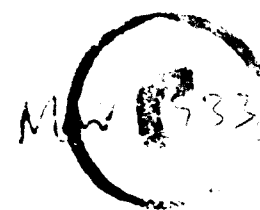


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Madras Journal of
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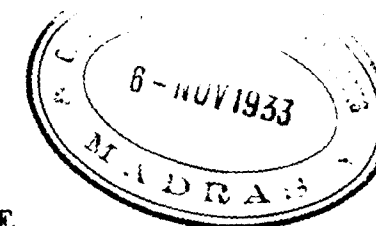
Vol 24.

No. 9.



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THE
Madras Journal of Co-operation

Vol. XXIV]

MARCH 1933.

[No. 9.

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Editorial Notes.

Registrar's Report for 1931-32.

Mr. Strathie, our popular Registrar, deserves to be congratulated on the interesting report on the working of the Co-operative Societies' Act II of 1912 for the year 1931-32, which he has submitted to the Government. The effect of retrenchment is to be found in the size of the Report as well. It is barely a third in bulk of what it used to be. The things left out are, however, only statements giving detailed information and the average reader unless he be a statistician does not miss much in the Report in the abbreviated form.

It is obviously impossible in a brief note like this to do justice to the various points mentioned in the Report, dealing as it does, with all the aspects of the movement in our Province. We would, therefore, content ourselves by concentrating our attention upon some aspects which we consider to be of importance.

Expansion of the Movement.

The total number of Societies registered during the year under consideration was only 126, and the total number of Societies whose registration was cancelled is 629; thus the net total is somewhat less than the total for the last year. The Registrar does not feel sorry for it.

He thinks, on the other hand, that this policy of caution is well justified. We would, however, like to reiterate what we said upon a previous occasion in reviewing the Report of the Registrar for the last year that practical stopping of all registration leads to stagnation that there should be a definite policy of expansion under proper safeguards and caution born out of our previous experience. There are vast tracts in the Presidency where the gospel of co-operation has not reached and thousands of honest possible members who, if brought within the movement, will be a source of strength; and if this policy of over caution be pursued, we are penalising good recruits for the mistakes of others. Taking All India statistics, we showed that the rate of expansion was the lowest in Madras.* We cannot say that the co-operative movement is in a worse form in our Province than elsewhere. Therefore while we approve of the policy of caution, we would also remind the Registrar that this should not be pushed to undesirable extremes. We would reiterate the wise words of the veteran co-operator Sir Lallubhai Samaldas who, in presiding over the Travancore Conference, gave similar advice to the authorities of that State. We are glad to note that Mr. A. Ranganadha Mudaliyar in his Presidential Address at Arni has also drawn pointed attention to this matter. There is no harm in mercilessly liquidating useless societies but we must also organise new societies at least to keep pace with the process of dis-registration. It is a wise rule followed by the Royal Family of Nilambur who own vast estates of Teak wood that before one tree is felled down two saplings are to be planted.

Shrinkage of Transactions.

The Registrar draws attention to the fact that in spite of money being available in plenty for Central Banks and the Provincial Bank there was general shrinkage of loan transactions both under the heads of loans from Central Banks to societies and from Societies to individuals. The Registrar's analysis of the situation is that owing to very low prices prevailing of agricultural produce the ryot is unwilling to borrow, that better scrutiny is being exercised by loaning institutions, that long term loaning out of short term deposits, which was a feature of the old state of affairs, is now becoming rarer and that adjustments without any actual repayment of loan

* See page 299 of this Journal.

which was another ugly feature of the olden days has been rigorously put down. The Government in reviewing this portion of the report are of opinion that the demand for loan by the ryot perhaps is not any the less as is indicated by the large number of applications for registering new societies. Perhaps, this demand is being met by ryots going to Sowcars and the large sale of accumulated gold at favourable prices has placed some money at the disposal of the ryot. The Government approve of the policy of vigorously putting down adjustments. We would, in this connection, advocate consistent with the position we have taken up in the matter of registration, a policy of cautious expansion of credit as well. Honest folk ought not to be penalised for the mistakes of others and honest members of defaulting societies ought to be singled out and helped. If the process of rectification and consolidation be vigorously pushed on and if undesirable materials in primary societies be replaced by reliable members, there is still vast scope for expansion of the movement and the present surplus of financing banks could easily be absorbed.

Demand, Collection and Balance.

The following statement will give an idea of a slight improvement under this head. Not to deteriorate further, in these bad times, is in itself a sign of progress and owing to the subvention scheme started three years ago by the Provincial Bank, most of the Central Banks have been carrying on the process of rectification and consolidation which indirectly help collection of overdues.

PARTICULARS.	AMOUNT DUE BY					
	Societies to central banks.		Members to Agricultural Societies.		Members to non-agricultural Societies.	
	Rs. in Lakhs.		Rs. in Lakhs.		Rs. in Lakhs.	
	1931-32.	1930-31.	1931-32.	1930-31.	1931-32.	1930-31.
Percentage of balance to demand under principal ...	45.37	42.54	62.95	59.31	23.13	22.71
Percentage of balance to demand under arrear interest	27.79	42.73	62.26	65.16	52.63	49.54
Percentage of balance to demand under current interest	8.03	8.29	51.96	49.92	20.00	19.37

New Act.

The new Act came into force on 1st July 1932, and therefore it does not come under the purview of the Report though the passing of the Act was done within the year. As we observed in our note upon the Act, (See August Number 1932) we hope the Act, in spite of extraordinary powers being granted to the Registrar, will be fruitful of good results in promoting the movement in the Province if worked in the proper spirit. It is too early to judge of it now. The rules under the new Act are not yet promulgated.

Audit.

The most burning topic of the year was the audit scheme prepared by the Provincial Bank and Bankers' Conference. Discussion of this topic took the place of the old controversy—Federation vs. Central Banks, and was carried on with the same intensity of feeling occasionally peppered by unnecessary acrimony. The Provincial Co-operative Union expressed itself in favour of Non-Official Audit, and the President of the Union put forth that view when he was given an opportunity to do so before the representatives of the Government. The Government also invited the views of the District Banks and a few prominent Co-operators. Later on the Urban Banks' Conference held at Tiruvannamalai threw its entire weight on the side of the Non-Official Audit and at the time of Report the whole matter was being considered by the Government: but since the publication of the Report and of the G.O. thereupon, the Government have (in G.O. No. 224, dated the 21st February 1933)* passed orders definitely expressing their view against the Non-Official Audit and have called upon the Registrar to strengthen the audit staff of his department if necessary. Co-operators have not yet had time to discuss the Government Order. But for the time being the matter may be taken as settled by Government.

Central Land Mortgage Bank.

The Report deals with this important institution in an exhaustive manner. It speaks of the good work done by the bank and the possibilities of more work in the future. The Registrar remarks that the Ten Year loans offered by the Land Mortgage Banks have not been very popular and in the District of Chingleput, which put up a strenuous fight in favour of long term loans for ten years by ordinary Rural Societies and which has four Land Mortgage Banks

* Vide p. 519 of this Journal.

there was only one application for Rs. 1,500 for a 10 year loan. The Registrar perhaps is not far wrong when he remarks that "the agriculturists of the district want money for the asking and are not prepared to undergo strict scrutiny insisted upon by the Central Mortgage Bank". We are glad to note that the Registrar in his Administration Report for 1931-32, definitely advocates the restoration of the 20 year loans. "It must be admitted, however, that the bank will not be able to fulfil the function for which it was created unless and until it succeeds in issuing loans for a much longer period than ten years. * * * * There is now every possibility that the 15 year debentures will be closed in the near future and the issue of 20 year loans restored." This has been done subsequent to the issue of the Registrar's Report, and it is gratifying to note that 20 year money is coming in in abundance. He also expresses his view that some difficulty is likely to be experienced in getting proper men as directors of so many Land Mortgage Banks who will have the necessary time and patience to do the somewhat tedious task of investigation of Loan applications, especially when the responsibility for sanctioning the loan rests upon other shoulders. This raises an important question on the relation of Primary Land Mortgage Bank to the Central and the future organisation of the whole system of Mortgage Banking about which two considered articles have already appeared in the February number of our Journal. The Registrar also puts in a strong plea on behalf of the debentures issued by the Central Land Mortgage Bank and is at some pains to make the investing public understand how careful is the scrutiny exercised by the Bank before a loan is granted. We trust, the public will take kindly to the debentures, and we are ourselves in a position to assure the public that even before these debentures are made trustee securities, they offer a most suitable and safe investment to Insurance Societies and other institutions with long-term funds. The Government has permitted Local Boards to invest their funds in these debentures. Strenuous efforts are being made to get them declared trustee securities. We commend in this connection the extremely well written and informing article upon this subject by the esteemed President of the Land Mortgage Bank.

Central Banks.

It is so difficult to generalise about these institutions—31 in number—which vary very widely in their efficiency. We are glad to be told by the

Registrar that his policy of making provision for bad debts out of their profits has been taken in good spirit by most of the Central Banks. We are also glad to note that the withdrawal of the overdraft by the Imperial Bank on Co-operative paper and providing it exclusively on Government paper did not affect so far the movement adversely. Its full effects can be seen only sometime hence. In the meantime, the Provincial Co-operative Bank has agreed to increase the limit of overdraft given to Central Banks on the cover of Co-operative paper of suitable nature.

Supervisory and Propaganda Institutions.

The reconstitution of the Provincial Co-operative Union whereby it was made more representative in character is mentioned by the Registrar and he also records with appreciation the good work it has been doing in the matter of education and propaganda, and in co-ordinating the activities of the various Training Institutes.

It is good that Banks and Federations have come to an understanding in the matter of agency through which rectification is to be carried on, and that where Federations are working satisfactorily and in collaboration with the Central Banks, Joint Committees thereof should be looked upon as that agency. The Registrar, however, thinks that Supervising Unions are fast losing their useful nature, though he pays a well-deserved tribute to the good work done by them in the past. The cause of deterioration, according to him, is the lack of proper human material like the old-fashioned Union President, "the man who knows the needs and character of every member in the area, and who was universally respected". The Registrar regrets that such men are not forthcoming now adequately and that most of the Union Officers themselves are defaulters and if this state of affairs were to continue the Registrar admits, he will have no hesitation in winding up Unions and handing over the supervising work to the financing banks.

About the Training Institutes we agree with the Registrar when he looks upon these institutions not in the light of general schools for diffusing co-operative knowledge among the masses which perhaps is a work to be entrusted to some District Propaganda Agency, but as technical institutions creating a special class of qualified workers.

South India Co-operative Insurance Society.

The Government in their review of the Registrar's Report point out that the Registration of the first Co-operative Insurance Society, namely, the "South India Co-operative Insurance Society" is a "note worthy" event of the year in the co-operative movement. The Registrar in tracing the history of the previous attempts to start an insurance society for the province remarks that the need for the Society was felt so long ago as 1921 and justifies the registration of this Society on the ground of real need for it. To quote his own words. "With the restriction (on registration of new societies) now in force, there is greater chance that whatever new Societies are formed will be in response to a real demand. This was certainly true of the most important new organisation of the year—The South India Co-operative Insurance Society." The Registrar proceeds to point out. "The aim of the Society is to carry the benefits of insurance to the homes of the middle and poor classes, especially in rural areas, and it hopes to attain this object by enlisting the support of the vast co-operative organisation and thus reducing the cost of management. The minimum share capital has been fixed at Re. 1 and the minimum value of a policy at Rs. 100. Local Boards are to be set up at the offices of Central Banks, Urban Banks and large Rural Societies. Though the Society was started 29th January, 1932, it actually commenced work during the first week of March, 1932. An excellent start has been made and considerable business secured." *He in conclusion observes "the Society appears to have a bright future before it. It has been

* Our readers would be glad to note the satisfactory state of affairs of the Society as on 1-3-1933.

I. Members—			
(a) Co-operative Institutions	...	39	
(b) Individuals	...	399	
II. Number of Local Boards—			
	...	27	
		No.	Amount.
			Rs.
III. (a) Proposals received	...	616	6,38,500
(b) Proposals Accepted	...	590	6,03,000
(c) Proposals Rejected	...	19	21,500
IV. Policies issued	...	443	4,71,200

fortunate in securing the services of Prof. K. B. Madhava, M.A., F.R.A.S., A.I.A., of Mysore University, as its Actuary and Dr. T. Sadagopa Mudaliyar, M.D., as Medical Referee."

Co-operators and Local Bodies.

There is only one matter on which we differ from the Registrar. He is perhaps right in his opinion that there is a great deal of intermingling of local politics with the co-operative movement which affects the movement prejudicially. He is frank enough to confess that it is only the willing horse that would get the burden and that men of public spirit will wish to have a share in all the activities for the public good and that any change would mean that the movement would lose the services of some very influential men; yet in his opinion taking the balance of advantages the movement stands to gain if such workers who would dabble in local politics be excluded from the movement. We do not know whether the Registrar would be able to get hundred per cent. Co-operators who are nothing else. A healthy contact with all the other aspects of life is certainly no draw back. All that we have to aim to is to see that any unhealthy elements on local politics, if there be, are not introduced into the movement. We have at present, in our land, hundreds and thousands of young men who have sacrificed a good deal for what they honestly believe to be the real interests of the country and these offer splendid material for the Co-operative Movement to work upon and it should be the aim of the elders of the movement to bring into it such materials whatever their views be on other matters. Co-operative Movement has grown strong enough and it can easily withstand the disturbing influence of others provided the leaders are watchful.

The Future of the Movement.

Summing up, we would agree with the Registrar in his view that in spite of very bad economic conditions prevailing throughout the year, the movement has stood the test well and the Officials and Non-Officials who had shouldered the burden during this very bad time may feel sure that the discipline that they have gone through will stand them in very good stead when better times return. They should not on any account slacken the rigorous standard of work maintained during the year. Let us honestly confess the errors we have committed but let us not be depressed by that. As the poet has said in the Ladder of St. Augustine,

we can put our own errors and sins to good use provided we trample upon them and attempt to reach greater heights. We hope with the Government that there is a bright future before the Co-operative Movement in the Province especially if the policy of hearty co-operation with other Nation-building Departments, such as, Agriculture, Industries, etc., be definitely kept in view and the full and vigorous flow of co-operative activity be directed into new and healthy channels.

Agricultural Colonization.

We published in our Journal for the month of February 1933 an account of a co-operative Agricultural Colony in Bengal. The writer of the article is so taken up with the success of the scheme that he concludes his note by challenging the doubters to go and find out the truth for themselves.

Quite recently a new scheme for agricultural Colonization has been floated by Rao Sahib Kanakasabhai Pillai, Retired Engineer of the Madras Government, of which an account is found elsewhere in this issue.

Mr. Kanakasabhai Pillai is a social worker of established reputation and his Travelling Rural Library is a monument to his zeal for social service and successful business organisation.

There is one fundamental difference between the Bengal scheme which has attained some success and the Madras scheme which is about to be experimented upon. In Bengal Sir Daniel Hamilton, the owner of the land in Sunderbans where the colony is located acts as a sort of Providence to the whole scheme. Though he does not interfere in details of management and leaves the scheme to be worked by the members thereof, yet his presence is felt and his help whenever necessary is assured. Whereas in the Madras scheme the promoters have to depend entirely upon themselves and this we consider to be in certain respects an advantage, though in the earlier stages when the monetary help will be needed very frequently, it may appear to be some what of a disadvantage. The one commendable feature of the Madras scheme is that the recruits are expected to work in the farm themselves. They are not expected to continue their Bhadrakol tradition inside the sacred precincts of the colony and to get work done by others, but have themselves to work. This is a healthy and desirable change and we hope it will introduce that

element of reality in the scheme of life of middle class youngmen in the country which is now absent. We hope this will be a beginning of a new change when our young men of culture, graduates of the University will realise the dignity of labour not only as subject for examination, because Carlyle or Ruskin and other great writers have praised it, but will feel and realise the dignity of labour for themselves and demonstrate the truth of the preachings of the masters mentioned above. Time was when the great seers of the land were workers as well. They had to till the soil and rear cattle and thus maintain themselves. They also found time to contemplate upon the mysteries of the universe and sang the immortal songs of the Upanishads. There is no reason why this happy combination of strenuous manual work and high spiritual fervour which was characteristic of our sages in days gone by should not be revived to the great benefit of our people who have inherited the tradition of plain living and high thinking. We wish the scheme success.

“Debentures of the Central Land Mortgage Bank” NEED FOR RECOGNISING THEM AS TRUSTY SECURITIES.

BY

DEWAN BAHADUR M. RAMACHANDRA RAO.

The Madras Co-operative Central Land Mortgage Bank was established in December 1929 after a prolonged discussion extending over several years as to the best method of supplying the long term needs of the ryots in this Province. It is unnecessary to trace the history of these discussions which preceded those of the Registrars' conference of 1926. The essential feature of the proceedings of the conference was the unanimous opinion of the Registrars for the establishment of a Central financing body in each province for raising the necessary funds for long term purposes by the issue of debentures. This view was affirmed by the Registrars' conference held in 1928 where a resolution was adopted that “the debentures of Land Mortgage Banks, the interest on which is guaranteed by the Government, should be added to the list of trustee securities under the Indian Trusts Act, 1882”. The Townsend Committee which reviewed the progress of co-operation in the Madras Presidency went into the history of the then existing Land Mortgage Banks and came to the opinion that these banks failed to attract the requisite capital and they accordingly recommended that a central financing bank should be established in this presidency with some form of special assistance from the Government. Among the recommendations made by that Committee was “that the debentures should be made as trustee investments as in Bombay” (page 66). Thereafterwards the Royal Commission on Agriculture reviewed the whole subject of the need for long term finance and also came to the conclusion that a central organisation in each province was necessary and “that the interest on the debentures to be issued by it should be guaranteed by the Government and that the debentures should be added to the list of Trustee securities under the Indian Trusts Act, 1882” (para 383). Finally the Indian Central Banking Enquiry Committee reviewed the whole problem of rural finance and came to the opinion that the normal needs of the cultivator in this country should provide for long term credit on easy terms. The Committee, therefore, recommended the establishment of Land Mortgage

Banks and suggested that the larger part of the working capital of the banks should be raised by means of debentures and "that these debentures, the interest on which is guaranteed by Government as recommended by them should be included among trustee securities provided Government is satisfied that adequate arrangements have been made for the redemption of these debentures at regular intervals." It will, therefore, be seen that five authoritative bodies who have given consideration to this subject all these years recommended that the debentures of the Land Mortgage Banks should be recognised from the outset as Trustee securities. When this bank was formed, it was distinctly understood that this unanimous recommendation intended to secure the successful flotation of debentures would be carried out and that an even flow of funds would be secured. Notwithstanding the best efforts of the Madras Government during the last three years, this result has not been achieved. It is, therefore, necessary to give a brief account of the various steps taken in this matter.

The High Court's Refusal to frame a rule.

2. The first step taken was by the Registrar of Co-operative Societies who, in April 1929 invited the attention of the Government to the necessity of amending Section 20 of the Indian Trusts Act, 1882 for declaring the debentures of the Central Land Mortgage Bank proposed to be established as trustee securities. That section expressly mentions certain classes of securities in which a trustee is bound to invest the surplus funds at his disposal. With a view to provide for the inclusion of securities not expressly mentioned in the Act, clause (f) of Section 20 provides that trust funds may be invested "in any other security expressly authorised by the instrument of trust or by any rule which the High Court may from time to time prescribe in this behalf". The Registrar suggested that the Government of Madras should address the High Court to issue a rule under clause (f) declaring the debentures as trustee securities. In making this request, the Registrar apparently thought at the time that the quickest way of securing the recognition of debentures as trustee securities was by a rule framed by the High Court of Judicature at Madras. The Hon'ble the Judges were not in favour of the proposal. Their Lordships considered that it would be more appropriate if an Act were passed by the Legislature authorising such investments by suitably amending section 20, clause (c) of the Indian Trusts Act, 1882 on the

analogy of the Imperial Act XXI of 1817. The Act referred to by their Lordships was passed by the Central Legislature for the purpose of recognising the debentures of the Bombay Provincial Co-operative Bank as trustee securities, and their Lordships were of opinion that the express inclusion of the debentures of this bank in the list of securities mentioned in the Indian Trusts Act, 1882 would be a more suitable step than a rule framed by them. Any rule framed by the Madras High Court can only be in operation in this province whereas the inclusion of these debentures by an amending Act in the list of securities mentioned in the Indian Trusts Act would give the debentures a wider field throughout India. Nevertheless, in view of the delay involved in undertaking legislation in the Central Legislature, this Bank urged on the Madras Government to address the High Court to reconsider their decision. The Local Government again addressed the Madras High Court on the subject, but their Lordships declined to reconsider the matter. Thereafterwards, the Madras Government addressed the Government of India to undertake the necessary legislation in the Central Legislature. The Government of India referred the question to all other local Government for the purpose of ascertaining whether similar legislation was required also in other provinces. In August 1931 this Bank was informed that replies from all the Local Governments had been received and that every effort would be made for introducing legislation in the Simla Session of that year. For some reason the contemplated legislation did not, materialise during that Session.

Government of India's decision.

Finally in December 1931, the Government of India informed the Madras Government that they were of opinion that it was undesirable to undertake legislation until the principles on which additions should be made to the list of All-India Trustee securities have been decided. They stated that the question of extending the list of all-India Trustee Securities with the object of adding a new class of Provincial securities is one which cannot be satisfactorily settled until the new constitution has been framed. They, therefore, suggested that this Bank should again apply to the Madras High Court for the recognition of its debentures as Trustee securities under section 20 (f) of the Indian Trusts Act. The Madras Government carried out this suggestion and again requested the High Court for the third time to frame a

rule declaring the debentures as trustee securities. It is understood that 9 out of the 14 Judges were in favour of the proposal, but it was felt that the framing of a rule where there was a dissenting minority of Judges was not desirable. They, therefore, declined to take any action in the matter.

Present position.

4. As no other course for achieving the object in view is open except legislation either in the Central Legislature or in the Local Legislature, the Madras Government informed the Government of India in May 1932 that the High Court declined to frame the rule and pressed for the necessary amending legislation without any further delay. The present position, therefore, is that notwithstanding the unanimous recommendations of two Registrars' Conference, the Townsend Committee on Co-operation, the Royal Commission on Agriculture, and the Central Banking Enquiry Committee, the debentures of the Bank have not been as yet recognised as trustee securities. The matter went three times to the Madras High Court who have taken the view that legislation is the appropriate course. The Government of India have also had this subject before them on three occasions, but they have now finally declined to undertake legislation for the reasons set forth above. These reasons may now be considered.

Objections Examined.

5. In the first place, they say that the debentures of this bank are a "new class of provincial securities" and until the principles on which the additions should be made to the list of all-India trustee securities have been decided, they were not prepared to undertake the necessary legislation. It is not known what the Government of India mean by a "new class of provincial securities". As already pointed out, the debentures of the Bombay Provincial Co-operative Bank are already included in the list of all-India trustee securities mentioned in Section 20 of the Indian Trusts Act. The debentures of this bank are exactly on the same footing as those of the Bombay Provincial Bank, and it is not understood why the debentures of this bank should now be considered as a class by themselves. Be this as it may, debentures issued under the authority of an Act of Local Legislature by or in behalf of any Municipal Body, Port Trust or City Improvement Trust in any Presidency town or in Rangoon or Karachi are now in the list. If these are all securities of a

"provincial character," there is no reason why these securities should be included and that the debentures of this bank should be excluded from the list. If under the new constitution different principles are adopted for the classification of the securities mentioned in Section 20 of the Indian Trusts Act, 1882 and if it is decided that the securities of a "provincial character" should be excluded therefrom, the Indian Trusts Act would have to be necessarily amended for the purpose, and the securities issued by the Local Government, the securities issued by the Municipal Bodies, Port Trusts, and Bombay Provincial Co-operative Bank's securities, will have to go out of the list. There is no reason, therefore, why the debentures of this bank guaranteed by the Local Government should not be placed in the same position by being included now in the list of securities mentioned in Section 20 subject to the revision contemplated by the Government of India after the new constitution comes into force. This step will not in any way prejudice the consideration of the subject at a later stage. The Government of India have not suspended the course of normal legislation pending the advent of the new constitution and there is no reason why this matter alone should wait for the inauguration of the new constitution. Moreover, can any one say when the new constitution will be introduced? The action of the Government of India amounts to an indefinite postponement to legislate in a matter of supreme importance to the agriculturists of this Presidency. It is not, therefore, possible to understand and appreciate the difficulty of the Government of India to put through the legislation needed for the purpose.

European and American Practice.

6. One of the difficulties of the Bank relates to temporary accommodation required by the investors on the security of the debentures. The ordinary investor in India is not generally inclined to invest his funds in long term securities and the policy of the Government of India in recent years in issuing short-dated securities has accustomed the public to this form of security. Under the by-laws, the debenture-holder has to invest his funds for a long period extending to 25 years. The intending investors have constantly inquired whether the Imperial Bank of India will be able to lend moneys on the security of the debentures of this bank. They cannot now do so. Schedule I of the Imperial Bank Act, 1912 mentions the securities on which the bank is authorised to advance or lend money and the debentures of the Central Bank do not fall within the provisions of

the schedule. The only way to bring them within the schedule is to make them trustee securities under A(1) of the Schedule. When the debenture-holder invests his funds for a period of 25 years, it is of the utmost importance that he should be able to get temporary accommodation on the security of the debentures from the Imperial Bank of India and its branches throughout the Province. The popularity of the debentures in the market will depend on the fact that the investors will have facilities to raise funds for temporary purposes on the security of the debentures. It is also important that the debentures should be easily negotiable. Both these objects will be secured by recognising them as trustee securities. It is for these reasons that the Committees and Commissions already referred to recommended that the debentures should be made trustee securities from the outset. Their recommendation in this respect is based upon the universal practice in Europe and America of declaring the debentures of Land Mortgage Banks as trustee securities. The latest instance in point is the Agricultural Credits Act, 1928 which has been passed by the British Parliament for the identical purpose of providing long term loans on the mortgage of agricultural lands. Even before the company was incorporated, Parliament made a declaration by statute to the intending investors that the debentures of the proposed company would be included in the list of trustee securities. It is with a view to establish them in the market as expeditiously as possible that this declaration by a Parliamentary Act was made.

Is the Imperial Bank of India Embarrassed?

7. There can be no question whatever about the soundness of the debentures. The debentures are supported by the mortgages of immovable property and under the by-laws of this bank the debentures cannot be issued unless they are supported by mortgages transferred to it by the affiliated mortgage banks of a value equal to the value of the debentures proposed to be issued. The debentures, are therefore, backed by first mortgage securities executed in favour of the Primary banks and assigned to the Central Land Mortgage Bank as cover for the debentures issued by the bank. The Primary Banks are entitled to lend only up to 50 per cent of the value of the lands as determined by appraisers who are all officers appointed by the Local Government. In these circumstances, the soundness of the security is not open to question. In addition to this fact, the Madras Government have guaranteed the payment of interest on the debentures till they are redeemed. The debentures are therefore, one of the safest securities at the present time. It is understood that the Government of India have an idea that the debentures of this bank are unsound and that the Imperial Bank may be embarrassed by being asked to lend on these securities. Any suggestion of this kind, in the circumstances above

mentioned, is entirely without foundation. It is not known how this doubt could have arisen when the interest on these debentures is guaranteed by the Local Government. It is not known whether the Imperial Bank has been consulted on the subject and whether any objection has been raised by that bank to lend moneys on these securities. Even if any objection has been raised, will the Government of India place the interest of the Imperial Bank before the well-being of the agricultural classes? At a time when the whole question of finance under the new constitution is under discussion, it will be unfortunate if an impression is created that the Government would prefer the interest of the bankers to those of the agriculturists. Allegations of this kind have been made before the Indian Central Banking Enquiry Committee, and if the Government of India refuses to undertake legislation intended for the benefit of the agricultural classes who need long term money, the present doubts and suspicions will only be intensified.

A Fundamental Issue.

8. Finally, this bank is the first of its kind in India and its working so far has all the elements of success. The flotation of a security supported by land mortgages and by a guarantee from the Local Government is now being attempted for the first time in this country. The scheme is intended to benefit the agricultural classes and to provide them with cheap long term money. The Government of India have not shown any appreciation of these facts and their present attitude to indefinitely postpone legislation will seriously affect the chances of attracting long term money so badly needed by the ryot. In Europe and America, Insurance Companies have played a very important part in the financing of land mortgage banks. The Townsend Committee have referred to this fact and have suggested that if their recommendation is adopted at least some part of the large funds of Insurance Companies in this country may be invested in the debentures of land mortgage banks. The Committee expressed the opinion that the Government should take all possible steps to render assistance in the directions suggested by them. Some of the Insurance Companies like the Oriental and the Sun Life have declined to invest in the debentures of this bank unless they are declared as trustee securities. On account of their non-recognition as trustee securities, this bank which has been established three years ago, has not been able to secure an even flow of subscriptions for their debentures. On account of all these difficulties, the bank has been able up-to-date to secure purchasers for debentures only for a sum of 18 lakhs of rupees. The Government of India have always expressed profuse sympathy for the agricultural classes and for their financial needs. But the efforts now being made to better the conditions of rural credit by the establishment of this bank, have received no encouragement whatever from them. They have not only declined to undertake legislation, but have

taken the extraordinary step of refusing sanction to the Madras Government to undertake the necessary legislation in the Local Legislative Council. Local legislation will not be satisfactory in this matter, but the Government of Madras, in the face of the refusal of the Government of India had no other alternative, but even this request has been denied to them. The success of the whole scheme depends on the recognition of the debentures as trustee securities by the Indian Legislature. In view of the attitude of the Government of India, Mr. R. K. Shanmugham Chetti, M.L.A., has introduced a Bill in the Legislative Assembly for the amendment of Section 20 of the Indian Trusts Act. This is now pending, but its passage will not be easy if the Government of India opposes the Bill in the Central Legislature.

9. In conclusion I should like to point out that the issue raised by the refusal of the Government of India to undertake the necessary legislation is a fundamental issue of great importance to the well-being of the agricultural classes throughout the country. The recognition of the debentures of Land Mortgage Banks as trustee securities is by no means a local problem affecting a single province. The Royal Commission on Agriculture and the Central Banking Enquiry Committee have suggested the issue of debentures by a central financing agency in each province for the purposes of meeting the urgent long term credit needs of the agriculturists. For the present, Madras has started a Central Land Mortgage Bank and when the other provinces are ready they will have to do the same for the purpose of raising long term money required by them. Will the Government of India help the agriculturists in this matter, or will they prefer the interests of the Imperial Bank of India to those of the needy agriculturists? This is the issue before the Central Legislature and the country. The debentures of Land Mortgage Banks must be placed on a sound footing if the question of long term credit in this country is to be satisfactorily solved. There is no other way of securing the needed funds except by the flotation of debentures. During the last three years 45 Primary Land Mortgage Banks have been started throughout the province and a large staff of appraisers has been appointed by the Government of Madras. The whole organisation is now in working order. All this work has been done in anticipation that the unanimous recommendations of the Royal Commission and the Indian Central Banking Enquiry Committee and of other bodies referred to above would be accepted and carried out. But the Government of India have not done the needful to secure an even flow of funds for the working capital of these banks. All the work of organisation done in the Madras Presidency to start a long term Co-operative organisation will go for nothing if urgent action is not taken and the banks will be starved for want of funds. It is to be hoped that the government of India may still see their way to reconsider the whole matter without delay.

Speedy Settlement of Insurance Claims.

THE ASSIGNMENT OF AND THE NAMING OF THE BENEFICIARY IN LIFE INSURANCE POLICIES.

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Difficulties in regard to Settlement of Claims.—Most people who insure their lives do so in the expectation that either they themselves or their heirs, assigns or beneficiaries under the policies, as the case may be, will be able to realise the fruits thereof without trouble, expense or delay. The purpose of Life Insurance will be, to some extent, defeated if the settlement of claims, arising out of it, involves avoidable delays and unnecessary expenditure. Families afflicted by the death of their earning members, who in many cases in this country are the persons that effect insurances, will find themselves most sorely in need of financial relief as soon as such a calamity occurs. It is therefore the duty of Life Offices to go to the rescue of the bereaved in the hour of need and to settle their claims with all convenient despatch. No one will dispute this position and in fact, every life assurance company claims it to be the special feature of its business methods. Nevertheless, it may be stated with some amount of justification that, in practice, this beneficial intention does not find expression in action, it may be for no fault of the Life Office or of the policy-holder. In judging whether, in any case there has been avoidable delay or needless expenditure, we must make the fullest allowance to the necessity for Life Offices taking all legitimate measures to safeguard their financial interests and protect themselves against reasonable risks arising from rival claims to the proceeds of a policy: we must also make due allowance for the difficulties arising from the mode in which property is held in this country under the Hindu and Muhammadan Laws, the numerous interests which persons may have in family properties and the complexities of the laws of succession and inheritance. Making allowance for all these factors, there is still scope for minimising the delays and expenditure involved in the due settlement of claims arising out of policies within the limits of the laws governing the

law of contracts of Life Assurance, if the Life Offices and the policy-holders co-operate in the endeavour to do so.

Contracts for payment of money due under Policy.—The right of an Insurance Company to enter into a contract with a proposer for life assurance that the company would pay the money only to him, or his assigns or his executor or his administrator, cannot be questioned. If an authority is required for the position, it is found in the recent decision of the Allahabad High Court, Gresham Life Insurance Society Ltd., vs. the Collector of Etawah (See reports of Company cases Vol. III, Part I, January 1933). Mukerjee and Bennet J.J. who decided the case state the law as follows: "The law of succession varies in different parts of the country and it cannot be expected of a company doing life insurance business to know the law obtaining in different parts of the country, nor can it be expected that it would undertake an investigation into the title of a claimant or of claimants in general and to decide for itself who is the person best entitled to the money. In such circumstances an agreement that the money under the policy would be paid only to the assured or to his assigns or to his executor or administrator is a good contract which must bind not only the assured but also anybody claiming title under him." It follows that in cases of any doubt about the claimant's title, where the contract is to pay to the assured, his assigns or executor or administrator, the company will be acting not merely within its legal rights but reasonably and prudently in insisting on the production of a probate or letters of administration or a succession certificate by the claimant in order to absolve itself from claims of all third parties. As a succession certificate can be had for a particular debt only (amount due under a policy is a debt) and not necessarily in respect of all the estate of the deceased, it is the cheapest of the three documents. If however the policy-holder assigns the policy to the person on whom he has made up his mind to confer the benefit thereof, then the assignee can claim the proceeds of the policy when it becomes payable, without producing probate, letters of administration or succession certificate, unless there arises any complication by notices of claims of third parties having been served on the company.

Assignment how made and rights arising therefrom.—An Insurance Company is bound to recognise and give effect to an assignment. In fact the companies are themselves anxious to offer all

facilities to their policy-holders to effect assignments in favour of the persons whom they wish to benefit. No fees are usually levied by the companies for placing an assignment on its registers, if it is made on account of natural love and affection and a small fee is levied in cases where it is made for valuable consideration. Any form of assignment is valid, provided it clearly indicates the intention of the policy-holder to assign the benefits under the policy to a specified individual. Insurance companies, generally furnish to the policy-holders, on application, forms of assignment. An assignment may be executed either on the back of the policy itself or on a separate paper bearing the same stamp duty as the policy.

The assignment whether made with or without consideration, can be effected only by the execution of an instrument in writing signed by the transferer or by his duly authorised agent. An assignment of all the *rights, title, and interest* of the policy-holder in the policy with or without consideration must not be confused with the assignment of the benefit under the policy made out of natural love and affection. In the former case, the assigner steps out and the assignee takes his place. The rights of the assignee arising out of the assignment of the policy itself will be governed by section 130 of the Transfer of Property Act, as a claim under the policy of life insurance is an "actionable claim," within the meaning of the section. Transfer of a Marine or Fire Policy is not within the section by reason of the exception thereto. An assignment made otherwise than by an instrument in writing as required by that section is inoperative and an Insurance Company will not recognise it. The personal laws of the assignor or the assignee such as the Hindu or Muhammadan Law as to modes of assignment will not now be operative. Transfer of rights under life policies whether absolutely or conditionally or by way of mortgage or security must now be made by an instrument in writing signed by the assignor or his duly authorised agent. Priority between assignees will be determined by priority in execution of the instrument of assignment. An assignment in writing made in due compliance of the provisions of Section 150 of the Transfer Property Act will defeat a prior equitable mortgage effected by deposit of the policy as security for the debt. This was clearly laid down by the Privy Council in *Mulraj vs. Viswanadh*, 37 Bombay 198. It is a rule of international law that the validity of the transfer of movable chattles is governed by the law of the country in which the transfer is made (*Lex loci*

rei situ) not by the law of the *lex situs* of the debt. So if an assignment of a policy taken out from an Indian Life Office is made in a manner which makes it invalid in the country in which the assignment is made, it will be invalid in India also (See Gour's Transfer of Property Act Vol. III, page 2150).

It may be noted that there is a difference between the English Law and the Indian Law in regard to the necessity for notice of assignment in order to complete it; notice is necessary in England while it is not in India. It follows that under the English Law since notice is necessary to complete the title even a subsequent assignee giving notice to the company earlier than the prior assignee obtains priority. In India, however, priority is determined by the priority in execution of the instrument of assignment. But where an insurance company pays the money to the subsequent assignee *in ignorance of a prior assignment*, of which *no notice was received*, the prior assignee has to bear the loss. Similarly if a policy-holder assigns the policy to another and afterwards contracts a debt from the Insurance Company before notice of the assignment is received, the Company can set off the debt against the assignee (See section 132 of Gour's Transfer of Property Act Vol. III p. 2162). It is therefore of the utmost importance for the assignees to see that due notice of assignments in their favour reaches the insurance offices promptly for registration in their books. As already pointed out, Insurance Offices offer reasonable facilities for registration of assignments.

The rights of assignee of the benefit under a policy under the assignment, made out of natural love and affection, next require consideration. Once an assignment of the benefit is made validly and with due formalities, the assignor cannot revoke it, except with the consent of the assignee. If a policy is surrendered or made a paid up policy the benefit of the policy to that extent will go to the assignee; that is the assignee can claim the surrendered or paid up value of the policy. The assignee will presumably be a person entitled to pay premia and to keep alive the policy if the assignor is unable to do so. Subject to this, the assignee of the benefits under a policy has no other rights which he can exercise himself or without the initiative or concurrence of the assignor.

CONDITIONAL ASSIGNMENTS.

The assignment may provide that the benefit of the policy and the right to receive money thereunder shall revert to the assignor in

the event of the person to whom the benefit under the policy has been assigned predeceases the assignor. Such a condition is valid. The law as to conditional gifts by Hindus and Buddhists is now to be found in Section 126 of the Transfer of Property Act. A gift may be made subject to any condition whether it be a condition precedent or subsequent provided only that its fulfilment does not depend upon the mere will of the donor. But by reason of section 129 of the Transfer of Property Act, the provisions of the Transfer of Property Act dealing with gifts would not affect any rule of Muhammadan Law. So, If the conditions in an assignment offend against the Muhammadan Law as administered by the courts, they will be invalid. In an unreported case in Madras (City Civil Court Appeal No. 38/1915) Sadasiva Ayyar and Napier J. J., held that in an assignment of moneys due under a life insurance policy with a condition that the rights shall be divested on the donee's dying before the donor, the condition is invalid under the Hanafi Law and that the condition being futile, the gift was an absolute one. Their Lordships laid down that under Hanafi Law, "The reservation by the donor to himself of a contingent right in reversion is an invalid condition and does not affect the absolute nature of the gift." So Insurance Companies will do well to scrutinise the conditions in assignments in the case of policies held by Muhammadans and ascertain whether they will be valid before registering such assignments in the books. There must, however, be operative words to constitute a present transfer; otherwise, the assignment itself will be invalid (See *In Re. Williams—Williams Vs. Ball* 1917—1 Chancery).

Policies for the benefit of wife and children.—It has been pointed out that it is legally competent for an Insurance Company to insist on a form of contract under which the policy amount is to be made payable to the assured, his assigns, executors or administrators, leaving the policy-holder to make later an assignment of the policy by an independent instrument to whomsoever he pleases. In cases in which the mention of a beneficiary in the policy itself will have no legal effect of making the policy enure to his benefit by reason of such naming alone and the policy continues to form part of the policy-holder's estate and remains payable only to his heirs at law on his decease, the insistence on such form of contract is the only sensible course to adopt. But when by virtue of a special enactment like the Married Women's Property Act (Act III of 1874) the express

mention of the wife or wife and children or any of them as beneficiaries by a married male in a policy of insurance effected by him on his own life, gives rise to special rights in favour of such persons and dispenses with the necessity for an assignment in their favour, there is no reason for the insurance companies insisting on a form of contract, which will to some extent curtail the facilities created by that beneficial piece of legislation, which is intended to help a class of beneficiaries who will be naturally the most numerous. The majority of people intend their insurance policies, specially in India, to enure to the benefit of their wives and children and the law helps them to carry out their intention in an effective manner by naming such beneficiaries in the policy. Nevertheless, some insurance companies use stereotyped printed policy forms embodying contracts making the policy amount payable to the heirs, administrators, executors or assigns and will not permit any deviation therefrom in filling the columns thereof. The result is that notwithstanding the special provisions of the Married Women's Property Act, an independent assignment in favour of the policy-holder's wife or his wife and children or any one of them as the case may be, becomes necessary as in the case of any other relation or stranger. It may be said that such assignment can be made without much cost at the convenience of the policy-holders and the practice of not naming the wife and children as the beneficiaries in the policies themselves does not involve any real hardship. But it is not so. By leaving matters to a future date and making it obligatory to bring into existence another formal document to create the trust contemplated by the Married Women's Property Act in favour of the wife and children, the chances of its not being done will be increased. Having regard to the general tendency to put off things and the chances of the policy-holder dying suddenly before he translates his good intention into action this is eminently a case in which the golden rule of "Never put off to to-morrow what you can do to-day" must be observed. This can be done most effectively by the Insurance Companies changing their practice and giving facilities to the policy-holder to name his wife and children as beneficiaries in the policy itself. The existing practice perhaps began when the Married Women's Property Act was not enacted or was considered not to apply to such cases till the amendment of 1923, but has not been changed in spite of a definite change in the law itself. But in order that the entry in the policy may attract the provisions of section 6 of the Married Women's Property Act, the expression used must conform to

the wording of the section or at any rate must clearly indicate that the policy is meant to be for the benefit of the wife or children. If the policy states that the amount of the policy will be paid to the assured or his wife or children, in case he predeceases them, it will not *strictly* conform to that section. Nevertheless, in two cases the Madras High Court has held that although the Language of section 6 of the Married Women's Property Act was not adopted, if on a reading of the words used in the policy it appears that the assured has intended that, in the event of his death, the policy should enure to the benefit of his wife or children, then the policy may be deemed to create a trust for their benefit (*Sreenivasachariyar vs. Ranganayakamma* 3 Madras Law Weekly 466 and *Abhiramavalli Ammal vs. The Official Trustee of Madras* 62 Madras Law Journal, page 3). The correctness of these decisions is somewhat open to doubt having regard to the requirements of the language of the section. But as the learned judges take an equitable view and make due allowance for the less technical methods that characterise drafting of policies in India, few may be inclined to apply too technical a legal test in canvassing the general soundness of the view taken by the Madras High Court. Anyhow, to remedy the unsatisfactory state of affairs, it is desirable to introduce in policies a column to elicit definitely for whose "benefit" the policy is intended and allow freedom to fill it in, whenever the proposer wishes to do so. The Insurance Companies in India will be really doing a valuable service to the public and help to make life insurance more and more popular if they bring home to the proposers the special advantages conferred by the Married Women's Property Act, in the matter of making provisions for the wife and children, and offer reasonable facilities to policy-holders to name the wife or wife and children or any of them as beneficiaries in the policy at the time of effecting the insurance and adopt suitable forms to give effect to the provisions of the Married Women's Property Act. The agents of the companies may be advised to post themselves fully with the provisions of the Act and the technicalities involved in drafting the proposals for policies which are intended to be brought within the scope of the Act.

Let us now examine the provisions of the Act and the effect of the decided cases in England and India which bear on the question.

The relevant portion of the Act for our main purpose in section 6 (1) runs as follows :—

“ A policy of insurance effected by any married man on his own life, and expressed on the face of it to be for the benefit of his wife and children, or any of them shall enure and be deemed to be a trust for the benefit of his wife, or of his wife and children or any of them, according to the interest so expressed, and shall not so long as any object to the trust remains be subject to the control of the husband or to his creditors or form part of his estate.

When the sum secured by the policy becomes payable, it shall, unless special trustees are duly appointed to receive and hold the same be paid to the official trustees of the Presidency in which the office at which the insurance was effected is situated and shall be received and held by him upon the trusts expressed in the policy or such of them as are then existing.”

But, the construction of this section gave rise to considerable divergence of judicial opinion, owing to the bearing which another section of the same Act, namely Section 2 was supposed to have on the scheme of the Act. Section 2 of the Act runs as follows :—

“ But nothing herein contained applies to any married woman who at the time of such marriage professed the Hindu, Muhammadan, Buddhist, Sikh and Jain religion, or whose husband, at the time of such marriage professed any of those religions.”

The view held by the High Courts in India till 1913 was that Section 2 made Section 6 (1) inapplicable to policies effected by a Hindu, Muhammadan, Buddhist, Sikh and Jain married male on his life and expressed to be to the benefit of his wife, or of his wife and children, or any of them. But in 1913, a Full Bench of the Madras High Court held that Section 6 did apply to such cases (37 Madras 483). It was decided by the Full Bench in that case that where a Hindu male effected a policy of insurance on his own life expressed on the face of it to be for the benefit of his wife, or his wife and children or any of them, but payable to his executors, administrators and assigns, and died leaving a daughter, a trust was created in favour of the daughter by section 6 of the Act in respect of the policy amount against which the creditors of the assured had no right to proceed. Sadasiva Iyer, J. said that the religion

of the insured had nothing to do with the introduction of the benefit on the provision contained in section 6 of the Act and that section 2 of the Act did not prevent the application of the provision of section 6 to any such policy. Sir Arnold White, Chief Justice, made the following observation : “ This section (Section 6) is no doubt in the interests of the wife and children, but its primary object is to enable a man to make provision for his wife and children by insuring his life for their benefit, *without executing a separate deed of trust*. The section enables a Hindu male to do something which but for the section he would not be able to do.” In his Lordship's opinion section 6 is to be construed as if it contained the words “ for the benefit of his wife or of his children or of his wife and children, or any of them ” which occur in section 11 of the English Act (Married Women's property Act of 1882).

But the other High Courts in India persisted in their view that section 6 of the Act did not apply to the policies effected by a Hindu, Muhammadan, Buddhist, Sikh or Jain male on his life for the benefit of his wife or wife and children or any of them. It therefore becomes necessary for the Legislature to intervene. The following provision was added to section 6 as sub-section 2 Act XIII of 1923.—

“ Notwithstanding anything contained in section 2, the provisions of sub-section 1, shall apply in the case of any policy of insurance such as is referred to therein which is effected by any Hindu, Muhammadan, Sikh, or Jain in Madras, after the thirty-first day of December 1913, or in other part of British India after the first day of April 1923.

Provided that nothing herein contained shall affect any right or liability which has accrued or been incurred under any decree of a competent Court passed before the first day of April 1923.”

The position now is this: So far as Madras is concerned, policies effected by a married male on his life for the benefit of his wife, or wife and children, or any of them will be governed by section 6 of the Married Women's Property Act, whenever the insurance may have been effected after the passing of the Act of 1874, for the effect of the Full Bench decision in 37 Madras 483 was that the law had always been the same under the Act as that laid down in that decision (See I.L.R. 52 Madras 936 : A.I.R. 1929 Madras 825). But in other provinces in the case of policies effected before the first day of April 1923, section 6 of the Act

would be held inapplicable but in respect of policies effected after that date, the amendment introduced by Act XIII of 1923 makes section 6 expressly applicable. To give an illustration, suppose a policy was effected in 1910 in a Calcutta Life Office and another by the same man in a Madras Life Office. In Calcutta section 6 of the Act will be held not to apply, while in Madras it will be held to be applicable. (Compare 52 Madras 936 and A.I.R. 1928 Calcutta 518). If the Head Office of an Insurance Company is situated in Bombay or Calcutta and the policies were really effected with the Head Office through their branches at Madras before 1923, section 6 of the Married Women's Property Act will be held inapplicable to them, by the Bombay and Calcutta Courts, if the claim was litigated there. If the suit is instituted in the Madras Courts, section 6 will be held to be applicable. So, the position is now complicated by two factors, namely, the date on which the policy was effected and the province in which the suit in respect of the claim is instituted.

By virtue of the provisions of section 6 of the Married Women's Property Act, a trust is created in favour of the beneficiary, named in the policy. The person entitled to the benefit of the policy is the beneficiary and the persons entitled to enforce the rights of the beneficiary is the trustee, if a trustee has been appointed, and if no special trustee has been appointed, the official trustee to whom the money is payable under section 6 of the Act. It is, therefore, desirable for the policy-holder to nominate a trustee if he is in a position to do so. A trust created under section 6 of the Married Women's Property Act cannot presumably be revoked except with the consent of all the beneficiaries who must all be competent to contract (See section 78 of the Indian Trusts Act.)

A man who effects a policy on his own life for his wife's benefit cannot surrender that policy and obtain one on the same terms with new beneficiaries, unless the wife expressly consents to her interests being divested or unless the wife dies before him (Packard Vs. Connecticut Mutual Life, 9, Missouri Appeals, 469). But in the case of Cousins Vs. Sun Life Assurance Co., Eve J. held that where a husband has effected a policy on his life for his wife's benefit, the husband would be entitled to surrender the policy and receive the surrender value, if the wife predeceased the husband. This judgment was reversed by the Court of Appeal (Lord Hanworth M. R. Lawrence and Romer J. J.). Their Lordships said that in such cases the trust created a vested interest in favour of the wife, which

was not defeated by her death, and on her death, the right to surrender the policy devolved on her executors and not on the husband." (Pages 97-98 Reports of Company Cases Vol. II Part 12 December 1932). With reference to the words of the statute (section 11 of the Married Women's Property Act, 1882) so long as any *object* of the trust remains unperformed" the Court held that the trust was not ended by the wife's death, it was still an unperformed trust and the terms of the section negative any resulting trust to the assured—the husband. The wording of the earlier English Act (Section 10 of the Act of 1870 however used the words that a policy of insurance "shall not so long as any" *object* "of the trust remains form part of the estate of the assured." Justice Eve in the judgment which was reversed and Ross. J. in Robb Vs. Watson (1910) held that the word "object" meant *beneficiary* and that on the wife's death in the husband's life time, the trust fails for want of an "object". In that view they held that the wife's interest under the trust was contingent. The words of the Indian statute are similar to those of the English Act of 1870. So, it may be contended that the decision of the Court of Appeal in Cousins Vs. Sun Life Assurance Company does not apply to cases arising under the Indian Married Women's Property Act of 1874. But if the question has to be decided in each on the consideration whether the words actually used in the policy or the trust deed create a vested interest or a contingent interest and if the change of the wording effected by the English Act of 1882 was intended to make it clear than the word "object" in the Act of 1870 meant "purpose" and not "beneficiary" then the decision of the Court of Appeal may still apply to cases in India in which the words used in the policy are similar in substance to those used in that case. The matter is not however quite free from doubt.

Right of third parties to follow the policy amount.—There is still one more question outstanding in regard to settlement of claims arising out of Life Insurance which requires consideration. As has been stated, the mode in which properties are held in this country by joint families and the intricacies of the laws of inheritance and succession applicable to the vast majority of the people in India give rise to numerous interests in property which make it difficult for insurance companies to settle claims readily in cases of dispute. The rights of third parties to follow the proceeds of a policy in the hands of one who is not entitled thereto and where such third parties have a

paramount legal claim to do so, give rise to a peculiar difficulty. A familiar instance is that of a member of a Joint Hindu Family taking out a policy in his name for the benefit of his personal heirs and pays the premia wholly from out of the joint family funds and the other coparceners claim the proceeds of the policy as belonging to the joint family. In such a case is the policy to be treated *prima facie* as joint family property and payable to the coparceners who become entitled to all the family properties by right of survivorship on the death of the assured, or is it to be treated *prima facie* as the policy-holder's self-acquired property payable to his personal heirs, like his widow in case he dies without male issue? Justice and equity alike point to the correctness of the second view. In a recent case decided by Staples, A.J.C., Additional Judicial Commissioner of Nagpur, he laid down the law in the following terms:—

“It is no doubt true that in the case of a joint family possessing joint family property the onus of proving that certain property is self-acquired and not joint property is upon the person asserting it. In the case of an Insurance policy, however, I am of opinion, that the presumption would not hold good. A policy of life insurance is usually a personal contract between the person who is called the assured and the Insurance Company. It is true no doubt that an insurance policy could be taken out for the benefit of a joint family, but the presumption would be against that as a rule, and in my opinion, it would have to be proved that the policy was taken out with that intention and that the premia were paid out of joint family funds. In the absence of any proof to that effect, I am of opinion that the correct presumption is that the policy was taken out as a personal policy for the benefit of the personal heirs of the assured.”

The reason in favour of this view becomes much stronger if the assured has an independent source of income like salary from employment, from which he could have paid the premium. Again the conduct of the other members of the co-parcenary in allowing one of the co-parceners to take out a policy in his name for the benefit of his personal heirs raises a strong presumption that even if joint family funds were used for the payment of the premia, it must have been done with the express or implied consent of the other members. It will be for the members of the family who wish to follow the proceeds of the policy in the hands of the insurance company or in

those of the personal heirs of the assured who may have obtained payment thereof to make out that the assured acted fraudulently and concealed the whole transaction from the knowledge of the other members of the family. An insurance company which pays according to the terms of the policy or in accordance with the terms of the assignment thereof will be protected against such claim of a third party, unless the payment was made after due notice of the claim was received by the company.

In a case in which the husband of a deceased lady claimed that he paid the premia on a policy taken out by her and that he was therefore entitled to the proceeds thereof on her death, though in the policy her step-son was named as the person entitled to the money, the Lahore High Court (Sir Shadi Lal C. J. and Martineau J. 69, I. C. 788) negatived the husband's claim. The learned judges say “even assuming for the sake of argument that the doctrine of benami is applicable to the transactions of this character, we consider that any presumption arising from the circumstance that the plaintiff supplied the money is sufficiently rebutted by the fact that the son was, evidently with his (plaintiff's) consent, entered in the policy as the nominee of the policy-holder to receive the money on her death.” Both these cases merely lay down a rule as to onus of proof and the presumptions to be raised from the conduct of the third parties who seek to follow the proceeds of the policy. So, Insurance companies cannot altogether ignore such claims, though of course they need not pay any attention to vexatious or frivolous claims, which are untenable on their face.

MAIN CONCLUSIONS.

The main conclusions which may be safely drawn from the state of the law and practice relating to the assignment of, and the naming of beneficiaries in life insurance policies discussed above are these:—

(1) Life Insurance Companies and their policy-holders can with mutual co-operation speed up the settlement of claims and mitigate the trouble, expense and delay incidental thereto.

(2) Cases of life insurance effected by a married male on his own life for the benefit of his wife or children are now governed by Section 6 of the Married Women's Property Act throughout India. In all such cases, the naming of the beneficiaries in the

policy from the class of persons mentioned in that section will have the legal effect of making the policy enure to their benefit and creates a trust in their favour in regard to the policy amount. In such cases, no separate instrument of assignment or trust deed is necessary.

(3) The most numerous class of beneficiaries in this country come under the category of "the wife or the children, or the wife and children, or any of them", whom section 6 of the Married Woman's Property Act favours. Having regard to the beneficial intention of that piece of legislation, the insurance companies must also co-operate in promoting the object of that legislation by giving the fullest opportunities and the largest facilities to married males to name their beneficiaries in the policy itself. In such cases, it will not be right or proper to insist on the usual form of contract to pay to the assured or his heirs, assigns, executors or administrators, and compel the assured to execute an instrument of trust in favour of his wife or children. The practice ought to have been changed after the definite change in the law in 1923, making section 6 of the Married Women's Property Act applicable to such cases throughout India. The policy-holder must also take some precaution to take full advantage of the provisions of section 6 of the Act. He must use words which clearly indicate that the policy is for the benefit of his wife and children, whom he wishes to benefit. Again he may appoint a trustee to whom the amount of the policy is payable if he is in a position to do so; otherwise the official trustee must intervene and the beneficiaries will have to go to him, which means delay and expense.

(4) In the case of life insurance effected for the benefit of persons other than the wife and children of the assured, a contract for the payment of the amount of the policy to the assured, or his heirs, assigns, executors, or administrators, is the usual and most convenient form of description of the object of insurance in the policy. The ascertainment of the legal heirs of a person being often times a difficult matter, the insurance companies will naturally insist on the production of a probate or letter of administration or a succession certificate by the person claiming the payment in all cases of doubt or dispute.

(5) When the contract is to pay to the assured, his assigns, or executors or administrators, the policy-holder, if he chooses and

if he can make up his mind as to the person whom he desires to benefit, may and will be well advised to assign the benefits under the policy to such person; such assignee need not produce a probate, letters of administration or a succession certificate unless his claim is actually disputed by a third party, which does not commonly occur. Though notice of an assignment, is not necessary in Indian Law to complete the assignment, it is always desirable to give it and have the assignment registered in the books of the company. In the absence of such precaution, payment made to third parties, like a subsequent registered assignee in ignorance of prior assignment, will be valid and the previous assignee has to bear the loss.

(6) In the case of a life insurance policy effected by a person for the benefit of his personal heir, the presumption will be that it is his self-acquired property. If a third party claims a right to follow the policy amount in the hands of the company, he must prove his right. If the company pays the amount to the assignee of the policy or to the beneficiary named in it, without notice of any bona-fide claim of a third party, the company will be fully protected.

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BANGALORE.

Published on the 7th of each month.

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Co-operative Warehousing.

By

MR. V. SRINIVASAN, M.A.

It was recently announced in the process that an experimental warehouse would soon be started at Cuddalore by the Director of Agriculture in collaboration with the Registrar of Co-operative Societies. The institution of warehouses was one of the recommendations made by the Economic Depression Enquiry Committee set up by the Madras Government last year. The maintenance of institutions of the kind proposed has long been with the co-operative bodies of the west a recognised function and they have profoundly influenced economic life particularly in the storage and marketing of agricultural produce. Excellent results have been obtained in Japan and in the United States of America and more than one committee of enquiry in our own country have expressed themselves in favour of starting similar institutions in India. The Madras Government while recognising the possibilities of the movement could not, with their uncertain finances, themselves embark on a scheme of warehouse building as suggested by the Economic Depression Committee. They have therefore come to the conclusion that what is feasible in the matter could be done only under co-operative auspices. The Cuddalore experiment now decided on would hence be watched with utmost interest by those connected with the movement.

RATIONALE OF THE WAREHOUSE SYSTEM.

Warehousing is principally intended to benefit the producer whose difficulties in securing a good market and a good price for his produce are well-known. Storage accommodation is very defective in India; where it is said to be ample as in the Punjab it has been found to be very primitive. Godowns there are in some places which are kept by commission agents who arrange transactions of sale but these are notoriously insufficient and are certainly not the last word in the matter of upkeep. Consequently, to use the language of the Bombay Provincial Banking Committee's Report, the position of the agriculturist is weakened by his being compelled to sell his produce immediately he brings it to the market. Prices

CO-OPERATIVE WAREHOUSING

are always unsatisfactory. But he is poor and in circumstances of chronic necessity; he needs ready money and is compelled to sell or undersell to the first buyer he could find for his goods.

Any scheme which would relieve him in this situation and besides securing a good price, afford, until such time as the same could be done, decent accommodation for his produce, would indeed be a boon to the grower. The warehouse system is calculated to achieve this purpose and hence its growing popularity with all programmes of economic reconstruction.

The system has provided an effective agent of marketing and has also evolved about it an interesting mechanism of credit that has developed during the steps taken in the matter of rendering pecuniary assistance to the producer. Both these aspects have helped in the realisation of the objective that the sponsors of the movement have kept in view.

The system is simple to work, but countries where it has been tried have their own lessons for us. Usually on a producer committing the produce to his charge, the warehouse manager issues a certificate as to the quantity and as to the grade and quality. The certificates thus obtained are made use of as instruments of credit and in time become negotiable. The issue of the receipt means that the goods specified in it are held at the warehouse in the drawee's name and at his disposal. Their quality and quantity too would have been stated therein and on the security of the goods which would ere long find a good price, banks advance money to the holders of the receipt. Besides these features, some of the Co-operative Societies managing warehouses conduct purchase operations and may also assist in the sale of the goods. The grain is moved under the society's auspices and as it does so either on this account or on account of the negotiability of the warehouse receipt the ultimate consumer gradually supplies the money necessary to cover the obligations of the receipt. The financial pressure of the season is thus lessened and credit is released for use in other business.

MARKETING OF AGRICULTURAL PRODUCE IN AMERICA.

Remarkable have been the developments in America in the sphere of marketing the country's agricultural produce. In many states like Washington, Oregon, and Idaho there function what are known as Wheat Growers Associations. The grower enters into

agreement with the association of his place to sell all the wheat he produces during a certain period. The method of determining the price to be paid him for his grain is set forth in the contract itself. Pooling of the wheat according to variety, grade and quality is provided for and the association pays the grower an average price and the grain is kept in the association's warehouses until the time arrives either for sale or for delivery.

Similar organisations exist for America's Woollen Industry. The Pacific Co-operative Wool Growers have been for a long time financing their organisations through the use of Federal Warehouse receipts; and of the famous farm associations of the country mention should be made of the Grange which has been establishing ever since the middle seventies of the last century warehouses in several states where wool was assembled in large quantities and sold direct to manufacturers. The middleman is done away with in these transactions. The Co-operative Wool Growers' Association of North Dakota stores its products in Federal bonded warehouses and in some cases the grower obligates himself to place them, i.e., the goods, in bonded houses. In recent years wool appears to have become concentrated at Chicago. The National Warehouses and Storage Company handles the wool from a number of states. The wool is brought to the warehouse and graded in accordance with commercial standards. As this results in large lots of graded wool, large buyers are attracted. The question of financing the stores wool till it is required by the manufacturer has proved to be an anxious one since the dip comes off during a comparatively short season while the consumption is spread out over the entire year.

Tobacco and cheese are two other products which have come under the purview of co-operative marketing bodies in the United States. The National Cheese Producers Federation has developed a sales organisation and through this and through its own warehouses, the Federation handles the cheese more efficiently than competing organisations could.

Tobacco is delivered by growers to loose leaf warehouses where it is weighed and grouped in accordance with grade and then packed in baskets which are arranged in rows on the warehouse floor. The largest loose leaf markets are said to be those of Lexington and Kentucky. In these places rapid sale is easy to organise, for, a large number of purchasers are attracted to the warehouses, even at

the time of sorting and packing, three hundred and more baskets being easily sold on the spot.

There are said to be numerous public warehouses in use in America, thanks to the ever increasing storage activities of the Co-operative Associations. These have been found to be inexpensive, and being under Government control, quite popular. In California and a few other States the public warehouses are within the jurisdiction, as far as the rates are concerned, of State Railway Road Commissions.

Approximately 53 per cent of the associations have been computed to be using their own or leased warehouses. Several district exchanges too function, some of the typical ones being in Wisconsin. All organisations are not lucky. A few utilise subsidiary corporations to acquire and operate warehouses and in some cases outside agencies are made use of in handling the stores.

THE UNITED STATES FEDERAL WAREHOUSE ACT.

The Federal Government and many states have enacted warehouse laws. The Federal Act on the subject was passed by the Congress in 1916. It is only permissive in nature. Warehouses are not required to become licensed under the Act but may be if they so desire and meet the requirements of the Act and the regulations framed thereunder. Under the provisions of the Act graders and weighers have been appointed and the warehouses are required to furnish evidence of financial stability and in many cases the warehousemen have also been 'bonded.' These features go to enhance the value of the warehouse receipts when used as collaterals in securing loans. The general control of these licensed institutions has been vested in the Secretary for Agriculture under whose instance several states have been enforcing additional regulations that ensure stricter supervision.

It has been the practice of co-operative bodies in charge of warehouses to let the producer retain ownership of his goods, and this on the very good principle that a co-operative organisation is not formed for speculation. The elevator companies for example ordinarily confine themselves to their legitimate function; they would not, for instance, buy grain except for immediate shipment.

The warehouse receipts supply the holder security for getting money. Loans can usually be secured up to three-fourths of the

value of goods. No warehouse receipt is issued until and unless the commodity is actually in storage and no commodity is delivered from the warehouse until the receipt representing it is in the hands of the warehouseman and actually cancelled. The warehousemen are bonded and the goods insured and the bank is quite safe in making the loan unless there should be very unexpected drop in the market price. Efficient management ever engenders confidence and the United States laws have afforded facilities of varying degree to the banking institutions of the country.

Co-operative marketing of any nature has been protected by legislation in America. The Bingham Act of 1922 is one instance in point and an Indian law passed in 1925 has served as a model of legislation in eight other states, most of which seek to regulate the system and check abuses resulting from the malpractices indulged in by some of the warehousemen.

The Federal Warehouse Act of 1916, was as already stated a permissive piece of legislation. It has been restricted in its application to staples and the impression has been gaining ground that if it could be extended to other products, the value of the warehouse would be much enhanced. Even as it is, the facilities afforded are extremely popular and have been availed of by the co-operative marketing organisations. The latter control the warehouses, secure loans, make advances and wherever feasible arrange sales too. The growers usually turn over to the associations the transaction of their business which could be handled more economically for the group than when each man handles it himself.

WAREHOUSE RECEIPTS AS INSTRUMENTS OF CREDIT.

American experience has clearly shown the principal advantage of licensed warehouses to be in the acceptability of the receipt as good collateral security. On the security of the goods represented by the receipts advances are made by banks. The system works thus: A merchant can secure a loan by his produce in the form of warehouse receipts in the bank's name usually showing a margin say of 10 per cent in value, as where Rs. 2,200 worth of goods is required to cover Rs. 2,000 of accommodation. The receipt is sent by the bank to a warehouse-keeper with instructions to store the goods in the name of the bank. The warehouse receipt for any produce stored in the name of the bank should come into the bank

within a reasonable time. When delivery or sale is effected the receipt is signed by the bank in favour of its customer. It is a document of title.

Warehouse-keeper's receipts are popular because, of all documents of title, they are the most easily handled and are deemed to suit the bankers best. Delivery orders and dock warrants are not considered in law as symbol of property, their delivery does not amount to the delivery of goods; and authorities like the late Mr. Arthur Cohen have hence doubted their negotiability.

It is not out of place to refer here to the high opinion of Gilbert who did not quite relish the idea of bankers advancing money on the security of goods covered by warehouse receipts. Gilbert considered such advances to be beyond the bounds of prudence and positively harmful to the interests of the banker who would be only doing bad business by giving his money to inspecurious customers requiring it frequently and constantly. Authorities equally competent do not however subscribe to this view and such like Sir John Paget have seen no objection in banks obliging honest customers on the security of titles to goods such as warehouse receipts, bills of lading etc.

In the case of our country there are, even at present, certain classes of receipts on the security of which the banks do not hesitate to make advances. Such is the case with the receipts issued by Port Trust authorities. Railway receipts also are, subject to certain limitations, accepted by banks as collateral security.

THE GRANARIES SYSTEM OF JAPAN.

The establishment of warehouses has formed a part of the work of Japan's celebrated Society for Returning Good for Good, the Hobokusha. The islands' agricultural warehouse system goes to the days of Tokugawa regime and is perhaps the oldest in history. Successive experiments have borne fruit and a peculiar system of rice granaries perfected in the famous Kumamoto prefecture has been extended to the other parts of the country. Dr. Kiyoshi Ogata in the course of a vivid account of these granaries has explained how, when farmers bring their rice, the same is inspected and graded into four classes according to quality and a certificate issued. The stored goods are insured against risks and advances are made on their security. "The warrant notes are utilised in speculating in

rice, greatly saving trouble and delivery as the mere passing of these certificates from hand to hand means the delivery of the rice which these certificates represent and also these certificates are sufficient guarantee of quality so that the buyers need not personally inspect the goods." These particulars gleaned from Dr. Ogatas' illuminating book on Japanese co-operative movement indicate the lines on which a storage movement could work in an essentially agricultural country like India. The advantages of the granaries and their beneficial effect on the quality of rice, on rice trade and on rural life in general, have been according to the same authority, profound. The granaries besides storing rice and advancing on the grain, do such other things as packing goods on the instruction of warrant note holders, marketing of rice on commission and collecting farm rent on behalf of the landlords. The Federation of Granaries has been engaged among others with the following business (1) transport of grain from one granary to another; (2) acting as agent for insurance companies; (3) general control of constituent granaries and (4) propaganda.

Since Japan's Agricultural Warehouses Act was passed in 1917 a steady progress has been kept up in co-operative efforts in the sphere of warehousing and these institutions are now found in every part of the country. The co-operative societies licensed under the Act to maintain warehouses are not permitted to carry on any business for profit. Besides exemption from income-tax, the state has vouchsafed for the societies a generous policy of financial assistance and great facilities have been afforded them in the issue of legally negotiable warrant certificates. These combined with insistent propaganda did much to popularise the warehouses and in 1922 within five years of passing the Act, the number of those worked by co-operative societies stood at 1082.

CONDITIONS IN EUROPE.

In England the great name of Walpole is prominently associated with the warehouse idea. But the system was adopted only about 1783 when thanks to the dearth of good tobacco and the gross impurity of even the first stuff available at the close of the American War, the warehousing system was resorted to in remedying the defects in the keeping and vending of tobacco. The last century witnessed the rise and expansion of a Great Organisation interested in the system. This was the enterprising National

Warehouse and General Union which after the great adhesion of strength derived in 1921 from its Amalgamation with the National Union of Distribution and Allied Workers, has a membership of 2,00,000 and which controls several diverse and productive concerns as those dealing with tobacco, rubber, paper, fur, dyes, metals and chemicals.

Theodor Cassan writing with intimate knowledge of German conditions spread over many years has given an account of the rapid development of the co-operative institutions of Germany; and of the purchasing societies of that country; the buying department of the Hamburg Production Society has come in for his special praise. But the growth of the Central Warehouse System is by far the most remarkable development in Germany. Its history dates to 1900 when the purchasing societies of the land established Central Warehouse Societies in sites contiguous to railways and waterways. The Societies were purely places of distribution with several shops in the vicinity associated with their work. A satisfactory supervision secured by means of time saving conveyances like motor-cars has resulted in much efficiency. Several units of the German political system, like Prussia, Bavaria, Baden, Wurtemberg, and Saxony have voted large sums for constructing and equipping cornhouses. The houses have proved a blessing to the community at large and Dr. Grablin spoke of their usefulness in these words. "Co-operative selling has removed the previous relation of dependence upon dealers; by reason of clearing warehouses and drying of corn, it has led to a betterment of its quality; it has furnished the possibility of Warehousing Corn and raising money on it while awaiting a favourable turn of the market. Finally, through the care of the Societies for better cultivation of the soil, for the clearing and selection of seeds . . . a considerable improvement in the technique of production is to be observed.

Reference may be made, in passing, to the co-operative institutions of Italy that have been working themselves in the sphere of marketing of Agricultural produce. The Institute of Exchange with Foreign Countries set up in 1919 is concerned with the export and import of foodstuff, particularly of the countries of South-East Europe. Its work is supplemented by the activities of the National Co-operative Union for Importation, working like the Institute itself at Rome. The principal organisation mention of which is more relevant to this study is however the Union for the Establish-

ment and Operation of Warehouses intended to take over the products of Agricultural Societies and to assist in selling than to Consumers' Societies. But these are things which have developed only recently. They have not so far engaged in many big enterprises but they are capable of immense possibilities as a liaison between the producer and the consumer. The view has been expressed by Mr. C. F. Strickland of the Indian Civil Service that it is essential for their growth that they should be freed from the excessive state supervision which has become a prominent feature of Italy's National Life.

Enough has been said to show how (1) Co-operative Warehousing has as a rule eliminated selling at absurdly low prices simply for lack of ready money. (2) The Warehouses allow the produce to be held over till a better turn is noticed in the market and (3) Also enable banks to advance on the security of such produce. Proper licensing and sound inspecting measures have rendered it possible to work the system with efficiency and tolerable success.

FINANCING WAREHOUSES' ERECTION.

In these ventures, the Agencies charged with the management of Warehouses have required a vast amount of capital. The work of the Japanese Co-operatives Societies appears to be hampered by paucity of funds which precludes the erection of Warehouses with the necessary equipment. Hence the tendency among the Warehouse Societies of that Country has been to federate so that their resources could be pooled and the formation of a Building fund rendered possible.

The important point to be watched in Warehouse building is economy of carriage to and from the Warehouse. To ensure satisfactory inloading and outloading facilities it has been found advisable to choose a site with siding accommodation by the side of a railway canal or docks though of course to a certain extent, motor transport has reduced the importance of such situations. The building has to be dry but cool, well lit and airy. Hoists too are required within the Warehouse: their presence facilitates the handling of stock. It has also been found useful to have a small track or railway laid within the yard: transport of goods from one part to another is rendered easy thereby. Much economy and convenience result from adopting the devices. Indeed the problem of warehouse construction is peculiar and complex in its own way.

QUESTION OF STATE AID.

This aspect could not be overlooked in considering Indian Conditions. The possibility of private enterprise getting interested in the matter of Warehouse building is remote and the idea of Government directly erecting Warehouses too has to be ruled out particularly since overhead charges may in that case be rather high, even higher than either producer or trader would be prepared to pay. Nor can an acceptable scheme be evolved from a co-ordination of private and public agencies. A large measure of Governmental Control is inevitable and being generally suspect in the eyes of the people in the domain of co-operation, this would hardly conduce to the popularity of the warehouses. The best method of encouragement would be for Government to evolve a generous policy of loans to approved societies engaged in the business. Though the true co-operative spirit is, as Schultze Delitzsch emphasized long ago, one of self-help it is imperative that the state fosters nascent undertakings especially in countries where, as in India, they have been launched under Governmental auspices. State aid that does not degrade or demoralise is under the circumstances a stimulant which is absolutely necessary if any progress is to be made. In fact the Madras Government have realised the fertility of licensing warehouses when no inducement could be offered to the licensees unless backed by a Government guarantee of dividends.

We learn that in Japan financial assistance of some kind or other is given to the societies in ample measure, the same usually taking the form of direct subsidies, non-interest loans, bounties on stored grain, remission of building tax, etc. In our country the railway administrations could co-operate in the matter and they could be persuaded to have warehouses at select stations where proper supervision could be exercised. It should be possible for local bodies also to maintain such institutions.

CONDITIONS OF THE INDIAN PROBLEM.

Some of the conditions of the warehousing problem have been set down in these pages in the hope of stimulating interest in the subject. It should be possible to work the system in this country. Experiments could be conducted in suitable places and our poverty notwithstanding the prospects of success are by no means meagre in a vast country like ours. Of course the feasibility of the scheme would depend much on the volume of business that could be attracted. To a certain extent it would depend also on the reasonableness of the charge levied for the services rendered.

But in our case the vital difficulty is that of standardisation to which pointed attention was drawn by the Punjab Banking Enquiry Committee. Standardisation is necessary for satisfactorily working the scheme and in its absence, the certificates issued by warehouse managers would be vague and hence of doubtful value as instruments of credit. And standardisation is in the considered opinion of competent observers, impossible under conditions obtaining in India. There is first to reckon with the practice of mixing freely indulged in various crops where single bags are not infrequently found to contain more than one variety. The cultivator's aversion to pooling is another severe obstacle. As moreover, holdings are mostly small, without pooling it is difficult to handle produce in bulk. Compared with organised bodies, the individual small producer is at a certain disadvantage in securing loans even on the warehouse commodities. In view of these considerations, it has been advised that "people should be content with securing average price instead of striving for the highest."

CONCLUSION.

Handicapped though in this manner the results obtained in other countries should inspire confidence in our country. There is a lacuna in our economic structure which warehousing institutions could supply. They may benefit trade and industry and their establishment together with the enactment of the Marketing Bill on the legislative anvil may prove an important milestone in the economic development of our province.

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Co-operative News.

1. THE CUDDAPAH DISTRICT BANK,

NEW BUILDINGS OPENED BY THE HON'BLE MR. P. T. RAJAN,

Development Minister.

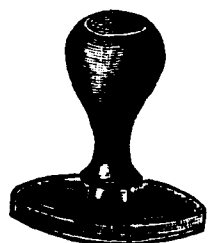
The new buildings of the Cuddapah District Co-operative Central Bank Ltd. was opened by the Hon'ble Mr. P. T. Rajan, Minister to the Government of Madras, Public Works, on Monday the 6th instant. The Minister arrived at Cuddapah at 12 noon from Anantapur by the Bombay Express. The District Officials, the President and Secretary of the Bank and the President District Board were present on the platform to receive the distinguished visitor. He was garlanded and those present were introduced to him. There was poor feeding at 2 P.M. and about 600 poor were fed. In the afternoon at 5-15 P.M. punctually the Hon'ble Minister on arrival was received by the President and garlanded. All the directors were introduced to him and a group photo of the members of the Board of Management with the Minister and the Deputy Registrar was taken. A large gathering of the share-holders and the elite of the town was present, among whom, the Collector, District Judge, District Superintendent of Police and other heads of Department, municipal councillors, members of the District Board Members of the Bar, Honorary Bench Magistrates and other gentleman and many representatives of societies in town and mofussil. At the commencement of the proceedings letters and telegrams wishing success to the function received from the Registrar, the Presidents of the Conjeevaram, Nellore Central Banks, the Secretary, Vellore Central Bank and Mr. K. Bhashyam, Vice-President of the Provincial Co-operative Bank and Messres. S. K. Yegnanarayana Iyer and V. Venkatasubbayya and others were read. The President Mr. V. Pichaiya, welcomed the guest of the evening in a short speech touching upon some salient points in the growth and past history of the Bank and its present financial condition and requested the Hon'ble Minister to open the building. The Hon'ble Minister congratulated the President and the members of the Board for having successfully carried on the business of the Bank during the past 14 years and wished for greater prosperity and growth in future in its new habitation. He was presented with a silver key with which he opened the lock. He was then taken round the buildings. The buildings which costs about

11,000 is a substantial two storeyed structure with reinforced concrete roofing and with plenty of light and air. The roof commands a view of about ten miles of the country and hills around and is one of the few good buildings in the town. There are two big halls one on the ground floor and another on the 1st floor. The distinguished visitor and others were very much pleased with the construction and congratulated the contractor. After the inspection of the building, light refreshments were served to the strain of a flute performance. The gathering dispersed at 6-45 P. M. Native band was in attendance. The distinguished guest was loudly cheered at the close of the function.

The Hon'ble Minister left Cuddapah by the Bombay mail at 11-25 P. M. There was a large gathering present at the station to see him off. He had some spare time to discuss with the President and Secretary of the Bank about the condition of the Co-operative Movement in this District, the prospects of successfully working the provisions of marketing bill through Co-operative institutions and to have a scheme for granting long term loans to agriculturists through Central Land Mortgage Bank in areas where local Land Mortgage banks do not exist or not likely to come into existence at an early date.

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2. AGRICULTURAL COLONY PROPOSED AT MANNARGUDI.

SCHEME FOR TRAINING IN AGRICULTURE.

A scheme of an Agricultural Colony to be opened in the new area to be irrigated by the Cauvery-Mettur project has been under contemplation for some time and a site of about 200 acres to be freely granted for the purpose by the Government, has been selected near Vadurur and about 9 miles from Mannargudi. Mr. Hilton Brown, I.C.S., Collector of Tanjore, inspected the site on the evening of the 18th instant, and has been favourably impressed.

The objects of the colony are to give relief to the unemployed, to help educated young men to turn back to the land and to educate the village masses in general knowledge and agriculture.

As the price of the paddy has fallen badly, profitable agricultural business is not possible on the old lines. Special commercial crops like sugar-cane, fruit trees, garden crops have to take the place of paddy. This will be a special feature of the colony farming. This is a good opportunity for those who own land in the new area to be cultivated by the Cauvery-Mettur Project to send their sons, relatives or agents to be trained in the Colony, so that they may, on return, develop their lands.

The colony is open to all without any communal distinction and any young man, between the ages of 16 and 30, prepared to do farming by his hand, with additional labour as needed, willing to live in a spirit of fraternity and equality, may become Members of the colony investing in four instalments a capital security of Rs. 500 when they will be allotted an area of six to ten acres for 1 to 3 years. The members will be paid a fixed allowance each for his living in return for his labours, which will be counted against farming expenses. The farming will be under the guidance of an experienced agricultural expert and all the finances will be borne by the colony which will arrange for loans, grants, etc. Each member will be entitled to half the net profit from his allotment.

Rao Sahib R. V. Rajagopalachariar, retired Vice-Principal of the Agricultural College, Coimbatore, has consented to be the residential Agricultural Expert for the colony and only 8 of the total 20 members can be enrolled this year and that before the 15th February with the payment of the 1st instalment of Rs. 100.

The capital paid will be safely returned when the member leaves the colony and the guarantee of a dividend is also contemplated.

Full detailed information, if needed, may be got from Rao Sahib S. V. Kanagasabhai Pillai, President, Konmaragurukulam, Mannargudi, who is organising the scheme.

(From the Hindu.)

THE MADRAS JOURNAL OF CO-OPERATION

production, Agricultural Co-operative Societies, Labour Co-operative Societies, Societies of tenant farmers, School Co-operative Societies, Military Societies, Credit Societies, Commercial Societies, Social and Accidental Insurance Societies, and the National Confederation of Co-operative Societies.

The Department of Co-operation will establish a correspondence school for the purpose of training technical workers and experts in co-operative questions.

It may be noted that there are in Mexico at present 660 Co-operative Societies covering labour, production and consumption, and 25,000 Agricultural Co-operative Societies.

The Government has referred to the National Congress a Bill relating to the Organisation of Co-operative Societies.

(From Industrial and Labour Information for 16th Jan. '33.)

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G. O.'s and Circulars.

GOVERNMENT OF MADRAS.

DEVELOPMENT DEPARTMENT.

G.O. No. Ms. 224.

Dated, 21st February 1933.

ABSTRACT.

Co-operative societies—Audit of central banks and urban societies—
scheme by the Madras Provincial Bank—orders passed.

ORDER :—In paragraph 2 of G. O. No. 927 Development dated 9th July 1932 the Government made a reference to a scheme proposed by the Madras Provincial Bank for the audit of central banks and urban societies through the agency of the Provincial Bank and invited the views of those interested in the Co-operative Movement. The Government have received the views of 20 co-operative institutions and of about 28 individuals on the scheme. The majority of the institutions and all the individuals are against the scheme. The views of the central banks for and against the scheme are about equally divided. The Urban Banks' Conference which was held at Tiruvannamalai in October 1932 passed resolutions favouring the organisation of regional audit unions with jurisdiction over one or more revenue districts, for the audit of urban societies, subject to the statutory control of the Registrar, adding that audit by private auditors should be discouraged in areas where audit unions are working or may hereafter be formed. The Government have carefully considered the scheme proposed by the Provincial Bank, the resolutions of the Tiruvannamalai Conference and the views they have received from co-operative bodies and individual co-operators. There is undoubtedly a strong body of opinion which takes the conservative view in favour of the continuance of audit by Government agency; and this view is strengthened by the considerations that the audit of co-operative societies is different in its scope and object from that of joint stock banks, and that a statutory responsibility for the audit of societies lies on the Registrar. The Government have, therefore, come to the conclusion that no extension of non-official audit of societies should for the

(g) 'Registrar' means the Registrar of Co-operative Societies, Madras;

(h) 'sale officer' means

(i) in relation to the sale of movable property distrained, an officer appointed in accordance with the rules made under section 11; and

(ii) in relation to the sale of immovable property mortgaged to a mortgage bank, an officer appointed in accordance with the rules made under section 21; and

(i) 'trustee' means the trustee referred to in section 5.

CHAPTER II.

Debentures.

4. (1) (a) With the previous sanction of the trustee the Board may issue debentures of different denominations for such periods as it may deem expedient on the security of the mortgages and other assets transferred by the mortgage banks to the Central Mortgage Bank. Such debentures shall be irredeemable for such period, not exceeding ten years from the date of issue thereof, as the Board may fix.

(b) With the previous sanction of the trustee, the Board may also issue debentures of different denominations on the security aforesaid without fixing any period of irredeemability and reserving to itself the right to call in at any time any of the debentures so issued in advance of the date fixed for redemption, after giving to the debenture-holder concerned not less than three months' notice by registered post.

(2) The total amount due on the debentures issued by the Board and outstanding at any time shall not exceed the total amount due on mortgages and other assets transferred by the mortgage banks to the Central Mortgage Bank and subsisting at that time.

5. The Registrar or, where the Local Government appoint any other person in this behalf, such person, shall be the trustee for the purpose of securing the fulfilment of the obligations of the Central Mortgage Bank to the holders of debentures issued by the Board. The mortgages and other assets transferred by the mortgage banks to the Central Mortgage Bank shall vest in the trustee. The holders of the debentures shall, subject to the by-laws of the Central Mortgage Bank, have a floating charge on all such mortgages and assets as well as on the other properties of the Bank.

6. The Local Government may guarantee the interest payable on all or any of the debentures issued under section 4 to such extent, for such period and subject to such conditions as may be determined by them with the approval of the Legislative Council.

7. The Board may, subject to the approval of the trustee, make By-laws. by-laws not inconsistent with the provisions of this chapter—

(i) for fixing the period of debentures and the rate of interest payable thereon;

(ii) for calling in debentures after giving notice to debenture-holders;

(iii) for the issue of new debentures in place of debentures damaged or destroyed;

(iv) for converting one class of debentures into another bearing a different rate of interest; and

(v) generally for carrying out the provisions of this chapter.

CHAPTER III.

Distrain and Sale of Property.

8. If any instalment payable under a mortgage executed in favour of a mortgage bank or any part of such instalment has remained unpaid for more than one month from the date on which it fell due, any person authorized by the governing body of such bank may, notwithstanding anything contained in the Transfer of Property Act, 1882, and in addition to any other remedy available to the bank, distrain the movable property of the defaulting mortgagor including growing crops on his land and the produce thereof:

Provided that no distrain shall be made after the expiry of twelve months from the date on which the instalment fell due:

Provided further that no property which is exempt from attachment under section 60 of the Code of Civil Procedure, 1908, shall be liable to be distrained under this section.

9. (1) Before or at the time when a distrain is made under section 8, the distrainer shall serve or cause to be served upon the defaulter a written demand specifying the amount for which the distrain is made.

(2) The demand shall be dated and signed by the distrainer and shall be served upon the defaulter by delivering a copy to him or to some adult member of his family at his usual place of abode or to his authorized agent, or when such service cannot be effected, by affixing a copy of the demand on some conspicuous part of his abode or on his land.

10. (1) If, within fifteen days from the date of service of the notice referred to in section 9, the defaulter does not pay the amount for which the distrain was effected, the distrainer may apply to the sale officer for the sale in auction of the distrained property of such part thereof as may be necessary to satisfy the demand together with the expenses of the distrain and the costs of the sale. If no such application is made within three weeks

from the date of expiry of the said period of fifteen days, the distraint on the property shall cease to be in force.

(2) The sale officer shall, subject to the rules made under section 11, proceed to sell the property or such part thereof as may be necessary. From the proceeds of such sale, the sale officer shall make a deduction, at a rate not exceeding one anna in the rupee, on account of the costs of the sale and shall remit the amount so deducted to such officer as may be appointed by the Registrar in this behalf by general or special order. He shall then pay to the distrainer the expenses incurred by him on account of the distraint and other expenses incidental to the proclamation of the sale. The remainder, if any, shall be applied to the discharge of the amount for which the distraint was made. The surplus, if any, shall be delivered to the person whose property has been sold and he shall receive from the sale officer a receipt for the amount discharged from the proceeds of the sale.

Registrar's power to make rules. 11. Subject to the control of the Local Government, the Registrar may appoint sale officers and may make rules not inconsistent with this Chapter—

- (i) for the manner of effecting distraint;
- (ii) for the custody, preservation and sale of the distrained property;
- (iii) for the investigation of claims by persons other than the defaulter to any right or interest in the distrained property;
- (iv) for the immediate sale of perishable articles; and
- (v) generally for the purpose of carrying out the provisions of this Chapter.

CHAPTER IV.

Power of Sale.

12. Notwithstanding anything contained in the Transfer of Property Act, 1882, and whether a power of sale without the intervention of the court is expressly conferred on the mortgage bank by the mortgage deed or not, the governing body of such bank or any person authorized by such body in this behalf shall have power, in default of payment of the mortgage money, to bring the mortgaged property or any part thereof, to sale without the intervention of the court. No such power shall be exercised unless and until—

- (a) notice in writing requiring payment of the mortgage money has been served upon the mortgagor or mortgagors, and default has been made in payment thereof for three months after such service; and
- (b) the Board has authorized the exercise of the power conferred by this section.

13. In exercise of the power of sale conferred by section 12 the governing body of a mortgage bank or any person duly authorized by such body may apply to the sale officer to sell the mortgaged property or any part thereof and such officer shall sell such property in the manner prescribed. The sale shall be by public auction and shall be held in the village where the mortgaged property is situated or at the nearest place of public resort if the sale officer is of opinion that the property is likely to sell to better advantage there.

14. (1) When a mortgaged property has been sold under the Act, the mortgagor or any person having a right or interest therein affected by the sale, may, at any time within 30 days from the date of sale, apply to the Board to have the sale set aside on his depositing at the office of the Central Mortgage Bank—

- (a) for payment to the mortgage bank, the amount of the mortgage money together with subsequent interest and the costs, if any, incurred by the bank in bringing the property to sale; and
- (b) for payment to the purchaser, a sum equal to five per cent of the purchase money.

(2) If such deposit is made, the Board shall make an order setting aside the sale.

(3) Where no application is made under sub-section (1), the Board shall make an order confirming the sale, and thereupon the sale shall become absolute.

15. The proceeds of every sale under section 13 shall be applied by the sale officer first in payment of all costs, charges and expenses properly incurred by him as incident to the sale or any attempted sale; and secondly, in discharge of the mortgage money and costs and other money, if any, due under the mortgage; and the residue of the money so received shall be paid to the person entitled to the mortgaged property or authorized to give receipts for the proceeds of the sale thereof.

16. Where a sale of mortgaged property has become absolute, the sale officer shall grant a certificate specifying the property sold and the name of the person who at the time of the sale is declared to be the purchaser. Such certificate shall bear date, the day on which the sale became absolute.

17. (1) Where the mortgaged property sold is in the occupancy of the mortgagor or of some person on his behalf or of some person claiming under a title created by the mortgagor subsequent to the mortgage in favour of the mortgage bank and a certificate in respect thereof has been granted under section 16, the court shall, on the application of the purchaser,

(2) Where any instrument is so executed, the registering officer to whom such instrument is presented for registration may, if he thinks fit, refer to such Director or Secretary for information respecting the same, and, on being satisfied of the execution thereof, shall, register the instrument.

Power of mortgage banks to receive moneys and grant valid discharges notwithstanding assignment of deeds to the Central Land Mortgage Bank.

28. Notwithstanding the transfer of a mortgage by a mortgage bank to the Central Mortgage Bank—

(a) all moneys due under the mortgage shall, in the absence of any specific direction to the contrary issued by the Board or trustee and communicated to the mortgagor, be payable to the mortgage bank and such payment shall be as valid as if the mortgage had not been so transferred; and

(b) the mortgage bank shall, in the absence of any specific direction to the contrary issued by the Board or trustee and communicated to the mortgage bank, be entitled to sue on the mortgage or take any other proceeding for the recovery of the moneys due under the mortgage.

29. Notwithstanding any law to the contrary, a mortgage executed in favour of a mortgage bank shall not be called in question on the ground that the debt was incurred in whole or in part—

(a) on behalf of a minor for a purpose not binding on him, or
(b) by the holder of a life estate for a purpose not binding on the reversion.

30. Notwithstanding anything contained in the Madras Co-operative Societies Act, 1932, or the rules made thereunder, the Board shall have a general power of supervision over the mortgage banks and may make regulations not inconsistent with this Act or the rules made thereunder—

(a) for the inspection of the account books and proceedings of mortgage banks;

(b) for the submission of returns and reports by mortgage banks in respect of their transactions;

(c) for the periodical settlement of accounts between mortgage banks and the Central Mortgage Bank and for the payment of the amounts recovered by mortgage banks on mortgages transferred to the Central Mortgage Bank;

(d) prescribing the form in which applications to mortgage banks for loans should be made and for the valuation of the properties offered as security for such loans;

(e) for the investment of moneys realized from the mortgagors; and

(f) generally for the purpose of safeguarding the interests of the parties concerned and for carrying out the purposes of this Act.

STATEMENT OF OBJECTS AND REASONS.

The Committee on Co-operation appointed by the Government of Madras in September 1927, examined the progress made in the co-operative movement in this Presidency and recommended that various defects in the Co-operative Societies Act, 1912, may be rectified by suitable legislation. A Bill giving effect to the suggestions of the Committee was passed by the Legislative Council in 1932. The Committee also made several recommendations in regard to the working of land mortgage banks and the establishment of a central organization for financing them. A central land mortgage bank has been established. The Committee suggested, among other matters, the amendment of the provisions of the Transfer of Property Act, 1882, for conferring on the mortgage banks the power of sale of the mortgaged property without resort to courts. They also recommended that the debentures of the central bank should be made trustee investments and that the Government should guarantee the interest on debentures for a specified period. They drew attention to the several existing enactments which may require modification, and they concluded by stating that it is desirable that a separate legal enactment dealing with land mortgage banks should be passed as they differ materially from co-operative credit organisations. The Madras Co-operative Societies Act does not deal with the recommendations of the Committee on Co-operation regarding land mortgage banks, and the present Bill is intended to give effect to these recommendations.

2. The whole scheme for financing the central bank depends on the acceptance of its debentures by the general public and their stability and popularity in the share market. For this purpose it is considered essential that the main features of the scheme for the issue of debentures now incorporated in the by-laws of the central land mortgage bank should be embodied in the Bill, and that minor provisions relating to them should continue to be dealt with in the by-laws. The necessary provisions are therefore embodied in Chapter 2 of the Bill. The Government have guaranteed the payment of interest on the debentures issued by the bank for the first five years up to 50 lakhs of rupees. Provision has been made in the Bill for Government to guarantee interest on debentures issued by the central bank.

3. The question of adequate powers for the speedy recovery of arrears from defaulters is of fundamental importance. In Europe and

as Elur Dhuppattis and towels have been found to be very popular from our experience. In our opinion, the distribution of carded cotton, purchased elsewhere, to the spinners of the centre is not so good as the purchase of raw cotton of the varieties of 'Karunganni' or Ladan and distributing them to the spinners who will themselves gin and card the cotton—as thereby they will get the labour charges not only for spinning but also for ginning and carding.

For the purpose of getting the above varieties of cotton, the question of supply has to be considered. The above varieties, if they could not be got locally, should be introduced for cultivation. We have, therefore, instructed our Inspector to advise the local cultivators to grow the above varieties of cotton. Good seeds should be got by us and give or sold to the cultivators to encourage the said cultivation. For the present, the Inspector says, he has got some Karunganni cotton for distributing to the spinners. So he has been asked to see that spinning work is started next week.

LEPROSY TREATMENT.

As we were interested in seeing personally how the Doctor, Mr. V. Narayana Iyer was treating the lepers, we promised on 8-1-33 to go to Elur sufficiently early on 15-1-33 and we accordingly reached Elur at about 10 a. m., in time to see the operation. We found that 60 or 70 patients were injected. The doctor is taking a good deal of interest in this matter. From personal enquiries and inspection of the patients themselves we found that a number of patients have received immense benefit from the injection and their number is increasing on account of good reputation as to the effect of injection.

FEEDING OF THE LEPERS.

As most of the patients are poor and come from afar, we directed the Doctor to arrange for the feeding of the patients on the injection day. We personally saw the feeding of the patients. The Caste Hindus and Adi Dravidas were fed with rice, dal sambar and curd, and they were very much pleased with the food they got. It gave us considerable satisfaction too. We are of opinion that the patients should be fed on every injection day or at any rate on one of the two injection days of the week, as good feeding after injection will give them strength. This is more than humanitarian. As we think that the funds at our disposal will permit the feeding expenses, we strongly recommend the introduction of this item in the Rural Reconstruction programme. To-day's feeding charges amount to Rs. 6-12-0. We recommend the sanction of the same.

We also think and recommend that a small well should be dug in the vicinity and pump installation be put for the benefit of the patients' bath at least on the days they get injected. They may also be given antiseptic soaps.

RECREATION.

1. *Gramophone.*—The gramophone that was purchased for the Centre has now become worn out and its repair is out of question. We, therefore, think that a good new gramophone should be purchased and given to the Centre. If necessary, some good plates, should also be purchased to add novelty. Musical entertainments to the rural population are admitted to be an essential part of the programme of Rural Reconstruction Work. All the same they have been completely stopped for some months.

2. *Physical Culture.*—Much money has been spent on this account by the Centre ever since it was started though unfortunately with no good result. This shows that the rural population is not in need of the kind of the Physical Culture given to it. The first Instructor left service after one year out of sheer disgust at the lack of response from the villagers. The present substitute, though entertained on a smaller salary, is also having a similar experience. He proposes to leave the place in a month, along with his brother who is employed in the Industries Department. So we need not dispense with the services of the Instructor but we may not fill the vacancy after he leaves.

LATRINES.

The latrines provided for the villagers at Elur are insufficient. So we suggest that four enclosures may be provided for their use with four bore-hole latrines, which are being introduced in some places by the District Board, Salem.

PROVISION OF A WELL FOR THE CHUCKLERS. AT PUDUPATTAL.

As regards deepening the well at Pudupatti for the benefit of the chucklers, the Taluk Board has been approached for funds, and so we may await their reply. The committee may also address the President, Taluk Board, Namakkal, in this connection.

Provision of buildings for schools for boys and girls and Rural Dispensary—a shed for leprosy treatment.—The land purchased for the Rural Reconstruction Centre for purposes of agricultural demonstration is now lying idle. The purpose for which it was had, having failed, the land can now be advantageously used for locating the following namely: (1) a pucca building for the rural dispensary, (2) a shed made of zinc sheet for accommodating the lepers at the time of injection, and (3) a pucca building for locating the Board Elementary Schools for boys and girls. All these three buildings are estimated to cost about Rs. 1,200 of which the local worker and the rural doctor promise to collect at least Rs. 300 by way of subscriptions. The rest of the amount namely Rs. 850 (the Rural Reconstruction Committee has already sanctioned Rs. 50 for the construction of a shed for leprosy treatment on 14th February 1932), may be allotted out of

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the Rural Reconstruction Fund. In doing so the centre will have the satisfaction of providing suitable accommodation for institutions maintained for imparting health and education to the villagers of this centre-area. At the same time the land, found useless for the purpose for which it was intended, could be used for an equally good purpose. The building to be occupied by the Board Schools will fetch a decent rent from the Taluk board. The Taluk Board is now paying a rent of Rs. 14 per month for the building in which the school is located now. The Committee will even now advise the Taluk Board regarding the building matter, pointing out the present very unsatisfactory nature of the accommodation provided for the schools. We inspected them both to-day and to say the least the schools, are located in very insanitary and unseemly surroundings not to mention about the very unsatisfactory condition of the very buildings. The vacant space, left after the location of the above buildings, can be used for maintaining a good garden. The whole thing, if accomplished, will be an excellent piece of work of substantial benefit for the centre.

Loans to members of Elur Hindu Co-operative Society and Adi-Dravidas.—When we visited the Adi-Dravidas quarters, some Adi-Dravidas who were not members of the existing society affiliated to the Christian Central Bank, expressed their desire to become members of the Elur Hindu Society and take loans from it. They were asked to submit applications for membership to the Panchayat of the society and then apply for loans. The Inspector at Elur has been asked to assist them to prepare loan applications and submit the same for sanction. The Inspector who had already made sufficient enquiries about their status and recommended their cases for favourable consideration. We also learn that some members of the Elur Hindu Society who had no overdues to the society applied for loans and they were not recommended for sanction by the Rasipuram Co-operative Union as the society had heavy overdues to the Bank. We are of opinion that these cases deserve favourable consideration. It must be observed that it is bad policy to debar the entertainment of loan applications from societies simply because the existing members are defaulters, for some reason or other although the applications are from non-borrowers and non-defaulters and their eligibility for loan is unquestioned both from the point of view of their repaying capacity and their solvency. So we have asked the Inspector to send these applications for loans from the Adi-Dravidas and other members of the society for sanction and the Secretary of the Bank who was present at the time of the enquiry, will kindly see that these loans are sanctioned early. We believe that this is an effective way of introducing fresh blood into the management of the society and will facilitate the smooth and the better working of the society. Many of the members of the Elur Adi-Dravidas Co-operative Society, expressed their willingness to dissociate themselves from the Christian Central Co-operative Bank and join the local Hindu Society. The Inspector in charge has been asked to take early steps to help them in achieving their object.

CREATION OF FACILITIES FOR THE CONSTRUCTION OF NEW MODEL COTTAGES FOR THE ADI-DRAVIDAS.

The Adi-Dravidas of Elur have acquired a new site with a view to shift their present residence to that site. It is just the opportunity for the Rural Reconstruction Committee to do their best to help them to put up decent and well ventilated cottages connected by broad roads with suitable drains. It is certainly much easier to render such assistance and enable them to have sanitary dwellings than to attempt to effect improvements in the already existing insanitary quarters. The Inspector will soon get the necessary information from the Adi-Dravidas with regard to their requirements in this matter, promising them every assistance on the part of the Committee. It appears there are good old palm trees near Elur which will be useful to the Adi-Dravidas in building their cottages. The Committee will address the Revenue Divisional Officer at Namakal to sanction the grant of two trees to each of the applicants.

REPAIRING OF ROAD FROM ELUR TO PUDUCHATRAM.

The road from Puduchatram to Elur is in a very bad state. At least two or three culverts and a cause way are necessary to make the road in any way useful. The Namakal Taluk Board is said to be in charge of the road. The Committee will address them to take immediate steps to improve the road and make it fit for travel, promising every kind of co-operation in this matter.

CORRESPONDENCE WITH OTHER DEPARTMENTS BY THE INSPECTOR AT ELUR.

The Inspector has been advised he send in future, all letters to the outside Authorities, such as Revenue, Police, etc., through the Committee so as to ensure prompt response from them.

(Sd.) N. RAMA RAO,
19-1-33.

(Sd.) S. KRISHNASAMI IYER,
Vice President.

(True Copy.)

Magic Lantern and Slides.

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

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

SLIDES.

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

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

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

III. Rural Reconstruction in Alamuru. These slides illustrate the activities of the Rural Reconstruction Centre at Alamuru and the various benefits conferred on the people by Co-operative Societies and Village Panchayats. Educational and Inspiring. 63 slides. **Price Uncoloured Rs. 62. Coloured Rs. 95.**

Lepakshi Rural Reconstruction Centre. REPORT OF THE WORK FROM 1-4-1932 TO 30-11-32.

I. Education.

A. Juniors—1. An aided school is started at Obalapuram hamlet of Cholasamudram and is working from four months. The strength of the school is 18.

2. A girls school was opened at Lepakshi by the Taluk Board, Penukonda for Hindu girls. The strength is about 15.

3. The boys of Manepalli Board Elementary School raised chilly seedlings in season which fetched Rs. 6. Rs. 3 were spent by the boys for an excursion to Hindupur. The children visited the Public Offices, the Travellers' Bungalow the Post Office, the Co-operative Town Bank and other places of public importance. The Head-master accompanied the children.

4. The central school building has been completed.

5. The weaving section is now working with 2 looms at Lepakshi.

B. Adults.—1. Magic Lantern Lectures :—

Lecturer.	Slides.	Village.
1. Agricultural Demonstrator.	Agricultural implements and improved methods.	Cholasamudram.
2. do. ...	do.	Manepalli.
3. do. ...	do.	Kodipalli.
4. District Veterinary Officer, Madanapalli.	Cattle Improvements, Cattle diseases, Breeding bulls and foreign breeds.	Lepakshi.
5. Supervisor R. R. C. ...	Rural Reconstruction Alamur.	Kallur.
6. do.	do.	Sirivaram.

(Attendance)—varied from 100 to 200. Lectures to the aid of gramophone were delivered now and then on Sanitation, communal labour and grain Banks, by the Supervisor.

II. Supervisor.

2. Puranam.—Bharatham was completed in September 1932 at Sirivaram. The Head-master of the Board Elementary—School assisted in reading. The youths' association of the village about 7 in number collected grain and celebrated the finish by feeding the poor.

(b) *News Paper Reading.*—Was occasionally conducted at Manepalli, Sirivaram and Kallur.

(c) *The Andhra Patrika.*—Weekly and the Telugu Monthly Bharathi are being bought by the Village Panchayat—Manepalli for the Reading Room.

(d) The Bhajana Samajam Fund of Hisalu Manepalli hamlet of Cholasamudram amounting to Rs. 60 is utilised for financing the retail betul traders of the village. The fund was started in 1930. Mr. Appaswamy formerly the teacher of the Panchayat school now at Lepakshi helps the fund in the mangement.

The Co-operative Societies in the centre should have served the short term needs, but the heavy overdues which could not be recovered have made them moribund, so that chit funds had to be organised and developed. for the time being. They serve to create Co-operative spirit which is absent in the present Co-operative Societies.

3. The Village Co-operative Societies at Manepalli, Kallur and Cholasamudram were requested to take action and execute decrees, to collect the overdues. The Secretaries are pursuing executions of decrees which remained without any action for some time with vigour. The decrees in execution are eight, twelve and twelve respectively.

4. *Arbitration and Settlement of disputes.*—The residents of Bisalu-Manepalli (hamlet of Cholasamudram) and Sirivaram have regular committees for the settlement of petty disputes. The supervisor attends their meetings now and then and helps them in the work. The elders of Cholasamudram meet occasionally and arbitrate, though there is no regular organisation. The arbitration committee that was organised at Manepalli in December last worked for four months till the end of March and has now ceased to work on account of private dissensions. However an application for the establishment of a village panchayat court has been presented to the District Collector.

The supervisor helped in the work of settlement of the following disputes.

(1) A civil suit against a ryot of Bisalu-Manepalli and (2) a civil suit against a reddy ryot of Cholasamudram, (3) civil and criminal disputes between two brothers of the reddy family for the division of property at Lepakshi, (4) two cases of criminal assault at Manepalli.

V. Miscellaneous.

A lottery scheme for the rejuvenation of the Lepakshi temple was devised but it fell through for want of Government sanction. However the collections from visitors help the local temple committee to maintain a servant and an Archaka. A fruit garden has been grown in the temple the proceeds of which are used for the temple purposes.

2. The toddy shops which were adjacent to the Adi-Andhra home-steads at Kallur were removed to a spot three furlongs off the village on a resolution of the Panchayat passed on the application of the Adi-Andhras.

LEPAKSHI,
12-12-32. }

L. VENKATANARANAPPA,
Secretary, R. R. C.