakhs. The Provincial Bank's obligations to provide fluid resources for its own demand and time liabilities and for the cash credit of Rs. 25 to Rs. 30 lakhs given to central banks and the separate investment of reserve funds of central banks, securities of the value of Rs. 52 lakhs will be normally required. So, on the present basis of the Bank's resources, it can lend no more than Rs. 120 lakhs out of its total working capital of Rs. 175 lakhs. When that limit is reached, further demands cannot be met for all available assets would have been distributed under the heads mentioned above. The good central banks must suffer with the bad ones, for no divice exists to meet out financial justice by discriminating the guilty from the virtuous at a time when money is available for neither. *Secondly*, the Provincial Bank's duty of putting up its deposit rates and attracting more capital to meet an increased demand will obviously depend upon the understanding relating to the lending rates *to*, and the borrowing rates *of*, central banks. It must be perfectly plain that if the central banks wish to have the liberty of offering any rates

they please in the open market on their deposits, and to approach the Provincial Bank only when enough money cannot be had even at those rates it would spell financial ruin for the Provincial Bank to be perpetually attracting money. If the existing convention, that a central bank might only go up to a rate which must be at least $\frac{1}{2}$ per cent less than the Provincial Bank's lending rate, is done away with, and if a central bank may borrow elsewhere even at rates higher than that at which the Provincial Bank is prepared to lend, the financial relations between the central and the provincial bank, must be subjected to a complete re-examination and a re-adjustment must be effected on an entirely new basis. The plea against over-centralisation seems to mean, borrow elsewhere if you *can* and go to the Provincial Bank if you *must*, for the latter is bound to keep moneys always ready at any cost. I most respectfully disagree with this theory. Let the advocates of decentralisation thresh out this problem in all its bearings at the next meeting of the Board of Management of the Provincial Bank.

So far, I have dealt with criticisms of a responsible nature which it will be unwise for the Provincial Bank to ignore. Now I come to criticis of a wholly different kind. They easily fall into two classes: The most difficult to convince among them are those whose conception of a financing bank is that of an intermediary between the investing public and the borrowing community, working for a commission. They start with certain fundamentals of co-operative finance, in which the borrower is supreme and the lender exists merely to satisfy the needs of the borrowers. In fact, till a few years ago, the local unions' endorsements on societies' loan applications to the central banks were called "*Loan Orders*". Only last week, I read in the Anantapur Central Bank some papers wherein unions have gently reminded that central bank, that a "*recommendation*" was still a euphemism for an "*order*". No argument will avail with them, for they start with the immutability of their co-operative doctrines, much in the same way as the Mid-Victorian theologians did with the infallability of the Thirty-nine Articles. There are other critics, who are not quite so orthodox in co-operative dogma but who, all the same, resent in practice any curtailment of the amount of the loan applied for. Some of them evidently seem to think, that the nine gentlemen, who assemble once a month in the cool shade of their metropolitan retreat at the Luz, do not possess even elementary notions of the requirements of village societies, or that they take their task too lightly to be able to grasp the implications of the central banks' loan applications and understand the *urgency* for money, or that they are so overwhelmed with a sense of the power of their purse as to get habituated to function in an atmosphere of autocracy.

The only antidote to all this kind of uninformed talk is an untiring dissemination of the knowledge of the true facts. I shall, therefore, try to put the case of the Provincial Bank in as frank a manner as I can. In the past, the Provincial Bank was merely content to draw the attention of the central banks to the supreme importance of a careful scrutiny of the loan applications of rural societies, with a view to the elimination of unbusiness-like loans and the curtailment or withholding of credit to bad societies and unpunctual members. The attention of the central banks used to be further drawn to the need for exercising considerable care and caution in the matter of regulating their deposits and providing for their repayment on maturity. The response from the central banks, generally speaking, to those appeals was not encouraging. I do not, of course, mean to suggest that central banks were not alive to these aspects of banking or that they did not endeavour to keep them in view in transacting their business. The real causes for their failure to accomplish what they undoubtedly desired lay elsewhere. I do not propose to discuss those causes, for my immediate purpose is to explain how the Provincial Bank set about to deal with the situation, what radical changes it made in its methods of business and why it made them.

(1) To begin with, the Provincial Bank has made a wide departure in its accustomed mode of transacting business, by taking upon itself the duties legitimately pertaining to the committee of a central bank, if not also those pertaining to the panchayat of a village society itself. The Executive Committee felt that, under the present conditions, they would be failing in their duty to the Bank and to the Movement, if they did not satisfy themselves about the manner in which the Central banks and even the primary societies proposed to utilise the loans advanced. This is certainly somewhat out of the way for a Provincial Bank to attempt and inevitably involves a certain amount of unaccustomed probing which might cause some irritation, though there is no reason why it should. But nothing short of such precaution could, in their opinion, save the funds of the

Provincial Bank from getting rapidly frozen, resulting in that institution's utility to the Movement being utterly crippled.

In order to obtain adequate information about those loans, the Provincial Bank has prescribed three statements marked A, B and C, which the central banks are requested to fill in and transmit along with their loan applications. The particulars required to be entered in these forms by the central bank concerned, if fully and accurately set out, will reveal at a glance the names of the particular societies, to which the loans are intended to be disbursed, the general financial condition of those societies, the purpose of the loans and the position of the ultimate borrowers, in the aggregate for each society though not individually. There is yet much that is wanting in the contents of these statements. The deficiency in the information arises from the defective nature of the forms in which the loan applications of the primaries are sent up to the central banks and the inability of the unions to supply to the central bank complete and up to date details of the working of the borrowing societies. The Provincial Bank is contemplating the introduction of a standard form of loan application by primaries to the central banks to rectify these omissions. Nevertheless, there is much material in these new statements A, B and C, prescribed by the Provincial Bank, to enable it to arrive at businesslike conclusions in dealing with the central banks' loan applications. If the authorities of the concerned central banks sit with the Provincial Bank's Executive Committee and examine the position from a correct business standpoint and with a common understanding about standards, I am sure there will be no room for disagreement between the representatives of the two institutions. All that is wanted is a mutual understanding of each other's aims and purposes. The Provincial Bank's sole concern is to place its finances and those of the central banks on a sound and stable footing and to ensure efficient service to the rural co-operators.

(2) In the next place, there has been a departure not merely in the methods of business, but also in the nature of the financial assistance itself. All purposes which were considered co-operatively beneficial by the rural societies and central banks, were hitherto accepted, generally speaking, as legitimate by the Provincial Bank as well and no loan was turned down by reason of any such purpose being inadmissible. But, since November last year, the Provincial Bank has specifically ruled out two purposes, namely, the *purchase of land* and *the discharge of prior debts*. The purchase of

land is felt to be an item, to which co-operative funds need not be diverted at the present time. Moreover, it is patently a purpose which can be met only by a substantial long term loan. The absence of long term money in the Movement just now, is itself a sufficient reason for discouraging this variety of loan. Apart from it, for some time past the Provincial Bank has been making a conscious attempt, to discourage long term loans for reasons which are too well-known to require reiteration now. It is gratifying to note that the Registrar has, in his report for 1930-31, considerably watered down even the mild faith in their efficacy which he avowed in his report for 1929-30. It is earnestly to be hoped that what still remains of that lurking affection will be reduced to the vanishing point by the close of 1931-32, specially in view of his growing love for, and increasing faith in the land mortgage banks. Regarding the futility of the rural credit societies undertaking the redemption of prior indebtedness of their members and the financial inexpediency of central banks diverting their resources, which are essentially composed of short term money, for the purpose, much has been heard from many quarters for years past. The definite conclusions reached by the Provincial and the Indian Central Banking Enquiry Committees have completely vindicated the soundness of that view. The Provincial Bank cannot disregard its own past experience and the force of such weighty expert opinion.

There are, however, two provisos I wish to add to this paragraph. Small hand loans, which may reasonably be expected to be repaid out of the next harvest, obviously stand on a different footing from chronic debt, for the discharge of which substantial margins of agricultural profits are required. Such hand loans are really of the nature of domestic expenses. Domestic expenses again, in the case of most of the small agriculturists, merge in the costs of cultivation, for they cover in effect, the wages of the members of the family, who toil on the land day in and day out. There is no need to rule out loans to repay such small debts, if they are ascertained and stated as such in the loan application.

There is another variety of old debt, which, instead of being ignored, may have to be tackled by the Provincial Bank in conjunction with the central banks. Rightly or wrongly, long term loans were fostered in many areas for many years past. In the course of the consolidation and rectification operations, it is found to be impossible to collect them in normal course. In many cases, to obtain fresh

short term bonds to secure those chronic loans will serve no sensible purpose, for it would have to be done with a definite knowledge that the discharge of those bonds within the short period stipulated is impossible. If any central bank wishes to pursue a well-organised and efficiently controlled scheme of placing the securities of its indebted primary societies on a sound and satisfactory basis, it cannot do so without extensions being given in proper cases. It will not be easy to do it without the Provincial Bank's financial assistance. The Provincial Bank cannot in my opinion decline to finance such schemes where evidence of their business-like handling is forthcoming. In localities where land mortgage banks exist, the expediency of shifting the prior co-operative indebtedness on to the shoulders of such banks may also be tried, subject of course to the observance of the standards of those banks regarding the cover for the mortgage loans and the repaying capacity of the borrowers.

3. Two new sources of financial trouble have sprang up. The occasions, in the past, on which central banks committed defaults in the repayment of their loan instalments to the Provincial Bank or applied to it for assistance to meet the obligations to their own depositors, were few and could be traced to exceptional or unforeseen circumstances. They caused no financial embarrassment and the Provincial Bank reconciled itself to them, with perhaps a mild note of caution for the future. But owing to a variety of causes, such occasions have become more frequent in recent months and could not, therefore, be treated with the same unconcern as before by the Provincial Bank. Regarding defaults by central banks, the two questions that the Provincial Bank has to decide are, whether extensions may be given for the defaulted instalments, thereby waiving the additional interest charge of 1 per cent on the sums overdue, and whether further financial accommodation may be given, while the default continues. No uniform rule is adopted in deciding these questions, as it is felt that the best course is to take the circumstances of each case into consideration as it arises. But, in every case, the decision is arrived at with due regard to the interests of the Provincial Bank and the Central Bank concerned, and every attempt is made to harmonise those interests, as far as possible. In one or two instances, the condoning of the default and continuance of further credit had to be coupled with conditions which were virtually forced on the central bank, much to the regret of the Provincial Bank. But,

there was no alternative left. The conditions themselves were however meant to improve the working of the central banks concerned and had no other purpose behind them.

Regarding accommodation to central banks for repayment of outside deposits it is necessary to say a few words as it will prove a tough problem for some time to come. The fall in collections from the societies, and the curtailment or total withdrawal of the Imperial Bank's accommodation on co-operative paper and the less steady fixation of surplus funds of local bodies, have, it is true, upset the calculations of some central banks in the matter of their anticipatory resources. Some of the central banks cannot, however, be altogether exonerated from responsibility for the inconvenient situation, in which they find themselves to-day in regard to their inability to meet their commitments with that financial ease which must be expected of them. They neglected to provide against consequences of possible shrinkage of resources in future by a businesslike investment of their assets in the past. Their loan policy is at least partly responsible for the frozen condition of the bulk of their assets. Again, they have built too much on the permanency of the surplus funds of local bodies and failed to maintain a due proportion of such funds to their total working capital. Further, in the matter of regulation of the size of these deposits and fixing the bulks and dates for their repayment, the amount of care and caution which prudent banking demanded, had not been exercised. Moreover, instances are not rare, in which collections from societies are re-loaned, while they should have been utilised for repayment of deposits to outsiders or of instalments due to the Provincial Bank. In choosing for repayment, the deposits or loan instalments falling due on a more distant date, slight advantage by way of a gain of, say, of half a per cent in interest charge, is sometimes availed of by some banks, without taking a thought of the inconvenience that might arise from the commitments nearer in date being left unprovided for.

In these circumstances, it is no wonder that calls from central banks for financial assistance to the Provincial Bank for repayment of deposits are not rare, as in the past, but are fast becoming a common feature of loan applications. The Provincial Bank cannot obviously meet those calls as a matter of course, without dislocating its own finances and exposing itself to the danger of its own assets getting frozen rapidly. It will be a financial blunder for the Provincial Bank to allow itself to be put in the place of

the depositor whose money was badly invested by the central bank and could not be got back in time to pay the depositor. There is precious little use of scrutinising central banks' applications for fresh loans if the responsibility for its past loans is thus to be lightly assumed by the Provincial Bank by its undertaking to repay the depositors, whose money was sunk in overdue and not easily recoverable loans. So, a policy of real restriction on such financial assistance is now being pursued by the Provincial Bank. The Executive Committee has not, however, taken up the extreme position that, in no case, will it sanction a loan for repayment of deposits to a central bank. But it has made its position clear that it can do so only when exceptional circumstances are shown and when it feels confident that the central bank will repay promptly.

(4) There is one more item in the Provincial Bank's new financial policy, a minor item it is true, but which requires mention nevertheless. It is the charge of ½ per cent interest on the undrawn portion of the cash credits which central banks have with the Provincial Bank. Those who object to it have put me two questions: (1) The Imperial Bank does not levy it; why should the Provincial Bank do? (ii) Have the central Banks not put their reserve funds, aggregating to about Rs. 25 lakhs in the Provincial Bank which makes a marginal profit of at least 1 per cent by their use in its business? Why then this charge? I asked them in return the following two questions: (i) Is it right to compare the Imperial Bank with the Provincial Bank? Again does not the Provincial Bank accommodate central banks on co-operative paper, which the Imperial Bank now declines to touch? (ii) Does not the Provincial Bank steadily pay the Central Banks a comfortable 5½ per cent on their reserve funds, after bearing the capital loss by the depreciation of the book value of the securities in which they are invested and also the income tax on the net revenue yield of such securities? Can the Central Banks get better terms elsewhere?

I have done. It is now for the co-operators of the Province to examine the position dispassionately with a view to ascertain whether the Provincial Bank is pursuing a really sound financial policy or not. The future of the Movement will entirely depend upon the correctness of the financial policies, which the Provincial and Central Banks are able to evolve in the light of the experiences they are now going through in this crisis. All the wisdom and foresight we are capable of must be imported into our decisions.

Co-operation in the Punjab.*

By Mr. E. C. Ansorge.

II

V.—AGRICULTURAL SOCIETIES.

There are two forms of these, viz., societies with (a) divisible, and (b) indivisible profit. In the case of the former no profits may be divided until the completion of the years' working, though they may in the meantime be used as working capital unless the Registrar otherwise directs. In the 11th year of working, after at least 25 per cent of the accumulated net profits has been carried to the reserve, the remainder may be apportioned among the members in the form of shares. In the 12th and each subsequent year, after placing 25 per cent of the net profits to reserve, a dividend not exceeding 10 per cent on each fully paid-up share may be distributed. If a member admitted after registration has not paid-up all share instalments the profits apportioned to the instalments paid by him are carried to a non-withdrawable deposit in his name and any dividend on the amount paid-up by him is added to this deposit until ten years form the date of his admission, after which his deposit is converted into shares. In the alternative, such a member may pay up all instalments of shares on account of previous years with interest at 6¼ per cent. No dividend may, however, be paid in any case while any claim due from the society remains unsatisfied. In the case of societies of indivisible profit until the completion of ten years from registration the profit may be used as working capital unless the Registrar otherwise directs. In the 11th year and each following year after at least one quarter of the net profits has been carried to the reserve fund, the remainder remains as an indivisible fund in the society, and may be used as working capital save that 7½ per cent may be applied to any purpose referred to in section 34 of the Act and approved by the Registrar. The reserve fund is indivisible and may be utilised in the business of the society unless and until it is directed to be invested in accordance with section 32 of the Act. Each member is required to hold at least one share, which may be withdrawn without profit after ten years from the date of registration or as directed in the bye-laws.

* Continued from page 382 of the December '31 issue of this journal.

In order to emphasise the importance of thrift it has now been decided to call all these societies "Thrift and Credit Societies". I understand that the system of requiring fresh shares to be taken up by societies before fresh loans are granted by the central institutions is not followed in the Punjab. The practice in this province is in my opinion open to very grave objection. In the first place it involves the locking up of the whole of societies' separately invested reserve in the form of non-withdrawable and non-realisable shares. Such an investment is useless as a reserve fund such as is contemplated by the bye-laws with the object of furnishing the societies with a reserve upon which they can draw in emergency. Secondly, where shares have only to be bought once for all it is possible to collect the share money before registration and the objectionable practice of adding the cost of new shares to the amount of the loan asked for is obviated. This practice is tantamount to raising the rate of interest charged to the societies. In the Punjab shares are usually of Rs. 10 each, payable in 20 half-yearly or ten yearly instalments. Members who are in arrear in payment of share instalments have no voting power at the society's general meetings. Such meetings are held several times during each year.

Societies ordinarily borrow from central institutions at 9 per cent and make advances to their members at 12½ per cent. The maximum period of loan is three years but the term varies according to the purpose of the loan, as laid down in the bye-laws. It is not the practice to take over members' past debts at the outset, although small sums are advanced if necessary from time to time so as to encourage them to help themselves. This restriction of co-operative financing to the short term requirements of the members seems to have enabled the movement in the Punjab to steer clear of the huge accumulation of overdues with which we are saddled here.

Another point of the greatest importance is the use of the maximum credit system instead of the out-of-date *haisiyat* system. In the Punjab the maximum credit limit of a society is at present fixed according to the combined credit of the members after deducting the owned capital, but the matter has recently been considered by a committee which has recommended that the limit should be fixed according to the nature of the land. e.g., dry, irrigated or canal-irrigated. The basis for preparing the credit estimate of a member is the land revenue payable by him and unfortunately this cannot be used as the basis in this province. The substitution of a system of basing financing upon the capacity of the member to repay his instalments out of his annual surplus income for that of basing it upon his total assets is urgently necessary, and in preparing an estimate of his repaying capacity the main factor will be the average value of his produce. I may add that in the Punjab the maximum credit limit of a society requires the approval of the Registrar under statutory rule, in accordance with section 30 of the Act, and he can if necessary cancel it altogether. By this means an effective check can be exercised over a society's borrowings and over-financing can be stopped.

Commission shops.—There are now a number of such societies in the Punjab, the main objects of which are the purchase and sale to members of their agricultural requirements and the sale on commission of their agricultural produce. Both societies and individuals are admitted as members, each individual member having one vote irrespective of the number of shares held by him, and each society having one representative for every ten members. No proxies are allowed. Shares are of Rs. 50 each payable in advance. These shops do business not only for members but also for non-members, and the rates of commission and other charges are considerably lower than those demanded by ordinary commission agents in the market. A godown and shop is rented in each case and the staff ordinarily consists of one manager and one *munim*. I examined in detail the working of several shops of this nature and the methods employed by them with a view to the possibility of establishing similar shops in this province. From the experience of the Punjab, however, it would appear that two dangers have particularly to be guarded against. Firstly, it is not unknown for managers to abscond and an adequate cash security is therefore indispensable. Secondly, there is the danger of purchasers not paying for the goods. A few days' grace has always to be given according to the custom of the market and therefore the greatest care must be taken to deal only with selected purchasers. If any purchaser does not pay within a reasonable time there should be no further dealings with him. Considerable loss has been caused in some cases by the purchasers disappearing without paying the purchase price, and for obvious reasons they are extremely difficult to trace. Another matter which requires very careful scrutiny is in regard to advances to members. Such advances are unavoidable as the members are accustomed to receive them from other commission agents and will not deal with the commission shops

unless they are obtainable. The maximum of such unsecured advances to members is fixed at Rs. 50 in each case, but in many cases this has been exceeded and in some cases I found considerable unsecured advances which have been pending for a long time. Advances to non-members are not contemplated by the bye-laws though in practice they are frequently given. The manager is the person responsible for the repayment of all such advances. Frequent check and audit are obviously essential and the accounts of these shops are ordinarily audited every three months.

A point which would need careful consideration in the event of any proposal to establish such shops here, is the rarity in this province of large centres having licensed and controlled market facilities. Where such markets exist market rates and customs can easily be ascertained and the operations of the commission shops conducted with due regard to them; where they are absent the shops would have to work more or less blindly and competition with other commission agents would be doubly difficult.

VI. NON-AGRICULTURAL SOCIETIES.

Credit.—Some of these do a very considerable business. Thus the Hindu Nakodar Society in the Jullunder district has over 300 members and a working capital of over 3½ lakhs. Deposits from members and non-members amount to nearly 2¾ lakhs, and the society has deposited in other unions and banks about 2½ lakhs. It pays interest from 4½ to 5½ per cent and earns on its deposits from 5¾ to 6½ per cent. Its total outstanding loans amount to about 1 lakh. Persons who are heavily involved in debt are not admitted as members; applicants with small outside debts may be admitted, if solvent, but no loans are ordinarly given for the purpose of debt redemption.

Another society of this nature is the Siri Ram Kalanaur Society. Though it has only 38 members the majority of whom are shopkeepers it has a working capital of over Rs. 56,000. Nearly the whole of this amount is made up of deposits, the majority of which are from the members and are re-invested by the society in other banks. Loans advanced during the previous year (mostly for the purpose of trade) amounted only to Rs. 11,000. It is clear, therefore, that the main function of the society is to tap local resources and invest the savings of members and others. The *kistbandi* of the members is prepared periodically according to the undertaking in the bonds, and I was informed that there has never been any occasion of a departure therefrom, and no member has ever fallen short of his undertaking. The interest taken by the members in their society is domonstrated by the fact that the committee met 116 times in the last 12 months and there have been 6 meetings of the general body. A sub-committee has also recently been constituted to make an enquiry into the position of each member and verify each entry in the register of maximum credit limits. It is noteworthy that while non-members' deposits stand now at Rs. 18,600 against Rs. 13,700 in 1925-26. members deposits have risen from Rs. 6,600 to Rs. 28,400 in the same period. This society serves as one of the main feeders of the Lakhan Khurd Union and as contributed largely to its funds.

Industrial Societies.—As has already been stated, these are grouped together under the charge of one of the Deputy Registrars with a staff of one Circle Registrar, 5 Inspectors, 22 Sub-Inspectors and 6 Supervisors. There is a Co-operative Industrial Bank at Amritsar the main objects of which are to finance industrial societies and assist them by the purchase and sale of raw meterials and finished products on common account. The member consist of 326 affiliated societies holding one share each of Rs. 100 payable in five equal instalments. Each society has only one vote and proxies are not allowed. The Deputy Registrar is *ex-officio* President and there are three individual members of the Executive Committee who hold no shares. The liability of each member is limited to double the nominal value of shares held. The capital amounts to 5½ lakhs and consists of shares and deposits and loans approved by the Registrar. Under the bye-laws there is no distribution of profits for at least 5 years. The staff consists of a manager, an accountant and a cashier, each of whom has given adequate security. The bye-laws provide for the supervision of societies but such supervision has not been carried out in practice owing to the lack of any staff for the purpose. The financing of societies is theoretically limited to trade and business, *e. g.* purchase of raw materials In the case of A and B societies no departmental recommendation is required. and although in the case of C class societies such applications must come through the Sub-Inspector and the Inspector, there appears to be no control over the utilisation of loans, which, I was informed, were probably sometimes misapplied. In the case of about 50 per cent of loans payment is in kind; supplies being obtained from the depot in Lahore and the cost

being debited to the loan account of the society. All loans are given for an unspecified period but 25 per cent is repayable every 6 months. Loans are granted at 9 per cent to primary societies and 8½ per cent to unions, and payments are credited to the interest due up to the preceding half year and thereafter to principal. Default appears, however, to be a common feature. The goods supplied by societies are purchased up to the limit of Rs. 5,000 by the Lahore depot and are accepted on commission sale up to any extent. The manager of the depot is paid by Government. A small annual loss is anticipated on the sale of purchased goods but this is covered by profits on commission sale. Raw materials are purchased on indent only.

There are also industrial unions of which the main function is to arrange for the supply of raw materials to their affiliated societies and market their goods. Thus the Industrial Union at Jullunder manages a shop by which goods are bought outright from the member societies or taken in deposit and sold on their behalf. Advances are given upto 75 per cent of the value of such deposits. This union for sometime also financed the affiliated societies but this is now done by the Central Industrial Bank. It only purchases raw materials on indent. No commission is charged on the purchase of raw materials but 1/8th per cent is charged on the sale of finished goods. The shop is managed by a salesman, who receives a commission on the net profits of sales. Loans are issued to the societies in the form of raw materials at Rs. 9-6-0 per cent. There is no fixed period for their repayment.

Better Living Societies.—There are now over 300 such societies, with more than 11,000 mmbers, in the Punjab. Their main activity is the reduction of expenditure on social ceremonies but other activities for the improvement of health and sanitation have been attempted. Judging by the societies of this nature which I visited there would appear to be no doubt that they are doing a great deal of good work, since it is only by binding themselves together that the people can resist social pressure in such matters. In many villages such societies and also arbitration and cattle breeding societies exist side by side with ordinary credit societies. Thus in one village (Orderwal) where the credit society had 51 members, I found that there were 84 members of the Better Living Society and 21 members of a Cattle Breeding Society. Similarly, in Chak No. 211 the credit society had 60 members, the Better Living

Society 86, the Cattle Breeding Society 48 and the Arbitration Society 202—or practically all the adult members of the village. The members of these Better Living Societies bind themselves to a maximum limit of expenditure on certain specified ceremonies, to give up certain customs, to abstain from the engagement of dancing girls, the use of liquor, gambling, and so forth. This agreement has to be signed by every prospective member, and every new member is required to add his signature or mark. Breach of agreement is punishable by fine, which can be enforced in Court as there is a provision in the bye-laws. Such fines are inflicted with reasonable frequency. The societies incur no expenditure except for registers, viz., Cash Book, Members Register, Proceedings Book, and Register of Agreements, and they are exempted from the statutory provision in regard to reserve. The bye-laws provide that the general meeting may levy subscriptions to meet expenses but these are rarely, if ever, required; if necessary the local credit society sometimes allots a portion of its profits to meet the Better Living Society's petty expenses for meetings, etc. There is a general consensus of opinion that these societies have had a very wholesome effect, but intensive preliminary propaganda is essential if they are to be successful. In Amritsar there are 4 such societies for sweepers, situated in different mahallas. The Honorary Secretary, who also organised them, is a paid employee of the Servants of the People Society but is not a member of the committee, which consists only of sweeper members. In the case of one of these societies with 65 members it was estimated that since its formation over Rs. 10,000 has been saved on the 102 marriages which had taken place. In this case a credit society was subsequently started and it is noteworthy that in none of these four societies has any necessity for arbitration or award occurred. Only the pay of the sweeper member is taken to account in assessing his maximum credit limit and two member sureties have to be provided in the case of every loan. In the case of the Oderwal Society one of the members is Honorary Secretary. The villagers claimed that the savings effected had resulted in improved cultivation. 80 Meston ploughs have been purchased and improved seed introduced.

Arbitration Societies.—These societies are fewer in number but also appear to be achieving valuable results. Thus the Chak No. 211 Arbitration Society since its registration in 1927 has settled 76 village cases of every kind, ranging from irrigation to divorce. 39 cases to the value of Rs. 8,785 were settled by the committee, 34 by the jury of 9 arbitrators and 1 in general meeting, while 2 were withdrawn by the applicants. I was informed that in every case the parties had abided by the decision and such fines as were imposed had been paid, and that no member had gone to any court since the starting of the society.

Loss Societies.

By MR. SANATKUMAR M. TRIVEDI, B.A., (HONS.)

Auditor, Co-operative Societies, Petlad division, Baroda State.

The practice in the Baroda State with regard to the question of interest due is that at the end of the year, interest is counted only in the ledger and the balance is drawn for the next year. The interest due is not considered for preparing the profit and loss account.

I have got fifty-five Agricultural Credit Societies of unlimited liability in my district. But of these 27 were loss societies. The question I beg to discuss is whether it is advisable to adjust interest due for preparing profit and loss account.

Out of 27 loss societies ten had losses for that year only, through the exclusion of interest adjustments: The remaining 17 societies had recurring losses. From a minute study of the working of these societies, it appears that the losses are due to slack management. Even though there is no danger of writing off interest, it would not be desirable for such societies to make any interest adjustments.

Diwan Bahadur A. W. Malji in his article on 'Loss Societies" in the December issue of The Madras Journal of Co-operation thinks that the time has come to make adjustments of the interest due at the end of the year "principally on the ground of correct accountancy." If this accountancy is followed in the above mentioned 17 societies, the result will be that the slack managemennt will be partially concealed under the book adjustment of interest. Even though provision be made for the control of dividend and charity expenses, the management expenses too will tend to increase unduly The exclusion of interest adjustments may not help recoveries. bot it does show how the society is managed and serve as a check upon the tendency of increasing expenses for the maintenance of the societies. The balance of interest due account may as well show how the society is managed; but I see no way in which the tendency to increase expenses can be checked, by a change in rule without affecting the good management of the societies on the whole.

Again the adjustment will require a lot of entries and keeping of more than one "interest accounts. In the words of the above mentioned writer, with the backward condition of the people and cheap secretaries engaged by societies it would be too much to expect them to maintain a correct record of these interest figures." I leave it to the reader to consider how it will be possible for such people not only to keep correct interest figures, but also to make interest adjustments and to keep separate accounts for interest due and accrued.

Co-operation in China.*

By Mr. C. F. Strickland, B.A.

So enormous is the area of China, that European Co-operators are in danger of underrating the progress which Co-operation has already made in that country. It might be supposed that the Chinese were incapable of adopting so alien a means of advancement, but the world's experience proves that the principles of the Movement can be universally applied.

The first societies, both in towns and in the villages, date from shortly after the war, and perhaps the earliest of all is the People's Co-operative Savings Bank of Shanghai, founded in 1919. A co-operative store was set up in 1922 in the same city and similar institutions have since then grown up in other towns: but no collected statistics are available from the Government, and there is no central organisation of the societies. The Co-operators' Union of Shanghai has not yet attained that position. It is consequently impossible to record their turnover or to describe their efficiency and success. Rochdale principles are usually followed, but sales are not always made at the prevailing market price. Oriental co-operators live on a narrow margin, and sometimes insist, however unwisely, on an immediate saving in the form of sale at or near cost price.

The rural and agricultural movement is at present more important than the urban, and since 90 per cent of China's people are villagers, and almost every villager is in debt, it is not surprising that credit societies should be most popular. The rural societies are of the Raiffeisen type, and are fostered by the Nanking Government in the central provinces, and by the International Famine Relief Commission in the north. The Commission, with head-quarters in Peking, began its work in 1922, and Co-operation is only one of its activities. It also employs engineers to construct dykes and canals, and collaborates with the mass education movement of the Nationalists. Some of the northern governors, when independent of Nanking, were inclined to be hostile and two of the co-operative organisers spent a term in goal, but the victory of the Nationalists brought about a change, and the Government of Chihli Province, in which most of the Commission's Societies lie, was recently proposing to take over the duty of propaganda.

Chinese society is not yet sufficiently developed, in the modern sense, for unofficial leaders to guide the entire movement, and official supervision is at present advisable; but an annual course of training for co-operators was held by two Chinese Universities for several years, and

*Reproduced from the Co-operative Official, December 1931.

a number of local societies have now undertaken the same task for their own districts; About 1,000 persons attend the courses in each year. Certain of the central provinces take an active part in encouraging the Movement. Kiangsu and Chekiang have each founded a Farmers' Bank to give financial assistance since the wealthy merchants of the towns distrust the peasants, and the latter have not yet been able, as in India, to build up central banks of their own. For the same reason the Agricultural Department of the Nanking Government, in alliance with Nanking University, sends out organisers to form and to supervise the societies. Kiangsu province, for instance, has a series of official bureaux for this purpose, and the Shanghai Municipality maintains a co-operators' school. A co-operative weekly newspaper claims to sell 50,000 copies.

The total of societies in all China may be 2,000 of which 1,000 are connected with the Famine Commission and 1,000 are in the province around Nanking. There are also a few under the Canton Government in the south. The newly published Constitution of the Republic requires the central government to encourage Co-operation and agricultural banks, but no law has yet been passed for the purpose. A special law will be needed and at present the societies are merely registered in a magistrate's court.

The money lender is a curse to the people in China as in the whole of Asia, and the principal object of the peasants is to escape from his clutches. The legal maximum rate of interest is 20 per cent, but the peasant is not punctual in repayment. and the usurer protects himself by charging 36 per cent and sometimes 100 per cent evading the law by subterfuges. Each society consists of the usual little group of perhaps twenty to thirty men, who elect their own managing committee, and issue and recover their own loans. In addition to their own share-subscriptions and savings deposits, they borrow capital from the Famine Commission or the Farmers' Banks; and since the liability of members is unlimited, great caution is used in the admission of new applicants, and repayments have hitherto been good.

Civil wars, droughts, and famines have caused delays and such a disaster as the recent flood in the Yangtse valley will involve inevitable losses, but the peasant who has once realised the possibility of escape from the usurer is a determined fellow, and if he cannot himself repay his loan, he will sometimes induce his relatives to do so on his behalf. The sums lent are small, 60 per cent being of 2 £ or less, and nearly all below £ 5. The total capital of a society need not therefore be large, and the 250 societies which the Famine Commission was financing in 1930 possessed only 65,000 Chinese dollars (nominally about £ 65,00). The peasant farmer borrows for seed, for cattle, repairs to his house, or it may be a marriage or a funeral.

The ceremonies are, in fact, one of the frequent causes of his troubles. He loves to make a "splash" when his neighbours are looking on, and borrows from the money-lender more than he or his children can repay. The societies, of course, forbid their members to deal with money-lenders, and must consequently lend a moderate amount for those ceremonies which cannot be avoided. It would be unwise to narrow the scope of operations to strictly productive purposes, thus driving members back to the usurer. They control nevertheless the amount which is spent, and allow no extravagance.

Immediate results cannot be expected: and generation or longer will be required to change, as is necessary, the entire economic outlook of the farmer. But signs of a change are visible, and stress is rightly laid on the moral element in all co-operative work, which was no less appreciated by Raiffeisen than by Owen. Gambling is one of the vices which co-operators have to forswear. In England it takes the form of betting on a horse or a dog; in China the gambler throws dice or speculates on the price of a crop, and even the peasant is not innocent of this practice. Some of the societies try to replace the excitement of gambling by music clubs and similar amusements, but the best remedy is to add new interests to rural life, either by means of a night school or by opening new economic opportunities.

Joint marketing of produce has been attempted--not always with success. A venture in the sale of human hair, which was at one time a flourishing Chinese Trade, proved unlucky, but a ring of merchants, who hoped to squeeze out a co-operative rice selling agency, was defeated after a struggle. A group of farmers have also disposed of their cotton in bulk to a cotton mill, and others are attempting to deal in cattle, fish poultry and eggs, tobacco and milk. They are ambitious, and imperfectly organised, except in the area of the Famine Commission around Peking. Haste will inevitably lead to trouble, and we can only hope that with growing experience the co-operators will realise the need for closer union and for cautious advance. Unfortunately, though very naturally, all China is in a hurry, and not willing to benefit from advice. The enthusiasm is, however, very great, and will finally carry her through.

A co-operative flag has been devised, and Co-operators' Day is duly celebrated in various parts of the country. The union of all societies in China may be far ahead, but a sound co-operative law, which would insist on a regular audit and would authorise subsidies to institutions of co-operative education, would do much to keep the Movement on the right track.

The Monthly Chronicle.

By Mr. E. S. Sundaresa, Esq., B.A., B.L., of Madura.

December 1931,

1st December.—The United Provinces Government appointed a Committee to investigate the possibilities of small cottage industries and the Registrar of the Co-operative Societies of the Province has been given a place on it.

4th December.—The Hon'ble Mr. A. Y. G. Campbell, Revenue Member, was at Gudlavalleru—when extracts from the Co-operative Union accounts relating to the heavy indebtedness of the members of the village societies were read. He advised the ryots to avail themselves of the full benefits of Co-operative Societies and the movement in general.

4th December.—A committee has been appointed by the Mysore Durbar to examine the recommendations of the Indian Central Banking Enquiry Committee. It will sit for 4 months and the report will be submitted immediately after.

4th December.—Mr. V. Venkatasubbaiya, Secretary of the P. C. U. delivered a lecture on the Co-operative Movement at the Ramakrishna Samaj at Cuddapah.

5th December.—An important meeting of the Cochin State Co-operative Institute was held. It resolved:

(1) on intensive propaganda to get all the co-operative institutions affiliated to the Institute,

(2) to divide the State into a few circles for purposes of propaganda and lectures with or without magic lanterns,

(3) to start a training class for Panchayatdars and offer free tution,

(4) to constitute a new Editorial Board for the conduct of the magazine.

11th December.—**The Select Committee on the Madras Co-operative Societies Bill signed the report.**—It first acknowledged that it has derived much assistance from the report of the Committee (non-official) of the 19th Madras Provincial Co-operative Conference. It has—

(i) deleted several provisions of the Bill which had either enlarged the power of the Registrar or had provided for some kind of official control over registered societies.

(ii) recognised that the Financing Banks have an interest in the efficient administration of the Co-operative Societies and have given them power of inspection and enquiry into the financial conditions over societies affiliated to them.

(iii) introduced several provisions to check the dishonest administration of the funds of Co-operative Societies or arbitrary action on the part of the officers of the departments. Appeals against various orders of the Registrar, and a reference to the Civil Court in respect of orders as to surcharge have been provided. A provision is also made to supersede a committee of a society in special cases.

8th December.—The first Annual General Body meeting of the Military Pensioners' Co-operative Society, Secundrabad (only one of its kind in India) came off in the Y. M. C. A. with Lieut. Col., A. D. C. Thorne., I. A. in the chair.

13th December.—The Fourth Annual Session of the Madras City Co-operative Conference was held in the Pachaiyappa's Hall. Rao Sahib V. Dharmalingam Pillai welcomed the delegates and Mr. T. S. Ramaswami Iyer, the President of the Madras Co-operation, presided.

19th December.—The Government of Travancore decided to organise a Land Mortgage Bank in the State to give immediate relief to agriculturists. For the present it will be purely a government agency and the Board of Management will consist of five government officers and two nominated non-officials. The profits of the concern will go towards the building up of a reserve. It is pleasing to note that His Highness has given a donation of Rs. 1 lakh to serve as an initial capital for the Bank.

21st December.—The Hon. Mr. P. T. Rajan, Minister in charge of the Development Department presided at the Agricultural College Day Celebration, Coimbatore.

21st December.—The Registrar of Co-operative Societies decided the Reference made by Mr. T. Adinarayana Chettiar, Bar-at-law, against the Salem District Urban Bank regarding the transfer of his deceased wife's shares in favour of their son.

24th December.—The Anantapur Central Bank protested against the abolition of the Anantapur district in its Board Meeting.

26th December.—The Second Conference of Co-operative Supervisors in the Anantapur District was held in the Federation office and Mr. M. Narayana Rao, B.A., B.L., presided after it was opened by Mr. K. S. Raghava Charlu. Mr. Rao laid emphasis on a centralised agency as the best means of offering scope for the supervisors to work smoothly.

30th & 31st December.—The All-India Co-operative Institutes Conference met at Bombay.

Recent Utterances.

INSURANCE & SIR C. P. RAMASWAMI AIYER.

In declaring the new buildings in Madras of the Hindustan Co-operative Life Insurance Society open, Sir C. P. Ramaswamy Iyer said that he firmly believed in the efficacy and the benefits of life assurance because it inculcated in the people habits of thrift and prudence and enabled them to lay by a certain sum for their dependents and family. Life insurance served other purposes as well. The monies that went into the insurance companies could be utilised for truly national purposes. In America and England, a large proportion of the Fund in the insurance companies were invested in railways, electrical and gas companies, shipping and telegraph and such other nation-building activities. Insurance companies in those countries were able to build the industries and resources of the country and make the country more potent from the industrial and manufacturing point of view. In the United States 35 per cent of the amounts with the insurance companies were invested in railways and 30 per cent in immovable properties and only 9 per cent in Government securities. But in India, out of a total of about 20 crores, 80 lakhs were invested in Indian concerns and one crore in land and house property, the bulk of the amount being in Government securities. Of course "safety first" was a good maxim, but with due regard to the ideal, the Indian insurance companies could invest their funds in such concerns and enterprises as would tend to the growth of India in many directions, industrial, agricultural and otherwise.

Proceeding, the speaker said that the progress that they, in India, were anticipating and hoping for was nothing remarkable compared to what had been achieved by Japan within 35 or 40 years. Japan started with a clean slate and she now occupied the third place in the world in the matter of *per capita* insurance. Out of 40 insurance companies in Japan, 37 were indigenous.

After referring to the good work done by the Hindustan Co-operative Insurance Society, the speaker went on to say that it was of the greatest possible importance that Swadeshi concerns should take particular care to see that no stone was cast at them. Their opponents were many and their friends few. If they were to prosper, they must be more businesslike. In many ways they in India were now at a turning point. They had to build their industries and bring a new life into the country and in doing so, they would not be treated indulgently. Competition would be manifold and would take a thousand different forms. Therefore, they must progress surely and steadily. The field in insurance was so immense and the field covered was so little that there need be no competition and all the companies might work together to secure that great result, namely, of making India a self-governing country industrially and from the fiscal and monetary point of view, so that she might stand shoulder to shoulder with the great monetary and fiscal powers of the world.

(The Hindu.)

Reviews.

AGRICULTURAL CO-OPERATION IN IRELAND.

—A Survey by the Horace Plunkett Foundation (Routledge, London. 1931—7s, 6d. net).

The book under review is the second of the series of Surveys, the first of which -*Agricultural*- Co-*operation in England*—it was our privilege to review in this Journal in April, 1931. Sir Horace Plunkett in his Foreword writes: "The case of Ireland happens to have a peculiar pertinence to the evolution of thought upon the rural side of Western civilisation, to which a fresh impulse has been given by recent events." If as he says Ireland is never absent from the minds of the leaders of agricultural co-operation anywhere, he himself, the founder of the movement in Ireland and the inspirer of rural reconstruction in other lands, is even more present in the minds of all students and workers in that field. He has unfortunately refrained from commenting on purely Irish events because he 'should not be considered an impartial critic.' He discusses the larger problem of the present crisis in agriculture and puts the difficulty in British Isles in a nut-shell: 'British agriculturists do not understand co-operation nor British co-operators agriculture'. He criticises the conduct and outlook of the National Farmers' Union, but he hopes for better things from the industrial co operative movement which has of late shown a desire to lend a helping hand to the organisations of small farmers in Ireland and elsewhere.

The line of treatment in this Survey follows that of the first Survey. The first chapter is historical and traces briefly the evolution of the movement since the close of the 19th century when the big land-war was drawing to an end and Ireland was transformed into a land of peasant-proprietors. But these liberated farmers had to face not merely the ills of urury and of forced sale of produce to the 'gombeen-man' but also the growing competition from Denmark in the English market in butter and bacon, for the production of which Ireland has had greater natural facilities than for the growing of cereal crops. Co-operation on the continental model was the panacea prescribed. The early struggles of the movement, the opposition encountered by the Irish Agricultural Organisation Society in particular, are revealed with a brevity and restraint rare in co-operative literature. The effects of the War as 'a forcing house' on the movement especially in respect of rural stores and of the rebound soon after, of the adverse political conditions that followed and of the entire interruption of communications during the 'Black and Tans' regime, of the later establishment of the Irish Free State and its aggressive but benevolent agricultural policy both by way of legislation and

executive action are all sketched briefly but pointedly in the course of this chapter.

The legal position of co-operatives is next examined. The agricultural trading societies with limited liability are governed by the Industrial and Provident Societies Act, while the credit societies run on strictly Raiffeisen principles, with even no share capital, are registered under the Friendly Societies Act. Much of the conduct of the affairs of societies is left to be settled by rules. A pleasing feature is the provision in trading societies of bonus to employees based on their wages to an extent equal to the dividend paid to members on their custom. But bad times of late have left little profit to be distributed.

A little more than half of the book is occupied by a detailed account of the societies of all types in every county in the Irish Free State and in Northern Ireland. Such an account on the Gazetteer model may not be of direct interest to readers in India but it might well serve as a model for earnest students keen on surveying and presenting a complete and correct picture of agricultural co-operation in India. It contains much of the data on which the inferences in the later general chapters are based.

The creameries constitute the strong point of the co-operative movement in Ireland, which is eminently fitted for the dairy industry; they numbered 302 out of 433 societies in all by the end of 1929 and had within their fold 60 per cent of co-operators. In spite of difficulties, the creameries had by 1920 developed remarkably. The Free State Government which came into power in 1922 has paid special attention to dairy industry. A drastic but essential step was taken by the Dairy Produce Act of 1924 which laid down standards of cleanliness in the production and export of butter which have been strictly enforced. It has raised the reputation of Irish butter in the best markets and has made the co-operative creameries the pride of the movement.

An equally important but quite a novel and more courageous step was taken by the creation of the Dairy Disposal Company with funds at its disposal for 'the rationalisation of the dairy industry' in which there was much of uneconomic overlapping. Though it had no powers of compulsory purchase but could only negotiate, it had succeeded in taking over by 1931 more than 50 central creameries and 130 auxiliaries, among which were a number of propreitory concerns. 80 of them were declared 'redundant' and closed; and their suppliers of milk were asked to become members of co-operative creameries in the neighbourhood. 44 concerns were sold to existing co-operatives, the prices to be paid in 8 years with interest at 5½ per cent. No society may accept milk from the share-holder of another society; nor can creameries be acquired, established or maintained without license from the Department of Agriculture. The whole scheme is an extraordinarily successful example of 'compulsory co-operation', if not of State-Socialism and as such deserves special study. The interesting but difficult problems of combined or centralised marketing of butter and of winter-dairying are discussed but neither has been a success yet.

Societies for the marketing of eggs and of other produce have succeeded much less than creameries. To adopt the depressing language of the Survey, tobacco societies 'never made much headway', flax societies failed though due more to conditions of flax trade, attempts at fruit-preserving and sale were 'short-lived', home-industries have 'entirely disappeared', live-stock marketing twice organised 'did not meet with success', pig-selling agencies 'faded away'; bacon factories are not so bad, but they are only three in number while there are 25 private concerns; they may have a better chance of success if tacked on to creameries. Co-operative marketing of eggs had also failed, due in part to the opposition of farmers' wives who considered eggs as their 'peculiar perquisites.' Irish eggs had little reputation in English markets. An important step was taken in 1924 when the Agricultural Produce (Eggs) Act was passed which forbad the export of eggs without being tested, graded and packed in licensed premises. Packages are to be marked and it is an offence to sell 'dirty and unfit' eggs. The number of 'poultry societies' and of their members has no doubt gone down but not so much their turnover; besides, creameries and supply societies have developed egg-trade as a side activity. Above all the reputation of Irish eggs has been raised which augurs well for their future.

The co-operative supply of agricultural requirements was at first organised in the form of 'agency societies', without premises or capital and doing business on indent for a commission. They could not take up the supply of domestic requirements. The weaknesses of such agency societies were soon revealed, the greatest of them being their 'seasonal unemployment.' The next step was to tack on supply to credit societies and even more to creameries; in fact the 'creamery-stores' are doing best in dairy districts. The non-dairy districts are served by the 'general purposes societies' with supply as their main function and miscellaneous marketing or production as a later development. They do not always do well though the 'shining example of Templecrone' may dazzle many. The defects in order of seriousness are: excessive credit giving which is not however very injurious in creamery stores; bad management. "Too often the alternative has been between inefficiency and the kind of efficiency which is too closely allied to sharp practice." Wages to attract men at once efficient and honest are beyond the means of petty societies in rural areas. But motor transport should render the organisation of central stores for groups of villages easier. Disloyalty of members to their societies and of societies to the Irish Agricultural Wholesale is a fatal but common weakness. Adequate finance is not much of a difficulty now, thanks to the attraction of public deposits with co-operatives.

The credit societies of Ireland are naturally of the greatest interest to our readers. Unfortunately in spite of the highest hopes and the best efforts of all parties to the organisation of this type of societies, "it shows the least vitality and the most meagre results." The Commission on Agricultural Credit made a report in 1914, which is said to be a 'classic on the subject.' The causes of failure of more than half the number of societies are according to them: incompetent committees, inefficient or dishonest secretaries, inadequate inspection and excessive reliance on State-aid. They recommended the withdrawal of State loans, the eschewing of all trading functions by credit societies, the limitation of deposits to the amount of loans disbursable. They did not recommend the creation of a Central Bank to act as a clearing house for excess deposits. While the Commission were correct in the diagnosis of the disease, they were far from right in the remedies they prescribed. The State suddenly withdrew the loans from societies which it rashly described as "in the mass worthless." As regards the other recommendations, societies succeeded to the extent they ignored or evaded them. The War and early post-war period brought in a plethora of deposits; 'societies became agents not of credit but of thrift' and surplus funds were invested in trading societies. But the opportunity of making credit societies strong and self-supporting was lost; co-operative savings were dissipated. The slump began in 1921; there was an epidemic of fluke in 1923 which carried off large members of cattle and ruined several societies. State loans were again offered and several 'fluke societies' were formed and "fictitious deposits" were created to qualify themselves for state loans. The ultimate result was ruinous to all.

On the recommendation of the Banking Commission which reported in 1927, the Agricultural Credit Act was passed, by which the Agricultural Credit Corporation was constituted with £5,00,000 share-capital, a good part of which was taken up by the State, and the rest by the banks and public. The Corporation was meant to provide long and medium term credit on mortgage of substantial amounts to farmers directly, and of small sums through credit societies. It was also to purchase and discount bills of exchange, etc., and to issue debentures and to act as a clearing house for credit societies' deposits. After all, success has been very limited due to the reluctance of larger societies to go in for loans at higher rates when they could attract deposits at lower rates, and to take trouble without remuneration. As regards smaller societies, it is frankly admitted that Ireland "has not yet produced a large class of persons capable of and willing to run a co-operative credit society"; nor have priests and teachers come forward to shoulder the work as the Catholic clergy did on the continent. More education, general and co-operative, and supervision are the commonplace but vital remedies advocated.

The concluding chapter deals with the central organisations, the most historic of which is the Irish Agricultural Organisation Society—which has exercised a world wide influence in the theory and practice of agricultural co-operation. But by an irony of fate the dear old 'I.A.O.S.' with its long career and high reputation in the world at large has ceased to charm the co-operators in the homeland. No doubt a large percentage of societies and a number of individuals are enrolled as members. But two-thirds of the finances of the society coming from the State is a very unco-operative feature. Societies will not contribute more, or even 'look upon the I. A. O. S. possessively' but they treat it as an autocratic outsider. It is a trite maxim that "people value only what they pay for" and so societies should be obliged to contribute more and take greater part in its affairs. Owing to inertia and neglect, useful departments of the I.A.O.S., like the Bacteriological Laboratory, and audit service have been closed. It does not now present new schemes, nor represent the views and interests of members. It appears as though Ireland stood again in need of a Horace Plunkett to revitalise the movement!

We cannot close this long review of this excellent *Survey of Agricultural Co-operation in Ireland* better than by hoping with Sir Horace Plunkett that "this volume with its full and impartial evidence of Ireland's agricultural co-operative achievement, its frank examination of lessons learnt by passing failures, its statement of problems yet to be solved, will help toward an understanding of the task elsewhere."

K. C. R.

Special Types of Societies.

(A) CO-OPERATIVE TRAINING INSTITUTES.*

1. THE COIMBATORE CO-OPERATIVE INSTITUTE.

1. MEMBERS AND DELEGATES.

Consequent on the amalgamation of the Coimbatore District Co-operative Federation with the Bank, the membership decreased by one and there were two individuals co-opted this year having in all seven at the end of the year. Out of the five institute members the Malabar and South Canara Federations are not working and are not paying any contributions. The total number of delegates representing member institutions including ex-officio delegates and co-opted individuals is sixteen.

2. INCOME AND EXPENDITURE.

(*a*) *Income.*—The total demand of contributions due from three banks and three federations for the year was Rs. 1,200 and out of them Rs. 1,000 was collected waiving the contributions of Rs. 200 from the Malabar and South Canara Federations which are not working. Rs. 5,166 was received from Government as subsidy for running training classes. Rs. 2,500 was the subsidy for the year 1930-31 and Rs. 2,666 for the year 1931-32 which was paid in advance. The total amount of school fees collected amounts to Rs. 1,580.

(*b*) *Expenditure.*—The total amount spent on account of establishment consisting of two lecturers on Rs. 110 and Rs. 80 respectively each, one attender on Rs. 30 and a peon on Rs. 13-8-0 amounts to Rs. 2,871-12-3 including Rs. 166-13-0 of pensionary contribution paid and Rs. 200 being the remuneration paid for the additional lectures on law. The other main items of expenditure are

			Rs.	A.	P.
Office rent ...	...	...	600	0	0
T. A. to directors	...	...	51	8	0
" staff	...	...	78	14	6
Periodicals and dailies	...	...	107	1	0
Printing & Advertisement charges		...	142	12	0
Stationery ...	...	...	166	11	9
Postage ...	...	...	110	9	6

*Extracts from Audit Certificates.

3. OFFICE.

During the year M.R.Ry., Rao Bahadur T. A. Ramalingam Chettiar Avl., B.A., B.L., M.L.C., continued to be the President of the Institute throughout the year except during the period from 15-12-30 to 14-2-31 when the office was vacant. Messrs. T. S. Balakrishna Ayyar Avl. and T. S. Venkataramana Ayyar Avl. were co-opted as individual members during the year. M.R.Ry. J. C. Ryan, M.A., was the Superintendent of the Institute from the beginning of the year till November 1930 when he was succeeded by M.R.Ry., A. Palaniappa Mudaliar, M.A., who continued to be the Superintendent till the end of the year.

4. TRAINING CLASSES.

During the year ending 30-6-31 the Institute conducted two training classes for supervisors, Inspectors of the Department and other public workers.

The first training class was conducted from June 1930 to November 1930. 41 students sat for the Registrar's examination, the result being 6 first classes, 25 second classes and 10 failures. The secone class lasted from December 1930 to April 1931. It presented 54 students for the examinations conducted by the Registrar. Of them, 16 passed in first class, 19 secured second class and 19 failed. Some of the students who underwent training in the second session appeared also for the Madras Government Technical Examinations and the results are as follows:--

Subject.	No. appeared.	No. passed.
Co-operation (Higher Grade).	6	5
Audit (Higher Grade) ...	9	8
Banking Lower Grade ...	13	7
Book-keeping Lower Grade...	18	5

Besides imparting theoretical education in Co-operation and allied subjects, the students were given practical training by taking them in batches to various types of societies in the neighbourhood of Coimbatore. A series of 10 lectures in Law during each session was delivered by Mr. Roman Joseph.

5. LIBRARY.

The Institute maintains a very good library of 399 volumes mostly of co-operative literature.

2. THE RAYALASEEMA CO-OPERATIVE INSTITUTE, ANANTAPUR.

1. There were at the beginning of the year 8 affiliated Institutions (4 central banks and 4 district Federations). During the year the Kurnool District Council of supervision ceased to be a member owing to its liquidation. Thus at the end of the year there were only 7 members.

2. In the year under review this Institute completed fourth session which commenced on 2nd June 1930 for English and Telugu courses besides completing 5th Session which commenced on 2nd December 1930. A statement showing the particulars of the two sessions as regards the number of candidates trained etc., is appended below:--

Particulars of sessions.	Duration.	Number of candidates trained.	Number appeared for exam.	No. passed. 1st Class.	No. passed. 2nd Class.	Total.	Percentage.	Remarks.
4th English ...	2-6-1930 to 15-11-1930.	25	21	3	10	13	12	*
Telugu ...	2-6-1930 to 5-11-1930.	24	17	8	5	13	..	‡
5th English ...	2-12-1930 to 2-5-1931.	49	46	10	27	37	80	†

* The Institute secured a 2nd rank in the percentage of passes.

† One of the students secured 1st rank in the Presidency.

‡ The Institute secured 1st rank in the percentage of passes in the Presidency.

3. During the year 9 lectures were delivered to the students by Non-official gentlemen. Special lectures were also arranged for the students appearing for the Public Service Commission Examination. The staff of the Institute attended the Summer School conducted by the Rural Reconstruction Committee at Madakasira.

4. The Institute is doing satisfactory work.

3. THE GRAY CO-OPERATIVE INSTITUTE Ltd., VELLORE, N. ARCOT DISTRICT.

1. This is the second year of its working.

2. *Membership.*—At the beginning of the year, the membership consisted of the Central Banks at Vellore and Conjeevaram and the District Federations, North Arcot, South Arcot and Chingleput. During the year the South Arcot District Federation ceased to be a member consequent on the cancellation of its registration. Six distinguished educationists and co-operators served as co-opted members in addition to the four ex-officio members. Membership is now confined only to North Arcot and Chingleput districts, though the area of operations extends over South Arcot, Chittoor and Madras districts also.

3. *Training classes.*—The Institute conducted two sessions during the year under review. 98 candidates were admitted for these two sessions of whom 9 left in the middle of the sessions. 55 came out successful in the examinations of whom 9 were placed in the first class. The results in both the sessions were satisfactory.

4. *Literary association and Special lectures.*—The Literary and Debating association of the Institute conducted meetings on various occasions in which the students took active part by reading essays and participating in debates. Special lectures by distinguished educationists and eminent Co-operators were also arranged. The following among others lectured to the students.

M.R.Ry. Rao Sahib T. K. Hanumantha Rao Avl.

J. J. De Valois Esq., American Arcot Mission Agricultural Institute, Katpadi.

M.R.Ry. K. C. Ramakrishnan Avl., Department of Economics, Madras.

M.R.Ry. Satyanarayana, Provincial Co-operative Union Madras.

M.R.Ry. V. T. Rangaswamy Ayyangar Avl., B.A., B.L., Vakil, Vellore.

Messrs. T. Z. Hodge of the United Provinces and J. L. Hypes of the American Fact finding Commission visited the Institute.

5. *Library.*—Books worth Rs. 355 were purchased during the year and added on to the Library. The students and staff have made good use of the library.

6. *Funds.*—During the year under review contributions amounting to Rs. 400 were received from the affiliated Central Banks and federations. A subsidy of Rs. 420 was received from the Government.

(B) THRIFT SOCIETY.

1. THE KURNOOL CO-OPERATIVE THRIFT AND LOAN SOCIETY LTD., No. P. 412.

Administration report for the year ending 30th June 1931.

1. The society was registered on 17th March 1931 and started its work on 2nd April 1931.

2. *Membership.*—The society started with 14 members. There were eight subsequent admissions, making the number on the rolls 22 at the end of the year. The share capital paid by these 22 members up to the end of 30th June 1931 was Rs. 28.

3. *Subscriptions.*—During the period 22 members subscribed for the Thrift Fund. The monthly subscription from members to this Fund rose from Rs. 22-8-0 on the date of starting to Rs. 36 at the end of the year.

The subscribers are mostly of the class paying Re. 1 per mensem, their number being 12 against the total strength of 22. Care was taken in the admission of members to ensure punctuality in the payment of the monthly dues. It is an important aim of this society to prevent defaults as far as possible and to train members to keep up their obligations to the society with honour.

4. *Investments.*—The amounts received from members are being invested in the Central Bank, Kurnool, as fixed deposits for varying periods. The amount invested during the period was Rs. 100.

5. *Management.*—The strength of the Board is five. During the period of 3 months, one meeting of the Board and one meeting of the General Body were held.

6. *Profits.*—The society earned a net profit of Rs. 1-8-0 which the Directors propose to carry to the Reserve Fund.

7. *General.*—This society was organised by M.R.Ry. G. Venkatesayya B.A., Senior Inspector of Co-operative societies, Kurnool, for the purpose of propagating the principles and ideals of thrift in a practical form by getting the members to actually observe them as far as possible in the working of the society. The results have been encouraging so far and it is hoped that the public of Kurnool would realise the usefulness of the society in promoting habits of thrift among the people and join it in large numbers to help themselves and to strengthen the society for greater usefulness in improving their economic condition. The Board expresses its grateful thanks to the Kurnool District Co-operative Central Bank Ltd., for agreeing to receive sums of Rs. 30 and above as fixed deposits.

Consumers Co-operation.

1. COIMBATORE CO-OPERATIVE STORES & BANK., LTD., COIMBATORE.

AN ACCOUNT OF ITS ORIGIN AND GROWTH.

On the 6th August 1905 a few young individuals met in a house in Sullivan Street and discussed about starting a Co-operative Stores in the town of Coimbatore. They appointed a committee to draft rules for the conduct of the same. A week later another meeting was held and the rules drafted by the committee were read and adopted. The society was to be named "The Coimbatore Co-operative Stores." It was to be managed by a committee of nine gentlemen consisting of a President, a Secretary, two Assistant Secretaries and five other members. The first President was the late Mr. T. Ramaswami Iyengar, retired Sub-Judge and the first Secretary was the late Mr. C. N. Krishnaswami Iyer, M.A., L.T., a veteran Co-operator whose portraits are to be unveiled to-day.

On the 17th September 1905, a third meeting was held and it was resolved to open the Stores in house No. 6 45 in Sullivan street and to commence its operations from that date. Accordingly the Coimbatore Co-operative Stores was started on the 17th September 1905 in a rented house in Sullivan Street (Rent Rs. 10) about 17 months after the opening of the Triplicane Stores. The establishment numbered three, a clerk and two servants. The clerk was new to the business and one of the servants had some experience in grocery line. On the 8th March 1906, a meeting of the General Body of members was held and it was resolved to approach the Registrar of Co-operative Credit Societies, Madras, with the request to have the Stores registered. On the 10th March 1906, the first Registrar, the late Sir P. Rajagopalachariar, registered our Stores under the name of the Coimbatore Co-operative Stores and Bank, Limited. It was registered as an Urban Co-operative Credit Society uuder Section 6 of India Act X of 1904, as the Stores as such could not be registered under that Act. So a credit branch had to be added to the Stores branch and the bye-laws submitted by the members numbering 74 with their application for registration were suitably altered and approved by the Registrar. Provision was made for the receiving of deposits (Fixed and Recurring) and for the issue of loans to members. As in the case of the Triplicane stores, our society is allowed to retain the stores along with credit branch. In accordance with the instructions from the Registrar a complete stock-taking was made on the 31st March 1906, and a report of the directors on the work of the stores and a

balance sheet were prepared for the first half year as the co-operative year then closed on the 31st March. The credit branch of the society did not get into working order before the close of the year, but satisfactory business was done in the Stores Branch. The amount realized by the sales of stores till 31st March 1906 was Rs. 7,895 and a dividend of 4 pies on every rupee of purchase made at the Stores was declared.

The successful working of the stores for the first 6 months encourged the directors to persevere in their work with greater zeal than before and the result was that on 30th June 1907 (the last day of the next Co-operative year) the number of members had risen from 122 to 245 and the share capital including reserve liability had become almost double while the business had quadrupled itself in value. During the second year of its working a bigger house was rented in the same street at Rs. 18 per month. In June 1909 the adjoining house was also rented as the business expanded. In July 1909 rules were amended so as to include the villages of Telungupalayam, Velandipalayam and Komarapalayam in the area of operations, so that gentlemen connected with the Agricultural College might join the society. In the same year a branch of the Stores was opened at the Agricultural College premises in a rented building for the benefit of the members in those parts. In 1912 a building was constructed out of the stores funds at a cost of Rs. 900 on a site granted to us by the Government. In this connection I have to mention that the Principal of the Agricultural College and his subordinates have been, from the beginning, evincing a keen interest in the work of the Stores. On account of their strong patronage the branch at the Agricultural College has so developed that the transactions there far exceed in volume those in any other branch and for this the managing committee offer their best thanks.

In 1910 a branch was opened at Uppilipalayam for the benefit of the members residing in houses to the east of the Railway line. For some reason or other the working of this branch was not at all satisfactory as the sales on an average never exceeded Rs. 1,000 per month in spite of various efforts made by the directors to improve it. Finding that the branch had been working at a loss for the past so many years, the Directors closed this branch from 1st January 1931.

In 1916 a branch was opened in the New Brahmin Extension. It has been working satisfactorily for the last 15 years and it is hoped that the members residing there will take a keen interest in its affairs and see that the transactions improve.

A branch in Karuppa Gounden street was opened in September last as an experimental one, and it is hoped that members will show sufficient loyalty in making purchases and enable the board to continue the same as a permanent branch.

In 1930 the local Municipal Scavengers' Co-operative Society was admitted to our Stores as a result of which grains and other articles required by its members are sold at our Stores to them on specified days. The society has deposited with us a sum of Rs. 500 as permanent advance without interest. Articles are sold to its members up to amounts specified by its secretary the value of which is recovered next month. It is gratifying to note that this branch has been working satisfactorily for the past 11 years. I may mention here that the Agricultural College Hostel and the Government Training School Hostel purchase their articles of consumption at our Stores. The Principal of the Police Recruit School also was purchasing at our Stores his hostel requirements for one or two years.

In 1922 the present house in Sullivan street was purchased at a cost of Rs. 10,000.

THE FINANCIAL RESOURCES OF THE SOCIETY.

The financial resources of the society consist mainly of share capital, deposits, (Fixed, Recurring, Current and Savings) and other borrowings. In our society there were till very recently two classes of shares, viz. A and B. A member taking a share in class A paid its full value Rs. 5 when he took it, whereas a member taking a share in class B paid nothing towards the value of that share but took upon himself a reserve liability to an extent of Rs. 25 which he had to pay should there be a liquidation and should the assets of the Society be then found insufficient to meet its liabilities. At the end of the first half year the paid up share capital amounted to Rs. 745 and the reserve liability amounted to Rs. 2,500. Five years after, i. e. on on 30-6-1911 the paid up share capital rose to Rs 1,415 and the reserve liability to Rs. 5,980. In 1,914 the authorised capital of the society was raised from Rs. 10,000 to Rs. 20,000. After 1911 there was a decrease in B class shares since the Department and the Board of Directors began to discourage the issue of B shares. The shares that existed were either withdrawn by persuasion or cancelled by consent with the result that there were no B class share-holders on 30-6-31. The table below gives the value of the paid up share capital at the end of every fifth year.

On 30-6-1906	...	...	Rs.	745
„ 30-6-1911	...	...	„	1,415
„ 30-6-1916	...	...	„	1,925
„ 30-6-1921	...	...	„	4,175
„ 30-6-1926	...	...	„	3,725
„ 30-6-1931	...	...	„	2,760

The paid up share capital went on increasing till 1922 to Rs. 4,230 after which it began to decrease with the result that on 30th June 1931 the share capital stood at Rs. 2,760. But the decrease of share capital in the last few years is partly due to the fact that share capital was refunded in the case of members who *Ipso facto ceased* to be members long ago owing to death or other causes.

Deposits.— As regards deposits we had only two kinds of deposits, viz., fixed and recurring, in the beginning. A few months after registration, the society passed a resolution introducing current deposits. In 1908 the financial resources were still found insufficient and the society had recourse to other borrowings. At first, it was borrowing up to Rs. 5,000 from the local branch of the then Madras Bank until 1914, when an overdraft account was arranged with the local District Urban Bank, the authorised maximum of which is now Rs. 10,000. In 1926 Savings Bank depoiits were also introduced.

The following table gives the amounts of loans and deposits held by the society at the end of every fifth year beginning from 1911.

30-6-1911	...	...	Rs.	12,013
30-6-1916	...	...	„	9,117
30-6-1921	...	...	„	17,183
30-6-1926	...	..	„	18,608
30-6-1931	...	...	„	41,885

It will be thus seen that there has been a steady increase in the transactions under deposits and loans. The transaction considerably increased in the last quinquennium especially under current and savings bank accounts. This large increase is due to the fact that people find it convenient to have transactions at the Stores under these two items especially after the removal of the local District Urban Bank from our own premises in September 1926. On account of large cash balances on hand the society has opened current account and Savings Bank account with the District Urban Bank, and even invested at times sums as Fixed deposits. Also more than Rs. 1,000 a month is being invested in the said Bank as Recurring deposit. The rate of interest paid by our society on Fixed deposits has been for the last 3 years only 5 per cent. There is now no scarcity of money felt for purchase of articles so much so that the society has had few occasions for borrowing from the District Urban Bank during the last quinquennium. On account of the universal depression in trade the society could not stock the usual quantity of articles for the last one year. This also explains to some extent the heavy cash balances at the stores.

Strength.—The number of members in the different quinquennial periods are shown below :—

At the end of 1906	...	... 122
„ 1911	...	... 310
„ 1916	...	... 388
„ 1921	...	... 732
„ 1926	...	... 649
„ 1931	...	... 477

As in the case of share capital it will be seen that the number of members went on increasing till 1921 from 122 to 732. After 1931 it began to decrease so that at the end of June 1931 the number was only 477. Though the number of members was greatest in 1921 the number of new admissions was largest in 1918-19. In the audit order pertaining to that year, the Registrar has remarked "1918-19 is marked by the greatest number of new admissions that have ever been made since the Stores was started. It is satisfactory that many poor and needy men joined the society and were benefited by it." Owing to the scarcity of kerosine oil and rice, the merchants could not supply these articles to people satisfactorily and so, many joined the society as members in 1918—19 and 1919—20. During this period the society had to purchase rice and kerosine in large quantities and restrict the quantity sold to a member at a time.

The aim of any co-operative distributive society is to supply genuine articles to its members at reasonable rates. This principle was carefully kept in mind by the directors of our Stores from the very beginning and care was taken in the matter of purchasing articles for the use of members. In the early years no difficulty was felt in the matter of purchase. First of all the quantity of articles required was not large and the directors as a body were able to bestow their attention on purchases. Except in the case of rice, the Secretary had to obtain the sanction of the Board for all orders of any one article if the cost exceeded Rs. 200. The Directors took much care in fixing the prices of articles. The price prevailing at the local market has always been the guide. In order to regulate the prices satisfactorily test purchases were being made once a week at the local markets, the things bought being credited to the Stores and the Directors had to attend to this work by turns. But as years advanced, and the transactions increased, the system had to undergo some change and the whole work of purchasing and fixing prices was left to the Secretary. In 1912 the Secretary's power to purchase was increased from Rs. 200 to Rs. 400 in respect of any article. The Secretary would of course consult his assistants or one or two directors informally in the matter. For large orders and seasonal purchases

the Secretary would get the sanction of the Board. In March 1919 a Purchase and Sales Committee was formed consisting of 5 members, 3 from among the members of the Board including the Secretary, and two elected from the General Body. Some years later it was resolved that this committee should be purely from among the Board members. Their main function consists is ascertaining the market rates from time to time and regulating the selling prices of the articles of the society. Now this committee ordinarily meet every Sunday evening or oftener whenever necessary. Sanction is got by the Secretary for the purchase and stock of any article and for fixing or changing of prices. But with all the care taken, it is inevitable that there should be complaints now and then by members regarding the quality as well as the prices of some of the articles sold at the Stores. The Board however are striving to see that only good articles are sold to the members at market rates. The Board take care that all articles which have deteriorated in quality by lapse of time or other causes are not sold to members at ordinary prices. They are sold at reduced rates for a specified period after which they are sold by auction. Immediately after each stock-taking a list of all condemned articles is made and they are sold at reduced prices or in auction. All articles purchased by the Society are first stocked in the Godown and are distributed to the branches as per indents received from the latter. Ever since April 1928 a bullock and a cart are owned and maintained by the society for the transport of articles from the Godown to the branches.

From the very beginning good and pure gingelly oil is being supplied to members. For the first few years it was being got from Unjalur and Satyamangalam and commanded a good sale. Then the oil purchased by the Society was prepared under the supervision of the society by the supplier in its premises. From 1917 the society itself purchases gingelly seeds and prepares the oil in its own premises, so that pure gingelly oil one of the chief articles of consumption is being supplied though at a price a little higher at times than the market rate.

Sales.—The sale proceeds of goods sold at the Stores are given below for every fifth year from 1908.

		Rs.
Year ending 30th June 1906	...	... 7,895
„ 30th June 1911	...	... 39,748
„ 30th June 1916	...	... 39;386
„ 30th June 1921	...	... 90,897
„ 30th June 1926	...	... 69,448
„ 30th June 1931	...	... 71,674

Correspondence.

TO THE MEMBERS OF THE MADRAS LEGISLATIVE COUNCIL.

SUB: *The Co-operative Societies' Bill* (*No. 4 of 1931.*)

DEAR SIRS,

The Committee of the XIX Madras Provincial Co operative Conference are indebted to the Select Committee for having given due consideration to the amendments suggested by them and for adopting many of them. There are, however, certain amendments and proposals urged by the Conference Committee, which were not accepted by the Select Committee, but which deserve the attention of the Legislative Council. There are also certain defects in the clauses as amended by the Select Committee, both in substance and in form. I therefore beg to suggest a few further amendments to the Bill as amended by the Select Committee, in the hope that you will examine them and take such action as you think fit to get those, with which you are in agreement, adopted by the Council. These amendments fall under two heads :—(1) Substantial and (2) Formal.

(1) SUBSTANTIAL.

Clause 21:

Sub-Clause (1).—The words "or of a landlord in respect of rent or any money recoverable as rent" are too wide, even assuming that the policy favoured by the Select Committee of protection to landholders is sound. The words cover "*rents*" payable to all kinds of lessees and their sub-tenants and even sub-tenants of such sub-tenants. Neither the word "landlord" nor the word "rent" is defined. The least that ought to be done is to restrict the word "rent" to rent payable to landholders dealt with by the Madras Estates Land Act, the Malabar Tenancy Act or any other Tenancy Act in force in this province; and the words "or any money recoverable as rent" to money recoverable "as rent" under any statute.

Sub-Clause (2).—Notification, to the Revenue authorities, by societies of all loans advanced for the purposes mentioned in sub-clauses (*a*) and (*b*) of clause 1, is a huge task and unworkable. The application for a land improvement loan under the Act of 1883 may prescribe a column to show what co-operative loans the applicant had already borrowed. The statement may be verified by reference to the

society or the local co-operative official concerned. When once the society's loans are given priority, the insistence on all of them being reported seems uncalled for. The Government may ascertain the co-operative indebtedness of an applicant without throwing this excessive work on societies. Again the work thrown on the Revenue Official to pick up the applicant for a land improvement loan from the huge mass of borrowers from societies, whose names were reported, is a task which is out of all proportions to its utility.

Clause 23.—It is desirable to extend the protection to the provident funds of the co-operative societies' employees on the lines of the protection given by Section 3 of the Provident Funds Act XIX of 1925. The permission of the Government of India, if required, ought not to be difficult to get. The Conference Committee considered this recommendation to be important.

Clause 32 (2).—Liberty to lend on gold ought to have been also included in the section. Mr. Ganala Ramamurti's well-reasoned minute of dissent puts the case very forcibly.

Clause 33.—The words in the existing section are "rules *or* bye-laws." It is not known why "*or*" is replaced by "*and.*" It might lead to much complication. The Conference Committee urged the deletion of the words "rules and" as the statutory safe-guard of the bye-laws being approved and registered by the Registrar ought to suffice. Depositors and creditors naturally rely on the bye-laws to ascertain the scope and extent of the society's authority to borrow. An attempt to interfere with the freedom to enter into these contracts within the scope of the bye-laws by executive rules which will over-ride the bye-laws will destroy the confidence of the public in the borrowing power of the society. The least to be done is to leave the word "or" as in the present Act.

Clause 39.—Provision similar to clause 40 (3) about communicating the result of the enquiry to the financing bank may be usefully added. The financing banking ought to know the result of the enquiry. It may then dispense with an inspection by itself under 40 A.

Clause 42 (a).—This clause is defective in several important particulars and should be redrafted :—

(1) The legal position of the displaced committee should be specified. It should be laid down that it stands superseded and dissolved. If its legal identity is maintained and continued, it will lead to endless trouble.

(2) While powers to safeguard and recover assets are mentioned, there is no mention of the power to pay the liabilities of the society. This must be expressly mentioned.

(3) Registrar's power to fix the remuneration of the person placed in charge of the affairs of the society and to recover the cost of management from the funds of the society must be provided for.

(4) The body to which the society is to be handed over at the end of the supersession must be also mentioned. Normally the society will be asked to elect a new committee to which the management will be handed over. But it must be so stated.

(5) In the case of a Primary Society there must be a statutory obligation on the part of the Registrar to at least *consult* the financing bank concerned before applying the clause and in regard to the arrangements proposed for the management of the affairs of the society. In the case of a Central Bank, the previous *concurrence* of the Provincial Bank should be obtained. It will be undesirable to dispense with these safeguards and permit the Registrar to disregard the views of the financing Central Banks or the Provincial Bank in this matter.

All these are substantial defects and must be removed specially in view of the likelihood of the Registrar resorting to this power immediately after this Bill becomes law to pull up a few societies and one or two Central Banks. The provisions of the District Municipalities' Act and Local Boards' Act regarding supersession of local bodies may be consulted in redrafting this clause.

Clause 50 (5).—The power to revise awards of arbitrators should be restricted to correction of clerical and arithmetical errors and errors apparent on the face of the record. This clause virtually gives an appeal against the award. It is undesirable to reopen awards in this manner and prolong the legal proceedings.

Clause 56.—The scope of the revisional powers under this clause should be defined more precisely. The revisional powers of the Local Government or the Registrar under this clause should not be made so extensive as to allow interference with orders expressly made final under the Act. Such finality ought to be challenged only in the manner provided for by the Act. To give an instance, an order of surcharge under clause 48 ought to be contested only in a Civil Court. The Local Government and the Civil Court should not both deal with it.

Clause 63.—The rules should at least be laid on the table of the Legislative Council for a suitable period so that members of the Council

may have an opportunity of moving the Legislature or the Executive Government for the modification of any rule which requires modification.

(2) FORMAL.

Clause 2 (e).—"Vice-Chairman" also should be included among the officers. In some institutions, instead of a Vice-President, there is a Vice-Chairman. This is obviously an oversight in drafting and has to be rectified.

Clause 13 (a) (4).—The word "Joint" occurring therein is clearly out of place and conveys no idea. It may be deleted. It is in place in 13 (*b*) (4) which deals with amalgamation, but not in 13 (*a*) (4) which deals with division. The clause dealing with amalgamation is very clumsily worded from a drafting stand point and is capable of improvement.

Clause 24 (1).—The word "interest" occurring in line 3 is for some reason not followed by the words "in the capital" as in clauses 22 and 23. The first part of Rule *XV* under the present Act also speaks of "interest" without additional words. It is not clear whether any wider import of the word "interest" is contemplated in this clause than in the preceding clauses. If so, it must be made clear. Clause 24, sub-clause (2), deals with all other monies and sub-clause (3) gives complete protection to the society in consequence of payments made.

Clause 35 (c).—The words "on the security of any other registered society" are clumsy and may be change into "in the securities of any other registered society." The intention seems to be to permit investment by one society of its founds in the securities of any other society.

Clause 36.—It is true the word "Funds" occurs in the present Act. If what is meant is *profits* it may be substituted for funds. Funds are not divided in practice but only profits.

Clause 43.—After the figure 40, add 40 (*a*). The Registrar may be empowered to take action not only on the result of his own inspection, but also on the report of the financing bank about the result of its inspection. It will be merely an enabling provision.

Clause 46.—A provision in the Act like that of Section 52 of the Bombay Act for the disposal of the surplus funds after meetings all liabilities is desirable. Rule XI (3) under the present Act deals with the disposal of surplus of reserve and other funds collected by the society. It requires expansion. It may be usefully put into the Act itself.

I beg to remain,

Yours faithfully,

V. RAMADAS PANTULU,

President, Provincial Co-operative Union and Chairman of the Conference Committee.

RAMACHANDRAPURAM CO-OPERATIVE UNION.

SUBJECT :—*Registrar's Circular No. F. 5572 '31, dated 3—12—1931, Regarding Consolidation of 2 or more loans in claims.*

The above circular states, that a society need not file a suit for all outstanding dues of a member, when one alone of the several loans borrowed by him, is overdue. That is to say, the society may file a suit for the overdue loan and leave the rest in peace until they are overdue, or the financial position of the member is otherwise shaky. But the spirit of the circular seems to stand in conflict with by-law No. 36 of Unlimited Societies, wherein it is said that the General Body shall have to expel a member, who drives the society to a suit. So the first suit for the amount in default necessarily bring the member in question. under the mischief of this by-law, and an expelled member will have to cease to be a member, after the penalties of this by-law visit him. The expulsion of the member is not a discretionary measure left to the General Body, but is a mandatory provision signified by "Shall" in the by-law. If every member, who chooses the position ot a defendant in the suit, has to be necessarily expelled, it is not possible to see how the other outstanding loans (not yet overdue) can be left out in the first suit filed by the Society.

I therefore request you to explain this anamoly and invite criticism from the co-operative world by releasing it to the press.

MR. V. SUBBA RAO,
(*Secretary, Ramachandrapuram, L.C.U.*)

THE MADRAS PROVINCIAL CO-OPERATIVE UNION,
ROYAPETTAH, MADRAS,

2nd March, 1932.

To

ALL THE INSTITUTIONS AFFILIATED TO THE PROVINCIAL CO-OPERATIVE UNION.

The Annual General Body Meeting of the Union will be held at 8 A.M., on the 10th April 1932 at the premises of the Union.

All the Institutions affiliated to the Provincial Co-operative Union are requested to elect their representatives and send their names so as to reach this office by the 1st March 1932 at the latest. Each institution is requested to elect only one representative to the General Body Meeting.

Members of the Union who intend sending amendments to the constitution or other resolutions or motion are requested to send them so as to reach this office not later than the 31st March 1932.

Institutions which have not as yet paid their annual contributions to this Union are requested to kindly remit the same without any further delay.

V. RAMADAS PANTULU,
President.
2—3—'32.

THE MADRAS PROVINCIAL CO-OPERATIVE UNION,
ROYAPETTAH MADRAS.

2nd March '32.

TO

THE MEMBERS OF THE BOARD OF MANAGEMENT OF THE PROVINCIAL CO-OPERATIVE UNION.

A meeting of the Board of Management of the Madras Provincial Co-operative Union will be held at 4 P. M. in its Premises, on the 9th of April 1932.

All the members of the Board are requested to attend.

V. RAMADAS PANTULU,
President.

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