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Editorial Notes.

The Draft Scheme of Audit.

Our readers are treated in this number to a clear elucidation of the principles underlying the draft scheme for audit of Central and Urban Banks and to a discussion on its merits and demerits. The explanatory note by Mr. V. Ramadas on the Provincial Bank's scheme and the note of the Registrar make the details of the scheme as at present contemplated quite clear. The lengthy memorandum submitted by Mr. V. Ramadas Pantulu to the Government of Madras and an article on the scheme by Mr. E. S. Ganapathy Iyer view the problem from two different points of view and Mr. Rajabadar Mudaliar's short note * strengthens Mr. Ganapathy Iyer's argument. The readers have therefore ample materials to view the question from all possible points of view and arrive at a conclusion for themselves.

Let us make the position clear by emphasising upon one or two obvious things which are likely to be forgotten in the heat of the controversy.

* This is a portion of his article on the present situation of the movement which we hope to publish later.

[Editor, M. J. C.]

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therefore is, for such of the societies as are likely to be called upon to pay the audit fees, to tell the Government that they will make their own arrangements for an efficient audit, subject of course to the approval of the Registrar; or to leave the matter entirely in the hands of the Government, allow them to collect fees according to their rate and allow themselves to be audited by the Government agency.

That is the real position. Consistent with the demands, which non-official co-operators have been making for more and more devolution of powers upon themselves, we have to stand up at this critical stage in our development and say boldly to the Government: "If you are no longer going to give us free audit, we shall, subject to your approval and general supervision, make our arrangements for audit." This is the only position that, consistent with the past, we non-official co-operators can take up. We know there are some people, who would say that we are not yet fit for taking up this task. We have only to agree to differ from them. Having therefore come to the conclusion that such of the societies that are likely to be taxed would do well to manage their own affairs, the question is, what is the machinery to be evolved? Unfortunately, there is a good deal of misconception about the draft scheme put forward by the Provincial Bank. It is in the first place looked upon as if the financing banks are grabbing at more power over societies financed. This is an utterly wrong view of things, as Mr. Ramadas tries to point out in paragraph 14 of his article. Mr. Ramadas also makes it clear that the scheme is *purely a tentative one* and the final form it will assume depends upon the views of the constituent societies, the central and urban banks that are going to get into the scheme.

One important point made out by Mr. Ganapathy Iyer is that central and urban banks have very little in common and that urban banks all over the province should be federated into a separate organisation and be given an opportunity to manage their own affairs. This spirit of exclusiveness characterising some urban banks is combated by Mr. Ramadas in paragraph 11 of his article. We have had enough of castes and communities in India, and

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co-operative movement let us not develop any spirit of exclusion and touch-me-not-ism.

Another argument against the scheme is the possible loss of confidence of the investing public, if government audit be withdrawn. Here again, according to the draft scheme the government audit would be withdrawn only from less than 300 societies out of 15,000 and even in these, the audit is to be *controlled* by the government, if not actually *conducted* by them.

Taking all things into consideration, we think, it is the bounden duty of all non-official co-operators, especially those in charge of flourishing central and urban banks to avail themselves of this opportunity when the government seem to hand over a part of their responsibility, to come together, exchange views and formulate a scheme which will be acceptable to themselves and to the government and thus justify the attitude they have been taking hitherto, *i.e.*, demanding more and more devolution of powers into their own hands and the right of self-determination. Let us once again repeat that the scheme is purely tentative and will be modified as the constituent members desire. We appeal to the constituent members not to be victims of inferiority complex and say to the government: "We are not fit to manage our own affairs, manage it for us and we will pay the cost of management." When the whole country is demanding the right to manage its own affairs in other fields, we co-operators should not be behind hand and strike a discordant note, inconsistent with the position we have always been taking up. Self-determination is our goal and the present scheme is but one step forward towards that goal. Let us hope that societies concerned will take that step boldly and deliberately.

Supervising Agency. .

Elsewhere is published as supplement to this issue the proceedings of the Central Banks' Conference held in April last. Though there were 14 items on the agenda only four resolutions seem to have been passed; others were either not moved or were otherwise disposed of. The two important resolutions that were accepted are with regard to agency for supervision and for the creation of a non-official agency for conducting the audit of central banks and urban banks. Confining our attention to the first resolution, we see that whatever be the historical causes, (one of them being, according to some, lack of consistent policy on the part of the Department), the

fact remains that federations were created to look after supervision of primaries, that they were given a fair trial and that they are now declared to be found wanting. As a result of it, in many districts federations have been wound up, in certain other districts where federations have been fortunate enough to secure the services of disinterested workers with long experience, as in Madura, they have been doing very useful work and there is no reason why they should be disregistered. The Conference therefore passed a highly practical resolution, one part of it applying to districts where federations have been wound up and the other with reference to places where they exist and are functioning. The underlying principle is that supervision should be centralised and it should be controlled by one agency at the headquarters of the district. Where federations have been wound up, the banks have to take up the task; where Federations are working, a combined committee of the two institutions should be in charge of supervision. This is perfectly reasonable and the resolution of the Bankers' Conference, it is hoped, will commend itself to all co-operators.

We are tempted to emphasise that all quarrels arise only when attention has been fixed upon rights and privileges, but on the other hand if attention is fixed upon duties, not only will there be no competition, but there will be a united demand for more workers. The spirit with which the task ahead should be approached is the spirit underlying the following quotation held up for popular admiration by late Prof. James, the well-known psychologist of America: Referring to a passage in the autobiography of Dr. Besant, Prof. James adds "There is a world of difference between the two attitudes indicated by the questions, 'Somebody should do the work, why should I?' and 'Somebody should do the work; why *not* I'". If all co-operators be actuated by the latter spirit, there will be no occasion at all for misunderstanding between banks and federations and it is in this spirit that we co-operators should approach our task.

A Prosperous Urban Bank.

Last month we derived consolation by dwelling upon the record of an excellent rural credit society and this month we turn to an Urban Bank for similar consolation. We have taken the Urban Bank of Hindupur in Anantapur district, partly because it is located in an area very often afflicted by famine and partly because it is in the

very central part of the presidency as against the south studied last month. From the audit certificate for the year 1930-31, we see that the society is placed under Class (A) 1 and the Deputy Registrar congratulates the directors on another year's successful working of the bank.

The bank was started on 11th December 1919 and thus has been working for nearly 12 years. During this short period, it has been steadily progressing as the following table will show:—

		1920	1931
		Rs.	Rs.
1. Share Capital		2,344	36,883
2. Deposits		11	1,58,947
3. Reserve Fund		...	13,972
4. Total Working Capital		2,355	2,09,802
5. Total Receipts		2,694	10,49,068
6. Total Loans disbursed		1,380	1,58,478
7. Net profits		15	6,125

(Loss)

The most creditable portion of the achievement of the bank is not the quantitative increase of transactions but the high quality of the work maintained throughout. Overdues under principal during the last 10 years has been kept well below 2 per cent and under interest during the last five years, it has often not exceeded .5 per cent and the highest amount overdue during the last 9 years is .9 per cent.

We are informed that this good record is due to the personal influence of the directors and the persuasion they bring to bear upon the members and a few devices the directors adopt in speeding up collections. It seems that at every general body meeting a list of members in arrears is published and public opinion has been so well educated that the average member tries his best to avoid his name appearing in the black list.

A new line of business which the Urban Bank has taken up with profit to itself and usefulness to its members is inland banking. This it is able to do, because it has overdraft accommodation with the Provincial Bank and through its agency it enables its constituents to remit money from Anantapur to any other part of the presidency. This is a line of business which other urban banks will do well to develop. We congratulate the authorities of the Bank for the excellent record they have been able to show and we hope it will continue to be worked in the same spirit.

The Horace Plunkett Foundation.

The above useful institution has published a report on its working during the 5 years (1st April 1927 to 31st March 1932) during which period it received a grant of £ 1,500 per year from the Empire Marketing Board. It is a record of many useful lines of activity carried on for the benefit of the agricultural co-operative

movement within the Empire. To mention some of them: First, the publication of the Year Book of Agricultural Co-operation. It is practically the only publication of its kind and "has won an authoritative position as the annual statement of the development of co-operation in agriculture and marketing within the Empire" and in particular years it gave useful information on co-operative legislation, statistics and bibliography. Secondly, officers of the Institute visited various parts of the Empire such as South Africa, Ceylon, Australia, New Zealand and Canada and helped the governments of these parts with expert advice. Thirdly, they have done very useful work in publishing surveys and studies, such as "Producers and Consumers; A study in Co-operative Relation"; "Agricultural Co-operation in England"; and "Agricultural Co-operation in the Irish Free State". Fourthly, the staff at the headquarters have answered ever so many enquiries from institutions and individuals on matters co-operative, and have afforded "education and training facilities for a number of persons on an extensive and intensive scale", (and one in India is delighted to note the large number of Indian officials availing themselves of the facilities); and lastly, its representatives have attended many co-operative conferences in England and on the Continent besides initiating various conferences themselves.

The grant of the Empire Marketing Board covered just a third of the annual expenditure of the Institute and we would do well to note that in the earlier years the management drew upon its capital deliberately "in the hope that the tale of work the Foundation could accomplish within that time would so demonstrate the value of the intelligence organisation regarding agricultural co-operation within the Empire, which the Foundation alone was providing, that further assistance would be forthcoming." Unfortunately the call for economy has compelled the Empire Marketing Board to stop its grant, but we hope the good work done by the Foundation would be appreciated and its financial position strengthened, as it deserves to be, so that it may continue to render useful service to agricultural co-operation.

The Co-operative Training Institutes' Examination.

The results of the Co-operative Training Institutes' Examination conducted in April last by the Provincial Co-operative Union are published as supplement to this issue. The standard of valuation has been practically the same as that adopted by the Registrar in previous years. Out of a total number of 209 candidates who applied for the Examination, only 201 candidates sat for all the subjects. Out of these 201, 37 candidates came out successful in the first class and 141 in the second class. The results of 5 candidates will be declared later, as some necessary information was not available when the Board of Examiners of the Union met to consider the results.

Audit of Co-operative Central and Urban Banks.*

By V. RAMADAS PANTULU.

Co-operative Societies in the Province of Madras have had the benefit of free audit by the Government, all along from the inception of the movement more than a quarter of a century ago. Very recently an inroad was made on this privilege by the levy of audit fees from some primary societies with very large membership or a large working capital and from some types of non-credit societies. Central Banks were not included in the category of societies liable for such charge. But the new rule was mildly administered, for in many cases the Registrar remitted substantial portions of the levy, on representations made by the societies concerned. On 2nd February 1932, the Local Government published a draft amendment to the Rule VIII-D under which audit fees were levied as stated above, with a view to bring under it more societies and to provide for a revised scale of fees. By virtue of the draft amendment to the rule, all societies, primaries as well as central, with a membership of 500 and more or with a working capital of over Rs. 20,000, are required to pay fees for the audit of their accounts, in accordance with the scale to be prescribed by the Registrar with the concurrence of the Local Government. The number of such societies in the Province, according to the latest figures available to me, is 784. But the notification gives these societies the option of having their accounts audited through the agency of an audit union, a local supervising union, a district federation or a public accountant and auditor, approved by the Registrar. In such cases, audit fee is, of course, not payable to the Government.

2. The Government gave sometime to the co-operative institutions to urge their objections to, or express their views on, the said draft amendment to the Rule about the levy of audit fees. The Central Banks' Conference, the Board of Management of the Madras Provincial Co-operative Bank and the General Body of the Madras Provincial Co-operative Union, which held their sessions about 6 weeks ago at Madras, on the 9th and 10th April, urged on the Government the necessity to exempt all unlimited liability Agricultural Credit Societies (that is, the rural credit societies) from

* Memorandum submitted to the Government of Madras by Mr. V. Ramadas Pantulu.

the operation of the draft Rule and to continue to give them free audit service, irrespective of the size of their membership or the volume of their working capital; in other words, it was urged that the levy of audit fees should be confined to Central Banks and limited liability *Credit Societies* (popularly known as Urban Banks) with a working capital of Rs. 20,000 and above, besides consumers' stores, building societies and some other non-credit societies. It was also resolved at those conferences to accept the principle of audit of Central and Urban Banks being entrusted to a non-official Central Audit Organisation and the Provincial Bank was asked to draft a scheme and circulate it to the Central and Urban Banks concerned for their opinion. One effect of those resolutions, if accepted, is to bring down the number of *Credit Societies* liable to pay audit fee from 784 to 259. Of these 259 societies, 33 are Central Banks (including the Provincial Bank) and 226 are limited liability primary credit societies or urban banks. These figures include the societies in the city of Madras; of the 33 Central Banks there are 3 in Madras, namely, the Provincial Bank, the Christian Central Bank and the Madras District Co-operative Central Bank; the other 30 are in the mofussil; of the 226 urban banks 29 are in the city of Madras and the other 197 are in the mofussil.

3. The Government have not yet passed final orders. They seem to have received a number of representations which are evidently receiving their attention. If the Government accept the recommendations of the Central Banks' Conference, the Provincial Bank and the Provincial Union in regard to exemption of all rural societies from the levy of audit fees and confine it to Central Banks and limited liability credit societies with a working capital of Rs. 20,000 and above, and certain kinds of non-credit societies, the question that co-operators have to settle in the meantime is what is the most suitable arrangement for the efficient and thorough, concurrent and final audit of the 33 Central Banks and 226 Urban Banks, leaving alone, for the present, non-credit societies, like Stores and Building Societies which require special treatment. There are three courses open for the audit of central and urban banks otherwise than by the Government staff.

- (1) To requisition the services of a District Federation, or a Local Supervising Union or Audit Union to arrange for the audit of the accounts of the banks concerned.

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- (2) To allow each bank concerned to engage the services of a public Accountant and Auditor, approved by the Registrar, stipulating its own audit fee by private negotiation.
- (3) To bring the concerned central and urban banks under a central audit scheme for the province, by setting up a central organisation, which will appoint the auditors on a provincial cadre, and control and regulate their work.

4. It is desirable not to complicate the decision of the relative merits of these three alternatives with a controversy over the nature and constitution of the central organisation. If the other two alternatives are dropped, and if evidence of a substantial preference for some form of central organisation is forthcoming, then measures may be adopted to so constitute that organisation as to be acceptable to the central banks and urban banks, which are expected to join it. I shall, therefore, deal with each of the three alternatives on its own merits.

5. As regards the first, namely, audit of central and urban banks by local organisations, I am decidedly of opinion that, at the present juncture, it will not be in the best interests of the credit movement. I do not believe that there are any co-operators who seriously advocate the entrustment of audit of central and urban banks to District Federations or Local Supervising Unions. If there are, argument with them will be a fruitless task. So, I shall leave District Federations and Local Unions out of account as audit agencies.

6. There remain the audit unions. But one might almost count them on one's fingers, if one has in view those which are really working well. These need not be necessarily supplanted by a central organisation, for the idea of societies in any area combining to appoint their auditors is right in theory and practice. The practicability or desirability of forming audit unions all over the province to serve the central banks and urban banks is what we are really concerned with. Assuming it is desirable, I do not consider it quite practicable. The central banks and urban banks, which will have to pay for their audit, situated in most districts, (if a district is taken as the area of operation of an audit union) cannot by themselves

sustain an independent audit union. If unlimited liability societies are removed from local supervising unions, and affiliated to the audit unions, then the resources of the former, which are already declining and which will decline further with the inevitable fall in the transactions of societies, will be seriously dislocated. The unlimited liability societies will not agree to pay supervision fees if they are required to be also affiliated to an audit union and pay audit fees. The formation of District Audit Unions, federated into an apex audit organisation, recommended by the All-India Provincial Co-operative Institutes' Conference and the Indian Central Banking Enquiry Committee, which is undoubtedly the ultimate right solution of our audit problem, can be thought of, only if all the societies in the Province are brought under a non-official audit scheme. It cannot fit in with any arrangement to audit merely a handful of big limited liability societies. Again, I entertain a serious apprehension that the evils of faction and favouritism, which characterise the appointment of supervisors by a majority of the local unions may creep into these local audit unions as well, and that the appointment of auditors may probably give rise to new local factions. In such an atmosphere, the choice of the right sort of auditors will be very difficult to secure.

7. Coming to the second alternative of leaving each of the central banks and concerned urban banks to appoint and control its own auditor and fix its own fee, I am of opinion that it will also not be in the best interests of the movement in its present condition. I have no hesitation in advocating that the auditors of central banks and urban banks should, as far as possible, be selected by a strong non-official organisation, independent of the societies to be audited, and that the auditors must, as far as possible, be removed from their patronage. The Registrar will, no doubt, decide upon the suitability of the particular auditors selected by the several banks, but he cannot altogether counteract the subtle influence involved in their appointment and control. If a fearless and thorough exposure of the frauds and defects in the business methods is to be aimed at, I consider it will be difficult for the Registrar to satisfactorily discharge his statutory duties under the Act and sustain his ultimate responsibility to the Movement, as matters stand at present, if he leaves to each central bank and urban bank the choice of its own auditor. There will be some banks which can be trusted to use the privilege properly. But, what we are concerned about is the evolution of a scheme for general application in the districts.

8. Coming next to the third alternative, namely, a central organisation for the audit of the central and urban banks, in the first place, I must say that the scheme does not come as a surprise on co-operators in Madras. It was the subject of a full enquiry by the Townsend Committee. That Committee made the following unanimous recommendation, early in the year 1928 :—

“The audit of central and urban banks differs materially from that of agricultural societies with unlimited liability. It is less personal and more technical. We are, therefore, of opinion that a different training is needed for the auditors. We propose that a central audit organisation be formed to which central and urban banks may affiliate themselves. The auditors employed by this organisation should hold certificates from the Local Government and be approved by the Registrar. The presidency should be divided into suitable sections with an auditor in charge of each, any reserve men being posted to assist in the heavier districts or placed on work in head-quarters. The cost should be allocated to the affiliated banks in proportion to their transactions. The Registrar, should, at his discretion, from time to time, also entrust the organisation with the final audit. He should take appropriate steps to satisfy himself that this organisation discharges its duties efficiently. We anticipate that this organisation will, at its inception, embrace central banks and the larger urban banks, but we think that all urban banks should be encouraged to join it as soon as possible, and that the department should make grants to the audit organisation in respect of any final audits undertaken by it, if such audits would otherwise be done free of cost by the department.

We do not think that small local audit unions can usually attract suitable men for the work.” (Page 79, of the Townsend Committee Report.)

9. This recommendation had also the concurrence of the then Registrar of Co-operative Societies. The Committee itself was composed of two Senior administrative experts, a banking expert who served on the Central Provinces and Burma Committee and who holds a very responsible position in the Imperial Bank and four non-official co-operators, among whom were Messrs. G. K. Devadhar, K. T. Paul and T. A. Ramalingam Chettiyar. The Committee's recommendation, in my opinion, deserves very serious consideration at the hands of the co-operators in this province and there must be

very convincing and compelling reasons to throw it out. The central audit scheme recommended by the Townsend Committee was not taken up till now simply because the central banks and most of the urban banks have so far been offered free audit. So long as the department offered free audit, a central audit organisation was naturally not thought of, for it meant taxation where there was none before. The present Registrar of Co-operative Societies has also shown his inclination in favour of a central audit organisation by a non-official agency. In a note which he circulated on the subject, he states, "On the whole, I believe that control of an audit staff by a non-official agency, subject to supervision and test audit by Government Officers, can be quite as efficient as the existing system." I wish he had said "*much more efficient* than the existing system."

10. Now, let me state the case against a non-official central audit organisation. In this connection, as I already stated, I will not complicate the issue by defining the exact composition of that organisation. It is more a matter of detail than of principle. I have carefully followed the objections urged by some co-operators in the columns of the local daily press as well as in the pages of the Madras Journal of Co-operation. The main point of attack is the likelihood of loss of confidence amongst the investing public by the withdrawal of the Government agency from audit. Assuming that public confidence is largely based on Government audit, what matters really is audit of the rural credit societies, in which the funds of the central banks are mostly invested. Government audit of those societies will be there as usual, for it is only 259 urban credit societies that are attempted to be withdrawn from the Government audit, out of a total of 15,000 societies; the remaining societies will continue for the present to be audited by the Government. Confining our attention for a moment to Central Banks, there is nothing that a departmental auditor of a central bank can do to reassure the investing public that the central bank's funds are safely invested in the primary societies. He does not even profess to examine the securities obtained by the indebted primaries for the loans, nor does he profess to value the assets of their members. The audit of a central bank, is more a mechanical audit of accounts and is intended to disclose defects in account-keeping and observance of methods of banking business. The audit of urban banks is also more like that of central banks than of rural societies. I am therefore of opinion that whatever may be the strength of the case for the audit of rural

societies by the Government, it has very little substance in regard to central and urban banks.

11. Moreover, I feel that those who lay so much emphasis on the supreme virtues of official audit, somewhat exaggerate the extent of confidence based on such audit. (Vide report of the Calvert Committee on Co-operation in Burma, and of the Indian Central Banking Enquiry Committee, page 134). The investing public are not so credulous as the exponents of Government audit imagine. The investors do in practice discriminate between bank and bank and have a keen eye on the character of the management of the institution in which they invest their savings. Some of the central banks and urban banks in the province are, as a matter of fact, not now audited by the department, and the movement is not thereby exposed to any of the dangers foreboded by the advocates of the indispensability of Government audit. Again, even if the auditors are appointed by a non-official central agency, they do still work under official control and it is the Registrar that issues the annual audit certificates in discharge of his statutory duties under section 17 of the Act. That the Registrar undertakes such responsibility tantamounts to the audit being still *controlled* if not *conducted* by the department. I am therefore unable to subscribe to the view of those who consider that concurrent audit of central banks by official agency is indispensable or even beneficial.

Co-operators, who purport to speak for the urban banks, do not, so far as I am able to gather, seem to base their case on a similar irrecoverable faith in Government Audit. Some of them have indeed questioned the virtues of Government Audit. The objections specifically urged on behalf of the urban banks, when analysed, seem to resolve themselves into a claim to place the urban banks in a special category of co-operative institutions, nay, to assign to them the privileges of an exclusive caste or community among co-operative institutions. It is declared that they do not want to be associated with the central banks for purposes of audit. Why? It is explained that the central banks and the Provincial Bank do not finance urban banks and so they should not have any hand in their audit. In the same breath it is objected that financing institutions should not have any concern with the audit of the institutions financed. It is very difficult to my mind to reconcile these two statements, or at any rate, to understand their mutual bearing, unless they are meant to convey the idea that urban banks will look

after their own audit equally excluding from their audit scheme institutions which finance urban banks as well as those which do not finance them. The recommendations of the Townsend Committee in favour of bringing the central and urban banks together under one central audit organisation and the fact that in Bombay, where urban banks have made most progress in India, they made no such separatist demands, ought to be enough to dispose of the claim for their segregation from central banks in the matter of audit.

12. I can see many advantages by the urban banks being clubbed with the central banks in a central audit organisation, while I can see none in their separation. The greatest weakness of the credit movement at the present moment is absence of centralised direction in policies on the non-official side. It is a matter for extreme regret that a similar hostility for centralisation of audit under non-official agency is being preached by some in this province. In the Punjab and Bihar and Orissa where audit is non-officialised it is also centralised. Audit in the United Provinces is taking the same line and is partially non-officialised and centralised. The All-India Provincial Co-operative Institutes' Association and the Indian Central Banking Enquiry Committee have recommended the federation of non-official audit unions into a provincial central non-official audit institution. It is obviously the correct solution of the problem. I am therefore unable to appreciate the inwardness of the opposition to the centralised effort in audit in the face of such overwhelming case in its favour.

13. By all means, let co-operators discuss the details of the constitution of the central audit organisation and give it a shape which commends itself to them. The Provincial Bank's scheme with my explanatory memorandum thereon is now before the central and urban banks concerned. But, it is only a draft scheme put forward as a basis for discussion. Speaking for myself, I am by no means committed to it. If a better one is suggested, I shall do my best to push that forward. Since the Provincial Bank's scheme was circulated I received two alternative proposals about the composition of the central body. One of them is as follows:—"It shall be a small committee consisting of the President of the Provincial Bank, the President of the Provincial Land Mortgage Bank, the Registrar and a recognised banker co-opted by the other three and one other member elected by the Executive Committee of the Provincial Bank." The other proposal received by me is as follows:—"The

central body shall consist of the Registrar, the President of the Provincial Bank, three representatives of the Central Banks, three representatives of the Urban Banks and a recognised public accountant co-opted by the other eight." Other proposals, I am sure, will be forthcoming. It is up to the non-official co-operators to examine them dispassionately and evolve one which appears to them most advantageous.

14. I must here mention one imaginary objection urged against the centralised audit scheme on which much wealth of learning was spent in a recent public utterance of a prominent opponent of non-official audit. He sees, in the resolution of the Central Banks' Conference already referred to, a scheme to audit primary societies by the central bank or the Provincial Bank. This is a gross misreading of that resolution and of the scheme drafted by the Provincial Bank in pursuance of that resolution. That scheme is expressly based on the assumption that all rural credit societies will be exempted from the operation of the government notification of February last and is definitely conceived as one which the central and the big urban banks have to evolve by common understanding among themselves in the matter of setting up a machinery for their own audit. I fail to see how any one should get the impression that the scheme is one for *audit of societies by the banks*. It is nothing of the sort. I am therefore not called upon to refute arguments based on such a fundamental misconception of the scheme. So far as I am aware, no one in this province ever suggested the audit of the societies by the banks. Such patent side tracking of the real issue is unwarranted. What is most surprising to me is that no attention is at all devoted by the critics to the more essential factors of the scheme, namely, the suitability of the proposed audit arrangement, the number, equipment and qualifications of the staff proposed to be employed and the cost involved in the working of the scheme.

15 The logical consequence of an insistence on Government audit, on the plea that its discontinuance will destroy the confidence of the investing public, must be the scrapping of audit unions, manned otherwise than by departmental inspectors, and all agencies other than the departmental of audit staff. So long as audit service by that staff continues to be given free of cost, the question of its replacement by any other agency may not arise. I for one reconciled myself to it merely on the ground that it is ungracious to look a gift horse in the mouth. But the moment the government decides to

levy fees from the societies for the audit of their accounts, I am of opinion that the societies who come under the rule about the levy should be given the option to make their own arrangements for audit, if they do not wish to pay the audit fees prescribed by the Government, provided, of course, that such arrangements are to the satisfaction of the Registrar in order to enable him to discharge his statutory duties under the Act. The draft notification of the Government is conceived on right lines and is consistent with the declared policy of the Government and the numerous public utterances of their accredited official representatives in regard to devolution of power on non-official agencies. It will be in my opinion wholly indefensible for the Government to go back on the fundamentals of the notification and force compulsory audit by departmental staff on payment of the fees prescribed. I do not think that the Registrar can conscientiously say that the audit staff now at his disposal is adequate in numbers and upto the mark in equipment for conducting the concurrent and final audit of the central and urban banks. Nor can he, in my opinion, maintain that the central and urban banks cannot get equally good, if not better, service at less cost than that which the Government seeks to impose. Regarding the departmental staff, the Townsend Committee made very significant observations some of which are well worth reproducing :—

“We are not impressed with the personnel of the present Assistant Registrar.....We desire to emphasise the necessity of appointing only efficient men to any posts of whatever grade in the department.” (Page 74). Again at page 77, they say “we also think that *the present audit staff is not in general competent.*” Again at page, 94, they say “even the official staff is we consider in many respects insufficiently trained for the better discharge of its duties.”

The implications of these observations are obvious and comment is needless. I am in a position to say that things have not much improved since then. The numerous cases of embezzlement in urban banks and rural societies which have been coming to light for some time past, when probed into, reveal frauds undetected in audit for years together. So even on these narrow grounds, I contend that it is unjust and inequitable to force official audit, on government terms as to its cost, on the central and urban banks, whether they desire it or not.

16. I wish to base my case for non-official audit on certain broader grounds as well. I have all along held the view that sooner or later,

audit of co-operative societies must either be shifted on to the shoulders of the non-official organisation or adequately charged for to cover the expenditure on it from public revenue. Co-operative credit institutions are essentially business concerns; they attract capital like commercial banks and lend it out for profit. I can see no conceivable reason why the cost of their audit should be a *perpetual* charge on the public revenues, though at the initial stages it may be justifiable. In the columns of the Madras Journal of Co-operation, attention has been drawn on more than one occasion, to the unjustifiable heavy cost incurred on the co-operative department in this province when compared with that of other provinces. In the Punjab, Bihar and Orissa and certain other provinces where audit is managed by a central non-official agency, a substantial part of the cost is borne by the co-operative societies. It will not be long before the question will be definitely raised in the local legislature and I do not think that either the ministerial spokesmen or the co-operative enthusiasts in the Council can legitimately justify the annual expenditure of Rs. 10 to 12 lakhs on an army of departmental auditors to audit these co-operative banks. A beginning must be made somewhere to get rid of this charge on public revenue gradually. In my opinion, the central and urban banks are the most suitable institutions to begin with in the matter of curtailing Government expenditure on audit by letting these banks do it for themselves and thus reducing the audit staff *pro tanto*.

17. The advocates of the indispensability of government audit seem to say “very well; do not spend from general taxpayers' money, but collect audit fees from the societies and go on enlarging the official staff indefinitely with that money to keep pace with the growth of societies”. This suggestion, which is *prima facie* and normally indefensible is buttressed by two declarations of faith; firstly, public confidence in co-operative banks will be destroyed, if audit is allowed to be conducted by non-official agencies; secondly, India is so unlike other countries that co-operative societies in India cannot be trusted to manage their own affairs in regard to audit. Indeed one prominent critic states in so many words that “India differs from other countries in that people have been long dependent on Government in so many directions. There is more confidence in the Government control in this land than in others.” Therefore Co-operative Societies in India could not be trusted to have their own organisations for audit. They must in the result be compelled

to have Government audit and pay for it—*Quod Erat demonstrandum*. I am of course unable to subscribe to these propositions. I do not believe that central and urban banks will subscribe to them either, if they get a fair chance of expressing their opinion in the matter.

18. In conclusion, may I appeal to the Government to let the central and urban banks have their say on the matter, before issuing final orders? I am confident that the large majority of them will favour a central non-official audit agency, if things are presented to them in their proper light. May I appeal to the non-official co-operators to give a dispassionate consideration to the several schemes that may be forthcoming in favour of a central non-official audit agency? I merely plead for a purely voluntary organisation broad-based on the self-determination of the organisations concerned. I ask for nothing more and will be content with nothing less. I am absolutely certain that the central and urban banks will sooner or later, perhaps sooner than later, realise the supreme need of self-help and self-reliance and will demonstrate their fitness to manage their own audit.

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The Madras Provincial Co-operative Bank Ltd.

DRAFT SCHEME FOR THE AUDIT OF CENTRAL BANKS AND URBAN BANKS WITH A WORKING CAPITAL OF Rs. 20,000 AND ABOVE.

1. For the purposes of this scheme, the province is divided into the following ten groups:—

S. No.	Grouping according to revenue districts.	Grouping according to the Head quarters of central banks.
1	Madura, Ramnad and Tinnevely.	Madura, Srivilliputtur and Tinnevely.
2	Trichinopoly and Tanjore ...	Trichinopoly, Tanjore and Kumbakonam.
3	South Arcot and Chingleput ...	Cuddalore and Conjeeveram.
4	North Arcot, Chittoor and Salem.	Vellore, Chittoor and Salem.
5	Coimbatore, Malabar & S. Kanara.	Coimbatore, Calicut and Mangalore.
6	Anantapur Cuddapah, Bellary and Kurnool.	Anantapur, Cuddapah Hospet and Kurnool.
7	Nellore, Guntur and Kistna ...	Nellore, Tenali, Bezwada and Masulipatam.
8	West Godavari & East Godavari.	Ellore, Rajahmundry, Ramachandrapuram, Amalapuram and Cocanada.
9	Ganjam and Vizagapatam ...	Aska, Berhampore and Vizianagaram.
10	Madras City ...	The Madras District Co-operative Central Bank, The Christian Central Co-operative Bank and the Provincial Bank.

2. The number of central banks outside the City of Madras is 30 and that of the urban banks 197. Of these, 88 urban banks have a working capital of less than Rs. 50,000. In the City of Madras, there are 3 central banks (Provincial Bank, Christian Central Co-operative Bank, and Madras District Co-operative Central Bank) and 29

urban banks. Of them, 14 have a working capital of less than Rs. 50,000.

3. The central banks in each group will be in charge of one senior auditor on a salary of Rs. 100—5—150 plus Travelling Allowance of Rs. 50 per mensem. He will do the concurrent and final audit of all the central banks in the group and also the test audit of a prescribed percentage of urban banks audited by the junior auditors in that group.

The Provincial Bank may be kept outside the scheme and its audit done by a Registered accountant approved by the Registrar.

4. The urban banks in each district will be in charge of one or more junior auditors, who will be recruited on a pay of Rs. 50—3—80 plus Travelling Allowance of Rs. 25 per mensem. Statement No. I shows the districtwar distribution of the central and urban banks and the number of junior auditors allotted to the district.

5. The total cost of maintaining the 12 senior auditors will be Rs. 21,000 in the first year, and will reach Rs. 28,800 at the end of 10 years, rising by Rs. 270 per year. The total cost of maintaining the 40 junior auditors will be Rs. 36,000 in the first year, and will reach Rs. 50,400 at the end of 10 years, rising by Rs. 1,440 per year. The total annual cost of the scheme will thus be Rs. 57,600 in the first year, and will reach Rs. 79,200 at the end of 10 years, rising by Rs. 2,160 per year.

6. The scale of audit fees, which the central and the urban banks will be required to contribute, is arrived at by an equitable distribution of the entire cost of the scheme between the central and the urban banks, the main criterion adopted being the working capital of the institutions concerned. Instead of beginning with the distribution of Rs. 57,600 in the first year and levying an increasing scale of fees in subsequent years, till the levy reaches Rs. 79,200, it is considered more expedient and less risky to fix a uniform scale without annual fluctuations. Any scale that is now fixed must be arbitrary and must also be based on the assumption that all the central banks and urban banks with a working capital of Rs. 20,000 and above will join the scheme and that the full complement of the senior and junior auditors will be immediately entertained. The distribution of the cost and the fixing of the scale must necessarily undergo modifications later on, when the actual number of institutions joining the

scheme and the number of auditors actually employed is definitely ascertained. It is liable to further modification with the fluctuations of the working capital of the banks from time to time.

7. In fixing the fees to be contributed by the several institutions comprised in the scheme, another test is also adopted. Column IV of statement No. II* shows the amount of audit fees which will be payable by each of these institutions in accordance with the scale prescribed by the Government. It amounts to Rs. 1,02,628. It is considered to be a safe working rule to deduct about 25 per cent. from that sum in the case of each institution and take about 75 per cent of the Government fee as a working basis for the present scheme, making slight adjustments and modifications here and there. Column (vi) of the same statement shows the fees proposed to be levied from each of the institutions under this scheme on the basis of their present working capital and the number of auditors employed for the district in which they are situated.

(Sd). V. C. RANGASWAMI,

Secretary, Madras Provincial Co-operative

Dated 21st May 1932.

Bank, Ltd.

*The statement is not reproduced here.

The Madras Provincial Co-operative Bank Ltd.

AUDIT SCHEME—STATEMENT No. I.

Districtwise Distribution of Central and Urban Banks and No. of auditors required.

S. No.	District.	No. of Urban Banks.			No. of Junior auditors required.	No. of Central Banks.	No. of senior auditors required.
		With less than Rs. 50,000 working capital.	Over Rs. 50,000 working capital.	Total.			
1	Ganjam	3	2	5	1	2	1
2	Vizagapatam	4	3	7	1	1	
3	East Godavari	2	3	5	1	4	1
4	West „	1	1	2	...	1	
5	Krishna	1	6	7	2	2	1
6	Guntur	3	4	7	1	1	
7	Nellore	3	1	4	1	1	1
8	Kurnool	..	2	2	1	1	
9	Bellary	2	2	4	1	1	1
10	Anantapur	1	5	6	1	1	
11	Cuddapah	4	2	6	1	1	1
12	Chittoor	2	2	4	1	1	
13	North Arcot	9	3	12	2	1	1
14	Salem	3	8	11	2	1	
15	Coimbatore	6	9	15	3	1	1
16	The Nilgiris	3	1	4		...	
17	Malabar	2	1	3	2	1	1
18	South Kanara	5	5	10	2	1	
19	Chingleput	6	6	12	2	1	1
20	South Arcot	5	6	11	2	1	
21	Tanjore	6	11	17	2	2	1
22	Trichinopoly	3	7	10	2	1	
23	Madura	6	7	13	2	1	1
24	Ramnad	4	6	10	2	1	
25	Tinnevely	5	8	13	2	1	1
26	Madras	14	15	29	6	2	
Total		103	126	229	40	32	10

A Scheme Prepared by the Madras Provincial Co-operative Bank for the Audit of Central Banks and Urban Banks with a working capital Rs. 20,000 and upwards.

EXPLANATORY MEMORANDUM

BY

MR. V. RAMADAS PANTULU.

1. The Government of Madras, in their G. O. No. 154 Development, dated 2-2-1932, published a draft amendment to Rule VIII-D of the Rules under the Co-operative Societies' Act. By virtue of that amendment, every society, which consists of more than 500 members, or whose transactions exceed Rs. 20,000 per co-operative year, is required to pay the charge made for the audit of its accounts in accordance with the scale fixed by the Registrar for each class of society, with the previous approval of the Government; but any society, which has its accounts audited at its own expense by the staff of the District Federation, Audit Union or Supervising Union or by a certified public accountant and auditor, who is authorised by the Registrar to do audit under section 17 of the Act, is exempted from the operation of the draft amendment to Rule VIII-D.

2. The opinions of the co-operative institutions on this draft Rule, were invited by the Government before final orders were issued. The G. O. was considered by the Central Banks' Conference and the Board of Management of the Provincial Bank and the General Body of the Madras Provincial Co-operative Union at their meetings held on the 9th and 10th of April 1932. All these bodies urged upon the Government the necessity to exempt all unlimited agricultural credit societies from the operation of the G. O. irrespective of the size of their membership or the volume of their transactions; but, in regard to all Central Banks and Urban Banks, with a working capital of Rs. 20,000 and upwards, it was agreed that they should be brought under some centralised audit scheme and that they should contribute a reasonable audit fee for the concurrent and final audit of the accounts.

The Government have not yet passed final orders on the matter. So, this scheme of centralised audit is based on the assumption that

the Government will *not* exempt central banks and the urban banks with a working capital of Rs. 20,000 and above, from audit fees on the scale modified.

GENERAL FEATURES OF THE SCHEME.

The Provincial Bank is asked to draw up a scheme, working out all the details in accordance with the general conclusions agreed to at the meetings of the 9th and 10th April which are as follows :—

- (1) Formation of a central organisation for the audit of these institutions ;
- (2) The employment of auditors on a provincial cadre by the central organisation ;
- (3) The scale of fees levied to be more moderate than that prescribed by the Government ;
- (4) Subject to the scheme being otherwise acceptable, the Provincial Co-operative Bank to be in charge of the central organisation.

In pursuance of the directions of the Executive Committee, the office has worked out a scheme, to explain which I have prepared this memorandum. The scheme, with the statements Nos. 1, 2 and 3 appended thereto, shows the number of central banks and urban banks with a working capital of Rs. 20,000 and upwards situated in each district, the number of auditors required to audit their accounts, the amount of audit fees leviable under the Government scale and the fees proposed to be levied under this scheme. It will be seen from the figures compiled that outside the city of Madras, there are 30 central banks and 197 urban banks with a working capital of Rs. 20,000 and that in the city of Madras, there are three central banks, (viz., the Provincial Co-operative Bank, the Christian Central Co-operative Bank and the Madras District Co-operative Central Bank) and 29 such urban banks. The audit fees leviable on the 30 central banks in the mofussil under the Government scale come to Rs. 23,749 and the amount of fees leviable on the 197 mofussil urban banks comes to Rs. 65,899. The audit fee leviable on the 3 central banks in the city of Madras comes to Rs. 3,949 and that leviable from the 29 urban banks in the city comes to Rs. 11,914. In the aggregate, fees payable under the Government scale by the concerned central and urban banks come to Rs. 1,02,628. The audit fees payable under this centralised

scheme are considerably less, as will be seen from the office note and explained later in this memorandum.

THE PERSONNEL.

Under the scheme now proposed by the Provincial Bank, two grades of auditors will be employed. There will be 12 fully qualified senior auditors, holding certificates from the local Government and 40 junior auditors with the necessary qualifications and adequate equipment. For the purpose of the audit of urban banks, junior auditors will be appointed to work in each district with their headquarters at a convenient centre in the district. Statement No. 1 appended to the scheme shows the number of junior auditors to be located in each district. For the audit of central banks, one senior auditor will be placed in charge of a group of central banks, the entire province being divided into 10 such groups, as detailed in the scheme. Two senior auditors will be kept in reserve to assist in heavier districts or for work in headquarters.

These twelve senior auditors, in addition to their normal work of conducting the concurrent and final audit of central banks, will also conduct the test audit of a prescribed percentage of the urban banks audited by the junior auditors.

THE COST.

It is proposed to fix the pay of the senior auditors at Rs.100-5-150 plus a consolidated monthly travelling allowance of Rs. 50. The cost of the senior auditors thus comes to Rs. 21,600 per year, rising by Rs. 720 per year and working up to Rs. 28,800/- at the end of 10 years.

It is proposed to employ 40 junior auditors on Rs. 50-3-80 plus a consolidated monthly travelling allowance of Rs. 25. The cost of the junior auditors thus comes to Rs. 36,000/- per year rising by Rs. 1,440/- per year and working up to Rs. 50,400/- at the end of 10 years.

Thus the total annual cost of the scheme will be Rs. 57,600 to begin with and Rs. 79,200 at the end of 10 years.

It will be thus seen that the total cost of the scheme is considerably less than that arrived at on the scale proposed by the Government. In the first year, it is about one half of the Government levy and even after the completion of 10 years, it will be about 25 per cent less than the amount payable under the Government scale.

The cost as detailed above is averaged and distributed between the several central banks and urban banks, the main basis being their working capital. The distribution at this stage has necessarily to be made on the assumption that all the central banks and the concerned urban banks will join the scheme and that the full complement of senior and junior auditors will be employed. It would obviously become necessary to make suitable modifications in these figures, after it is finally ascertained how many institutions will join the scheme, for the number of auditors to be employed and their distribution among the districts will depend upon the number of institutions that come forward to work the scheme.

There is also a further contingency which has to be provided for. The number of urban banks with a working capital of Rs. 20,000/- and more that join the scheme, may fluctuate. If there is a rise in their number, more auditors will have to be employed and if there is a fall, a reduction in their number will be inevitable. Moreover, with the variations in the working capital of the central and urban banks, necessary adjustments in the amount of fees recoverable will have also to be made from time to time.

SOME OBJECTIONS ANSWERED.

The idea of a centralised audit scheme is not a new one. It was fully considered by the Townsend Committee which made the following unanimous recommendation:—

“The audit of central and urban banks differs materially from that of agricultural societies with unlimited liability. It is less personal and more technical. We are, therefore, of opinion that a different training is needed for the auditors. We propose that a central audit organisation be formed to which central and urban banks may affiliate themselves. The auditors employed by this organisation should hold certificates from the local government, and be approved by the Registrar. The Presidency should be divided into suitable sections with an auditor in charge of each, any reserve men being posted to assist in the heavier districts or placed on work in headquarters. The cost should be allocated to the affiliated banks in proportion to their transactions. The Registrar, should, at his discretion, from time to time also entrust the organisation with the final audit. He should take appropriate steps to satisfy himself that this organisation discharges its duties efficiently. We anticipate that this organisation will, at its inception, embrace central banks and

the larger urban banks, but we think that all urban banks should be encouraged to join it as soon as possible, and that the department should make grants to the audit organisation in respect of any final audits undertaken by it, if such audits would otherwise be done free of cost by the department.

We do not think that small local audit unions can usually attract suitable men for the work.”

This unanimous recommendation of the Committee had also the concurrence of the then Registrar of Co-operative Societies. The scheme recommended by the Townsend Committee was not, however, taken up, because the central banks have up till now been offered free audit, and till recently, urban banks with a capital of under Rs. 1,00,000 had also free audit service. So long as the audit was free, the need for a central organisation was not felt. Nay, it was not thought of. For it meant payment where there was none before. Now that the Government are about to finally decide to charge audit fees on all central banks and urban banks with a working capital of Rs. 20,000 and above, the question of the formation of a suitable organisation for the audit of these banks has naturally come up for serious consideration.

The Central Banks' Conference and the Provincial Bank and the Provincial Union alike recommended to the Government that all unlimited liability agricultural societies should be exempted from audit fees altogether. The effect of this recommendation is that the whole co-operative organisation will be practically left in charge of the Government audit agency. No question of the Government withdrawing from the audit of co-operative organisations is, therefore, involved in this scheme. The 250 limited liability societies, which can at most be under this non-official scheme, are such as enjoy even now the right to employ their own auditors and it was not obligatory on them to have Government audit. In fact, some of them are not at present audited by the department. So, the cry that the movement is in danger by withdrawal of Government agency from the audit of co operative societies is not warranted.

Even if all the unlimited liability credit societies with a working capital of Rs. 20,000 and upwards are charged for audit so as to drive them to have their own non-official audit agency, the number of co-operative societies, for the audit of which the Government will thus withdraw will be 784, and not more, out of a total number of 15,000 societies.

Much is said about the likelihood of the loss of public confidence by the Government withdrawing from Audit. As already pointed out above, so long as all the rural societies and small urban banks continue as a matter of fact to be audited by the Government there is no foundation for the apprehension. Again, while it may be conceded that public confidence in co-operative banks to a certain extent may be legitimately attributed to Government audit, it is easy to exaggerate the extent of that confidence and the efficacy of that audit. (Vide The Reports of the Calvert Committee on Co-operation in Burma and of the Indian Central Banking Enquiry Committee).

The present Registrar of Co-operative Societies, in the note he sent to the Provincial Bank on this question of audit, has pointed out the difficulty in providing efficient and thorough concurrent and final audit to central and urban banks with the aid of the official staff at his disposal. He also states therein "on the whole I believe that control of an audit staff by a non-official agency, subject to supervision and test audit by Government officers, can be quite as efficient as the existing system. The statutory responsibility continues to be discharged by the Registrar who issues the annual audit certificates as usual."

Any disclaimer by the central and urban banks of their confidence in themselves to provide for their audit will, therefore, be unthinkable, while the Townsend Committee and the past and the present Registrar credit them with the required capacity. Then there is the question of control of the central organisation by the concerned institutions on the principle of "no taxation without representation." Assuming that the principle applies to audit fees, the provincial bank is fully representative of the central banks. If the Urban Banks so desire, they may be represented on the central organisation by 4 or 5 representatives, each compact group of 50 urban banks being given one representative.

CONCLUSION.

In conclusion, attention is drawn to the following merits of the scheme :--

I. The appointment of technically qualified full time auditors on a provincial cadre by an institution like the provincial bank, will secure the necessary impartial audit.

EXPLANATORY MEMORANDUM ON THE AUDIT SCHEME

2. The appointment of auditors by the small local audit unions or by the concerned institutions themselves will not be as good as their appointment by an apex institution.

3. The employment of senior auditors to audit the central banks and to test audit the urban banks will ensure the services of much better equipped and qualified men than the average departmental inspector.

4. The junior auditors being planted in each district and the senior auditors in a central place, in the group of adjoining districts will maintain sufficient local touch and can work with minimum of time spent in travelling.

5. The Provincial Bank will bear the charges of the Head Office, and may also contribute a portion of the total cost in addition. I am prepared to approach the Executive Committee with definite proposals on this behalf, if the scheme is adopted. If a separate institution is set up, the cost of running its Head Office and the travelling and other allowances of its directors will consume a considerable sum of money which will ultimately have to be borne by the institutions audited.

6. The scheme lends itself to suitable modifications as experience is gathered and the nature of the work turned out by the staff is watched, without any dislocation of the actual machinery and agency.

It is therefore hoped that all the Central Banks and the concerned urban banks will appreciate the benefits of the scheme and join it.

V. RAMADAS PANTULU,
President, M. P. C. Bank Ltd.
21-5-32.

Note on the question of Audit Fees as proposed in G. O. No 154, Press, dated 2nd February 1932

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

In discussing the proposal as set out in G. O. No. 154-Press, dated 2nd February 1932, the first point I would make is that audit work must be improved, and that to secure an improvement, additional audit staff is essential. I believe this will be generally admitted. There have recently been very serious scandals in several districts, chiefly in urban banks and stores and in each case there were grounds for complaining that the frauds and misappropriations had not been detected earlier during the course of audit. In some cases, I admit that audit had been careless and the frauds should have been detected; but in other cases, I felt it would not be just to blame the audit staff. In the time at their disposal, it was utterly impossible for them to make a thorough audit. If urban banks are to secure concurrent audit, which is necessary for the early detection of frauds, additional audit staff must be employed. The second point is whether Government, that is the general tax-payer, can reasonably be asked to pay for this additional staff. I fear not. The cost of the Co-operative Department to Government has increased greatly in recent years and there is, I believe, a general feeling that no further increase in the establishment should be sanctioned by the Government. It seems to follow, therefore, that the societies concerned, many of which are making more profits than they can distribute as dividends, should pay for the extra staff required. This justifies the proposal to levy audit fees, and I believe it will be generally admitted that the levy of fees from a larger number of societies is reasonable. It remains to be decided whether, assuming that the societies are required to pay fees for a more thorough audit, that audit should be done direct by Government agency or by non-official agency under the supervision of higher Government Officers. I am in favour of the non-official agency, that is, the audit unions, for these reasons:—

(a) It is exceedingly difficult to fix a general scale of fees, such as is required in a Government Notification, to suit each individual case and the present system, under which fees are levied

NOTE ON THE QUESTION OF AUDIT FEES

at a uniform rate and then remitted in individual cases by the Registrar, cannot be considered satisfactory. It would be much better to have the fees fixed by agreement among the societies concerned.

(b) The system of audit union is much more flexible than a system of audit by Government Inspectors. If it is found that Additional Government Inspectors are necessary, there is great difficulty in securing them. The Council may not sanction additional staff, even though they know that the staff is to be paid for by the societies. Demands for additional staff have to be sent up as Part II schemes at least six months before the period when the men are required. On the other hand, the Directors of an audit union can employ additional auditors at very short notice.

(c) On the whole, I believe that control of an audit staff by a non-official agency, subject to supervision and test audit by Government officers, can be quite as efficient as the existing system. Experience in the existing audit unions—some of which are working very satisfactorily—supports this. I realise, however, the force of the general objection that it is inexpedient to have audit work done by men who depend for their livelihood upon the directors of societies which are under their audit. There is a possibility that the auditor, who does his work conscientiously may find himself on the streets. But I am prepared to rely on the good sense of the Board of Directors of the Audit Unions and on my powers of general supervision, and I feel that this objection is outweighed by the general desirability of reducing the present huge Government Co-operative staff and transferring the control of the movement more fully to non-official hands. This, however, is the aspect on which I personally and, I take it, Government would like an expression of opinion from leaders of the Co-operative Movement. If it is felt that the time has not yet come to develop non-official control of audit staff, let those interested in the movement say so and we shall be guided by their opinion.

2. Coming to details, the Retrenchment Committee proposed that the rules should be so modified as to declare that every society with over 500 members or transactions of over Rs. 50,000 should pay audit fees, at the following rates:—

- (1) Societies with 1,000 members or over or with transactions of Rs. 1 lakh or more—Existing rates.
- (2) Societies with 500 to 999 members and transactions between 50,000 and 1 lakh—half existing rates.

When I came to examine the matter, I considered it desirable to propose a minimum working capital of Rs. 20,000 and membership of 500, because I found that if the minima recommended by the Retrenchment Committee were adopted, only 242 Societies would become liable to pay audit fees and that in several districts there would be no scope for the formation of audit unions. I enclose a statement showing the number of societies in each district that would be liable to pay audit fee under the existing rules, under the rules proposed by the Retrenchment Committee, and under the rules now proposed by the Government. If we are really determined to push on the formation of audit unions, it seems desirable to have 784 Societies to work on. This would still leave more than 14,000 Societies having audit done free by the departmental staff.

With regard to the Retrenchment Committee's proposal to levy half fees from societies with transactions between Rs. 50,000/- and Rs. 1,00,000/-, I found that the scale proposed could not possibly yield a sufficient income to make the audit unions self-supporting. These half fees, therefore, while they would bring in some revenue to Government, would do nothing to encourage the formation of audit unions. I may give a few examples :—

Name of Society,	Working capital.	Fees payable.
1. Madras Port Trust	... 60,300	144
2. Madras High Court	... 88,500	197
3. Madras Civil Accounts Staff	... 57,800	141
4. Rasipuram Town Bank	... 61,700	147
5. Namakkal Town Bank	... 61,340	146
6. Kaveripatnam	... 69,100	161
7. Tinnevely District Public Servants	... 53,900	132
8. Tinnevely Co-operative Society	... 50,300	126

The first three societies are at present included in the Madras City Audit Scheme and are paying Rs. 200,150 and 125, respectively voluntarily. Nos. 4, 5 and 6 are in the Salem Audit Scheme and are paying Rs. 200, 250 and 250 respectively. Nos. 7 and 8 are affiliated to the Tinnevely Audit Union and are paying to the Union Rs. 175 each.

Building societies and land mortgage banks require special treatment, as the fees levied on the ordinary scale were out of proportion to the time spent on audit. I, therefore, proposed that building societies should be levied fees at a flat rate of two annas per cent

on the working capital. For land mortgage banks, I proposed the same rate as for central banks.

Hitherto, central banks have been exempt from audit fees. The Retrenchment Committee has, I think, rightly recommended that fees should be levied on central banks in future. A different scale is, however, required, as the working in central banks is not the same as in credit societies, the transactions being less numerous than in Urban Banks. For central banks, I proposed the following scale:—

	AS.	Per Rs.
Up to 5 lakhs working capital...	12	1000 of working capital
Over 5 lakhs up to 15 lakhs ...	6	do
Over 15 lakhs up to 30 lakhs ...	3	do
Over 30 lakhs ...	2	do

I enclose a statement showing the fees that would be leviable from central banks on this scale. Compared with the fees charged by private auditors for some of these banks, even this scale may appear to be somewhat excessive. The Salem Bank for instance is now paying only Rs. 350 to a private auditor, whereas it will have to pay Rs. 1,036 under the proposed scale. The Christian Central Bank and the Madras District Bank are at present paying Rs. 500 and Rs. 150 respectively, whereas they will have to pay Rs. 684 and 382 under the proposed scale. But an essential part of this scheme is that a Provincial Audit Union should be formed for Central Banks as recommended by the Townsend Committee. It is hoped that this organisation would find itself able to charge lower fees. Even if this is not possible, central banks would get more satisfactory work as the audit staff employed by the central organisation would become expert in their work, and central banks would also be able to reduce the staff they now maintain for internal check.

3. It has been objected by Mr. Ramalinga Chettiar that the extensive formation of audit unions would mean the death of supervising unions for two reasons, firstly that the big unlimited liability credit societies, which, under the new rules, will become liable to pay, cannot afford to pay audit fees and supervision fees at the same time and secondly that unions very often depend for their efficient management upon the directors of the head-quarters society and if these directors leave the union, there will be no competent men to take their place. I am not convinced that these objections have great force. The unlimited liability societies which will be liable

for audit fees under the new rules are in a position to pay both for supervision and audit. They are making substantial profits, and with dividends limited to $6\frac{1}{4}$ (six and a quarter) per cent there are funds available to pay additional fees. With regard to the second point, the audit union will be a district organisation and there seems no reason to assume that it will absorb all the directors of the supervising union. A detailed examination of particular cases is, however, necessary. I am having an examination carried out in a few cases and shall be glad if members could give us the benefit of their local knowledge.

4. I am prepared to admit, however, that Mr. Ramalingam Chettiar's objections may be perfectly sound. If they are so considered, the best way to meet them would be to confine the levy of audit fees to Urban Banks and urge that Government should continue to do audit free for all agricultural unlimited liability societies. I would support such a proposal to Government.

5. Another solution of the problem would be for central banks to undertake the audit of urban banks and big unlimited liability societies, appointing a separate staff, the cost being borne partly by the central bank. I would support this too. It would only require the addition of the words, "Central Banks" to proviso (a) of the Government notification.

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Audit of Co-operative Societies

BY

M. R. RY. E. S. GANAPATHI IYER AVL., B.A., B.L.,

President of the Coimbatore District Co-operative Audit Union Ltd.

Subject:—Proposed scheme of Provincial Audit Union Limited—its merits—its bearing on the Audit Unions already in existence—solution proposed etc.

Hardly has any time elapsed since I thought that the Coimbatore District Co-operative Audit Union Ltd., Coimbatore, has become a settled factor in the movement in the District, when a new proposal concerning Audit and Audit Agency has been brought to the forefront, so as to agitate seriously the minds of several people who have been taking interest in the progress of the movement in all its aspects. Being of opinion that, as one in charge of an audit institution affected by the proposal, I should not hesitate to ventilate my own personal views and judgment thereon, I have ventured to send this communication with the request that the same may be given the consideration that is due in order that even as an experiment we may not try the new scheme that must eventually be found wanting.

2. The proposal in question appears to be one evolved in consequence of the decision of the Government to levy fees for the discharge of audit duty in regard to the central banks also. So far as could be gathered now, the essence of the scheme appears to be a Provincial Audit Organisation under the control of the Provincial Co-operative Bank. I find that legitimate protests have already begun to appear against the new scheme sketched out.

3. The following aspects also deserve attention as militating against the approval of the scheme proposed:—

(a) In the first place the scheme has not had the support of all those affected by it and it is my belief that in a democratic movement it is neither desirable nor open to anyone to force anything on unwilling heads whatever might be the authority of those from whom it proceeds.

(b) An enforcement of the proposed scheme will have the effect of putting back the hands of the clock and will lead to a

reversal of the line of progress adopted so long concerning audit. In fact it will lead to a violent breaking up of the system now in existence for purpose of plunging into an uncertain future.

(c) That a financing institution should seek to take up the responsibility of audit of the societies financed by reason of such financing is in itself, opposed to all canons of audit. That the Madras Provincial Bank should seek further to exercise control through audit over the limited liability credit societies which are neither financed by it directly nor members thereof cannot be described to be anything but undesirable. The fact that several Urban Banks stand on their own legs and are not dependant on the Central banks for their finance, must further indicate the absence of any justification for the Provincial Bank to control them. Even as regards those that are financed by the District Central Banks it will be of no interest or necessity for the Provincial Bank to interfere with them.

(d) An efficient and impartial audit of the finance and administration of any co-operative society is a matter in which the society concerned must feel more interested than any other outside institution and least of all a financing institution. So far as the financing institution is concerned, it has only to see that the societies applying to it for financial aid do deserve that aid. In this way, it may indirectly enforce an efficient audit of the societies being made rather than seek to take up the function itself. The state of affairs of any society, as disclosed on examination by a disinterested outside audit agency, must be more conducive to the welfare of the bank and the society than one arrived at on the efforts of either the financing bank or the society concerned.

(e) When there is a devolution of the function of audit from the state to a non-official agency not merely on financial grounds, but also for developing non-official enterprise and initiation, it is more desirable that the agency should be one that is representative, that has a real and abiding interest in its work and that will function with a full sense of responsibility and duty to the societies audited, rather than that it should be one based on authority and power to dictate. Audit, as generally understood, is a function by which the non-managing section of any institution audited gets an idea of the management. As such there can be no better body of persons interested in the efficient and impartial audit of an institution, than those outside its management. Grouping of representatives of such

persons will be the right step to evolve. The present attempt to arm the bank with control over audit will not be a step in the direction of right devolution. It will be subject to all the criticism that has been levelled against the initiation of the movement by the State rather than by the people. If for any reason there should be fear or apprehension that the societies concerned will not realise the importance of efficient and impartial audit of their administration, it would more be a ground against devolution of the function from the State rather than for the financing bank to intervene and take up the place of the State. A real progress of the movement cannot be achieved unless and until the society units realise their duties or are made to realise the same, through a system of organisation that will facilitate it.

(f) It has been my cry all along that one great point of importance that the movement has throughout ignored is that there has been no endeavour or effort at co-ordination of the activities of like societies on the basis of mutuality and common interest. The absence of it has side-tracked the activities not a little in the various branches of the movement. I am therefore strongly of opinion that any organisation for audit implying and involving therein the necessary element of supervision, must be on the basis of grouping common interests and not otherwise. The audit work of a central bank, an urban bank and a rural society are in no way the same or similar. The principles underlying the work vary as much as the working of these institutions differ. Even a central bank, as we find it at the present day, composed largely of society representatives, does require an amount of supervision, though the same may differ in extent or quality as compared with what is required in regard to other societies. An independent audit union formed by grouping of the Central Banks alone, will be a more useful body from the point of view of the real interests of the central banks than a heterogeneous grouping of the same with other societies. Even on this basis it may be necessary to form two groups of central banks rather than one, which may suffer from unwieldiness and distance. Whatever may be the desire or the attitude of the central banks in the matter, there can be no doubt that so far as the urban banks, that have their own goal of service to the people, are concerned, they cannot afford to get into a provincial organisation or one that is based on mixed elements. It is hardly possible that the mixed representatives of the various types of societies in the Governing Body of the proposed

Provincial Audit Union, could see eye to eye on matters coming before them or can bring forth that amount of knowledge or experience as may be available if they are all from one class of societies. It may even become necessary to devise safeguards or other protective measures to ensure that all kinds of societies do get properly represented in the management. Provincial Conferences held in the past and composed of representatives of all kinds of societies have brought to notice that questions relating to particular types of societies could not attract proper appreciation or understanding, knowledge or sympathy, from representatives other than those coming from such classes of societies and as a result thereof the conference has also had to contemplate and recognise the need for sectional conferences reserving only questions of general interest to the general conference.

(g) It is possible that the advocates of the Provincial Audit Union scheme, may refer to the possibility of securing proper human material if the organisation is provincial in nature. I have my own doubts as to the correctness of this estimate knowing as I do, the way in which the central banks are discounting and eliminating the individual element. Whatever this may be, there can be absolutely no dispute that the limited liability credit societies can put into the field such men as may be necessary to regulate and guide their common ends and that they need not get into a provincial scheme for that purpose.

(h) Apart from the reasons stated above on the principles involved, the practicability of a successful provincial audit union is itself a matter for serious doubt. In a scheme of District Audit Union, the question of distance for purpose of audit and supervision does not at all arise. On the other hand distance will become a serious handicap involving more time and more money for travelling and correspondingly lesser supervision. It may be that the Union has to provide proper staff district-wide for obviating this difficulty. If this is what is likely to be, it is not known what special advantage would result from the provincial scheme rather than from a district scheme. The mere management and control of the huge audit staff that may have to be employed may require a properly paid officer and there can be very little to be expected by way of rectification of audit defects or supervision over erring societies.

(i) It may be useful to refer also to the financial aspect of the question in a practical form. The Coimbatore District Co-operative

Audit Union has on rolls 13 societies with Rs. 20,000 and more as working capital and 10 societies with working capital below Rs. 20,000. The annual contributions from the 13 societies for 1931-32 is Rs. 4,105/- and that from the other societies is Rs. 482. The aggregate budgetted income of the Union including rebates from the District Bank is Rs. 5,087. The Union maintains two Auditors, both of them being Inspectors lent by the Government on a pay of Rs. 82-8-0 and Rs. 64, with a fixed Travelling Allowance of Rs. 30 per mensem. There is an Audit Assistant in the office on a pay of Rs. 40. The total budgetted expenditure for 1931-32 is Rs. 4,175. The quarterly interim audit and the final audit of the societies are so distributed between these two auditors that both of them have enough work and are with some special exertion able to get through the work expected of them. An entry of any more society in the Union will involve additional work that should be provided for. The above may give an idea of the potentiality of an average District Audit Union and the possibility and the practicability of developing district audit unions for audit and supervision of the limited liability primaries in a district independantly of a scheme of audit for the other societies also. Taking the case of central banks the requirements could also be properly estimated. Though the daily loan transactions of a central bank may not be quite as large in number as that of a big urban bank, yet they are sufficiently numerous. To add to this, there is the banking side of its work. The mechanical audit of a month's transactions of an average central bank will require at least 10 days and the administrative side of the audit work will require not less than 5 more days. An auditor could reasonably be expected to handle only two central banks throughout the year including final audit. Fixing the pay of this auditor at a minimum of Rs. 80 at the start with a fixed travelling allowance of Rs. 50 per mensem and another Rs. 70 by way of contribution for office equipment on the provincial basis, i.e., house rent, staff, meeting expenses, travelling allowance to members, contingencies, pay of a paid officer or Secretary etc., contribution necessary from two central banks will be Rs. 2,400 per annum. So each Central Bank may have to contribute about Rs. 1,200 per annum at the minimum to begin with, and the same will go on increasing, corresponding to the increment provided for in the scale of pay of the auditor and other expenses. If the audit reports of about 150 societies received in the Provincial Audit Union office are to be properly scrutinised and dealt with so as to be followed by a

proper rectification of the defects or such other action as may be found necessary, the office of the Union must be manned with a properly paid, qualified and competent executive officer who in fact may have to do in regard to the reports the work that the several Deputy Registrars in the several districts have so far been doing. It is doubtful if the provincial union now proposed will financially be strong on the scale of contributions proposed at the Central Bank's Conference or in the notification ordered by the Government in G. O. No. 154 dated 2nd February 1932.

(j) Unless the proposed scheme of the Provincial Audit Union is worked out on the basis of compartmental budgets for the central banks and urban banks separately, it is likely that objections may be raised that the contributions of one class are used for the other and that one class of societies has to pay for the other. There is also the question that the expenditure incurred on the audit staff need not be same for both the classes of societies either in reference to the scale of pay, travelling allowance or other items. There are likely to be several other difficulties or defects to be set right in the course of the working by way of compartmental divisions or decentralisation basis.

(k) If an analogy will be useful in estimating the merits of the provincial audit scheme, there can be little doubt that the Provincial Audit Union should eventually be followed by organisation of District Audit Unions, in the same way in which the Provincial Bank started at Madras at the outset had to give room for the District Central Banks, raising itself ultimately to the position of an apex bank. If the analogy is to be carried to the full extent there should be the least objection to these various audit unions federating themselves into a Provincial Union with certain defined powers or affiliating themselves to the existing Provincial Co-operative Union.

(l) More important than all these considerations is the question of commanding effective supervision over the societies through audit. A Provincial Audit Union as the agent of a Provincial Co-operative Bank or for the matter of that, even the Provincial Co-operative Bank itself, cannot be expected to exercise such vigilant and speedy control as the District Unions can. In course of time the provincial scheme will involve the necessity to command paid officers of status involving heavy cost. Looked at from any point of view the provincial scheme does not compare favourably with a district scheme.

(m) I cannot help referring to the view of the Registrar himself so recently expressed in favour of the District scheme for the Urban Banks and a provincial scheme for the central banks. The provincial scheme in question is diametrically opposed to this view.

4. It will not be proper on my part to stop merely with criticising the scheme adumbrated, without proposing an alternative and defining the best way in which the proposed devolution of the audit function could be given effect to. The following are my suggestions:—

(a) As regards agricultural credit societies, I am of opinion that the Government should continue to audit them for some time more free of payment. It may be that such societies with Rs. 20,000 and more as working capital are able to pay for audit, but they are not likely to be sufficiently large in numbers in each district so as to enable them grouping them together for audit purpose. Besides, the decision of the question in regard to these societies is largely dependant upon the future policy to be adopted in regard to the existing Supervising Unions. If however it is necessary that these large societies also should pay and arrange for their audit, I cannot think of any other way of getting the same done than by forming a separate Audit Union on district basis, by grouping together the Supervising Unions. The proposal to form one District Audit Union for all the societies in the District including the Central Bank does not commend itself to me for the several reasons already referred to in regard to the Provincial Scheme. Necessary provision for purpose of ensuring human material, impartial and efficient audit and equipment of audit staff are described at the end as general principles to be adopted and enforced by all classes of audit unions.

(b) A separate District Audit Union for limited liability credit or non-credit societies in the District should be organised and conducted on the basis on which the present District Audit Union, Coimbatore, is conducted.

(c) As regards the District Central Banks, I think it will be better to have two Unions, one for Southern group of Central Banks and the other for the northern group as the same facilitate transaction of business in an efficient manner. If, however, it is considered necessary to have all central banks put together in one Union, the same may be done on a provincial basis until the necessity for bifurcation is felt in course of time.

(d) As regards the Provincial Co operative Bank the present system of audit may continue. It is likely that the above scheme of separate audit unions for separate classes of societies is sought to be objected to on the ground of multiplication of societies. The objection, if any, is more sentimental than real. There is nothing to be lost financially or otherwise by organising a number of Unions instead of one. It is indeed appealing to the mind to say that there shall be only one Union for audit purpose, but the same will be, as has been pointed out before, both unwieldy and impracticable and cannot be of much use for the purpose for which it is to be started.

5. Whether my plea for organisation of Audit Unions on kindred or group basis is found acceptable or not, I have a few general suggestions to offer for adoption in any scheme of audit union to be inaugurated.

(a) Though audit is permitted to be conducted by non-official audit unions, the responsibility of issuing audit certificates will and should still remain for some length of time with the Registrar. As such it is going to be an obligation with any Union started, to employ as auditors only persons approved by the Registrar. It should therefore be made necessary and obligatory on the Registrar himself to form a cadre for the auditors, recruit men therefor and exercise control over them in the matter of appointments, transfers and disposals of appeals against punishments. The power to punish must be vested in the Union. Payment of the Auditors may be made by the Registrar himself by collecting the same beforehand from the Union or Unions or may be ordered to be paid directly by the Unions on pay bills drawn and countersigned by the Registrar or his Deputy exercising jurisdiction over the Union. This will go a good way towards ensuring efficiency in audit as well as saving the Unions the trouble of providing for service under circumstances of leave, sickness or other cause disabling their auditors from rendering continued service. The necessity for a reserve staff for contingencies will be obviated under a cadre and control as noted above.

(b) To ward off the objections that persons in charge of societies cannot be entrusted with a responsibility of arranging for impartial and efficient audit of their societies, it is necessary to provide that the delegates sent to the Union by the affiliated societies should be from outside the Board of Management of their society for whose benefit mainly the audit is required. This arrangement will,

while preserving the non-official character and representative nature of the Union, obviate the fear that the audit will not be fair or impartial. The provision in clause (a) referred to above will in addition tend to remove from the minds of the auditors, fears or misgivings about the consequences of their making a fearless audit of the societies in charge of the office bearers of the Union. I would go the length of suggesting even a further safeguard in the matter, by disabling delegates of societies from partaking or voting on matters referring to the society represented by them.

(c) The Registrar or his representative should either be an ex-officio member of the Governing Body of the Union or be authorised to attend and partake at the proceedings of the Union meetings.

(d) There should be provision in the by-laws enabling the Registrar and the elected members of the Governing Body to co-opt separately members not exceeding the number to be fixed when considered necessary for purpose of securing human material.

(e) The system of electing an honorary Secretary for carrying on the executive work of the Union should be given up and one of the auditors should be made responsible for working in the office as the chief executive officer of the Union under the guidance and control of the elected President.

6. It is my earnest belief that organisations as sketched by me will tend materially to advance the interests of the movement as a whole as well as facilitate the progress of the various societies brought under the Unions. In any event it is of paramount importance to us that the Coimbatore District Audit Union should not be affected by any scheme that may ultimately be approved of.

The New Audit Scheme

BY MR. A. RAJABADAR MUDALIAR.

One of the matters of vital importance calling for immediate attention is the audit of societies. There is now a move to transfer the audit of limited liability societies including urban banks and central banks whose working capital is Rs.20,000 and over to the Provincial Bank with a nominal control of the Registrar. Without questioning the correctness of the non-officials ultimately taking over the duty on themselves, I consider the intended step a dangerous one now, which may prove a second blunder on the part of the Government following the first in which it withdrew from supervision too soon. The present time when the movement is passing through a crisis and the Government has to be in closer touch with the working of societies is not a suitable one for transferring from its hands any portion of the audit work to the non-official agency retaining a mere formal control over it. The MacLagan Committee wrote on the importance of Government audit as follows:—

“In the case of primary co-operative societies in India at the present stage the audit is intended in the first instance to assure Government, through whose agency the societies were formed, that they are developing on sound lines, and only secondarily for the satisfaction of Central Banks and outside investors, who have entrusted money to the movement and of the society members themselves. The audit is in fact a state-controlled audit and it appears to us that this view is implied in the clause of the Act which imposes the duty of making an audit on the Registrar and his nominees. It is through audit alone that an effective control can be exercised over the movement.”

What the Banking Enquiry Committee thought of it is contained in the following words in their report:—

“There is no doubt that much reliance is placed by depositing public on the audit of Government control which is popularly supposed to be more than what it actually is.”

The proposed transfer therefore is sure to deprive the Registrar of even his present touch with the working of important societies and to shake seriously the public confidence in the movement. If

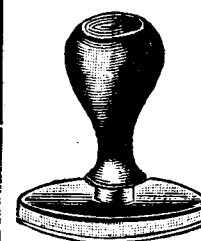
THE NEW AUDIT SCHEME

audit by Government has been found inefficient and the existing audit staff not quite competent as testified to by the Registrar himself, the obvious course for Government would be to train better men and do the statutory work of audit more efficiently as recommended by the Townsend Committee levying if necessary fees from the institutions audited to cover the cost of the improved staff which the Provincial Bank would in any case recover from them. My submission, therefore, is that Government may defer the proposed transfer of audit from its own hands with mere nominal control of it by the Registrar. Rao Bahadur Mr. T. A. Ramalingam Chettiar, a member of the Townsend Committee and who presided at the Madras Provincial Co-operative Conference held last year, expressed his views on the point as follows.

“The Government was certainly wrong in withdrawing from supervision hastily, before making adequate provision for it. It will be a greater mistake still if they abdicate even the statutory duty of audit. The confidence of the public in the movement rests to a large extent on the Government audit. We are aware of the value of audit by auditors appointed by the societies themselves. In a place like Coimbatore where we have a large number of midhis, we are everyday made aware of the danger that lurks in allowing auditors to be appointed by the societies themselves. It is absolutely necessary that the Government should keep at least this work of audit in their own hands and do it by their own officers.”

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Methods of Rectification and Consolidation.

BY

RAO BAHADUR A. VEDACHALA AIYAR.

The agency for rectification and consolidation of the working of societies is the question now looming large. But a more important item for consideration is the clear understanding of the methods of rectification and consolidation. The process adopted are discussed below :—

(1) *Suits against primaries by central banks.* This is euphemism for liquidation of societies. Liquidation hands over the society to government liquidator. Whereas the central bank as creditor and decree holder becomes a liquidator without the regular power to undertake the work. I am absolutely against this process of recovery of central bank's dues. What ought to be done is to arrange for the societies working as a corporate body to enforce the provisions of law against members; where it is not practicable, the corporate power should be transferred to some person, member or non-member, to undertake the work of the panchayat in regard to the enforcement of the provisions of the law and not in regard to distribution of loans, and where even this process is not effective, the society should be liquidated.

(2) Before the actual liquidation of a society which alienates the goodwill of the panchayatdars and members every step should be taken to secure decrees against members. The liquidator can then proceed to execute the decrees and thereafter to pass contributory orders. Liquidation process should not be arbitrarily and hastily started as an outside agency like the official liquidator could not be expected to recover the dues except after an extraordinary delay.

(3) In the execution of decrees against members, the temptation to purchase the lands by the societies of the members should be scrupulously avoided. The value of land is taking a downward course and scarcity of money circulation has narrowed the activities of local land purchasers. The question is what should be done in cases where adequate land security is available. I would advise the postponement of sale till the value of the land rises and till the circu-

METHOD OF RECTIFICATION AND CONSOLIDATION

lation of money gives scope for land purchasers. Till then and in all cases where the assets are sound for the dues to be recovered from the members, the execution of decrees can be delayed and the defaulter asked to pay up his dues in some instalments suited to his repaying power. Frozen debts which are secured by adequate assets should be separated from frozen debts not sufficiently secured by certain assets and there should be no delay in recovering the latter dues by applying all the processes of Law.

(4) The State or the Central Land Mortgage Bank should be asked by the central banks to liquify the secured debts contemplated in paragraph 3 backed by the central bank and to advance the sum involved in such cases. Such debts should be cleared by the central banks in 10 years. The rectification and consolidation work consist mainly in the securing of solvent members with absolutely safe secured assets, who can be trusted to pay up the dues in 10 more years within which they could pay the dues in instalments or in full when better prices for land prevail or when competent purchasers become available.

(5) These thoughts or ideas have been ventilated by me in my articles in the *Hindu* published in the latter half of 1931 and I hope that in each district co-operators will secure a proper method of rectification and with the goal of liquifying frozen debts by the process of construction and not by the process of destruction through Law courts, Decrees, Executions and Liquidation.

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* The Co-operative Movement and Housing Problem.

By MR. V. SRINIVASAN, M.A.,

Great Britain.—In England, organised co-operation came into vogue only about the middle of the last century. Prior to that what little was done in the matter of housing was due to the activities of what have been called 'terminating societies' i. e., societies constituted for a special purpose but which terminated their existence when all the members have received the amount agreed upon as the value of the shares. These bodies were also known as 'Investments Societies' or 'Savings Fund' etc., and received the distinctive name 'the Benefit Building Societies' in 1849.

The Starr Bowkett Society or Mutual Society is by far the best known of this class of terminating societies, a society which in the words of Mr. Sidney Webb was the result of 'spontaneous popular upgrowth, unpatronised either by law or by academic wisdom.' It was a modification of the Benefit Building Society and over 1,000 societies were established on the Starr Bowkett plan.

What was being done in Scotland is referred to by Mr. William Maxwell in his evidence before the Labour Commission of 1882: "In many towns, building societies grant loans to working men for purchasing their houses. The profit from the co-operative store is frequently used to meet the instalments of the loan. Many have in this way become the proprietors of their own homes without effort. Not a few of the co-operative societies have a building department which lends to their members, the profits being simply transferred to repay the loan." †

It is well to speak now of the State's share. Certainly a good deal could have been done to encourage and financially assist co-partnership societies. But in England, the co-operator had little state-aid and had to work out his own salvation.‡ We are told too, that, to prevent overcrowding, District Councils were once willing to work out an intelligent rural housing scheme, but the Ministry of Public Health did not encourage it. § The last Housing Act was

passed as late as 1909 and much is done by local authorities. In the Rural Cottages Bill (1912) it was proposed to advance money under certain conditions to owners of land willing to provide land free of charge for the erection of new cottages.* But objection was taken to the state helping landlords to build houses.

It was in 1903 that the Co-operative Congress adopted a report which has inspired all co-operative efforts ever since. House building has tended to proceed along three lines:

1. Advancing money to members to buy or build houses, such advance being covered by a mortgage or property and repayable over several years.
2. Building houses which are retained by the societies and let on a rental to members.
3. Building houses which are sold to members outright or on a payment spread over several years.

Interesting particulars of a Co-operative Housing Scheme in a rural district in Somerset under the auspices of the Winscombe Co-operative Society are given in Dr. Savage's book, 'Rural Housing' pp. 241-2.

There were in 1908, 1956 of these building societies in England with an aggregate membership of 6,23,047 and capital amounting to 69 million pounds. They are not however regarded as an integral part of the co-operative movement. The one exception was the Co-operative Permanent Building Society, all the officials of which were well-known workers in other spheres of co-operation.†

These societies were all registered under the Building Acts dating from 1874 which are administered by the Registrar of Friendly Societies.

Several retail distributive societies also carry on a considerable business in the sphere of Co-operative Housing. The total amount invested by stores in this form of security came, according to a Report to the Congress, to £ 6,850,000 in 1909.

From 1919-21 onwards, England has witnessed the development of what are called the Building Guilds, initialled and controlled by the Trade Union movement. Though they derive some help from the English Wholesale society they have not entered the Co-operative Union and have remained attached to the trade union

* Continued from page 549 of May 1932 issue of this Journal.

† C. R. Fay: Co-operation at Home and Abroad, pp. 328-9.

‡ C. F. Strickland: Studies in European Co-operation, p. 84.

§ J. W. Rombertson Scott: The Dying Peasant, p. 109.

* William G. Savage, Rural Housing, pp. 282-3.

† Catherine Webb: Industrial Co-operation P. 171.

movement intent on pursuing trade union aims.† To the end of June 1921, the Building Guild Ltd., claimed to have done work amounting to a quarter of a million pounds. The Government of course took up a step motherly attitude. No contracts were given to these organisations and after the war the Guilds received a chilling in spite of the dearth that followed the armistice.‡

Yet another form of association in England is the Co operative Housing and Tenancing Societies which carry the work considerably beyond and farther than the building associations. The Tenants Co-operators Limited was formed in 1888 with the assistance of the late Edward Vansittart Neale. Its objects were, to quote the prospectus, "to acquire or erect substantially built houses provided with good sanitary arrangements for the convenience of tenants; To let the society's houses at fair and usual rents according to locality; to pay a fixed rate of interest on capital (at present 4%) Tenants to be holders of at least 1 £ share and each tenant's share of profits is credited to him in shares. The Ealing Tenants Limited was formed in the first year of this century, thanks to the untiring energy of Henry Vivian. Several other societies have since been formed, thanks to the propaganda of the Co-partnership Tenants Council

The Tenants Co-partnership Societies are ordinarily founded outside large towns in order to gain more air and space and in order that each house and the entire colony may be surrounded with trees and foliage.' To these have been given the name 'Garden Cities.'

The basic belief is that existing towns have grown under pressure of causes not necessarily hygienic or aesthetic. It is necessary to start a new era in house building.†

Letchworth, not far from Cambridge, is an example of such a garden suburb. It was the realisation of a dream of Ebenezer Howard, the author of 'Tomorrow'.

Another garden city is Welwyn founded in 1918.

Catherine Webb has: "It may be that the spirit of the old community ideal may yet find modern expression in a completely co-operative garden village".

(To be continued).

† Sidney and Beatrice Webb: The Consumers Co-operative Societies Movement P. 159n.

‡C. F. Strickland: Studies in European Co-operation, P. 144.

The Kalayambuthur Agraharam Co-operative Society.*

ITS HISTORY AND PROGRESS

BY

M. R. RY., RAO SAHIB N. RAMASWAMY AIYAR, AVI. B.A., B.L.,
(Madura.)

Your report speaks for itself and I need not refer to the various items of interest mentioned in it. You have practically shown that with a sound and intelligent management it is possible for a village society to maintain a steady record of increasing prosperity year after year. This by itself is a very rare achievement which very few societies can boast of and I sincerely hope and trust that in the years to come your work may still further expand, and that new fields of co-operative enterprise may be started and worked out by you with the help of the splendid human material that you possess.

The one factor which more than any thing else contributes to the success of a co-operative society in a village is the existence of the human material—men, who really understand what co-operation stands for and have the capacity to work in a spirit of self-sacrifice for the village of which he is an inhabitant. A feeling of robust faith and a strong conviction as to the goal of the movement i. e., the attainment of a 'Co-operative solidarity',—if I may coin an expression,—are of paramount importance.

The prosperity of an entire village in all its affairs is and should be ultimately bound up with the successful working of a co-operative society or societies in that village. Every inhabitant in the village, high or low, whatever his calling or trade may be, must be made to understand the benefits of co-operation and join a society already existing in the village or that may be organised for his service. To me, village reconstruction is nothing but co-operative construction and when the latter is achieved the former is also solved.

As an immediate item in the programme of further work, I think I may suggest to you the formation of a co-operative agricultural society for your village. Your report shows that out of a total amount of Rs. 79,430 borrowed by members in 1930-31 in 372 loans, as much as a sum of

*Extracts from the Presidential Address of Mr. Ramaswamy Iyer on the occasion of the seventh anniversary of the society.

Rs. 38,600 represented by 172 loans have been for agricultural purposes. This sum will constitute a fairly good transaction for a society specialised for agriculture, as it will enable members to derive the maximum advantage from a special organised institution. The bulk of your population, I know, are cultivators of land and many of you are practical agriculturists. Your knowledge and experience can be made available to the entire village. The latest improved agricultural implements and methods of cultivation, best selected seeds, rich manures and fertilisers, and instructions on raising better crops are the prime necessity of every cultivator and all this service can be organised on a co-operative basis.

Your position as a premier village society, also invests you with a certain amount of responsibility similar to that of a strong brother to help the weaker members of the family. The Union to which you stand affiliated derives its chief strength from you, though that body may or may not recognise it. It may even seem to slight you and spurn your offers of help. The question will naturally arise whether you should stand outside the union and do without it altogether or be in it and wait for a favourable opportunity to educate the union and help it to improve its affairs. Or in other words which is the better policy—that of non-co-operation or of co-operation? As a co-operator, I must suggest to you that non-co-operation as a means to secure co-operation should be thought of only when every other form of co-operation fails.

There is another duty, which you by your position owe to the movement. By your good work you have attracted the attention of the outside world. The movement has now fallen on evil days and the bonds of primary societies are not accepted by the Imperial Bank as security for financial credit. If all the primary societies in the Presidency are working in the same manner as you, perhaps the Imperial Bank would have thought and acted otherwise. The responsibility of raising the fallen credit of the rural society's bond on to its former level rests on you and to that extent you have to continue the good work to keep yourself in the level and influence your brother societies to follow your example.

There is one matter in your report which calls for special mention. The existence of 40 women members in your rolls is a sign of good augury. A woman in my opinion is a better co-operator than man and stands for thrift, economy, and savings. We all know how much we owe to women for the regulation of our domestic economy and I shall not be surprised to know if your deposits have not mainly come from the savings of women members. More of them may be induced to join the society and I am

sure you will thereby succeed in tapping a fruitful source of deposit income. To give them a voice in the management of your affairs will mean greater wisdom, moderation, and tact in your counsels, and a greater degree of thoroughness in your work.

The ideal co-operative society in a village is one in which every member thereof should understand the value of his plighted word and religiously keep his obligations without the necessity to resort to any kind of coercion or pressure on him. References to arbitration and execution of decrees through process of court should be thought of only when every other effort by Panchayat has failed to collect the dues from the defaulter or otherwise improve his position. If the panchayat of a co-operative society should make it a point to devote half an hour a day to questions concerning the society, I feel certain that the society ought to work splendidly and that our tendency to seek extraneous help for the solution of our difficulties will cease.

I crave your indulgence for referring to the South India Co-operative Insurance Society, (Ltd.), which has been started in January, 1932, in Madras. This is a purely co-operative concern and its operations are confined to the province of Madras. Large volumes of Indian moneys are being absorbed by insurance companies, which are private capitalist concerns on a joint-stock basis. A co-operative insurance society was a long felt desideratum and the Registrar has kindly accorded the registration of the society. This society is the first of its kind and ought to enlist the support of all co-operators and is likely to be eminently successful and serve as the saving ground for co-operators, I heartily congratulate the organisers of this society and commend it to your attention.

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Reviews.

(A) INSTITUTIONS.

THE DISTRICT FEDERATION, MADURA.

The Secretary of the Madura Ramnad District Federation Madura, Mr. G. Sreenivasaraghavachariar, retired Assistant Registrar of Co-operation notes that the district federations or administrative sections of central banks ought to do their duties satisfactorily in the same manner as the Madura district federation. I quote below his observations:—

"I may note that specially in the co-operative movement, the borrower can be trusted to safeguard the interests of his creditor has proved to be an exploded theory, that supervising by a local union consisting purely of mostly office bearers of borrowing societies has generally become a farce and that unless adequate arrangements are made for the effective supervision of societies and the unions by another agency, there is sure to be a setback to the movement of which we see evidence already."

The secretary has realised that unions and the societies cannot manage the work themselves. I am tempted to put him the following questions:—

What are the executive committee of the District Federations composed of? They are also representatives of local unions who are office bearers of primaries.

What is the composition of the Central Banks' executive committee? They are also mostly representatives of local unions who are office-bearers of primaries. The Managing Board of the central bank or of the district federation meets twice in a year, in one of which it conducts election of the executive committee and in the other it passes the audit certificate. The executive committee alone conducts all business throughout the year. The executive of the district federation or the district bank cannot be a real effective and efficient outside agency except where one or two capable shareholders get fortunately into the executive. Election vagaries and communal squabbles work the other way. This exceptional event has happened in Madura and therefore the district federation of Madura is said to have done its work satisfactorily. It is lucky in having Mr. N. Ramaswamy Iyer, the most steady co-operator I have found in the districts and Mr. Sreenivasaraghavachariar as secretary who has chosen to do the duties of an Assistant Registrar unpaid and honorary with more earnestness and helpfulness than even when doing

REVIEWS

official work. Besides, these gentlemen have been serving the movement in the district for a number of years and the co-operators have, I believe, absolute and implicit confidence in both. If such personnel is dropped from the federation or the district bank, they will share the fate of such institutions in other districts. We could not carry on the work purely by paid staff whose work will have to be regulated. We could not carry on the huge work, with democratic ideal, by borrowers alone who are in a majority, ignorant, with rare exceptions, of administration, finance, banking and co-operation. Hence some remedy must be found. My view of the matter is given below for what it is worth.

(1) Village banking must be regulated by paid staff suited to the transactions, establishment charges being counted as important as interest charges. I would recruit paid clerks on a scale of pay suited to transactions. The pay should not be made to depend on profits. I would put some scale as below:—

Village banks with a working capital			
of below Rs. 5,000	...	Rs. 2½	a month.
Do. " 5,000 and above	...	" 4	"
Do. " 7,000	" ...	" 5	"
Do. " 10,000	" ...	" 7	"

honorary agency in villages can be hardly trusted to be efficient continuously.

(2) Local Unions should be conducted with a paid clerk on Rs. 15 or 20 month and with a supervisor on the scale now entertained. The union office should be a regular branch of the District Bank administrative section. This should be a local body with an expert indoor and an expert outdoor staff.

(3) District Federation and District administrative staff and section.

An executive officer to keep up the union supervisors' efficiency, and to advise the unions and an indoor staff to regulate loan applications and recovery through local unions.

Thus it will be seen that whatever agencies are created, there should be paid executive, indoor and outdoor, to carry on the functions with really efficient and interested individuals co-opted if and when available.

I am not very hopeful of the working of district federations or of the administrative sections as now understood by the non-official leaders of co-operation; for, it is but centralisation without local bodies feeling their responsibility. But, I do believe that if reformation begins from the bottom, success is sure to be achieved though at enormous cost of energy, time and labour as the movement has sunk to a hopelessly bad condition. I am not concerned with the centralisation or decentralisation of funds which means no other than distribution of prestige, privilege and power as at present. What I wish to be done is the distribution of men guided solely by the idea of service, be they English knowing men or Tamil knowing country-folk. Moreover, the movement can only succeed if the departmental officials will give up prestige and power and will care to serve the people and the movement in a co-operative spirit.

A. VEDACHALA IYER.

B. BOOKS.

1. CREDIT UNION—A CO-OPERATIVE BANKING BOOK—BY
ROY F. BERGENGREN—Published by Credit Union National Ex-
tension Bureau 5, Park Square, Boston, Massachusetts.

The book is a valuable study of the progress of Co-operative Banking in the United States, during the past seven years. The Credit Union is "an Americanized Co-operative Credit Society", organised in accordance with the provisions of the State law authorising Credit Union organisation and operating under the supervision of some State Department. The Movement shows steady progress in all the 32 States. We learn that these Credit Unions serve primarily wage workers by promoting, among them, thrift in the truest sense of the term, solving their short-term credit difficulties, by making the most effective use of the surplus resources of the people and by the development within the masses of the people of the capacity for more effective self-management of their own financial business and the consequent broadening of their economic opportunity.

The author deals, in detail, with the Mechanics and Practice of Credit Unions and rightly points out that every problem must be viewed from the standpoint of the welfare of the member.

A chapter is devoted to the history of Co-operative Banking and to the survey of the accomplishment in the United States in this line. We get a bird's eye-view of the life of the immortal founders of the movement like Raiffesen of Germany.

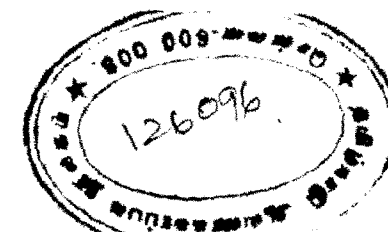
Mr. Bergengren shows the urgent necessity of the realisation in the economic system of Abraham Lincoln's great ideal of perfect democracy; and he hopes that "the credit unions will eventually constitute reservoirs of vast capital organised under popular management, belonging to the masses of the people—bringing to the capitalistic system that leavening of popular participation, without which the system might conceivably in the long run destroy our American Institutions and in the process, commit suicide."

The author shows great insight into the problems of the present industrial depression and observes, "It seems to me that we have proceeded with the mechanising of industry without appreciating that man's greatest interest is Man." He points out that, in the last analysis, increased production depends solely on increased popular consumption and that credit unions can step in by enabling the worker to get the required control of money.

We are able to sense the idealism and the religious fervour of this great American worker in the field of Co-operation when he says, "the real job of the credit union is to prove, in modest measure, the practicality of the brotherhood of man."

It is a good book for all workers in the cause of Co-operation, as well as, for those interested in the economic welfare of the masses of the people.

G. SUNDARAM, M.A.



2. CO-OPERATION AND RURAL WELFARE IN INDIA—BY
MR. B. B. MUKHERJEE, ESQ., M.A., B.L.,—G. B. B. College,
Muzaffarpur. (Published by Thacker Spink and Co., Calcutta
and Simla, Price Rs. 3.)

This little volume is an attempt to draw the attention of all students of Rural Economics to the great services which Co-operation can render to the cause of Rural Welfare in India." The Rt. Hon'ble Sir Horace Plunkett Bart., has given his welcome to the book in his Foreword. Really the author has tried to apply to Indian conditions the great formula of Rural Reconstruction." It is a sermon on the text, "Better Farming, Better Business and Better Living," and the author shows how all these three things can be achieved by Co-operation.

The Professor lays his finger on the real problem of Rural Welfare by stating that it consists in being able to preserve the custom-based foundations of village communities in India, their "homogeneity" and "the organisation of their economic life on a Service Basis."

The author speaks of the "lamentable fragmentation of effort" in regard to Rural Reconstruction in India and rightly points out that the work should be looked at as a whole and that all efforts should be concentrated on education. But this education which should serve as "the only lever which must pull up the village community" must be such as "will stimulate the villager not to flee from but to uplift village life, to strive for self improvement, instead of running away to the towns."

A good case has also been made out for imparting education on Co-operation and a description of some experiments in Rural Reconstruction is also given. In the words of the author, "the success of these attempts will be in our looking upon the village as a social organism," and "the work of Rural Reconstruction in India consists in revitalising the village organism by bringing back its corporate consciousness through the strengthening of its limbs."

The book is a valuable study in Rural Economics and will be of great help to all students and workers in the field of Co-operation and Rural Welfare in supplying the needed outlook and indicating the ways and means on the most successful lines followed in Europe and America.

The volume is devoid of 'contents' as well as of 'index'; and a few printers' devils can also be avoided with a little care.

G. SUNDARAM, M.A.

3. AN ECONOMIC SURVEY OF TEHANG—A VILLAGE IN THE JULLENDER DISTRICT—*The Punjab Village Survey No. 3. Published by the Board of Economic Inquiry Punjab. Price Rs. 4.*

This is the third of the series of village surveys conducted by the Board of Economic Enquiry, Punjab. It is written in the form of answers to an exhaustive questionnaire which deals with all the economic aspects of village life. The book under review is about the village of Tehong in the district of Jullunder which used to be known as the garden of the Punjab. In the course of the survey attention has been specially devoted to such topics as the methods of and facilities for cultivation, the incidence of land revenue, the extent and the effects of indebtedness and the family budgets of typical cultivators. The questionnaire used by the investigator is printed as Appendix B on page 303 and it will be very useful, with, of course, suitable modifications, to other investigators in other parts of our country. The book is also provided with a very useful and necessary glossary of terms used in the text as well as with an index.

A study of the book reveals that conditions of the peasantry in the Punjab are not quite dissimilar to those obtaining in our own province. Take, for example, the question of fragmentation and scattered holdings. The evil is no less rampant here as in the village of Tehong. All the same, while we sit idly without any hope of relieving the cultivators, the Punjab is boldly facing the problem and has launched on a scheme for consolidation of holdings. It has invoked to this noble cause the aid of the new spirit of co-operation that is spreading in the land. The result of the work is described by Mr. Calvert in the preface to the book in the following words. "The material advantages which have accrued from consolidation are satisfactory. One man who could hardly rent out his plots at Rs. 13 per acre, after consolidating his holdings into one block of 13 acres was able to sink a well on it and now gets Rs. 42/- per acre.....The general estimate is that the yield per acre on consolidated land has doubled. Disputes of boundary encroachment, which are a source of great trouble in other areas, have disappeared from the consolidated area. Supervision is made easy and cost of cultivation has appreciably decreased."

This is only one of the several problems that have been closely studied. And unless such studies are made, it is impossible, both for administrators and politicians, to chalk out a systematic plan of reform and rural reconstruction. The Punjab has right well understood the necessity for such studies. The other provinces, on the other hand seem

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to be content to grope in the dark, without even a ray of hope for the future.

In this connection it is pertinent to recall what the Royal Commission on Agriculture had to say on the subject of economic enquiries. They say, "The rural reformer will be handicapped by the lack of readily available information as to details of village life and by divergent views on what ought to be readily ascertainable facts.....For the systematic promotion of the welfare and prosperity of the agricultural population, exact and detailed information is required of the forces at work tending to produce a decline or an improvement in this economic condition; and it is difficult to frame remedial measures in the absence of accurate data on which the probable effects of such measures could be calculated. Outside the Punjab, there has, apart from a few special studies, been no attempt to survey, village by village, the causes perpetuating poverty or obstructing efforts to promote prosperity." They go on describing the activities of the Punjab Board of Economic Enquiry and recommend the establishment in all provinces of a permanent institution on similar lines.

The Agricultural Commission reported as early as 1928 and their advice seems to have fallen on deaf ears. In many respects, the Punjab holds aloft the torch of progress and reform. The question is, have the sister provinces eyes to see and courage to follow if not to emulate?

Y. SANKARASUBRAMANIAN, M.A.

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4. KUTTURARU VIIAKKAM—By Mr. O. A. NARAYANASWAMY IYER, B.A., B.L., OF TANJORE—Price As. 0-8-0.

We have received a copy of the book called “கூட்டுறவு விளக்கம்” an exposition of the fundamental principles of Co-operation by Mr. O. A. Narayanaswamy Iyer, B.A., B.L., Secretary, Tanjore District Co-operative Federation revised by Mr. S. K. Devasikhamani, B.A.L.T., Headmaster, Bishop Heber High School, Trichinopoly. M. R. Ry. Rao Bahadur S. K. Devasikhamani Mudaliar writes an introduction in which he states that the book is written in a simple language so as to be understood by the ordinary villager and hopes it would be found useful by the class to whom it is intended.

We have gone carefully through the book and find it is written in such a manner as to lay proper emphasis upon the fundamental principles of Co-operation that every village co-operator ought to know. The structure of the movement as a whole, and the position of the village society in that vast structure, and its relation to government and non-official agencies, both of finance and supervision, are clearly visualised and brought home; so also the implication of the unlimited liability, the principles to be kept in mind in the working of rural credit societies, the difference between short-term loans and long-term loans etc. It is bound to be a very useful handbook in the hands of every village co-operator.

We would make only one suggestion that in the chapter on Other Types of Societies prominent mention should be made of co-operative stores, because it is by developing the idea of consumers joining together, that the agriculturists can be induced to form associations among themselves for the purchase of their requisites and it is the consumers' societies among the farmers, as much as the loan and sale societies, that would enable them to do better business, which in its turn will lead to better living. The author deserves to be congratulated on the excellent text book he has brought out.

S. K. Y.

C. REGISTRAR'S REPORTS

(i) BOMBAY.

(For the period ending 31st March 1931)

To co-operators in Madras it will always be a matter of interest to know what happens in the sister major provinces of Bengal and Bombay. The report of the Registrar of Co-operative Societies, Bombay, for the year ending 31st March, 1931 will therefore be read with great interest by them. The general progress achieved by the movement would be clear from the table given below:—

	1929-30.	1930-31.
1. Number of Societies ...	5,734	5,896
2. Number of Members ...	575,616	585,869
	RS.	RS.
3. Working Capital ...	12,81,38,592	13,90,99,530
4. Reserve Fund ...	93,80,151	1,04,91,393

The peculiarity of revenue administration of the province which is divided into six important divisions or circles makes it necessary for the Registrar to report progress in each of these territorial units which appears somewhat strange to us in Madras.

The following points deserve the special attentions of all co-operators in Madras. (1) The substantial increase in the working capital of the movement by nearly a crore and 10 lakhs this year bringing the total to nearly 14 crores is an important achievement, showing how co-operation has begun to play a momentous part in the economic life of the people of the province. (2) We are also equally glad to be told of the steady advance which Urban Banking is making in the province. The number of banks having a working capital of over Rs. 50,000 is 82 and the ideal is kept up that every town should have a people's bank of its own. (3) In the matter of agricultural societies, the general policy adopted was one of consolidation and therefore the number of societies newly started is not much.

Bombay did us the honour of copying our Supervising Unions and the previously existing guaranteeing Unions are being converted into Supervising Unions. The relation between the supervising unions and financing banks and the exact nature of the work to be done by Unions are getting formulated slowly. We see that supervising unions are going to be invested with powers to audit many of the societies in their areas on account of the move on the part of the Government to levy fees as in Madras. Whether it is desirable to saddle Supervising Unions with

audit or whether it is not proper in the interest of the movement to have a separate agency for audit as we are contemplating to bring into existence, is a matter which the co-operators in Bombay will do well to settle for themselves.

We are glad to be assured by the Registrar that more and more members of the depressed class societies are being admitted in the ordinary societies and the need for the special class of societies for them has not been felt except in the case of Bhills and other aboriginal tribes.

Bombay has a bewildering variety of non-credit agricultural societies. But as the Registrar points out, success of these institutions depends upon human material which is not always forthcoming to the required extent. Cotton sale societies have deservedly become famous and got on well in spite of trade depression. Societies for the sale of tobacco, chilly, arecanut and other agricultural produce have had a chequered career, and societies for helping agriculturists in various ways, such as for securing improved manure, ginning cotton, installing pump and machinery, for constructing dams and providing irrigation facilities, for improvement of land and putting of fence, Cattle Insurance Societies, Cattle Breeding Societies, etc. have been trying to do what little they can for improving the condition of the agriculturists. It is a matter of some pride for us in Madras that the South India Consumers' Store in Bombay continues to maintain its premier position. There are some other consumers' societies as well in the province, but the Registrar is of opinion that this side of the movement has proved a failure so far. He enumerates number of causes to explain this phenomena and we would add to those given by the Registrar the absence of a wide margin between the wholesale and the retail prices.

One of the greatest achievement of Bombay is its House Building Societies which are 79 in number with a membership of over 6000 and have a subscribed share capital of nearly 20 lakhs of rupees, have got from the Government loans to the extent of 40 lakhs and have amongst themselves working capital of nearly one crore of rupees.

The report also mentions of the excellent work done by the apex bank, Provincial Institute and the newly started Co-operative Insurance Society Ltd.

In spite of the general economic depression, co-operation has been making headway in the province of Bombay.

S. K. Y.

(ii) BENGAL.

We, co-operators in Madras will do well to compare and contrast our position and methods of work with that of Bengal. The annual report on the working of co-operative societies in Bengal for the year ending 30th June 1931 would, therefore, be read with great interest and profit by all workers in the movement in this province. We give below a few salient features of the report.

The official machinery is constituted differently from what it is in this province. Besides the Registrar, there are only 5 officers called Assistant Registrars to be each in charge of a division consisting of some districts. There are 70 inspectors and 223 auditors appointed by the department and this together with about 600 supervisors maintained by central banks constitute the machinery for organisation, inspection supervision and audit etc. It is not surprising that there are conflicts between supervisors maintained by central banks and inspectors of government, whose functions in many cases overlap. It is surprising that there is no regular training imparted to workers in the movement. New recruits are placed under senior and experienced officers for training and occasional refresher courses are held in certain places. But the government satisfies itself only by conducting departmental examinations for inspectors and auditors. This is a very unsatisfactory state of affairs and a machinery should be brought into existence at a very early date for imparting regular instruction to the intending recruits to the official and non-official ranks of the movement.

The Registrar remarks that those who are responsible for organising societies ought to feel it their duty to inspect the societies as often as possible especially in the earlier stages in order to keep them up to the mark. This should be borne in mind by all workers and it will be a good thing if in every province this general rule is adopted and that the agency responsible for bringing a society into existence should also be held responsible for seeing that it is up to the mark, till it is able to take care of itself.

Another remark of the Registrar is equally weighty and deserves to be pondered over. "Unfortunately however, there has been a tendency to regard the central bank as the unit of co-operative administration and to consider that if a central bank is flourishing, its financial position secure, its credit good and its profits regular, the movement must be flourishing, though the members of the primary societies in the area may be entirely lacking in the spirit of co-operation. This tendency must be countered and greater attention devoted to an improvement in the working of primary societies." We would go a step further and request all the workers to realise that the basis, the rock-foundation upon which the

structure of the co-operative movement is to be built in such a manner as to stand all attacks is not even the primary society, but the individual member and unless he is properly educated and qualified to be a good member there is little use of the so called progress of bigger organisations.

The following statistics will give the reader a general idea about the progress of the movement quantitatively.

	1929-30	1930-31
1. Number of societies	22,538	23,677
2. Number of members	750,137	806,567
3. Working Capital	14,83,02,462	15,79,21,364
4. Reserve Fund	1,31,20,422	1,55,58,780

We see that human nature being the same, there are many common features between Madras and Bengal in the working of the movement and our sister province is having the same experience as we ourselves have in the following matters:—

(1) The fundamental defect in co-operative finance, that is, the tendency on the part of district banks to give long term loans to societies while their own resources consist mostly of short term deposits. There is very little difference of opinion at the present time about the co-operative movement confining itself to finance the short term needs of the agriculturists and as the Banking Enquiry committee reports have shown, there is immense work ahead of us even in this field.

(2) The need for consolidation rather than for expansion:—The Registrar's remarks upon the point are very pertinent.

"Even in ordinary times there is a natural preference to take up something in which it is possible to show quick results rather than the dull, dreary and laborious task of reorganisation which can be only effected gradually and which cannot always be exhibited in the form of statistics."

(3) The rise in the increase of overdues due according to the Registrar to (a) over financing, (b) non-recovery of dues proportionate to the repaying capacity of members, (c) concentration of loans in a few hands, and (d) indiscriminate granting of extensions.

(4) Urban Banks:—We are glad to note that Urban banks are flourishing well.

"There can be no question that the urban credit movement has firmly established itself and is steadily gaining in strength and importance. The development of this section of the movement has been exerting a considerable influence on the growth of a system of banking which has been already of great assistance to residents of towns by extending to them credit facilities on reasonable terms, by promoting thrift on their part and by popularising instruments of credit among them."

(5) As a contrast to these and in consonance with the universal experience, stores and supply societies languish.

(6) Central Banks have been showing a tendency to regard non-realizable arrear under principle and interest as assets for the purpose of inflating dividend. Our Registrar has set a good example condemning this practice and insisting upon bad debts being shown as bad debts and thus reducing the dividend. It is a very healthy precedent and central banks do not stand to lose by this. If in some future years these bad debts are realised, the profits of that year will go up proportionately and better dividends would be declared, of course within the limits allowed by the Act.

We are sorry to note that the magnificent experiment about Co-operative Jute Sale Societies has proved a failure and many societies carrying on that work had to be wound up.

There are 38 Co-operative Agricultural Associations that are running demonstration farms.

Our brother co-operators in Bengal deserve to be congratulated on the excellent work done by their Milk Supply Unions. The Calcutta Union which is the most important amongst them had last year 113 affiliated societies with a working capital exceeding Rs. 2½ lakhs and it purchased milk from its members to the extent of Rs. 4½ lakhs and sold to the extent of over 6 lakhs. It had an office establishment costing Rs. 1½ lakhs and its reserve fund stands to-day very near to Rs. 1½ lakhs. It handled on an average 142 maunds of milk a day.

The apex bank has the honour of having Sir Rajendranath Mookerji, K.C.I.E., K.C.V.O., as its chairman and the Bengal Co-operative Organisation Society is fortunate in having Mr. S. K. Lahiri as its moving spirit. This Society publishes Bengal Co-operative Journal in English and "Bhandar" in Bengali. Both these journals "maintained their reputation and did most useful work in disseminating knowledge of co-operative principles and practice over the province."

The Bengal Co-operative Organisation Society conducted the 15th annual Co-operative Conference and we hope the organisers will bear in mind the wise words of the Registrar. "The resolution put forward, however indicates too much of a tendency to ask for doles and concessions, while there is little attempt to study any particular subject and suggest practical solutions for every-day problems".

The general impression one gathers is that in spite of the fact that "adverse economic conditions which obtained during the year imposed on the movement a much severer strain than it ever had to face," progress has been satisfactory both quantitatively and qualitatively.

S. K. V.

We have received a copy of the administration report for the year ending 30th June 1930. As the next report reviewed above was also received simultaneously, we thought it would be enough to take the latest report for review and study and not the earlier one.

—Editor, Madras Journal of Co-operation.

(iii) MYSORE.

The report on the working of the co-operative societies in Mysore for the year 1930-31 is as usual an interesting document, in every page of which is revealed the enthusiastic personality of the Registrar.

The general progress of the movement can be gathered from the table given below :—

PARTICULARS.	30—6—1930.	30—6—1931.
1. Number of societies	... 2,102	2,213
2. Number of members	... 1,26,491	1,37,615
	Rs.	Rs.
3. Working Capital	... 1,69,24,766	1,89,32,429
4. Reserve Fund	... 21,32,744	22,78,352
5. Net profits	... 6,15,551	5,25,374

We are glad to be told "that at a time of acute economic distress, the co-operative societies rendered considerable help in relieving the distress of the agriculturists by the provision of financial facilities to tide over their difficulties or to meet their emergent needs. The realisation of the help provided by co-operative organisations at such times of distress presumably accounts for the continued demand for fresh societies." We are equally glad that this demand for more societies was met by the starting of new societies under proper safeguards and not refused, as it is being done elsewhere under the pretext of rectification of existing societies before the starting of fresh ones. It is not a matter for surprise that the benefits are better appreciated in urban and sub-urban areas and the best class of societies are non-agricultural ones manned mostly by salaried officers and those with fixed monthly income.

The rates at which the co-operative money is ultimately made available to the member still remain high, a fact noticed by the Government also in their review of the report, and we hope attempts will be made to make cheaper money available to members. The D. C. B. given on paragraph 26 of the report is not quite informing. We would like to know definitely what the current year demand was under principle and interest and what the overdues were for the previous year and out of this combined demand, how much was realised under each item and how much stands at the end of the year as overdue. We hope that in future reports this information will be given under the various headings given above, so that the readers may have a clearer view of the situation. Even as it is, overdues are sufficiently high, high enough to create anxiety on the part of the Government as evinced by their review of the report.

The financial structure of the movement requires greater co-ordinations. The Registrar reports "Representations continue to be made to me that unless the overlapping of jurisdictions of the apex and district central banks is avoided, no real progress can be effected in the development of the district central banks." This overlapping should have been avoided long ago and we hope no time would be lost in removing this defect which renders the successful working of Central Banks difficult.

Three outstanding defects in the working of the apex bank, lack of adequate number of inspectors, issuing of long term loans for redemption of prior debts and direct financing to primaries are pointed out by the Registrar himself in his report. Besides removing these, the apex bank will do well to make adequate provision against possible contingencies in future by creating bad debt fund, dividend-equalisation fund and other safeguards.

An item of good work which is held up for lack of adequate finance is House Building Societies. The Government is not in a position to allot funds to be given as loans to House Building Societies and the department has stopped further registration of societies of this class until the situation improves. It should be possible for government to float debentures and guarantee interest and make money available for House Building Societies.

We are glad to be told that ladies are evincing great interest in the movement and the future citizens of the State i.e., students in schools and colleges also get some idea about the movement by the starting of Students Societies in schools and colleges. We hope that the Director of Public Instruction will co-operate with the Registrar and give every facility for the starting of Students Co-operative Stores in all Educational institutions of the State.

The Registrar reports favourably about the working of the few existing Stores in the State. When we had an opportunity of personally visiting some of the stores at Bangalore we were struck by the violation of the famous Rochdale principles freely indulged in at the stores. Credit sales though covered by trade advances are common and very often members indulge in overdrawing. Cash payment is encouraged by the immediate payment of rebate upon purchases. Within a few miles of each other, there are stores in the Fort area and Basavangudy on the one side and Malleswaram on the other and these have not yet thought of federating and starting a wholesale by pooling their resources in men and money and economising overhead charges. We hope Consumers' Co-operation in the State will develop along these lines.

REVIEWS

The Registrar has given an account of the working of Land Mortgage Bank recently started to help the people with long term finance. Paragraph 74 wherein details are given about the credit accommodation by central banks should be a warning to the Central Land Mortgage Bank, not to fall into the same mistake which the apex bank seems to have done in its relation with the district central banks. We are told that the Central Land Mortgage Bank sanctioned loans to the extent of Rs. 88,050 in 32 cases directly and Rs. 12,050 in 11 cases through the Land Mortgage societies; that is the number of loans sanctioned directly by the bank is three times the number of loans through the primary land mortgage banks and exceeds seven times the amount so lent. So long as the central bank continues to lend money to members directly, the primary land mortgage banks will not thrive and they will be in the position of district central banks which as the report points out, have done very little work, as the apex bank finances agricultural primary societies directly. The position therefore must be clearly defined and a definite policy adopted before it is too late and the movement gets involved in a rather complicated and delicate situation. We hope this suggestion will be accepted in the spirit in which it is offered.

The Registrar is to be congratulated on inducing the government to fix the maximum dividend that can be earned by a co-operative society at $7\frac{1}{2}$ per cent. There is always a tendency especially in central financing institutions to care more and more for high dividends and this compels the directors to declare debts which they know to be bad to be good, so that their assets may be inflated and high dividends declared. The Registrar in Madras has very wisely started a policy of making some allowances for bad debt depreciation and thus the percentage of dividend to be declared is getting automatically reduced.

We see there is practically no arrangement for training co-operative workers. The Central Institute must take it up and the Government and the financing bank must liberally subsidise the Institute in the matter of providing adequate facilities for training co-operative workers.

Taking a general view of all aspects of the movement, we may say it was a success and we hope under the guidance of the enthusiastic Registrar, it will continue to make steady progress against obstacles towards satisfactory progress.

S. K. Y.

(iv) TRAVANCORE.

Mr. R. Vaidyalingam Pillai, the Registrar of Co-operative Societies, Travancore deserves to be congratulated on the excellent report he has produced for the year 1105, corresponding to 1929-30. This is the 10th year the present Registrar has been in charge of the department and no other province or Indian State, so far as we know, can boast of a continuity of policy under a single head for such a long time.

There are some peculiarities in Travancore which one would do well to remember in studying the report under review. It is a small state of about 8000 square miles of which $\frac{2}{3}$ is covered by mountains and yet it supports a population of over 4 millions of people. Primary education in the vernaculars of the people has been progressing satisfactorily so that amongst the school going children cent per cent literacy is not an uncommon feature in some portions of the state. Thirdly, women are comparatively more advanced in education than in other parts of India and co-operative societies claim as members as many as 25 thousand women which forms roughly one-ninth of the total membership. Moreover, the movement was started rather late in the state, about a decade after it was started in other parts of India and hence they had ample opportunities for studying the defects of the movement in other parts and to profit by them. From the very beginning subscribed share capital was encouraged and also the granting of short term loans; so much so the subscribed share capital together with the reserve fund comes to nearly 55 per cent of the working capital of the movement and the long term loans bear a much smaller proportion to the total transactions than in other parts of India. The table given below gives an idea of the progress made during the year under review :—

PARTICULARS.		1104 (1928-1929.)	1105 (1929-1930.)
1. Total number of Societies	...	1,738	1,806
2. Do. do. Members	...	1,96,078	2,13,027
		Rs.	Rs.
3. Working Capital	...	52,75,860	63,74,901
4. Reserve Fund	...	4,25,649	5,62,900

Owing to financial stringency the Government have not been able to give effect to the recommendations of the Registrar for appointing three additional officers each in charge of a revenue division to help him. They have on the other hand increased only the number of inspectors.

We are glad to be told that House Building Societies are making some progress and that a Land Mortgage Bank has been started. From the report it is clear that there is perfect co-operation between the

department and other departments engaged in the task national reconstruction, such as Education, Sanitation, Industries, etc.

The remark made in reviewing the report of the previous year, we are constrained to repeat, that is the movement as a whole has not been definitely visualised in all its aspects and there are signs of friction and loss of efficiency in consequence thereof. On the financial side there is no definite idea as to the nature of working of Taluk Banks, whether they are to finance the primaries or whether they are to act as Urban Banks as well not only for the area of the town in which they are located, but for the whole taluk, that is, competing with primaries in enlisting individual members and giving them credit accommodation. On the supervising side as well there are some hitches. Unions have been started no doubt, but they have not got adequate finance and the sorry sight of Union supervisors not being paid for months is not an uncommon thing. There is no half way house in these matters. Co-operators must definitely make up their minds whether they will create a machinery for supervision independent of financing institution or link that machinery with the financing institution so that adequate supply of finance may be forthcoming. The responsibility of the apex bank and the central banks in financing supervising institutions must be definitely thought out and settled. If that is done, the Central Institute also will begin to function more efficiently.

Compared with the state of affairs in the previous year, audit has improved and more societies are being audited by government agency. The Government must make up its mind and supply the necessary staff to the Registrar to enable him to discharge the statutory function of audit of all registered societies. They may, if the time has come as in Madras, levy audit fees. But before issuing the Administration Report, every society should be audited by Government auditor, or one approved by the Registrar.

The Registrar deserves to be congratulated on his having slowly worked up the co-operative movement to its present state of efficiency and as suggested by the Central Banking Enquiry Committee of India and the Agricultural Commission, the Registrar, we hope, will be given further opportunity for continuing his policy without prejudice to his prospects as an officer, that is, his pay would be increased and made equal to what he would be getting, if he had remained in some other departments, and thus the services of this able officer would be retained for this department for some more years.

S. K. V.

Extracts.

GROWTH OF INTERNATIONAL CO-OPERATIVE MOVEMENT.

A Statistical Survey of Co-operation in 32 Countries.

Remarkable testimony to the inherent strength of the Co-operative Movement and its ability to expand even at a time of economic depression is offered by the survey of the statistics for 1930 of the National Organisations affiliated to the International Co-operative Alliance, which is to appear in the March and April numbers of the "Review of International Co-operation." The survey comprises 32 countries including U.S.S.R. with 44 National Organisations. The Organisations comprise Consumers' Societies; Wholesale Societies; Workers' Productive Societies and Federated Productive Societies of Consumers' Organisations; Agricultural Societies; Co-operative Banks; Insurance Societies; and Miscellaneous Societies.

Consolidation and rationalisation within the Consumers' Movement has also been responsible during 1930 for decreases in the number of Consumers' Societies. Thus the total of Consumers' Societies amounted to 21,051, a decrease of 15,830, of which the Soviet Union accounted for 14,782. The aggregate membership of the Consumers' Societies has increased from 48,655,918 in 1929 to 64,519,390 in 1930; their aggregate sales from £1,200 million to £1,460 million; their share capital from £152 million to £188 million; and their reserves from £57 million to £65 million. The total sales of the Wholesale Societies to the number of 44 in 31 countries amounted to £ 1,295 million as compared with £1,156 million in 1929. Exclusive of U.S.S.R., the sales of the Wholesale Societies decreased from £183'5 million in 1929 to £176'3 million in 1930.

The total number of Workers' Productive Societies was 1,071, a decrease of 149 as compared with 1929, with a membership of 132,756 and turn over of £9'6 million, a decrease of £626'041. The turnover of the Federated Productive Societies of the Consumers' Societies, exclusive of U.S.S.R., amounted to £14'7 million, a decrease of £598'180 and the value of their own productions to £6'9 million, a decrease of £270'939.

The turnover of 21 Co-operative Banks and Banking Departments was £1'760 million as compared with £1,885 millions for 26 Banks in 1929. Their paid-up capital amounted £2'4 million, their reserves to £1'8 million and their deposits to £77'7 million. The returns of 27 Co-operative Insurance Institutions in 18 countries, excluding U.S.S.R., undertaking life, fire, accident, and other forms of insurance, show that

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these were in 1930 carrying insurances for 51,955 Societies and 8,180,575 persons for a total value of £580.7 million. Collective Insurance policies to the number of 20,278, covering over 5½ million persons had been taken out with 10 of these institutions. The total amount received in premiums exceeded £9 million, while the claims paid amounted to about £3 million. The total of their balance sheets was £27 million.

(Co-operative News 7-3-'32.)

ENGLISH CO-OPERATIVE INSURANCE.

In the ordinary Life Section the premium income for 1931 amounted to £810,191, being an increase of £52,383 over that of the previous year.

The number of new policies issued was 14,276 compared with 12,517 assuring the sum of £1,642,521 as against £1,314,006 and producing new annual premium income of £93,683.

The premium in Collective Section amounted to £494,882, and the surplus is £21,741 which will be distributed amongst those retail co-operative societies which have contributed to it.

In the Industrial Section we have been able to increase the premium income by £220,367 to £2,395,119 an extremely good result, particularly in view of the large amount of unemployment during the year.

--Co-operative News dated 2nd April '32.

The Mysore Economic Journal.

BANGALORE.

Published on the 7th of each month.

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Esplanade, Madras.

PROGRESS REPORT.

Particulars.	As on 1st May 1932.	As on 1st June 1932.
1. Number of proposals received ...	127	152
2. Amount of proposals ...	Rs. 1,49,200	Rs. 1,76,200
3. Number of Policies issued ...	48	100
4. Shares from Individuals ...	165	278
5. Shares from Institutions ...	28,920	31,170

LIST OF LOCAL BOARDS.

Names of Institution.	Names of Members of Local Boards.
1. Alamuru Land Mortgage Bank, Ltd., Alamuru East Godavari Dt. ...	Messrs. N. Satyanarayana Garu. " N. Kameswara Rao Garu. " Dr. P. V. Chalapathi Rao Garu.
2. Bhimavaram Land Mortgage Bank Ltd., Bhimavaram West Godavari District ...	" S. Bhagavan Narayana Garu. " M. Lakshminarasimha Raju Garu. " Dr. P. S. N. Sarma.
3. Cuddappah District Co-operative Central Bank, Ltd., Cuddappah. ...	" V. Pichaiya. " J. Krishnamurthy Rao. " Dr. C. Srinivasan.
4. Ganjam District Co-operative Banking Union Ltd. Berhampore, Ganjam Dt. ...	" Rao Sahib W. V. B. Ramalingam Pantulu Garu. " A. S. N. Murthi. " M. V. Joganna Bhukta. (A Doctor to be co-opted).
5. Gudlavalleru Co-operative Land Mortgage Bank Ltd., Gudlavalleru ...	" Rao Sahib G. Venkataratnam Pantulu Garu. " V. Venkatanarahari Rao Pantulu Garu. " Dr. S. Bapi Raju, Pantulu Garu.
6. Guntur District Co-operative Bank Ltd., Tenali, Guhtur District ...	" K. Sree Ramulu Pantulu Garu. " G. Simhachalam. " Dr. K. Vullakki.
7. Krishna Co-operative Bank Ltd., Masulipatam ...	" P. Krishnamurthy Garu " Rao Bahadur S. Hanumantha Rao Pantulu Garu. " Dr. A. Umapathi Mudaliar.

Names of Institution. Names of Members of Local Boards.

8. Krishnagiri Urban Co-operative Credit Society Ltd., Krishnagiri, Salem Dt. ...	Messrs. C. Paravasudeviah Garu (Convener).
9. Madras District Co-operative Central Bank, Ltd., Madras	" N. Rama Rao.
10. Madras District Co-operative Central Bank, Ltd., Madras	" S. S. Sankara Mudaliar.
10. Madras District Co-operative Central Bank, Ltd., Madras	" G. Sreeram Babu Naidu Garu.
10. Madras District Co-operative Central Bank, Ltd., Madras	" Rao Sahib N. Ramaswami Iyer.
10. Madras District Co-operative Central Bank, Ltd., Madras	" G. Srinivasa Raghavachariar.
10. Madras District Co-operative Central Bank, Ltd., Madras	" Dr. N. Narayana Iyer.
11. Nellore District Co-operative Banking Union Ltd., Nellore. ...	" K. V. Raghavachariar.
11. Nellore District Co-operative Banking Union Ltd., Nellore. ...	" M. Ramakrishna Rao.
11. Nellore District Co-operative Banking Union Ltd., Nellore. ...	" Dr. A. Anantapurayana.
12. Rajahmundry Co-operative Central Bank, Ltd., Rajahmundry. ...	" Dewan Bahadur C. Venkatachalam Pantulu.
12. Rajahmundry Co-operative Central Bank, Ltd., Rajahmundry. ...	" K. V. S. Ramachandra Rao.
12. Rajahmundry Co-operative Central Bank, Ltd., Rajahmundry. ...	" Dr. P. Gurumoorthy.
12. Rajahmundry Co-operative Central Bank, Ltd., Rajahmundry. ...	" B. Venkataratnam.
12. Rajahmundry Co-operative Central Bank, Ltd., Rajahmundry. ...	" J. Ramachandra Rao Garu.
12. Rajahmundry Co-operative Central Bank, Ltd., Rajahmundry. ...	" Dr. Kanakaraju Garu.
13. Ramachandrapuram Co-operative Central Bank, Ltd., Ramachandrapuram. E. Godavari Dt.	" V. Sundaram Iyer.
14. Sivaganga Co-operative Urban Bank, Ltd., Sivaganga. ...	" S. Nagaswamy Iyer.
14. Sivaganga Co-operative Urban Bank, Ltd., Sivaganga. ...	" Dr. Y. H. Halasyani Ayyar.
15. South Kanara Co-operative Central Bank Ltd., Kodialbail, Mangalore ...	" G. Somasekhara Rao.
15. South Kanara Co-operative Central Bank Ltd., Kodialbail, Mangalore ...	" Dr. K. R. Kini.
16. Tanjore Co-operative Central Bank, Ltd., Tanjore ...	" Khan Sahib Dr. Syed Tajuddin Sahib Bahadur.
16. Tanjore Co-operative Central Bank, Ltd., Tanjore ...	" T. V. Umamaheswaram Pillai.
16. Tanjore Co-operative Central Bank, Ltd., Tanjore ...	" Dr. G. Ramachandra Iyer.
17. Conjeevaram Co-operative Central Bank, Ltd., Conjeevaram ...	" Rao Bahadur A. Rajabadar Mudaliar Avl.
17. Conjeevaram Co-operative Central Bank, Ltd., Conjeevaram ...	" V. Rangaswami Iyengar Avl.
17. Conjeevaram Co-operative Central Bank, Ltd., Conjeevaram ...	" Dr. Nathaniel Vedanayagam.
18. Hospet Co-operative Central Bank Ltd., Branch, Bellary, Bellary ...	" Gudutur Timappa.
18. Hospet Co-operative Central Bank Ltd., Branch, Bellary, Bellary ...	" Sivachenna Basappa.
18. Hospet Co-operative Central Bank Ltd., Branch, Bellary, Bellary ...	" Dr. P. Srinivasachari.
19. Hindupur Co-operative Town Bank, Ltd., Hindupur. ...	" L. Gangadhara Sastri Garu.
19. Hindupur Co-operative Town Bank, Ltd., Hindupur. ...	" Danti Bheemayya.
19. Hindupur Co-operative Town Bank, Ltd., Hindupur. ...	" Dr. V. Kothandaraman.
20. Adoni. ...	" Rayachoti Ramaiiah.
20. Adoni. ...	" Tanaji Hanumantha Rao.
20. Adoni. ...	" Dr. R. R. Kulgode.
21. Periyakulam Co-operative Urban Bank, Ltd., ...	" T. K. Elumalai Chettiyyar.
21. Periyakulam Co-operative Urban Bank, Ltd., ...	" Kalastri Servai.
21. Periyakulam Co-operative Urban Bank, Ltd., ...	" Dr. P. V. Muthuswamy Iyer.
22. Kumbakonam Co-operative Central Bank ...	" Rao Sahib C. R. Lakshmiyarata Iyengar.
22. Kumbakonam Co-operative Central Bank ...	" V. R. Srinivasan.
22. Kumbakonam Co-operative Central Bank ...	" Dr. K. Venkatachariar.

CENTRAL BANKS' CONFERENCE

XITH SESSION.

(Held on Saturday the 9th April 1932 at 12 noon
at the Madras Provincial Co-operative Bank, Ltd., Mylapore.)

PRESENT :

The following Central Banks were represented by their delegates noted against each :—

1. *The Madras Provincial Co-operative Bank, Ltd.*—
 - (i) Mr. V. Ramadas Pantulu.
 - (ii) Rao Sahib T. Srinivasa Rau.
 - (iii) Rao Sahib R. Aiyakutti Iyengar.
 - (iv) Mr. K. M. Singaravelu Mudaliyar.
2. *Anantapur District Co-operative Central Bank, Ltd.*—
 - (i) Rao Sahib H. Narayana Rao.
 - (ii) Mr. D. Venkoba Rao.
3. *Coimbatore District Urban Bank, Ltd.*—
 - (i) Rao Bahadur T. A. Ramalinga Chettiar, (Chairman).
 - (ii) Rao Sahib K. M. Chinnarangiah, Gounder.
4. *Christian Central Co-operative Bank, Ltd.*—
 - (i) Mr. A. Appadurai Pillai.
 - (ii) „ S. Krishnaaswami Iyengar.
5. *Co-operative Central Bank, Ltd., Conjeevaram*—
 - (i) Mr. A. Rajabadar Mudaliyar.
 - (ii) „ K. Rangaswami Iyengar.
6. *Co-operative Cental Bank, Ltd., Kumbakonam*—
 - (i) Mr. V. R. Srinivasan.
 - (ii) „ M. Muthukumaraswami Mudaliyar.
7. *Co-operative Central Bank, Ltd., Tanjore*—
 - (i) Mr. K. V. Thiruvankata Mudaliyar.
 - (ii) „ O. A. Narayanaswami Iyer.
8. *Co-operative Central Bank, Ltd., Vizianagaram*—
 - (i) Mr. C. Subba Rao.
 - (ii) „ K. Kalidas
9. *Cuddapah Dt. Co op. Central Bank, Ltd.*—
 - (i) Mr. K. Lakshmana Rao.
 - (ii) „ N. Rama Rao.

10. *Chittoor Dt. Co-op. Central Bank, Ltd.*—
(i) Mr. N. Narayana Reddy.
(ii) „ M. Balarama Iyer.
11. *District Co-op. Bank, Ltd., Cocanada*—
(i) Mr. K. Subba Rao.
(ii) „ K. Sitaramayya.
12. *Ganjam Dt. Co-op. Banking Union Ltd., Berhampore*—
Mr. G. Dharma Rao.
13. *Guntur Dt. Co-op. Bank, Ltd.*—
(i) Mr. G. Simhachalam Pantulu.
(ii) „ V. Vasudeva Rao.
14. *Hospet Co-op. Central Bank, Ltd.*—
Mr. G. V. Joshi.
15. *Krishna Co-op. Bank, Ltd.*—
(i) Rao Bahadur S. Hanumantha Rao Pantulu.
(ii) Mr. P. Narayana Murthi.
16. *Kurnool Dt. Co-op. Central Bank, Ltd.*—
(i) Mr. P. Ramaswami Ayya.
(ii) „ T. R. Ramachandra Sastri.
17. *Madras Dt. Co-op. Central Bank, Ltd.*—
(i) Mr. G. Sriram Babu Naidu.
(ii) „ S. S. Sankara Mudaliyar.
18. *Madura-Ramnad Central Co op. Bank Ltd.*—
(i) Mr. E. S. Suunda.
(ii) „ L. Dharmaraja Iyer.
19. *Malabar Dt. Co-op. Bank, Ltd.*—
Rao Sahib V. Krishna Menon.
20. *Nellore Dt. Co-op. Banking Union Ltd.*—
(i) Mr. V. Narasinga Rao
(ii) „ K. V. Raghavachari
21. *Ramachandrapuram Co-operative Central Bank Ltd.*—
(i) Mr. B. Venkataratnam
(ii) „ B. V. Krishna Rao
22. *Rajahmundry Co-operative Central Bank Ltd.*—
(i) Mr. N. Satyanarayana
(ii) Dr. P. Gurumurthy
23. *South Arcot Co-operative Central Bank Ltd.*—
Mr. R. A. Sivananda Mudaliar.

24. *Sree Konaseema Co-operative Central Bank, Ltd.*—
(i) Mr. B. N. Sastri.
(ii) „ B. Viraswami.
25. *Srivilliputtur Co-operative Banking Union, Ltd.*
(i) Mr. A. Srinivasachariar.
(ii) „ R. G. Nallakuttalam Pillai.
26. *Tinnevely District Co-operative Central Bank, Ltd.*—
(i) Mr. Shanmugasundara Mudaliar.
(ii) „ L. M. Kandaswami Chettiar.
27. *Vizavada Co-operative Bank Ltd.*—
Mr. V. Seetharamayya.
28. *Trichinopoly District Urban Bank, Ltd.*—
Mr. M. M. Krishnaswami Pillai.
29. *West Godavari District Co-operative Central Bank, Ltd.*—
(i) Rao Sahib G. A. Chowdari.
(ii) Mr. J. Swami Naidu.
30. *Co-operative Central Bank, Ltd., Vellore.*—
(i) Mr. C. Balayya Naidu.
(ii) „ S. Srinivasa Iyer.

Mr. D. N. Strathie, Registrar of Co-operative Societies, was also present on invitation.

Mr. Ramadas Pantulu proposed Rao Bahadur T. A. Ramalinga Chettiar to the Chair. It was duly seconded and Mr. Ramalinga Chettiar took the chair.

Subject No. 1—Rao Sahib T. Srinivasa Rau's recommendations in regard to efficient supervision and better working of Central Banks.

The printed pamphlet prepared by the Rao Sahib having been previously circulated to all the members, Mr. Ramalinga Chettiar called upon Mr. Srinivasa Rao to explain in brief the scheme prepared by him.

Mr. Srinivasa Rao stated that to give effect to his scheme of efficient supervision of the primaries, and also conduct the work of Central Banks on a better basis no additional cost was involved nor any more additional staff needed than what was being now maintained by the Central Banks, supervising unions and the federations. The only thing necessary was to have some slight adjustments made, and that would answer the purpose very well. He stated that the

view adopted by the President of the Provincial Bank was uncalled for under the circumstances and that the scheme prepared by himself was both administratively necessary and financially practicable. Now that more and more supervision was devolving upon the Central Banks, as both the Unions and the Federations had broken down, it had become highly necessary that the supervision by the Central Banks ought to be organised on a better basis.

At this stage, the Chairman stated that Mr. Srinivasa Rao's proposition contained two points, namely, (i) the supervision of societies by Central Banks, and (ii) the constitution of Central Banks. The Chairman said that each subject might be dealt with separately, and threw open the first proposition for discussion by the House.

Mr. V. Krishna Menon (Malabar District Bank) suggested that the question of the hour was efficient supervision of the societies and as such he declared that in the best interests of the societies as well as the financing banks, supervision must get centralised under the control of the financing institutions.

Mr. M. M. Krishnaswami Pillai (Trichinopoly) said that where federations were working, supervision must be centralised in their hands and said that in Trichinopoly, the bank and the federation were jointly carrying on the work of supervision of the primary societies in the district and that the resolution to abolish the federations at the last session of the Bankers' Conference was an *ex-parte* decision.

The Secretary of the Provincial Bank called the attention of the House to the resolution of the last conference wherein it was passed by a majority that the Federations be abolished, and such being the case, he exhorted the representatives present to finally decide whether supervision be centralised in the hands of the financing banks. How long were the financing institutions going to be guided by the ears and eyes of third parties without their coming to know of the conditions of the societies financed by them directly? The sooner supervision gets centralised in Central Banks, the better for the movement.

Mr. A. Srinivasachariar (Srivilliputtur) supported the arguments for the centralisation of supervision in the Central Banks and said that all central Banks should very soon take up supervision of societies and conduct it in an efficient manner.

Mr. S. Krishnaswami Iyengar (Christian Central Co-operative Bank) stated that the resolution was one concerning central banks

only and as such it was wrong to state that it was an *ex-parte* decision. This was a conference of Central Banks and it was unnecessary to bring in the question of federations in matters purely connected with Central Banks. The resolution that was passed at the last Bankers' Conference was passed in the best interests of the Central Banks. Coming to the business under consideration, it was highly necessary that supervision must be centralised in the Central Banks, and it was they that should decide the question. He exhorted the delegates to confine themselves to the point at issue and suggested that the recommendations of Rao Sahib T. Srinivasa Rao in the matter of supervision by the financing banks be accepted.

Mr. A. Rajabhadhar Mudaliar (Conjeevaram) explained the system prevailing in his district, where supervision had been divided between the bank and the federation. He made an appeal that where the federations continued to exist, the Central Banks must have representation in them.

Mr. Shanmugasundara Mudaliar (Tinnevely) in a tamil speech clearly indicated the need for the Central Banks themselves taking up the supervision instead of allowing it to be conducted either by the federation or the unions. He mentioned it as his experience that inspectors appointed by the Central Banks were able to do better than others and that, in the Tinnevely District, they had finally decided that the Bank should conduct supervision. He also stated his experience with regard to the work of the federation in his own district, which was a failure. As such, he appealed to the delegates to support the recommendations of Rao Sahib T. Srinivasa Rao.

Mr. V. Ramadas Pantulu (Provincial Bank): To clarify the discussion and to confine attention to the point at issue, he proposed the following two resolutions:

I. Resolved that in all Central Banks where a District Federation does not exist:

- (a) An administrative section shall be formed with an administrative officer and necessary clerical staff;
- (b) Supervision fund shall be pooled in the Central Bank and the supervisors should be put on a district cadre under the bank. The co-operation of the Unions should be secured in the working of the scheme.

II. In districts, where a District Federation exists, the Federation and the Central Bank must co-operate in running the

administrative work. The supervision fund must be pooled in the District Federation and supervision must be centralised and administered or controlled by an administrative committee composed of the representatives of the Central Banks and the Federation.

Mr. G. Simhachalam Pantulu (Guntur) seconded the proposition, which being put to vote, was carried.

Subject I. (b)—Recommendations of Rao Sahib T. Srinivasa Rao re : constitution of Central Banks :

It was decided that no action was necessary at present as the new act would come into force soon.

Subjects 2 and 13.—Creation of an audit agency for the audit of the accounts of Central Banks and urban banks with a working capital of Rs. 20,000 and upwards.

A scheme prepared by Mr. V. Ramadas Pantulu which had been approved by the Executive Committee of the Provincial Bank was placed before the House for consideration. In a short speech, Mr. Ramadas Pantulu explained the import of his recommendations.

I. This Conference is of opinion that the audit of all unlimited liability agricultural credit societies should be done free of charge by the Government.

II. This Conference is of opinion that limited liability credit societies with a working capital of less than Rs. 20,000 should also be similarly audited free of charge.

III. This Conference is of opinion that all Central Banks and limited liability credit societies with a working capital of Rs 20,000/- and upwards should be brought under a scheme of audit conducted by a non-official agency on the following lines :

(i) *Grouping of Districts :—*

	Number of Central Banks in each group.	Remarks.
1. Ganjam and Vizagapatam. ...	3	...
2. East Godavari ...	4	Two men will be required as the work in the group will be heavy.
3. West Godavari & Kistua ...	3	...
4. Guntur and Nellore ...	2	...
5. Anantapur, Kurnool & Bellary	3	...

	Number of Central Banks in each group.	Remarks.
6. Cuddapah, Chittoor and Vellore	3	...
7. Salem and Coimbatore ...	2	Two men will be required.
8. South Canara & Malabar ...	2	...
9. Chingleput and South Arcot ..	2	Two men will be required.
10. Tanjore and Trichinopoly ...	3	Do.
11. Madura and Tinnevely ...	3	Do.
12. Madras, Christian and Provincial Bank ...	3	Do.

(ii) *Pay of Auditors.*

Rs. 80--7/1—150 plus Rs. 50 fixed travelling allowance per mensem.

Selection grade 10 per cent on Rs. 150—200.

(iii) *Scale of contributions.*

Central Banks with a working capital of Rs.				
	5 to 10 lacs Rs.	500	annually.	
Do.	10 to 20	700	Do.	Do.
Do.	20 to 30	900	Do.	Do.
Do.	over 30	1,000	Do.	Do.

For limited liability credit societies, Rs. 100 to Rs 200 according to the size of the working capital upto Rs. 1,00,000. Over one lakh, Rs. 75 a lakh.

(iv) Head Office expenses Rs. 250 per mensem or Rs. 3,000 annually.

These contributions are put down tentatively. They may have to be revised if the revenue is insufficient to meet the expenditure.

Mr. Ramalinga Chettiar (Chairman) suggested that in the scheme prepared by Mr. Ramadas Pantulu the words, "Provincial Bank" be substituted for the words "non-official agency." This was accepted by Mr. Ramadas Pantulu.

Mr. Strathie, Registrar of Co-operative Societies, also spoke on the scheme.

Mr. B. Venkataratnam (Ramachandrapuram) desired that it may be left to the Central Banks to arrange for their own audit by independent private agency. He was of opinion that such an arrangement would be more economical.

After some further discussion, Mr. Ramadas Pantulu's proposition with the amendment of Mr. Ramalinga Chettiar, being put to vote, was declared carried by a majority.

Subject No. 3.—Letter from the South Canara Central Co-operative Bank forwarding copy of letter from Mr. K. L. Bhandari, a member of their Board of Management, suggesting the discontinuance of receiving moneys from individuals in current account.

As the representative of the South Canara Central Bank was not present, the subject was not moved.

Subject No. 4.—Resolutions of the Joint Sessions of the Standing Committee of the Indian Provincial Co-operative Banks' and Institutes' Associations No. IV, V, VI, VII and VIII. Not moved as the main items had already been discussed.

Subject No. 5.—Proposition of Mr. A. Srinivasachariar, to set apart 25 per cent of the expenditure in the administrative sections of Central Banks financed by the Provincial Bank for collection staff to work in groups of societies not exceeding 4 or 5 so as to incessantly keep watch over defaulters of societies and effect collection from them.

Not moved.

Subject No. 6.—Consideration of the charge of extra half per cent on the undrawn portion of the overdraft by the Madras Provincial Co-operative Bank.

Subject No. 8.—Referring to the same point was also permitted to be considered along with subject No. 6.

Mr. B. Venkataratnam (Ramachandrapuram) moved that the additional half per cent now being charged on undrawn portions of the overdraft granted to Central Banks be abrogated.

Mr. V. Krishna Menon (Malabar) also pressed for the withdrawal of the above charge.

Mr. V. Ramadas Pantulu explained the reasons for the need for charging this extra half per cent.

Mr. B. N. Sastri (Amalapuram) also supported Mr. Venkataratnam and requested the House to vote for the abrogation of the charge.

Mr. A. Rajabadar Mudaliar (Conjeevaram) proposed that if it is not found feasible to abrogate the half per cent charge, the provincial bank may charge $\frac{1}{4}$ per cent instead of half per cent on the undrawn portion.

Mr. K. V. Raghavachariar, Nellore, in a long speech called upon the representatives of the Central Banks to vote for the abolition of the above charge. He stated that it is absolutely necessary for the Provincial Bank to grant overdrafts to the Central Banks without affixing any conditions and making any charge on the undrawn portion.

The proposition being put to vote was declared carried.

Subject No. 7.—Payment of incometax on the interest earned on investments made in Government securities.

Mr. B. Venkataratnam (Ramachandrapuram) moved that though exemption had been granted to the Central Banks from payment of incometax on their profits, yet the income from Government paper was being assessed to tax. He considered it unfair that, having granted a concession on the one hand, it was sought to be taken by the other in thus insisting upon payment of tax on income from Government paper.

After some discussion, it was resolved to write to the Government requesting them to abrogate the tax on income from Government securities.

Subject No. 9.—Increase of the maximum rate of interest on fixed deposits from 6 to $6\frac{1}{2}$ per cent.

Mr. V. Krishna Menon (Malabar) moved the above, but it was not pressed.

Subject No. 10.—Proposition of Rao Sahib T. Srinivasa Rao. "In view of the recent trade depression, fall in prices of agricultural products and the present economic troubles of members of primary societies especially agricultural societies, and the consequent need for grant of some relief; And further in view of the imperative need for some effective action towards realisation of the unpaid arrears of interest (which has been mounting up year after year, by about 5 lakhs annually till 1928—29, by 9 lakhs in 1929—30, and by over 15 lakhs in 1930—31) as otherwise the securities for loans would, apart from other reasons contributing towards that end, deteriorate in value;

The Conference hereby recommends :

A. To Members :—

(i) To every member of an agricultural society who by actual cash payment clears his overdue arrears of principal and interest, as well as the current instalments of principal and interest, in full before the end of June 1933, the overdue interest outstanding at the end of June 1932 be calculated at the normal rate only, the penal portion being remitted in full.

(ii) To every other member who by similar payment and within the time fixed above clears in full the overdue interest outstanding at the end of June 1932 as well as the current interest due for 1932-33, and also clears not less than 50 p. c. of the principal due upto June 1933, 75 per cent of the penalty be remitted.

(iii) To every other remaining member who, by similar payment and within the said time, clears in full the overdue as well as current interest, but whose payment towards principal falls short of 50 per cent of the amount due, 50 per cent of the penalty be remitted.

(iv) To every member eligible for concession (a) (i), a (ii) or (a) (iii), dividend on paidup share capital be paid in respect of as many past years as possible for which the requisite accounts may be forthcoming for determining the amount so payable.

B. To President, Secretary, or other Panchayatdars or members who does or do the collection work:—

(i) Honorarium be made payable suitable to the trouble involved as represented by the percentage of collections made, in accordance with liberal scales previously determined.

(ii) That the concessions (a) (i) to (a) (iv) be extended to members of Urban Banks also ;

(iii) That the Registrar be moved to be so good as to obtain the sanction of Government for grant of concession I (a) (iv) and also accord his approval to the other proposals herein contained."

" Not moved ".

Subject No. 11.—The Registrar of Co-operative Societies, Madras, be requested to amplify the existing form of monthly progress statement of realisation of dues in liquidated societies to furnish more particulars regarding the number of loans outstanding in the society with amounts, the number of awards passed and executed with amounts, the reasons or otherwise for not taking action in the

remaining cases, as the existing form gives no information about the solvency or otherwise of liquidated societies.

As the representative of the Salem District Urban Bank, who gave notice of the above, was not present, the resolution was not moved. But the same was decided to be referred to the Registrar for necessary action.

Subject No. 12.—The Registrar of Co-operative Societies, Madras, be requested to instruct the Official Liquidators to enforce unlimited liability at any time, when it is found that the properties of members other than those mortgaged are found to be alienated.

" Not moved ".

Subject No. 13.—Resolved that the chief paid executive officers (Secretary or Manager) of the Central Banks be provincialised and that they be placed under the control of a committee of the Central Banks' Conference.

" Not moved. "

Sd. V. C. RANGASWAMI,
Convener.

(Sd.) T. A. RAMALINGA CHETTIAR,
Chairman.

Central Banks' Conference, AGENDA FOR THE XITH SESSION

(held on Saturday the 9th April 1932 at 12 noon.)

1. Rao Sahib T. Srinivasa Rau's recommendations in regard to the efficient supervision of primaries and better working of central banks.

2. Proceedings of the joint sessions held in December 1931 of the Standing Committees of the Indian Provincial Co-operative Banks' and Institutes' Associations.

3. Letter dated 25th August 1931 from the South Canara Central Co-operative Bank Ltd., forwarding copy of letter from Mr. K. L. Bhandari, a member of their Board of Management suggesting to that Bank to discontinue receiving of moneys on current accounts from individuals.

Mr. A. Srinivasachariar (Srivilliputtur Central Bank).

4. Resolutions of the Joint Sessions of the Standing Committees of the Indian Provincial Co-operative Banks' and Institutes' Associations Nos. IV, V, VI, VII and VIII.

5. The administrative section maintained in central banks and financed by Madras Provincial Co-operative Bank should set apart at least 25 per cent of the total budget of expenditure for collection staff to work in groups of societies not exceeding 4 or 5, so as to incessantly keep watch over defaulters of societies and exert collection from them,

Ramachandrapuram Co-operative Central Bank.

6. The proposal of the Madras Provincial Co-operative Bank to charge half per cent on the undrawn portion of the overdraft.

7. Payment of income-tax on the interest earned on investments made in Government paper.

Malabar District Co-operative Bank.

8. Resolved that with regard to circular No. 20/31-32 dated 14-12-31 of the Madras Provincial Co-operative Bank, this bank is of opinion that a question of such importance should have been placed before the Board of Management of the Madras Provincial Co-operative Bank before a decision was arrived at in the matter and that the resolution should be modified as to exempt from the operation of the new rule central banks borrowing at least 25 per cent of

the cash credit or the levy of half a per cent should be confined to the difference between the amount actually borrowed and 50 per cent of the cash credit.

9. The question of increasing the maximum rate of interest on fixed deposits to six-and-a-half per cent.

Rao Sahib T. Srinivasa Rau.

10. In view of the recent trade depression, fall in prices of agricultural products and the present economic troubles of members of primary societies especially agricultural societies, and the consequent need for grant of some relief;

And further in view of the imperative need for some effective action towards realisation of the unpaid arrears of interest (which has been mounting up year after year, by about 5 lakhs annually till 1928-29, by 9 lakhs in 1929-30 and by over 15 lakhs in 1930-31) as otherwise the securities for loans would, apart from other reasons contributing towards that end, deteriorate in value:

The Conference hereby recommends:

I. That in every society in which the interest due is fully (100 per cent) realised (inclusive of the interest due for 32-33) before the end of June 1933 the following concessions be granted:

A. *To Members.*

(i) To every member of an agricultural society who by actual cash payment clears his overdue arrears of principal and interest, as well as the current instalments of principal and interest in full, before the end of June 1933, the overdue interest outstanding at the end of June 1932 be calculated at the normal rate only the penal portion being remitted in full.

(ii) To every other member who by similar payment and within the time fixed above clears in full the overdue interest outstanding at the end of June 1932 as well as the current interest due for 1932-33, and also clears not less than 50 per cent of the principal due upto June 1933, 75 per cent of the penalty be remitted.

(iii) To every other remaining member who by similar payment, and within the said time, clears in full the overdue as well as current interest, but whose payment towards principal falls short of 50 per cent of the amount due, 50 per cent of the penalty be remitted.

(iv) To every member eligible for concession (a) (i), (a) (ii) or (a) (iii), dividend on paidup share capital be paid in respect of as

many past years as possible for which the requisite accounts may be forthcoming for determining the amount so payable.

B. To President, Secretary to other panchayatdar or member who does or do the collection work.

Honorarium be made payable suitable to the trouble involved as represented by the percentage of collections made, in accordance with liberal scales previously determined.

II. That the concessions (a) (i) to (a) (iv) be extended to members of Urban Banks also;

III. That the Registrar be moved to be so good as to obtain the sanction of Government for grant of concession I (a) (iv) and also accord his approval to the other proposals herein contained.

Salem District Urban Bank Ltd.

11. The Registrar of Co-operative Societies, Madras be requested to amplify the existing form of monthly progress statement of realisation of dues in liquidated societies to furnish more particulars regarding the number of loans outstanding in the society with amounts, the number of awards passed and executed with amounts the reasons or otherwise for not taking action in the remaining cases, as the existing form gives no information about the solvency or otherwise of liquidated societies.

12. The Registrar of Co-operative Societies, Madras be requested to instruct the Official Liquidators to enforce unlimited liability at any time, when it is found that the properties of members other than those mortgaged are found to be alienated.

13. G. O. No. 154 Development dated 2-2-'32 regarding payment of audit fees.

14. *Vellore Central Bank*.—Resolved that the chief paid executive officers (Secretary or Manager) of the Central Banks be provincialised and that they be placed under the control of a Committee of the Central Banks' Conference.

Central Banks' Conference.

XIth SESSION.

RESOLUTIONS PASSED.

1. (1) Resolved that in all central banks where a District Federation does not exist.

(a) an administrative section shall be formed with an administrative officer and necessary clerical staff;

(b) Supervision fund shall be pooled in the central bank and the supervisors should be put on a district cadre under the bank. The co-operation of the unions should be secured in the working of the scheme.

(2) In districts, where a District Federation exists, the Federation and the Central Bank must co-operate in running the administrative work. The supervision fund must be pooled in the District Federation and supervision must be centralised and administered or controlled by an administrative committee composed of the representatives of the central bank and the federation.

II. (1) This Conference is of opinion that the audit of all unlimited liability agricultural credit societies should be done free of charge by the Government.

(2) This Conference is of opinion that limited liability credit societies with a working capital of less than Rs. 20,000 should also be similarly audited free of charge.

(3) This Conference is of opinion that all Central Banks and limited liability credit societies with a working capital of Rs. 20,000 and upwards should be brought under a scheme of audit conducted on the following lines, through the agency of the M.P.C.B.

(a) Grouping of Districts.

		Number of Central Banks in each group.	Remarks.
1. Ganjam and Vizagapatam	...	3	Number of Limited Liability Credit Societies is about 125.
2. East Godavari	...	4	
3. West Godavari and Krishna	...	3	
4. Guntur and Nellore	...	2	

	Number of Central Bank in each group	Remarks.
5. Anantapur, Kurnool and Bellary.	3	District-war distribution is not now avail- able.
6. Cuddapah, Chittoor and Vellore.	3	
7. Salem and Coimbatore ...	2	
8. South Canara and Malabar ...	2	
9. Chingleput and South Arcot ...	2	
10. Tanjore and Trichinopoly ...	3	
11. Madura and Tinnevely ...	3	
12. Madras, Christian and Provincial Bank	3	

(b) Pay of auditors.

Rs. 80—7—150 plus Rs. 50, fixed travelling allowance per mensem.

Selection grade 10 per cent on Rs. 150—200.

(c) Scale of contribution.

Central Banks with a working capital of Rs. 5 to 10 lacs Rs. 500 annually.	
Do. " 10 to 20 " " 700 "	
Do. " 20 to 30 " " 900 "	
Do. " over to 30 " " 1,000 "	

For limited liability credit societies Rs. 100 to Rs. 200, according to the size of the working capital up to Rs. 1,00,000; over 1 lac Rs. 75 per lakh in addition.

(d) Head Office expenses Rs. 250/- per mensem or Rs. 3,000 annually. These contributions are put down tentatively. They may have to be revised if the revenue is insufficient to meet the expenditure.

III. Resolved to request the Provincial Bank to abrogate the rule regarding the charging of interest on undrawn portion of cash credits granted to Central Banks.

IV. Resolved to request Government to exempt Co-operative Societies from the payment of Income Tax on Interest on Government Securities held by Societies.

Results of The Co-operative Training Institutes Examination.

CONDUCTED BY
THE MADRAS PROVINCIAL CO-OPERATIVE UNION
in April 1932.

A.—ANANTAPUR. | C.—COIMBATORE. | T.—TANJORE.
B.—BEZWADA. | R.—RAJAHMUNDY. | V.—VELLORE.

FIRST YEAR STUDENTS

First Class

(50 per cent and above)
(Arranged according to rank).

S. No.	Reg. No.	Name of the Candidate.	Centre.	S. No.	Reg. No.	Name of the Candidate.	Centre.
1	175	Subramaniyam, T.G. ...	T	20	30	Krishnamurti, M. ...	B
2	70	Deva Rau, M.S. ...	C	21	132	Sree Ramulu, T. ...	R
3	95	Subbaraman, S.A. ...	C	22	159	Nagaratnam, S. ...	T
4	99	Thangavelu, M. ...	C	23	181	Venkatachalam, K.V. ...	T
5	72	Gangadharam, G. ...	C	24	44	Sankarayya, B. ...	B
6	185	Bhadrachalam ...	V	25	97	Suryanarayanan, N. ...	C
7	14	Subramanyam, A. ...	A	26	177	Venkataramau, T.K. ...	T
8	157	John Sahayam, A. ...	T	27	194	Padmanabhan, V. ...	V
9	172	Subramaniyam, V. ...	T	28	108	Audinarayana, J. ...	R
10	189	Ganesan, S. ...	V	29	71	Ganapathy Ramaswamy	
11	142	Veerabhadra Rao, P. ...	R		S. P. ...	C	
12	201	Subramanyam, M. ...	V	30	83	Narayanaswamy, G. ...	C
13	2	Chennakesava Sastry,		31	130	Sreeramachandra	
		B.K. ...	A		Murthy, M. ...	R	
14	19	Venkatasubba Rao, K. ...	A	32	90	Sivasubramaniam, C.R. ...	C
				33	93	Subramaniam, K.S. ...	C
15	102	Venkataramana, M. ...	C	34	117	Lakshminarasimham,	
16	152	Akhilandam, A.S. ...	T		G. ...	R	
17	96	Sundaram, K. ...	C	35	188	Chenchuramayya, T. ...	V
18	158	Manogyanadham, K. ...	T	36	199	Rangaswamy, V. ...	V
19	198	Rangachari, S. ...	V	37	113	Kalidas, V. ...	R

N.B.—Names bracketted have passed in the same rank.

Second class.

(33 per cent and above up to 50 per cent.)
(Arranged Alphabetically.)

S. No.	Reg. No.	Name of the candidate.	Centre.	S. No.	Reg. No.	Name of the candidate.	Centre.
1	66	Abdul Kareem, V. P.	... C	46	81	Namasivayam, P. N.	... C
2	183	Anandiah, P.	... V	47	80	Nambiar, E. K. K.	... C
3	153	Angamuthu, T.	... T	48	36	Narasimham, A. V.	... B
4	22	Anjaneyulu, V. S.	... B	49	193	Narasimhan, M. A.	... V
5	23	Anjappa, C.	... B	50	9	Narasimhamurthi, N.	... A
6	107	Appanna Sastry, Y.	... R	51	82	Narayanan, K.	... C
7	106	Appa Rao, G.	... R	52	84	Palaniappan, K.	... C
8	184	Audinarayaniah, T.	... V	53	195	Parthasarathy, V. T.	... V
9	24	Audinarayanamurthi, S.	... B	54	37	Pundarikakshudu, T.	... B
10	1	Avadhani, N. A.	... A	55	85	Radhakrishnan, P.	... C
11	186	Balakrishnan Nair, M.	... V	56	120	Rajagopala Rao, A.	... R
12	67	Balarama Rao, C. V.	... C	57	86	Ramachandran, K. R.	... C
13	187	Balasubramanyam, B. N.	... V	58	39	Ramachandra Rao, P.	... B
14	68	Bharathan, K. K.	... C	59	162	Ramachandra Rao, P.	... T
15	109	Bheemanna, M.	... R	60	40	Ramakrishna Prasad, B.	... B
16	69	Boniface, M.	... C	61	163	Ramalingam, N.	... T
17	25	Chalapathy Rao, M. V.	... B	62	87	Ramalingam, T.	... C
18	110	Chandarasekhara Rao, M.	... R	63	121	Rama Narasimhamurthi, V.	... R
19	26	Gopalakrishna, K.	... B	64	122	Ramanujachari, T.K.V.	... R
20	27	Gopalakrishnayya, Bh.	... B	65	88	Ramanujam, G.	... C
21	74	Gopalakrishnan, S. R.	... C	66	41	Ramanujayya, M.	... B
22	112	Gopala Rao, A. J. R.	... R	67	42	Rama Rao, Ch. V.	... B
23	75	Govindan Nair, T.	... C	68	123	Rama Rao, Ch. V.H.S.	... R
24	155	Govindaswamy, S.	... T	69	161	Ramaseshan, R.	... T
25	3	Guru Raja Rao, M.	... A	70	43	Ramayya, D.	... B
26	28	Kamakshiah, B.	... B	71	197	Ramayya, N. A.	... V
27	114	Kameswara Rao, K.	... R	72	124	Ranga Rao, M.	... R
28	4	Kannappan, M.	... A	73	165	Ratuasabapathy, A.S.	... T
29	29	Koteswara Rao, K.	... B	74	125	Sambasiva Rao, A.	... R
30	115	Krishnamurthi, B.	... R	75	89	Saukaran Nambiar, M.	... C
31	76	Krishnamurthi, C. S.	... C	76	126	Satyanarayana, D.	... R
32	31	Krishnamurthi, P.	... B	77	127	Satyanarayana, J.	... R
33	5	Krishnamurthi, S.	... A	78	128	Satyanarayana, K.	... R
34	32	Krishnamurthi, S.	... B	79	129	Satyanarayanamurthi, P.	... R
35	116	Krishnamurthi, V.	... R	80	166	Sengamalam, S.	... T
36	33	Krishna Rao, V.	... B	81	11	Seshachar, B. V.	... A
37	6	Krishna Rao, A. R.	... A	82	12	Seshagiri Rao, P. K.	... A
38	7	Kulakarni, G. V.	... A	83	46	Seshayya, I. V.	... B
39	77	Madhavan, A. V.	... C	84	167	Sethuraman, P. S.	... T
40	190	Margabandhu Sarma, M. S.	... V	85	168	Shunmugavelu, R. A.	... T
41	191	Mariappan, C. T.	... V	86	200	Sivasuryanarayanan, S.	... V
42	78	Muthukumaraswamy, R.	... C	87	169	Sreedhara Rao, S.	... T
43	79	Muthappan, K.	... C	88	91	Sreenivasan, A. V.	... C
44	8	Muthurayudu, B.	... A	89	170	Sreenivasan, P. T.	... T
45	118	Nagabhushana Rao, K.	... R	90	174	Sreenivasa Rao, T. R.	... T

S. No.	Reg. No.	Name of the candidate.	Centre.	S. No.	Reg. No.	Name of the candidate.	Centre.
91	47	Sreeramamurthi, A.	... B	111	55	Varadadesikan, T. R.	... B
92	48	Sreeramamurthi, K.	... B	112	56	Veeraraghaviah, B.	... B
93	131	Sreeramulu, Ch.	... R	113	180	Veerayya, N. N.	... T
94	171	Sreeramulu, N.	... T	114	101	Venkatachalam, H.	... C
95	13	Subbanna, P.	... A	115	137	Venkatakrishnayya, S.	... R
96	51	Subba Rao, A.	... B	116	178	Venkataraman, N.S.	... T
97	15	Subba Rao, D.	... A	117	58	Venkataraman, P.	... B
98	52	Subba Rao, K.	... B	118	17	Venkataramanayya, A.	... A
99	53	Subba Rao, P. V.	... B	119	140	Venkataramanayya, T.	... R
100	202	Subbarayan T. S.	... V	120	141	Venkataratnam, A.	... R
101	54	Subbarayudu, T.	... B	121	57	Venkataratnam, D.	... B
102	134	Subhamani, V.	... R	122	138	Venkata Rao, D.	... R
103	94	Subramania Chetty, P.	... C	123	139	Venkata Rao, G.	... R
104	49	Subramaniam, A.	... B	124	18	Venkatasubbaiya, P.	... A
105	50	Subramaniam, O.	... B	125	105	Venkatasubramaniam, K.	... C
106	173	Subramaniam, R.	... T	126	104	Venkataswamy, M.	... C
107	135	Suryanaryanamurthi, D.	... R	127	20	Venkateswar, C.	... A
108	136	Suryanaryanamurthi, K.	... R	128	182	Vijayaraghavachari, T.R.	... T
109	98	Syama Rao, B.	... C	129	205	Vinayakamurthi, V.	... V
110	176	Tukharam, R.	... T				

SUPPLEMENTAL CANDIDATES.

II Class.

1	59	Chenchuramayya, O.	... B	7	62	Sankaran, V.	... B
2	60	Gopalan, S. V.	... B	8	149	Seetharama Murthy, V.	... R
3	61	Narasimha Karumuru, B. V.L.	... B	9	209	Sreerama Sastri,	... B
4	146	Ramachandran, K.	... R	10	64	Subramanyam, M.	... B
5	148	Ramaniai, G.V.	... R	11	150	Tyagaraju, K.	... R
6	147	Ramanaiya, K.V.	... R	12	65	Venugopala Rau, V.	... B

CANDIDATES WHOSE RESULTS WILL BE
ANNOUNCED LATER.

1st Year Students.

Reg. No.	Name of the candidate.	Centre.	Reg. No.	Name of the candidate.	Centre.
111	Gopalakrishna Rau, T.	... R	179	Venkataraman, V. S.	... T

SUPPLEMENTAL CANDIDATES.

21	Hosalli Linga Basaya...	... A	145	Ramabehara	... R
143	Agnihotra Sarma, S.	... R			

FAILED CANDIDATES.

1. —Co-operation—Historical and General.
2. —Co-operation—Law and Principles.
3. —Book-keeping.
4. —Banking.
5. —Audit.

First Year.

S. N.	Reg. No.	Name of the Candidate.	Centre.	Subjects in which failed.
1	10	Purushotham, V. K. ...	A	2, 3, 4, 5
2	16	Venkatanarayana Reddy, C. ...	A	2, 3, 5
3	34	Manikya Rao, Ch. ...	B	1, 2, 5 *
4	35	Nageswara Rao, K. ...	B	1, 2, 5
5	38	Purushothamachary, D. ...	B	1, 2, 5
6	45	Satyanaarayana, D. ...	B	3, * 4, 5
7	73	Gopalan, T. ...	C	1, 2, 3, 5
8	92	Subramaniam, G. ...	C	1*, 2*
9	103	Venkataswamy, T. K. ...	C	1, 2, 5
10	119	Narasimham, T. ...	R	1, 2, 5
11	133	Subba Rao, S. ...	R	1, 2, 4, 5
12	208	Ramamurthi, M. ...	R	1, 2, 4, 5
13	154	Dharmalingam, S. ...	T	1, 2, 4
14	160	Nagathevan, K. P. ...	T	1, 2, 3, 5
15	164	Ramayya, G. ...	T	2, 3, 5
16	196	Ponnuswamy, V. ...	V	1, 2, 3, 4, 5
17	203	Venkatareddy, P. ...	V	2, 5

SUPPLEMENTAL CANDIDATES.

18	53	Sreeharsha, A. ...	B	1, 2, 3* 5
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*The asterick mark against the numbers, wherever found, denotes that the candidate did not sit for the subject.

CANDIDATES WHO DID NOT APPEAR FOR ANY SUBJECTS.

First year students.

S. No.	Reg. No.	Name of the candidate.	Centre.	S. No.	Reg. No.	Name of the candidate.	Centre.
1	100	Varadarajan, K.S. ...	C	4	204	Venugopal, A.R. ...	V
2	156	Jambunatham, R. ...	T	5	206	Vasudevan Nair, M.K. ...	C
3	192	Murugesan, A. ...	V	6	207	Subbaiya Nadar, M. ...	C

SUPPLEMENTAL CANDIDATES.

7	144	Lakshmana Pangrahi ...	R	8	151	Venkata Rau, P. ...	R
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SUPPLEMENT TO THIS ISSUE.

BYE-LAWS

OF THE

Madras Provincial Co-operative Union, No. 1130.

(as registered by the Department on 10-4-1932.)

NAME AND REGISTERED OFFICE.

I. The name of the society shall be 'The Madras Provincial Co-operative Union.' It shall be registered as a Co-operative Society under Act II of 1912. Its registered office shall be in Madras. Its operation may extend to any part of the Province of Madras.

INTERPRETATION.

II. In these bye-laws, unless there is anything repugnant to the subject or context—

(a) 'Act' means the Co-operative Societies' Act II of 1912 or any other enactment which, for the time being, regulates the law relating to Co-operative Societies in the Province of Madras;

(b) 'Rules' means the rules for the time being in force under the Act;

(c) 'The Union' means the Madras Provincial Co-operative Union;

(d) 'Provincial Society' means a society having operations under its bye-laws which may extend to the whole or any part of the Province of Madras;

(e) 'Central Bank' includes a 'Banking Union';

(f) 'District Federation' includes a 'District Council of Supervision' and a 'District Institute';

(g) 'Local Union' includes an 'Audit Union' and every other Federated Union of any type of Co-operative Organisations;

(h) 'Member' means a registered society which, or a person who, for the time being, is a member of the Union under these bye-laws; and

(i) 'Delegate' means a representative who is duly elected to the Union under these bye-laws.

OBJECTS.

III. The objects of the Union are to promote the Co-operative Movement in the Province of Madras, to propagate the principles of Co-operation and to serve as the recognised exponent of non-official co-operative

opinion in the Province. In furtherance of these objects, the Union shall be at liberty to do all or any of the following acts:—

- (1) to organise and develop diverse types of societies;
- (2) to assist the work of Language and District Federations and Local Unions, in particular, and of other registered societies affiliated to it, in general;
- (3) to publish Co-operative Journals;
- (4) to publish, stock, distribute and sell leaflets, pamphlets and books dealing with Co-operation and allied subjects;
- (5) to organise public lectures, conferences and exhibitions;
- (6) to organise Co-operative Education, through training classes and other appropriate means, for supervisory and administrative staff of non-official agencies;
- (7) to act as an information bureau for the affiliated societies and the public and to maintain a Co-operative Library in the City of Madras;
- (8) to organise and promote Rural Welfare Schemes;
- (9) to raise funds according to these bye-laws and to administer the funds so raised; and
- (10) generally to do all such other acts as are incidental or conducive to the attainment of any or all of the objects aforesaid.

MEMBERSHIP.

IV. Membership of the Union shall be open to—

(a) Societies registered under Act X of 1904 or Act II of 1912 or any other Act, for the time being in force, and falling under any one of the following classes:—

- (i) Provincial Societies,
- (ii) Language Federations,
- (iii) District Federations,
- (iv) Local Unions,
- (v) Central Banks,
- (vi) Urban Banks whose working capital on the 30th June preceding the date of application for affiliation is not less than Rs. 20,000,
- (vii) Non-credit Primary Societies, on limited liability basis, not falling under any of the classes above,
- (viii) Co-operative Training Institutes and
- (ix) Primary Land Mortgage Banks.

(b) Persons of knowledge and distinction in the field of Co-operation who may be invited by the General Body or the Board of Management to be honorary members of the Union. Their number shall not at any time exceed 20 and the term of their membership shall be 2

years; but they may be re-invited, from time to time, in the manner stated above to serve as honorary members for a fresh term. They shall not vote at General Body Meetings. They are eligible to all offices in the Union and may vote in the Board of Management and the Executive Committee.

(c) Membership in the Union shall cease:—

- (i) by the cancellation of any member society;
- (ii) by the member society resolving to disaffiliate itself, provided that such resolution is duly communicated to the Union and is accepted by the Executive Committee.
- (iii) by failure to pay the annual contribution for a period of two years consecutively, unless the Executive Committee otherwise directs.

FUNDS.

V. The funds of the Union shall be derived as under:—

- (i) Subscriptions and contributions as per by-law VI,
- (ii) Sale of co-operative literature and publications,
- (iii) Voluntary contributions,
- (iv) Subsidies, if any, from the Government, and
- (v) Loans.

VI. (1) Member societies shall pay annual subscriptions as provided below:—

- (a) Every Provincial Society shall pay Rs. 100.
- (b) Every Language Federation shall pay Rs. 25.
- (c) Every District Federation shall pay Rs. 15.
- (d) Every Local Union shall pay Rs. 5.

(e) Every Central Bank, Urban Bank or other Primary Non-credit Society shall pay Rs. 5 on every lakh of its working capital as it stood on the 30th June of the previous year, or a fraction thereof, subject to a maximum of Rs. 25.

- (f) Every Training Institute shall pay Rs. 15 and
- (g) Every Primary Land Mortgage Bank shall pay Rs. 10.

The annual subscriptions from member societies shall fall due at the commencement of each co-operative year and be payable not later than the 31st October of the year. They shall be recoverable as debts due to the Union.

(2) Honorary members are not liable to pay any subscription.

VII. The funds of the Union shall be devoted to the promotion of any or all of the objects mentioned in bye-law III.

VIII. To carry on its work, the Union may raise loans, provided that the total amount of liability at any time shall not exceed half the

amount annually falling due on account of subscriptions from member societies and contributions from non-member societies.

SUPPLY OF PUBLICATIONS.

IX. Journals, Pamphlets, Leaflets and other Publications of the Union will be supplied to member societies, in accordance with such terms as the Executive Committee or the Board of Management may from time to time prescribe in that behalf.

CONSTITUTION.

X. There shall be

- (1) a General Body,
- (2) a Board of Management and
- (3) an Executive Committee.

GENERAL BODY.

XI. The General Body of the Union shall consist of delegates of member societies and Honorary Members.

XII. Every member society shall appoint, by a resolution of its general body, or board of management, or executive committee, one of its members as its delegate to the Union for a period of two years. It shall be competent for a member society, if it so desires, to change its delegate within the said period, and the new delegate shall hold office for the unexpired period of the two years, for which the original delegate was appointed.

Notwithstanding the expiry of the two years aforesaid, the delegate of a member society shall be deemed to hold office, until his successor is appointed; but, if such successor is not appointed within three months of the expiry of the two years aforesaid, the delegate shall cease to represent the society on the Union.

XIII. Every Delegate shall have one and only one vote.

XIV. General Meetings of the Union shall be held at such places and on such dates as the Board of Management or the Executive Committee may from time to time decide. At least one such shall be held in the course of each co-operative year. It shall be also the duty of the Executive Committee to convene a General Meeting on the requisition of not less than 20 members.

XV. (a) The quorum for a General Body Meeting shall be 35.

(b) If at the hour fixed for a General Meeting a quorum is not present, the Chairman shall have the power to adjourn it for an interval not exceeding 30 minutes and if no quorum is formed within that time the meeting shall stand dissolved. If the meeting was called at the requisition of members, it shall not be called again without a fresh requisition; in any other case, the Executive Committee may convene it at such time and place as it may think fit.

XVI. The President, or in his absence, one of the Vice-Presidents shall preside at the meetings of the Union, its Board of Management and its Executive Committee. In the absence of the President and both the Vice-Presidents, any other member may be elected by the meeting as Chairman thereof.

XVII. All questions shall be decided by a majority of votes; and in the case of equality of votes, the Chairman shall have a casting vote.

XVIII. The supreme authority shall be vested in the General Body of the Union. Besides exercising general supervision and control, the General Body shall have power to

(i) elect once in two years from among the members of the Union:—

- (a) the President;
- (b) two Vice-Presidents;
- (c) three Secretaries; and
- (d) the members of the Board of Management, as provided hereinafter.

(ii) define, alter, amend or modify or repeal any of the bye-laws or subsidiary bye-laws of the Union;

(iii) consider and adopt the annual report and accounts presented by the Board of Management, with such remarks or modifications as may be resolved upon;

(iv) remove members, hear and decide upon appeals or complaints against the Board of Management, or the Executive Committee, or individual members thereof;

(v) define or alter the policy or programme of the Union; and

(vi) transact all other business incidental to the General Meeting.

BOARD OF MANAGEMENT.

XIX. (a) The Board of Management shall have, subject to the supervision of the General Body, general control of the affairs of the Union."

(b) The Board shall meet twice in a year and the quorum for a meeting of the Board shall be 12."

(c) The Board shall settle the budget of the Union for each co-operative year."

"XX. (1) The Board of Management shall consist of:—

- (a) The President;
- (b) The two Vice-Presidents;
- (c) The three Secretaries;
- (d) The Treasurer;
- (e) The Editor of the Madras Journal of Co-operation;

(f) The persons appointed by the Provincial Societies and Language Federations as their delegates to the General Body of the Union;

(g) representatives elected by the other member societies as hereinafter provided:—

(i) Central Banks:— 8 representatives, 3 from Tamil Districts, 3 from Telugu Districts, 1 from Malabar and 1 from S. Canara.

(ii) Local Unions and District Federations (where they exist) **in each district.** } one delegate each.

(iii) Urban Banks:— 3 representatives.

(iv) Limited Primary non-credit societies not falling under any of the other classes. } 3 representatives.

(v) Primary Land Mortgage Banks. } 2 representatives, 1 from Tamil Districts and 1 from Telugu Districts.

(vi) Training Institutes. 2 representatives, 1 from Tamil Districts and 1 from Telugu Districts.

(h) Three Honorary members, who shall be co-opted by the other members of the Board, referred to in the foregoing clauses (a) to (g), at the first meeting of the Board.

XX. (2) The election of the representatives of the constituencies mentioned in clause (g), shall be made as follows:—

(a) The representatives of the first constituency, namely, Central Banks, shall be elected at the meeting of the General Body of the Union, by the delegates of the said constituency attending such meeting.

(b) The district representatives of the second constituency, namely, Local Unions and District Federations, shall be elected in the District in accordance with the rules to be framed by the Executive Committee of the Madras Provincial Co-operative Union in this behalf, from time to time.

(c) The representatives of the other four constituencies, namely, Urban Banks, Limited liability Primary Non-credit Societies not falling under any of the other classes, Primary Land Mortgage Banks and Training Institutes, shall be elected by postal voting in accordance with the rules to be framed in this behalf by the Executive Committee.

(3) The Board of Management shall hold office for a period of two years or until their successors are elected.

(4) Interim vacancies on the Board of Management may be filled up by co-option by the remaining members of the Board from among the members of the General Body, having regard to the constituencies, in which such vacancies occur.

EXECUTIVE COMMITTEE.

XXI. (1) Subject to general control by the Board of Management, the administration of the affairs of the Union shall vest in an Executive Committee.

(2) The Executive Committee shall consist of 12 members, namely:—

(a) The President,

(b) The two Vice-Presidents,

(c) The three Secretaries,

(d) The Treasurer,

(e) The Editor of the Madras Journal } when appointed by the Executive committee.
of Co-operation.

(f) One member elected by the Executive Committee of the Madras Provincial Co-operative Bank, Ltd.

and (g) Three members elected by the Board of Management of the Union at its first meeting.

(3) The Executive Committee shall hold office for a period of two years or until their successors are elected.

(4) Interim vacancies on the Executive Committee may be filled up by co-option by the remaining members of the Committee from among the members of the Board of Management.

(5) The quorum for a meeting of the Executive Committee shall be 5.

(6) The Executive Committee may meet as often as the business of the Union requires, but shall ordinarily meet once in a quarter. It may transact its business by circulation of papers in regard to matters which it may specify or which in the opinion of the President require urgent disposal.

XXII. The Executive Committee may decide the manner in which the funds of the Union shall be invested.

XXIII. (1) The Executive Committee shall appoint a Treasurer for the Union and an Editor for the Madras Journal of Co-operation, for such periods, not exceeding two years at a time, as it may think fit. Persons, whose term of appointment expires, may be re-appointed from time to time.

(2) The Executive Committee may constitute such sub-committees as it may deem necessary for carrying on the work of the Union, define

their functions and delegate any of its powers to them, reserving to itself the right of withdrawing or modifying those powers as it thinks fit.

(3) The Executive Committee shall have power to appoint and remove of all *officers* of the Union other than those to be elected by the General Body under these bye-laws, and shall also have power to appoint, remove, suspend or fine its *employees*, and to fix the terms of their appointment, their duties, salaries and allowances, and to prescribe leave and provident fund rules.

(4) The Executive Committee shall have power to settle the accounts with the member-societies and subscribers to the journals published by the Union, and to collect or remit, partially or wholly, the sums due by them to the Union.

XXIV. Within fifteen days after the close of the co-operative year, that is, after the 30th June of every year, the Executive Committee shall prepare (a) a statement showing the Receipts and Disbursements of the Union during the previous year, and (b) a statement showing the Assets and Liabilities as they stood on the last day of the previous year. These two statements shall be submitted to the Registrar without delay. After the Registrar has verified the statements and granted his Audit Certificate, the Union shall publish them in the manner approved by him.

RURAL RECONSTRUCTION COMMITTEE.

XXV. A Central Committee for the regulation of the working of the Rural Reconstruction Centres and of the Local Committees thereof, and to administer the Rural Reconstruction Funds, shall be constituted with the President of the Provincial Co-operative Union as an *ex-officio* member and Chairman thereof. One member may be appointed by the Executive Committee of the Provincial Co-operative Bank, Ltd. Each of the local committees in charge of the centres shall appoint one member. The Executive Committee of the Union shall appoint also a Secretary to the Committee, who shall be a member thereof by virtue of his office.

EDUCATION COMMITTEE.

XXVI. (1) A Central Committee for the co-ordination of the working of the Training Institutes and to look after co-operative education in general shall be constituted, with the President of the Provincial Co-operative Union and the Registrar as *ex-officio* members thereof. Each of the Training Institutes shall appoint one representative to serve on the Committee. The Executive Committee of the Union shall appoint also a Secretary, who shall be a member thereof by virtue of his office. The Central Committee so constituted may co-opt two other members, as far as possible from the ranks of educationists, who are residents of the City of Madras.

(2) The Central Committee shall have power :—

- (i) to administer the funds allotted for Co-operative Training and education ;
- (ii) to appoint teachers and lecturers on the recommendation of the Institutes ;
- (iii) to prescribe the courses and syllabuses of study, in consultation with the institutes ;
- (iv) to appoint a Board to conduct examinations, to arrange for the valuation of papers and to issue certificates to successful candidates ; and
- (v) to discharge such other functions as may be necessary to promote co-operative education.

Subsidiary Bye-laws—Amendment—and Interpretation.

XXVII. The General Body of the Union shall have power to make subsidiary bye-laws for carrying out the objects of the Union and for administering its bye-laws ; provided that nothing in the Subsidiary Bye-laws so framed shall be repugnant to any of the provisions of the Act, the rules or these Bye-laws. The subsidiary bye-laws shall not require the approval of the Registrar for their operation.

XXVIII. No alteration in, addition to, or amendment of these bye-laws shall be valid unless it is registered by the Registrar under the Act.

XXIX. Should any doubt arise either in the construction of the Act, or of the Rules, or of these Bye-laws or Subsidiary Bye-laws, or in regard to any other matter, the Union may obtain the advice of the Registrar and shall abide by it.

XXX. Notice of amendments to bye-laws and subsidiary rules and of resolutions to be brought up before the General Body should be sent so as to reach the Union not less than seven clear days before the date fixed for the meeting of the General Body. Notice of amendments or resolutions sent by the representatives of member societies shall be accompanied by a resolution of the Executive Committee of the society concerned approving of such amendments or resolutions.

APPENDIX.

Rules Relating to the Elections to the Board of Management.*(i) Election by the representatives of Local Unions and District Federations.*

The election of district representatives of the affiliated Local Unions and District Federations to the Board of Management of the Union under bye-law No. XX shall be conducted in accordance with the following procedure:—

- (1) In districts where Federations exist, the returning officer shall be the Secretary of the Federation. In a district where no Federation exists, but there is only one Central Bank, the Secretary of the Bank shall be the returning officer. In a district where there is no Federation, but where there are more central banks than one, the President of the Union shall request the Secretary of one of the Central Banks to act as the returning officer.
- (2) The returning officer shall be supplied with voting papers containing the names of the delegates of the General Body of the Union from the affiliated local unions in the district and from the affiliated district federation, if any.
- (3) The returning officer shall then address by post each of those delegates requesting them to elect from among themselves one representative to the Board of Management of the Union to represent members of Local Unions and the District Federation.
- (4) The returning officer will fix a date for the return of the voting papers to him in such manner as may be convenient according to local conditions.
- (5) On the expiry of the date fixed for the return of the voting papers, he shall count the votes and communicate the result of the election to the returning officer of the Union and send by registered post along with that communication all the voting papers received by him from the electors.
- (6) The returning officer of the Union shall communicate forthwith the result of the election to the representatives who are elected.

(ii) Election by the representatives of constituencies other than the central banks and local unions and district federations.

The election of representatives to the Board of Management of the Union by the affiliated Urban Bank, Limited Liability Non-credit Societies, Training Institutes and Land Mortgage Banks under bye-law No. XX shall be conducted in accordance with the following procedure:—

- (1) Within two weeks of the date of the meeting of the General Body, at which the office bearers are elected, voting papers on which is printed a list of the delegates of the constituencies mentioned above on the General Body of the Union shall be sent by post to each of the delegates of the concerned constituency. A certificate of posting shall be obtained to evidence the posting.
- (2) The voting papers shall be signed by the returning officer of the Union appointed by its Executive Committee and numbered consecutively, a different series being given for each of the constituencies; different colours will be adopted for the various constituencies.
- (3) The delegates to the General Body of the Union from each of the constituencies shall be asked to elect the number of representatives prescribed by bye-law No. XX from among themselves to the Board of Management.
- (4) The voting shall be by marking X in the space provided on the right hand side of the names in the printed list.
- (5) The voting papers shall be returned to the address of the returning officer within the time fixed for the same. The date fixed for the return of the voting papers shall be not less than 15 clear days from the date of posting of the papers to the electors.
- (6) After the expiry of the date fixed for the return of the voting papers, the returning officer shall count the votes and declare the results of the election. The results shall be communicated to the persons elected. The results shall also be published in the next issue of the Madras Journal of Co-operation; and when the elections to all the constituencies are completed, a consolidated list of representatives elected to the Board of Management shall be posted to each member of the General Body of the Union.

PUBLICATIONS OF THE P. C U.

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

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