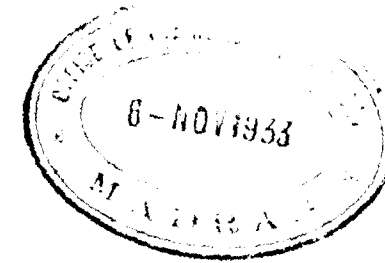


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Editorial Notes.

Triplicane Urban Co-operative Society - Once More.

The Triplicane Urban Co-operative Society occupies such a prominent position in the Co-operative world of India that its fortunes are not the concern exclusively of its members only and hence it was, we dwelt at some length upon certain problems of reconstruction that the authorities of the T. U. C. S. are faced with in our Editorial for September 1932. We then informed our readers that a committee was attempting to draft a new constitution which would enable the society to work more efficiently.

Since then at a meeting of the General Body of the Society held on 11-12-'32 an *ad hoc* Committee was appointed to discuss the question of decentralisation and frame definite bye-laws; and this Committee was asked to report within two months from the date of the formation. The general body had a suspicion that even if the report be ready the management may not convene a special meeting to consider the report, and therefore, in the original resolution authorising the formation of a committee, it was explicitly stated that the management must place the report before a specially convened meeting of the General Body within one month of its receipt.

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The committee consisted of very eminent co-operators like Rao Saheb T. K. Hanumantha Rao, one of the founders of the T.U.C.S. Mr. V. C. Rangaswami, Secretary, Madras Provincial Co-operative Bank and others and they submitted the new constitution for adoption by the General Body which was a compromise between the existing system of centralised administration with its various branches and the new system of complete decentralisation with every branch registered as a separate unit but federated into the wholesale. According to the recommendations of the committee each branch would be autonomous in the matter of its own profit and loss and could regulate its own staff and other items of expenditure but the legal entity of the T.U.C.S. was maintained with various branches which for financial purposes were practically separate. They were bound to get their supplies of articles from the Head Office, but they were expected to maintain their own complete set of accounts, including personal ledger and others which would enable them to declare a dividend upon purchase. Instead of the present General Body consisting of 6000 members, the committee recommended for the wholesale a new General Body consisting of local Directors of all Branches and delegates from bigger branches to meet not only to elect the Executive of the Central Organisation but to discuss and pass the budget. It was this report that was considered at a specially convened meeting of the General Body held on 9-4-33.

Though the scheme was not hostile to the existing system and breathed a spirit of compromise, it was not accepted by the General Body and those who spoke against the scheme dwelt among other reasons upon the following:—(1) If practical independence be given to branches and if they be asked to control their own staff, the existing staff will have no security of tenure and prospects and many will be thrown out of employment. (2) the general body had appointed two other committees dealing with similar problems affecting the society as a whole, namely a Retrenchment Committee and a Committee to investigate Shortages and Excesses and it was thought by some that we should take a comprehensive view of the recommendations of all these three Committees and not rush to any conclusion on the basis of recommendation of one particular committee only, (3) There were others who held the view that the scheme of one branch having one Director was not given a fair trial, as a disability clause was soon after introduced which made the branch forfeit its right of sending a representative

to the Directorate if its business in a particular half-year did not come upto a minimum. They wanted that this disability clause should be removed and the scheme of one Director for a branch should be given long enough trial.

Mr. S. Satyamurthi, who occupied the chair vacated it for a time and made a speech against the report and the speech was, as might be expected, very effective. He got the House to agree to putting one or two test clauses of the new bye-laws to vote and if these clauses were defeated it would be taken as if the report was rejected. There was a clear majority against these clauses and the result was the report was rejected, and from a constitutional point of view the T. U. C. S. remains where it was.

We regret this summary disposal of the report of a Committee composed of eminent co-operators on the subject of decentralisation, in favour of which the General Body had more than once expressed its opinion. Our regret is all the keener as we understand that some of the members of the Committee had discussed in detail the several changes proposed with the Registrar of Co-operative Societies who is said to have expressed his approval of the bye-laws recommended in the final form. We confess we are not ourselves in favour of all the drastic changes proposed; but we believe that the Committee's report deserved a more considerate treatment at the hands of co-operators.

We may say at once that we are not enamoured of the idea of thorough decentralisation at this stage of the movement. In fact, the trend of events in the co-operative world has been the other way. Amalgamation has become the order of the day in the West; the number of independent societies is going down steadily while membership and transactions are increasing, particularly in Great Britain, the home of Consumer's Co-operation. This will be amply borne out by a glance at the figures supplied in the People's Year Book. It is something that the Committee did not go the whole hog of the orthodox decentraliser and make purchases by the branches at the wholesale voluntary. If this had been done, the economies of large-scale purchase and production would be little realised and the wholesale might soon dwindle in importance, with the whims and fancies of local directors.

But we have a fear that with the decentralisation of services which the Committee recommended, the efficiency and morale of

the employees—we are not speaking in particular of the present staff—might suffer. The teachers, health-officers and others in this country have been agitating for a provincial cadre, to escape the insecurity of service under, and meddlesome interference, by local bodies. There is here a lesson that co-operators may well bear in mind; a larger organisation can always command the services of abler men; and a transfer of employees from place to place has a balance of advantages. It is quite possible to make the staff more contented and interested in their work by offering them an inducement by way of commission on transactions in addition to the modest scale of salaries. This is a practice well recognised elsewhere.

We are sorry that on another important issue, on which we think the Committee made a very sound proposal—though not novel—the General Body did not see its way to agree with the recommendation. It is not, however, human nature to pass a self-denying ordinance, though there is nothing un-co-operative about it; and the General Body refused “to commit suicide”. This is with regard to the constitution of the new General Body (meeting) for the wholesale. While the existing members might meet as such at the branches it would be only directors of all branches and delegates from the from the bigger ones that would be assembled at the ‘general meeting’ of the wholesale to elect the Executive Committee and to pass the budget. This new body of representatives from branches might well have been made to assemble more than once in the year not only to serve as an electoral college and pass the budget but to discuss the working of the wholesale and formulate policies. It might develop into a *pucca* representative assembly, meeting quarterly and controlling its own executive which will be fully responsible to it and not to the local members. In the existing constitution there is the anomaly of the directors being elected by local members who do not and can never gather in the General Body Meetings of the Head Office as a whole or in any representative capacity, though it is the latter that is the supreme governing body of the Society. No wonder that in such gatherings we see long-conceived or slowly-built up policies being upset. Its frequent motions of no-confidence are not a little embarrassing to directors. Discussion often becomes heated and decisions are taken on the spur of the movement.

This is not, however, a failing peculiar to India. It has been noted in other countries as well, and, what is more important, is

being remedied. It is to introduce a certain amount of continuity and steadiness in the administration of bigger societies and to facilitate due deliberation of policies that the characteristic device of British political democracy, representative assembly, intermediate between the Executive and the General Body of members, has been adapted in the law or convention regarding the constitution of big co-operative societies in several countries in the west.

A change, therefore, on the lines suggested by the Committee with an amendment to make the ‘General Meeting’ much more than an electoral college, would have not only served the best interests of the T.U.C.S., but would have afforded a welcome model to several big societies in the country. And it would have been in consonance with the T.U.C.S., tradition for pioneering.

Co-operation in Bombay.

Our sister Province of Bombay has been affected more even than Madras by the present economic depression for the obvious reason that her prosperity depends more than ours on industries and commerce, two departments that have been very heavily affected by the world economic depression.

In Bombay, therefore, they appointed a committee presided over by Mr. Thomas to devise methods of effecting all possible retrenchment in Government expenditure and the recommendations of the committee so far as the Co-operative Department is concerned are given elsewhere.* We also give the views of the Bombay Co-operative Institute upon the recommendation of the Committee.

The Committee thinks that though the movement was started to become a non-official one ultimately the Government have been forced to spend ever increasing sums annually and they calculate that during the past 28 years, the Government have spent 80 lakhs. The Committee is of opinion that time has come for effecting retrenchment. This point is met by the Institute who say that in Bombay, the Government have not spent as much as other provincial Governments have done notably in the Punjab.

The Committee is of opinion that in spite of this increasing expenditure, there has been steady deterioration in the working of societies as overdues have been increasing. They do not ascribe this to the world economic depression which they

See page 603 of this number.

consider only one of the causes. Their view is that even before the General economic depression began, rot had set in. The Institute challenges this view and they think the movement was progressing quite satisfactorily till the general economic depression made it impossible for agriculturists to keep their obligations.

The Committee recommends the practical stopping of all registration of new societies and cancellation of allowance given to honorary organisers who are expected to go about to do preliminary propaganda before a society could be organised in a new place. The Institute rightly emphasise on the point that it would spell serious disaster if fresh registration be completely stopped; and our readers know very well that we have been advocating in these pages a policy of cautious expansion. Complete stopping of registration will give such a serious set-back to the movement and it will have very demoralising effects. The Institute has no objection to the stopping of grant for honorary workers but the work of educational propaganda is to be done by some other agency and it is a disastrous policy, according to their view to stop this line of useful work.

Recovery of overdues by summary processes by Revenue authorities is condemned by the Committee, who are of opinion that co-operators are inclined more and more to have recourse to this process. The Institute on the other hand maintains that it is only in exceptional cases that this method is adopted.

The Committee is of opinion that there is good deal of overlapping on the part of agencies engaged in supervision and audit. There are the higher officers of the Government and there is the vast army of auditors under Government and there is the third agency of Supervisors working under local boards and paid out of supervision fee raised from Primary Societies. The Committee recommends the wholesale abolition of supervisors and to double the Government auditors, who in their view not only audit accounts, but do a great deal of supervision especially of primary societies. The committee is of opinion that this temporary toning up is necessary in order that the right degree of efficiency may be secured; they also contemplate a time when non-officials may be entrusted with the entire management of the movement which, by that time would have become more efficient. The Institute in its review emphatically protests against this and exposes the fallacy in the argument of the committee that the step they recommend is more economical. The

Institute also protests against the recommendation of the committee that all concessions now granted to Co-operative Societies in the matter of stamp duties, registration etc., should be withdrawn. The Institute is of opinion that the committee did not have necessary time and opportunities to go into the working of Co-operative Societies in the Province and they appeal to Government not to give effect to these recommendations, without examining for themselves both sides of the question. We hope, the voice of protest raised by the Institute will be given its due weight by the Government before they pass final orders on the recommendations of Thomas Committee.

Crisis in English Co-operation.

From the Co-operative papers of England to hand recently we come to know that an epoch-making meeting was held in the Central Hall of Westminster on Tuesday the 4th of April, to record the unanimous protest of all Co-operators against the Chancellor's proposal to levy additional tax upon Co-operators in England. It is said that traders' organisations had been pressing the Chancellor to take this line of action. The Chancellor appointed what he called an impartial committee to investigate and report upon this matter though in the opinion of some co-operators the Chancellor the judge on this occasion 'had declared a judgment and had appointed a committee to act as jury and to bring in verdict in accordance with the judgment already given.'

The Chancellors gave out as his opinion that under the existing law co-operative societies enjoy a privileged position and added that one of the causes for grievance of private traders was accentuated by the fact that the principle of mutuality upon which the privilege is based is not being directly observed. Co-operators challenge both these statements and affirm that they are not in a privileged position and that the principle of mutuality * has not been violated.

* The principle of mutuality is this: that roughly that a person could not make a taxable profit out of himself nor could a body of persons do so. It requires two persons—a buyer and a seller—to complete a trading transaction. Co-operators buy collectively and distribute among themselves what they have purchased and thus the element of seller is entirely absent. The results of mutual trading have been held inviolate from taxation by Economists, Chancellors of Exchequer and so on.

The National Co-operative Authority, the new organisation brought into existence, which is in charge of the general policy of the movement as a whole organised meetings in every district and induced co-operators to interview local M.P's and they also got a monster petition signed by millions of Co-operators and the special conference held in Westminster gave emphatic expression to co-operators' disapproval of the new proposal. Sir Frederick Hayward, Chairman of the National Co-operative Authority presided over this conference and Sir Henry Wilkins, Chairman of the Co-operative Wholesale Society proposed and Mr. N. S. Beaton, Chairman of Scottish Co-operative Wholesale Society, seconded the following resolution which was unanimously passed.

This special National Co-operative Authority having considered the Report of the Committee appointed by the Chancellor of the Exchequer to inquire into the present position of Co-operative Societies in relation to income-tax, strongly condemns the recommendations submitted therein, which would destroy the established principle of mutuality, are inequitable, and would, if adopted, result in great injustice being inflicted upon Co-operative Societies and their members, a large section of whom are drawn from the poorest section of the community.

This conference calls the attention of the Government to the fact that to pass legislation on the lines of the Committee's Report would be to make a false use of the Income-tax Acts and would make taxes chargeable not according to the origin and nature of the funds, but according to the use to which they were put.

This conference, therefore, calls upon all co-operators to use every constitutional means of impressing upon the Government and Members of the House of Commons the injustice of the proposals, and urges them to use all the power they possess in order to influence the Government not to adopt the recommendations of the Report.

This conference further calls upon every Co-operative Society represented at the Conference to pledge itself not to cease from its labours until the inequitable recommendations of the Report are finally defeated.

Thus we see the English Co-operators have pledged themselves not to cease their agitation until their point is won and we wish them all success.

Fundamentals of Co-operation.

We are generally so obsessed by practical problems demanding immediate solution that we have no time to think of the fundamental ideas that must ultimately guide us. We would do well, therefore, occasionally to turn from rules and regulations, from overdues and rectifications, from liquidation, Federation vs. the Bank, Official and Non-official Audit and things like that, to basic principles of co-operation.

Mr. W. C. Good who presided over the congress of the Co-operative Union of Canada at the Conference held at Regina in July last drew the attention of his audience to some of the basic principles of co-operation in his masterly presidential address.

After dwelling upon the peculiar disadvantages of Canadians in the matter of their having no long past and complicated history, he traces briefly the causes that have led to the present economic crisis. Starting with the Industrial Revolution and the individualistic philosophy of the 19th Century which dominated the field of economics as principle of laissez-faire, he shows how banefully the tendencies of the movement were strengthened by misapplication of the Darwinian principle of struggle for existence and the survival of the fittest and how the whole Society was organised on the false basis that if every one were to strive as best as he could for his own individual benefit, the Society at large would somehow or other be happy.

Mr. Good has no difficulty in demonstrating the futility of this individualistic philosophy. He shows in the first place how this profit motive is self-destructive. Profit seeking has either succeeded in abolishing competition by the process of rationalization, by combines, Mergers, Cartels or competition succeeds in the virtual abolition of profit. In either case this leads to disturbance of economic equilibrium and does not tend for steady and continuous prosperity of the masses. Secondly, Mr. Good points out how this economic philosophy views the whole problem exclusively from the producer's point of view, and how the consumer is entirely neglected. When given unrestricted scope this individualistic philosophy develops into mighty and ugly forms of national competition. It is a small step from "every one to himself" to "every nation to itself"; and under the dominance of this wicked idea each nation tries to protect its own economic interest by tariff walls. It wants to exploit other nations itself refusing to be exploited. The chaos and confusion that would result from such an un-socialistic philosophy is considerably enhanced by the confusion that prevails in the matter of money and the vast powers that Banks have developed in manipulating it for their selfish interests.

Mr. Good is of opinion that the capitalistic system is doomed and is crumbling; but amidst the confusion of wreck and ruin he

sees some new principles of reconstruction and growth and they appear to group themselves under three systems of voluntary co-operation, State Socialism or Military dictatorship. The last is the least desirable and though it is tolerated in certain parts of the war-weary world, it is not likely to continue long and the final struggle for supremacy as principle of social philosophy tending for stability of institutions and contentment and progress of the masses will be between state Socialism and voluntary co-operation. It is foolish to prophecy and yet we cannot help thinking whatever be the nature and form of human Society in future, co-operation has got a great part to play as no agency is better fitted than co-operative movement for the development of intelligence and public spirit on the part of the citizens and to make them fit for wise democracy. In the words of Mr. Good "Co-operation teaches us that human Society is a brotherhood and not an aggregation of warring atoms; that workers should be fellow workers and not rivals and that justice and not selfishness should determine exchange". He concludes:—Co-operation stands for a new Social order. It demands and develops character. It blends in due proportion individual and social responsibility. Through international co-operation and world-wide citizenship it moves onward to world peace. And it follows Nature's method of growth, steadily building up the new within the frame work of the old.

Even those who boast of their practical nature and do not own any liking for ideas and doctrines will do well to think occasionally in terms of bigger problems and not commit the mistake of missing the wood for the tree.

An Indian Co-operator in England.

Our readers would read with interest the letter sent to us from Manchester by Mr. Chengappa of Coorg, who is now prosecuting his advance studies in Co-operation in the College of Co-operation at Manchester. At our special request he has promised to send us occasional contributions and there are two from his pen in this number. Most appropriately, he is starting with a brief account of the system of Co-operative education and in the letter referred to, he shows how co-operators organise themselves into associations and clubs for study and social recreation. This is a line of activity which we in India will do well to copy. We think, at least most of us, that the function of the Co-operative Society is to get the members cheap credit and that done, everything else is done. We have to look upon that as one of many activities and we must place in the forefront a programme of study and education, because without that, no progress could be achieved.

We commend Mr. Chengappa's articles to the special consideration and study of all co-operators.

British Co-operative Education

BY

MR. P. M. CHENGAPPA.

The origin of the British Co-operative Education dates as far back as 1844 when the Rochdale Pioneers decided to devote 2½ per cent of their net profits for Educational purposes. They established reading and conversation rooms which soon developed into regular Elementary Schools. After the passing of the English Education Act of 1870 by the Parliament, it was the duty of the State to provide Elementary Education. So the early Co-operative Pioneers diverted their attention to the education of the members of Co-operative Societies in the principles of Co operation. The friendly societies Act and the Industrial and Provident Societies' Act under which the Co-operative Societies were registered in England, made adequate provision for societies to allocate a portion of profits for Education and propaganda. Very soon many of the societies took on hand educational work and set up separate educational committees to deal with this part of the work. As time went on the necessity to re-organise and co-ordinate the educational activities of the various societies was keenly felt. This desire found expression in the passing of a resolution by the British Co-operative Congress held in 1885, urging the Provincial Co-operative Union to take up the work by creating an Educational Committee. This is actually the starting point of the organised system of Co-operative Education undertaken by the British Co-operative Societies.

The newly set-up Educational Committee of the Provincial Union laid down the objects of Co-operative Education as follows:— "Being primarily the formation of co-operative character and opinion by teaching the history, theory and principles of the movement, with Economics Industrial and constitutional History in so far as they have a bearing on Co-operation; and secondly the training of men and women to take part in Industrial and Social reforms and civic life generally." Having these great ideals in mind, the Central Educational Committee of the Union started with humble beginnings of holding summer schools, assisted by one adviser of studies and one assistant, which has to-day developed into a great Educational

centre having a Co-operative College, 17 lecturers and 1 Principal and nearly 52,000 students, both internal and external. Every retail distributive society takes keen interest in educational work and many local societies have formed themselves into District Educational Associations. Various other auxiliaries like the Men's and women's fields, the Educational fellowships, the British Federation of Co-operative youths have also undertaken Co-operative Educational work by successfully running week end and summer schools.

Now in order to deal with the whole problem in a very detailed manner, I propose to divide the subject under 3 heads viz (1) National (2) Sectional and (3) Local.

(1) *National Educational Work* :—The work of the central Educational committee and the joint technical committee of the C. W. S. and the Union, can be taken to cover the National Educational Work of the movement. The increase of students under training from 22,000 in 1913-14 to nearly 52,000 in 1930-31 clearly indicates the progress in Co-operative Education programme containing syllabuses of instruction in various subjects, particulars of grant of Diploma, certificates, scholarships and also the prospectus of the Co-operative College. The important function of the central education committee is the running of the Co-operative College where tuition is offered not only to resident students but also by means of correspondence to external students. So I wish to give an account of the work of the College.

The College is situated in the magnificent 'Holyoake House' Building, Hanover street, Manchester, which of late had very many improvements. The College was established primarily for the purpose of promoting the study of Co-operation and allied subjects. It is interesting to note that the curriculum includes cultural as well as technical subjects. Some of the important subjects taught are Co-operation, Economics of Co-operation, General Economics, Economic and Industrial History, International Co-operation, Agricultural Co-operation, Co-operative Law and administration, citizenship, public speaking and Propaganda and all the secretarial and Managerial subjects which are too numerous to be mentioned here. A staff of 17 specialists headed by Prof. F. Hall M. A. B. Com. F. C. I. S., the Principal of the College, is responsible for teaching. A well equipped hostel is also attached to the college which gives

accommodation to all the resident students of the College, which is controlled by a resident teacher warden and Lady superintendent. In connection with the course of study students are also taken to many of the neighbouring Co-operative works and factories. The College is very well equipped with a fine library, a number of lecture rooms, a student's common room and public convenience. The numerous gigantic buildings of the Co-operative wholesale society which surround the College, have given the College a purely Co-operative atmosphere. The Co-operative Honours Diploma is the highest examination of this College, which gives ample scope for research work, as it is compulsory for every student working for the Honours to submit a thesis on some approved subject. The study of subjects like International Co-operation and Agricultural Co-operation is of immense use to the Continental and Indian students. The College is patronised by many of the Continental and overseas countries by sending students. In this year's batch of students of 30 there were 1 Irish, 1 Danish, 1 Icelandic, 1 Swedish, 1 Japan, 1 Turkey, 1 Palestine 1 German, 4 Indians and the rest from England and Scotland. The Indian students at the College are Messrs. A. R. Arain B. Ag., (Punjab) K. Gopalan M.A., (Tellicherry) K. N. Menon M. A. (Cochin) and myself. All of us are working for the Honours Diploma.

(To be continued).

Long Term Loans.

BY RAO SAHIB M. S. SESHACHELA AIYAR.

The times have changed and the affairs of the village societies have risen upto a crisis which the members of this Bank are now well aware of and every body is now determined to do something to pull up the declining societies at least to safeguard their own interest. This Provincial Bank has of course to deal with only the Central Banks and that too their commitments have been very much reduced to only 39 lakhs in all. But the Central Banks have lent about 431 lakhs to Primary Societies of which 336 lakhs in principal and 80 lakhs in interest is over due on 30-6-32. Take the Administration Reports for the last 7 or 8 years. The overdues in village societies are increasing year after year and on 30-6-'32 the principal amount overdue from societies to Central Bank has reached the bursting point of 94 per cent at least in one District and the Presidency average was about 70 per cent. For rectification and collection of overdues this Bank spends about a lakh every year and the Central Banks through their Federations are spending about 6 lakhs as rebate and contribution to Federations, whereas the Primary Societies are contributing about 4 lakhs, totalling in all about 11 lakhs of rupees, for Supervision over Primary Societies and Government is spending about another 11 lakhs towards the maintenance of a Department created for the Audit and control of the Co-operative Institutions in this Presidency. The entire staff both official and non-official have worked very hard for the last 5 or 6 years towards the only object of reducing the overdues and yet it mounts up enormously year after year. This clearly shows that there is something wrong with the system now adopted in Co-operative Movement in Madras and it is beyond the control of human endeavours at this stage to collect the overdues by any means. It may be attributed to the sins of the previous Registrars or to the policies of the previous set of directors of the Central Banks or to the irresponsible lending and mis-use of society's funds by the panchayatdars. No doubt all these might have contributed to heavy overdues. But there is one thing which the Provincial Bank and

* A memorandum submitted to the Madras Provincial Co-operative Bank.

the Central Banks cannot lose sight of in this matter and they must themselves be held responsible for a large portion of overdues in village societies.

For the last ten years in spite of the large demand for long term loans for ten years and a great agitation from the village societies, this Bank was advocating a policy of Short Term from three to five years and the Central Banks were compelled to adopt the same on pain of losing the financial accomodation from the Provincial Bank. Any body connected with the village societies would have been aware that the agriculturists are not earning enough money for the requisition of their annual requirements and that if they strive hard to save anything it will not be very much; and would have seen that, when the loans were granted for ten years, they were regularly paid and that there were no overdues. As a matter of fact, the panchayatdars of village societies themselves know it for certain that, it is impossible for the borrower to stick up to the stipulations of the bond and pay the instalments prescribed therein and that the loan will certainly become overdue even in the first year. So, the policy of issuing loans for short period for village societies when we are sure that they could not keep up to their obligations, is responsible for these heavy overdues and unless you make amends immediately, I am sure, you will have the entire outstandings in village societies as overdues in one or two years and the Central Banks will be paralised. Even in the year ending last June, you have two Banks failing to pay up their annual dues to the Provincial Bank and ten Banks failed to maintain the required fluid resources at least for some days in the year and one Bank for about 71,000 for 154 days and another for a lakh and seventy five thousands for 74 days. What do these matters indicate? These failings have never occurred in the case of Central Banks from the introduction of the movement upto this time.

The Registrar's report for the year 1931-'32 clearly gives out a classification of the societies, of which only 363 out of 13,423 societies are good societies and about 1735 societies are to be liquidated and about 9,000 societies are C. Class societies requiring rectification and there are about 9,000 societies having overdues of not less than 60 per cent. This is exceptionally a very bad year when there is a thorough failure of groundnut and paddy crops. The prices of these commodities have fallen very low and the ryots

investments outside its legitimate functions. Is this not a serious situation of which members of this Bank should take note of and is it not worthwhile to take all possible steps to put all the available resources of this Bank to the benefit of the Co-operative Movement for which it has been established.

The Share Capital and Reserve Fund of all the Co-operative Institutions in this Presidency is 360 lakhs and their deposits are 734 lakhs making the working capital of all the Co-operative Institutions put together 1,094 lakhs. But the loans outstanding from members of Co-operative Societies are only 769 lakhs and there is a surplus of 325 lakhs in the Co-operative Movement. Of the 769 lakhs outstanding against members in Village Societies, 380 lakhs are secured by Mortgages. Loans issued to societies during the year of which there could have been no demand is for Rs. 287 lakhs. So the amount actually outstanding from the balance of previous year is 482 lakhs, of which, 336 lakhs in Principal and 80 lakhs in interest are said to be overdue (*i.e.*) about 70 per cent. of the entire outstanding sum. Even in the Central Banks there is a surplus of about 120 lakhs. These figures will clearly convince there is enough of money available within the movement to be lent to the members of the Village Societies for longer periods.

If once again you begin to lend for ten years the transactions of Village Societies will increase and you will have loan applications from all societies and thereby you will be able to infuse fresh life into the Co-operative Movement in the Presidency. If you once decide that the outstanding loans should be given proper extension and new loans for Long Term, you will be able to find necessary means of making thorough enquiries into the affairs of the existing societies and re-modelling them as may be decided upon.

I hope this proposition will have the support of the members of this Bank.

The Tanjore Land Problem. FRESH BURDENS OF TAXATION.

(From a Co-operator)

In a series of articles published in the 'Hindu' under the above head, I brought to the notice of the public that, under the present ryotwari system of sharing the net produce by half and half with the government, the Tanjore ryot, even in normal years, had not had enough margin of income to keep his body and soul together, and that, with the price of paddy selling at one rupee per kalam of 24 Madras measures, there was not only no margin for him, but there was also a minus. When a statement to this effect was recently made by one of the members of the Legislative Council on the floor of that house, the government spokesman remarked that there was no use exaggerating things and that he would like to have facts and figures. When, however another member gave actual figures of a land-holder, who was also a government servant, they were belittled on the ground that the government servant was an absentee landlord. Under these circumstances, it seemed to me that the only other course open to convince the Government was to take the very figures of Mr. Jackson, the Resettlement Officer of the Tanjore District, who cannot be expected to err on the side of the ryot, and to work out the margin for the ryot on the basis of his figures, applying to his estimate of gross out-turn value at one Rupee per kalam. The results were embodied in an article of mine published in page 8 of the *Hindu* of the 25th February last. Your readers must have observed thereupon that, in the case of 11 out of 12 tarams of wet land, the ryots' margin, after deducting the minimum cultivation expenses according to the Resettlement Officer and the government assessment excluding cesses, was minus ranging from annas eight and Rs. 4-8-0 per acre, which the ryot must make up either by borrowing or from his income from other sources, if any. The statistics given were after due verification, embodied in a memorandum prepared by the Negapatam Land Holders Association and presented to the Collector of the District, copies of which were sent to the government also. The situation has since become worse by the fall in the

are not able to meet atleast the demand for land revenue by selling away their produce got during the year. We cannot expect this year atleast the quantity of collections made last year for overdue and this is the best time for giving them any help if co-operation can afford to. If you doggedly adhere to your stipulations and by-laws and take coercive steps, in spite of the fact, that you know well that the ryot has no savings to pay for his dues to the society and to the other creditors, who might have already got decrees against him, we will be ruining the member of societies for happenings beyond his control. He has got his landed properties in tact even to-day, even though it does not give him the required earnings and owing to fall of prices of produce and other economic difficulties even the selling of the land does not fetch a proper price and, as a matter of fact, there is no purchaser for these lands. There were 82,253 decrees pending execution on 30-6-'32 and in 1,151 cases properties were purchased by societies for Rs. 3,80,897 for an arrear of Rs. 4,19,750. The expenses incurred for their upkeep was Rs. 8,095 and the income realised from the properties was Rs. 9,608 leaving a net income of Rs. 1,513 which does not give even 4 anna per cent. per annum for the amount due from these properties. What is the kind of rectification that we are now doing? I had the misfortune for sometime to look into the rectification work in our District. The procedure is to give the defaulters some time to pay their overdues in the first instance and if they are not paid, to file suits against them and get decrees and then proceed towards the execution of those decrees and when the properties are brought for sale to buy them up for the society itself and to keep them as properties of the society. It was not possible to carry out any advanced scheme of giving extension etc. with the help of the staff engaged for the purpose at that time. Interest ceases by the date of sale and the property fetches nothing, but the land revenue has to be paid from the society's funds. Do you expect to collect the overdues by this process? The representatives of Central Banks who are here will bear with me that things are happening in the same way in all Districts and it is no exaggeration, if I dare say, that we are facing a calamity in the Co-operative Movement in Madras. If we don't realise our position and take necessary precautions to avert it, we will be killing the movement.

Except a few loans where the dishonest panchayatdars, if any, would have benefited themselves by benami loans and by worthless

securities, a large portion of our loans in village societies are on proper securities and are easily realisable in normal times. Even now those loans and the money due on decrees obtained for the dues, will surely be realised in easy instalments even in these hard times, if a period of ten years is allowed for them from this date. Besides, by reducing the demand due from the member, you will be able to give him short loans for his agricultural requirements and thus reopen the dormant societies once again and increase the member's earning capacity. This is the only proper remedy to be adopted and it is to be rightly administered in almost all societies by a competent staff under the guidance of a responsible executive. The District Banks should take up this work of scrutiny of the existing outstanding loans from members in all societies and finish this work before the end of this year, either by its own staff or through the Federations, if they prefer to do it. The Deputy Registrar of a District should sanction such extensions as he can be expected, to impartially decide each case on merits to enable the Central Banks to allow 10 years time. The Provincial Bank should accept this principle, and in cases of necessity, should come forward to lend to Central Banks for periods of not less than 10 years.

Here again it is a matter of controversy for the last one decade and more that the greatest financiers and the Economic Enquiry Committee have un-equivocally left a definite opinion that money got from Short Term deposits should not be utilised for Long Term Loans and the Central Banks should not lend to societies for periods more than five years. That is the scientific pronouncement made by experts. Here is our experience; for the last 27 years we have the annual figures of the Provincial Bank and the Central Banks. What do we see? Deposits are increasing gradually year after year and we have no occasion to suffer for payment of deposits. On the other hand our surpluses are increasing year after year. In this Provincial Bank out of a working capital of 188 lakhs, the outstandings due from Central Banks are only 39 lakhs on 30th June 1932. Our Share Capital and Reserve Fund is 17 lakhs and the Reserve Funds of Central Banks, deposits in these Banks is 25 lakhs. So only 7 lakhs out of a deposit of 171 lakhs held in these Banks is utilised for the Co-operative Movement. I do not know what the public will think of the existence of this Provincial Bank which is able to utilise only 4 per cent. of its deposits within the movement as 96 per cent. is held in Government Promissory Notes and in

Non-members' Deposits in Primary Credit Societies.

BY SANATKUMAR M. TRIVEDI B.A. (HONS).

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

The distinction between members' and non-members' deposits was made purely from the co-operative view point. The members' deposits represent the co-operative spirit developed among members, while non-members' deposits show the confidence of the outside public gained by the movement. Latter on another interpretation was put upon this distinction from financial view point. Primary Societies accept outside deposits, both members' and non-members', but do not provide for fluid resources. When the work of recovery becomes slack owing to famines, bad crops or corrupt management, such societies are not able to meet the demands of the depositors at the due date. Non-members if not duly paid raise hue and cry, and even the central banks have to come to the aid of societies by lending money to pay the pressing depositors, as is done in Matar Taluka in Bombay presidency. At such a pass, it is easy to persuade the members, who are well aware of the firm foundations of co-operation, to extend the periods of their deposits. Hence in certain quarters in the world of co-operation it is advised to accept members' deposits in preference to non-members' deposits. Elsewhere, as in Bombay presidency, a complete bar has been put upon the acceptance of non-members' deposits in primary societies.

II. Primary Societies are not mere lending institutions, but village banks. It is the duty of the society to supply all reasonable financial needs of the members. From the co-operative view point, it is argued that it is a moral duty of the members to deposit their surplus balances with the societies. Taking the same argument to its logical conclusion, it must be admitted that it is a moral duty of the societies to accept the savings of members, even at a small loss to them. In this sense it is not only desirable, but obligatory upon the societies to accept members' deposits in preference to those of non-members! But from the financial view point, the distinction between members' and non-members' deposits need not be emphasised. If societies accept deposits they should provide for fluid resources. Members' deposits are an expedient for fluid resources, which is the remedy for the evil.

NON-MEMBERS' DEPOSITS IN PRIMARY CREDIT SOCIETIES

III. The case with non-members' deposits is different. They are to be accepted so far as the needs of the society demand, but it is doubtful whether they can be accepted, for acquiring profits by outside investments. Non-members' deposits signify the confidence of the outside public. It is the way in which the village money-lender can be absorbed in the movement and be gradually changed into a co-operator.

IV. No doubt, non-members' deposits have created difficulties of finance as well as management. Sometimes a village money-lender gets his debt cleared from the members, by creating his deposits in the societies. If this redemption be done in a reasonable and conscious way, the scheme is worth considering, at least in the case of old societies; but the evil is that the shahukar exacts the full amounts, which no civil court would award to him. Sometimes he continues the accounts of members with him, and with no clear idea in the minds of the members, he manages to exact his private demands, at the cost of society. Sometimes non-members' deposits are accepted in the name of society, but are used for his own purposes. In case of widows and charity funds of the village, the secretary or the agents of depositors appropriate the difference between the rate at which the society accepts the deposits and the one declared to the actual depositors. Co-operators need not be shocked by the enumeration of these evils. They happen in only those societies, where the secretary and the president are roush, where the managing committee is not vigilant or is demoralised and where the general meeting is indifferent or sleeping.

V. Overwhelmed by all these evils, if any co-operator votes for a complete bar on non-members' deposits, it means that he lacks in patience and perseverance, the qualities so necessary for a co-operator. This remedy has an evil in its womb. In the opinion of co-operators like Mr. V. L. Mehta, the managing director of the Provincial Co-operative Bank Ltd., Bombay, the crisis in co-operation in C. P. was due to the paucity of non-withdrawable or long term capital in the primary societies etc." The non-members' deposits is a useful source for partially supplying this need. It is the experience of co-operators that 100% recovery at due date is not generally possible. Under such circumstances if the societies have no second string to their bow, they come to grief. Thus restriction on non-members' deposits in order to safeguard one evil, brings in its train, an evil greater in its strength. It is a check upon the movement of co-operation! Our ideal is to develop self-sufficient village banks, to develop local bankers, and to absorb the money lender. The restraint upon non-members' deposits is surely not the way to do it.

price of paddy to 14 annas per kalam. Still, nothing has come out of the representations made by the Tanjore ryots except that the government have ordered the postponement of collection of a very small portion of the assessment amounting to $12\frac{1}{2}$ per. cent. This action of government has so exasperated the ryot that he is now at his wits end to find out ways and means for dragging on his existence until the next harvest or until better times come. It is most unfortunate that, at this stage, the government should choose to issue a notification as published in page 2 of the 'Hindu' of the 7th April withdrawing the exemption from 2nd crop charge of *Ottadam* or *Samba* crop on future new "Udu" cultivation and ruling that the charges for 2nd crop, whether single or *dufasal*, on single crop wet lands shall be Rs. 7-8-0 per acre with effect from 1-7-34 instead of half the single wet assessment of the land concerned as at present. The notification has acted as a bomb-shell on the ryot. There are yet two other notifications impending, one, in regard to the raising of assessment on wet lands under 2nd and 3rd class sources of irrigation and the other in regard to the proposed increase of water rates on dry lands, which has been held in abeyance so far as the old delta is concerned. It need not be said that these additional burdens must prove disastrous to the ryot and must make land-holding impossible. It is therefore now time that the District and Taluk Mirasdars associations in Tanjore should bestir themselves, examine the troubles over-hanging the ryot population and take such steps as are necessary to save them from the impending ruin.

I am sure that, if similar statistics are worked out for other districts in the presidency, the position of the ryots therein will be equally bad if not worse. I hope the members of the Legislative Council representing various districts will treat the Tanjore Land problem as one affecting all districts alike and press for the appointment of a Committee of enquiry and, pending completion of such enquiry, urge for the immediate reduction of the wet assessment in all districts to the rate of the previous settlement.

In this connection, I may state that the Indian Taxation Enquiry Committee, after examining the land systems and land taxation in several countries, have come to the conclusion that that in the interests of the ryotwari land-holders, "the basis of the future settlement should be annual value, i.e., the gross produce less cost of production, including the value of the labour actually expended

by the farmer and his family on the holding and the return for enterprise" and "that the rate of assessment should be standardised at a comparatively low figure not excluding 25 per cent of the annual value."

The Government will perhaps be better advised if, instead of appointing a committee, which must necessarily involve much expenditure and labour and also loss of time, they should take immediate steps to give effect to the above suggestions of the Indian Taxation Enquiry Committee, as they are calculated to bring about necessary relief to the present distressed ryot population of the presidency. This course will also be necessary in the interests of the Co-operative movement, which is sinking day by day with the reduction in the margin of income of the ryot population and the diminution of their repaying capacity. It is therefore equally the duty of the Co-operators to go to the rescue of the impoverished ryot by arranging to bring about a reduction of the heavy burdens of taxation.

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Co-operation in Bombay.

THOMAS COMMITTEE'S PROPOSALS.

VIEWS OF THE BOMBAY PROVINCIAL CO-OPERATIVE INSTITUTE.

In the course of their communication to the Government of Bombay on the proposals made by the Bombay Re-organisation Committee, the Bombay Provincial Co-operative Institute state :—

The recommendations of the Committee are of such a sweeping and almost revolutionary character that it behoves Government to examine them with the greatest care and circumspection before formulating their decisions with regard to them. The Committee does not seem to have had either the time or the opportunity to study the history and the working of the Co-operative Movement in the Presidency to enable it to appreciate properly the significance of the problems it has dealt with, and in some instances, it appears as if its observations and suggestions have outstripped the scope of the enquiry. The changes proposed by the Committee, if given effect to, would amount to pulling the tree of the Co-operative Movement by its roots in order that it may be planted in another and by no means a more congenial soil; and there is little evidence to support such drastic proposals.

In para 217 of its Report, the Committee attempts to make out that whereas the Co-operative Movement should have been run with little or no Government assistance, the Government of Bombay has actually spent no less than 80 lacs on it during the last 20 years. If the laudable objects with which Government started and promoted the growth of the movement are borne in mind and if, further the funds which are raised by the people themselves and expended by them for its benefit, are taken into account, the argument of the Committee will be found to be unconvincing. If the expenditure on similar other State activities is calculated on the same lines, the totals may run into crores. As a matter of fact, the Government of Bombay has been incurring less and less expenditure on Co-operation than other Provincial Governments, and Co-operators in this Presidency are admittedly more self-reliant than their brethren elsewhere. The popular grievance is that our Government should really have spent more on a Movement which is devoted to the moral and the material well-being of the weaker and poorer sections of the community. The cost to the Government of Bombay per member of a Co-operative Society is $\frac{1}{3}$ of what it is in the

CO-OPERATION IN BOMBAY

Punjab, and cost according to working capital bears nearly the same proportion.

The Committee's observations in para 218 are misconceived and misleading. It remarks that the movement, by now, must have been in a position to cast off its leading strings and notes that (with all the control exercised by officers of Government) its financial position has been steadily deteriorating and, therefore, the remedy suggested is not loosening but tightening that control, regardless of the consideration of its effect of choking the movement. Arrears of repayments of loans by members to societies have undoubtedly increased in recent years, but the situation cannot surely be remedied by tightening official control and withdrawing facilities essential for their existence. The Committee admits that the deterioration is due, to some extent at least, to the recent fall in prices of agricultural produce, but adds that percentage of unauthorised arrears had materially risen before the commencement of the present depression. Steady decline in prices, bad seasons and catastrophic depression coming on the top, sufficiently account for the serious financial situation of societies, a fact which would have been disclosed by closer examination for which the Committee had no time and it is difficult to understand how the remedy proposed by it is going to work the cure.

The Committee's recommendation made in paragraph 219 to the effect that Government should discourage all propaganda in favour of starting new societies and that save in exceptional cases no new societies should be registered is sure to hold up all Co-operative development indefinitely. The opinion is widely and influentially held that the Co-operative Movement has touched only the fringe of the problem it was intended to tackle and that there is considerable scope for its extensive and intensive development. While the institution of Honorary Organisers may be done away with, as proposed by the Committee, education in principles and practice of Co-operation will continue to be essential and no rigid restrictions ought to be imposed which will hamper the growth and the progress of the movement. The suggestion of the Committee with regard to the work of consolidation appears to be of too sweeping a character. While it is true that several societies are in a bad way, it is worth while considering if some of the societies which according to the Committee's recommendations are to be liquidated wholesale may not be saved by judicious action, and it is not clear from the report how the assets of the societies to be liquidated are going to be realised—whether the recoveries will be made through Revenue Officers or through ordinary Courts of Law.

In para 221, the Committee elaborates its objection to the recovery of arrears through Revenue administration. The views of the Committee on this subject have been already examined above. It is, however, necessary to repeat that societies recover their dues normally without assistance from Government, and it is only in exceptional cases that the extra-ordinary procedure is adopted. Recent years of depression have admittedly been abnormal and the financial situation of Co-operative Credit Societies could not be otherwise. If Government is not to run to the rescue of the struggling agricultural classes at such a juncture when better placed and better organised businesses have been involved in grave difficulties, one wonders in which circumstances the State is to be expected to extend its helping hand. And it should be noted that the Government assistance asked for is not in the shape of financial contribution or financial advances to Co-operative Societies, and that it is not something which is not already contemplated and provided for by legislation. No special favour has been sought in this instance. Government is being requested only to do its duty by the people, in a situation for which its own inaction, hesitancy and delay are largely responsible. Recovery through Revenue authorities in certain circumstances is preferred, because that procedure is felt by societies and their members themselves to be in their best interest.

The Committee's remarks in para 223 regarding the cost of Audit and Supervision are highly misleading. We are told that the whole cost of supervision is ultimately borne by Government, that though the cost of audit is nominally recovered from societies, the amount of subscription paid to Unions is deducted from the Audit Fee before recovery and that the loss to Government by these remissions amounts to 1½ lacs of rupees. Together with the budget provision of Rs. 35,000 for direct grants to Unions, the Committee concludes that "Government's total liability in respect of the Unions is thus Rs. 1,85,000 or about Rs. 1,500 per Union, the pay of the Supervisor averaging about Rs. 700 per annum." In substance, this is an inaccurate presentation of the prevailing system relating to supervision charges, as the following facts will clearly demonstrate. For years together, except in the case of a few larger societies, Government bore the whole charge for audit and supervision. But it was suggested a few years ago that a part of the audit expenditure should be borne by all societies by means of the payment of an Audit Fee. At the session of the Provincial Co-operative Conference in 1929, an understanding was arrived at between the Registrar and the representatives of Co-operative Institutions, that provided Government continued to give audit free, as before, societies would be willing to raise a Supervision Fund at the rate of Annas 8 per cent. of their working capital for expenditure by the Supervising Unions which were, as a

matter of deliberate policy, brought into existence and were being fast developed, in view of the importance of this machinery for the healthy progress of the movement. Government, however, did not respect the wishes of the Conference and did not accept the understanding arrived at. It did levy an audit fee on all societies against public protest; and societies affiliated to Unions have continued to pay Supervision Fees to their Unions. Societies' contribution for subscription paid to Supervising Unions amounts annually to Rupees 1½ lacs; and the Committee's description of this amount as a deduction from audit fee is neither accurate nor fair.

Having persuaded itself into the belief that the above amount of Rs. 1,85,000 represents State Revenue, being the proceeds of taxation, levied upon Agricultural Credit Societies, the Committee proceeds in paras 224 to 227 of the report, to propose that the Supervisors employed by the Unions should be superseded by Government Auditors who would cost only Rs. 1,15,000 per annum. In the opinion of the Committee, Government Auditors appointed in place of Union Supervisors, will do the work of supervision more efficiently and more cheaply, and there would be a saving of Rs. 70,000 (Rs. 1,85,000, minus Rs. 1,15,000) a year to Government. This recommendation of the Committee is open to very serious objections. In the first place, the assumption that the amount of Rs. 1,85,000 referred to above is Government money, with which it can do whatever it likes, is not correct. Secondly the Committee has not taken notice of the fact that the Registrar has repeatedly testified to the steadily increasing efficiency and utility of supervising unions, and non-official and official efforts have been made to build them up. Though there is admittedly, considerable room for improvement in the work of the Unions, it is an undisputed fact that more and more trained supervisors are being employed and their work is being more closely watched and effectively guided. Thirdly, the Auditors proposed by the Committee are not likely to be able to do satisfactorily the kind of work which falls to lot of Supervisors of Societies. Fourthly, while the Government Auditors, however trained and capable they may be, will not be able to cope with the work they will be entrusted with, the contemplated saving to Government may turn out to be a myth. Fifthly, the Committee is itself conscious that its proposal would mean a retrograde step and would conflict with its own dictum that Co-operative Societies should be independent of Government assistance except in the matter of audit. And it is constrained to suggest that step because in its view the present financial position of the Societies is so thoroughly bad that a temporary tightening up of Government control is absolutely necessary. The suggested increased officialisation of the movement is not likely, for reasons adduced, to produce the benefit expected, while taken along with

the other proposals of the Committee already commented on it will spell the ruin of the movement. If all the implications of the Committee's report are carefully considered, the conclusion is irresistible that if its recommendations are adopted, non-officials will be driven out of the movement and it will turn out to be neither Co-operative nor a movement. It may be said in fairness to the Committee that with the time and the opportunities for study that were available to it, a clear appreciation of the issues involved and a proper understanding of the problems of a movement like the Co-operative Movement were impossible. But it is upto Government to investigate thoroughly the vital questions raised by the Committee and to scrutinise carefully the remedies suggested by it before arriving at its own conclusions.

Referring to the proposal of the Committee to withdraw all the concessions at present enjoyed by the Co-operative Societies, the Institute points out that the withdrawal of these concessions will increase the difficulties of the situation a hundred fold. In conclusion it adds: "It is hoped that Government will realise, if the Committee has not, that the proposed reorganisation will mean the disorganisation and the ruin of a hopeful, constructive effort for the amelioration of the economic and the social condition of the masses. A thorough and a careful examination of the views of the Committee and of the facts on which they are based is an indispensable preliminary to which Government must immediately address itself, and hasty formulation of decisions and taking of action in accordance with them must be strongly deprecated."

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Held on 30th April 1933.

ADDRESS OF

DEWAN BAHADUR M. RAMACHANDRA RAO.

GENTLEMEN,

I am glad to have this opportunity of meeting the leading agriculturists of this District and of taking part in your proceedings to-day. At the outset, I beg to express my deep sympathy with your lot at the present time. The economic depression now prevailing has reduced the tillers of the soil to the verge of insolvency. During the last three years the prices of commodities have come down by more than fifty per cent. Yours is a paddy growing district and the price of paddy at the present time is more than 50 per cent less than what it was three years ago. The ryots throughout the presidency are not able to pay their way and in many cases they are not able to recover the expenses for the cultivation of their lands. It is impossible to say how long this depression will continue and when the prices of food stuffs are likely to recover. Though many of the present troubles of the agriculturists are due to world conditions, there is a good deal which the Government may have done to alleviate the miseries of the ryots at the present time. I regret to say, however, that notwithstanding the expression of profuse sympathy with the condition of the ryots, nothing practical has been done to ease the situation. In the midst of this world-wide and prolonged depression, the Government of Madras have thought it necessary to increase the settlement rates in some districts by $18\frac{1}{4}$ per cent and have increased the water rates throughout the Presidency by 25 per cent. Attempts made in the Legislative Council to secure a temporary reduction of the land revenue by $12\frac{1}{2}$ per cent throughout the Presidency have not been fruitful. The suspension of a portion of land revenue for a year in some districts has not resulted in any appreciable relief. Two years ago, a Committee was appointed by the Government for devising ways and means to help the ryot to withstand the effects of

the depression ; but nothing tangible was done to afford relief. Our principal markets have been captured by Burma. In addition to this, one of our greatest difficulties has been the heavy railway freights on agricultural produce. Even in this supreme hour of crisis, the railways have not reduced their freights. On the whole, the agrarian situation is very gloomy and the first duty of the Government, therefore, is to devote at least as much attention to the amelioration of the lot of the ryots as for the collection of land revenue. The most serious point that deserves attention is the restoration of our markets and facilities for the speedy disposal of paddy and other agricultural produce even at some loss. This would relieve the ryot a great deal as he cannot now get rid of his stocks. The situation is becoming more and more desperate day by day.

DEFECTS OF THE MOVEMENT.

Since the comprehensive survey of the working of the co-operative movement in this province made by the Townsend Committee, several conferences, district and provincial in this province have discussed thread-bare all the outstanding features of the problem and also the lines on which the movement should be reformed. The defects have been so often referred to and the suggested remedies have been so often discussed that it is unnecessary to dilate at any length on the existing state of things. The use of short term money for long term purposes, the growing accumulation of overdues, the unsatisfactory working of Unions and Federations, the defective nature of the property statements, want of co-operation and goodwill between the Directors of village societies, the continued neglect of the members of the village societies to keep to their obligations, misappropriation and misapplication of funds of the societies and the slow progress of rectification and consolidation work, these and other matters have already formed the subject of discussion for the last four years. You are no worse or no better than many other districts in all these matters and the present condition of the co-operative organisation here is more or less the same as in other districts. As nothing is gained by a recapitulation of these features over and over again, I shall refrain from covering the same ground once again. I make an earnest appeal to the leading co-operators in the district to do their best to place the organisation on a sound footing as early as possible.

PROPAGANDA FOR THRIFT.

Many of our present difficulties are in my view, traceable to overlooking in the past some of the fundamental conditions for the success of the movement. One of the most important of these conditions is the inculcation of thrift on the members of village societies. I admit that the problem is an exceedingly difficult one where traditional practices and customs rooted for centuries in the social life of the people have to be modified. Nevertheless, a definite programme of propaganda for thrift and for the social amelioration of the ryot will have to be undertaken. It looks as if the man who borrows at the present time from a village society is never in the habit of calculating his income and outgoings and to put himself the question, how he is going to discharge the debt he desires to incur from the society. The average ryot has generally no idea of a family budget, and borrows in a haphazard manner and gets into difficulties. It is of the utmost importance that the ryot should get into the habit of examining his financial position and to give up those items of expenditure which he can safely avoid, or to reduce his expenditure so as to fit in with his annual income and thus balance his family budget. This is an obvious matter. But nevertheless, the study of family budgets and propaganda based upon them may bring home this fact to many members of the village societies. I think, therefore a country-wide propaganda by the Provincial Co-operative Union and other leading non-official organisations in the Presidency is necessary. I venture to say that it is impossible to secure any improvement for the future till this essential fact is brought home to the average villager who, while he is not deliberately improvident, is tied down to traditional forms of expenditure which must be modified to suit the conditions of the present day. The difficulties of organising any system of credit for agriculture are already great. But to-day another very serious and fundamental difficulty has appeared in the horizon, and that is the uncertainty of the economic outlook. As I have already stated, the market prices of many agricultural products in this province have fallen, sometimes even below the cost of production, and production continued under such conditions, spells loss and ultimate bankruptcy. The problem before the ryot to-day is how debts contracted in past years either from co-operative societies or from other agencies when the prices of agricultural products were 50 per cent more than they are now, are to be redeemed, and how they can obtain credit for carrying on their industry in the conditions in which they find themselves to-day. Every Govern-

ment in Europe and America are doing their best to protect the primary producers in all possible ways in this period of unprecedented and world-wide depression. But I regret to say that neither the Government of India nor the Provincial Governments have given any serious thought to this aspect of the economic situation. The problem of thrift and of avoiding every pie of unnecessary expenditure on the part of the ryot has become, therefore, even more acute than before. I am aware that we cannot see any spectacular results at once, but such propaganda is bound to tell in the long run. I am putting forward this view not in any spirit of disparagement of the great work that has been hitherto done by the co-operators in this province. My point is that the thrift side of the movement has not received as much attention as it ought to. In fact, cheap credit is a blessing to a rural population only where the average cultivator is possessed of the knowledge and strength of character required to induce him, on the one hand, to limit his borrowing within the range of his capacity to repay, and on the other, to apply the greater part of the borrowed money to sound productive purposes.

PRODUCE LOANS.

I should like to invite your attention to another matter which requires consideration. The bulk of the funds borrowed by village societies are devoted to meet the cultivation expenses, taxes on the lands and other expenditure incidental to the raising of the crops. In most of the districts, the ryot has either to sell the crops immediately after harvesting them or store the crops for some months till he is able to realise reasonable prices. In the latter case, he has to borrow funds on the security of the produce so stored to meet his current expenses. At the present time, village societies and the District Banks have not been financing the ryot to any large extent on the security of his produce. Either the money-lender or the Imperial Bank of India is now meeting the requirements of the ryot in this respect. There is no reason whatever why the Co-operative Societies and the Central Banks should not undertake this essential function of financing the ryot on the security of the produce of his lands till he is able to sell it. The huge surpluses now accumulated in the hands of the Central Banks and the Provincial Bank may well be utilised for the purpose. I admit the difficulties of evolving a sound system of produce loans. This class of work requires trustworthy agents. The Directors of the village societies should be

dependable men and the inspecting staff of the district banks should also be equally reliable men. Perhaps a paid staff may also be required for the purpose. The problem of making advances on produce loans has not hitherto been tackled seriously. I am glad therefore, that the Provincial Co-operative Bank and the District Bank have now resolved to take up the problem. If a suitable and trustworthy machinery is devised for the purpose, the Madras Provincial Co-operative Bank and the District Central Banks may be able to utilise the huge surpluses in their hands for the benefit of the ryot. The grant of "produce loans" is one of the most natural developments in the co-operative movement. It is therefore, very desirable that the huge surpluses in the hands of the Provincial Co-operative Bank and the Central Banks should be made available to the ryot in these days on sufficient and dependable security of the ryot's produce. The contraction of the operations of the Imperial Bank of India in this matter has also added to the difficulties of the situation. On account of the prevailing depression and the consequent want of confidence, money-lenders in the villages have also been refusing to give temporary accommodation to individual borrowers as they used to do before. In the circumstances, the average villager has been put to tremendous difficulties not only in selling his produce, but also in getting temporary accommodation on the security of the produce. I trust that my esteemed friend Mr. Ramadas Pantulu who has done so much for the co-operative movement in this Presidency will devote his energies to evolving a satisfactory scheme for the relief of the ryots in this matter in collaboration of the District Banks. These are the two matters of immediate practical importance which I should like to place before you prominently for your consideration and by other co-operative organisations in this Presidency.

LONG TERM LOANS.

As regards facilities for long term loans, there is only one Primary Land Mortgage Bank in this district at present. There is a proposal under consideration for the establishment of another Bank at Kandukur. I must take this opportunity of saying a few words on the subject of long-term loans. Since the establishment of the Central Land Mortgage Bank, the organisation of Primary Land Mortgage Banks has been undertaken in several districts and we have now 50 banks affiliated to the Central Land Mortgage Bank. As observed by the Townsend Committee, the working of these banks is very different from the ordinary village co-operative societies based on

unlimited credit. We have only to look to the borrowers and their lands in the case of the mortgage loans and the Central Land Mortgage Bank has, therefore, to be very careful to accurately ascertain his repaying capacity before a loan is granted. Complaints are now and then made that the Central Land Mortgage Bank is too strict in the scrutiny of these loan applications. Experience has shown that the Bank cannot be too careful in the grant of these loans. Another important factor is that the Central Land Mortgage Bank cannot afford to lend to any body who does not repay the instalment regularly. The Bank has to pay the interest on the debentures every six months and if it does not, the failure will entail most serious consequences under the terms of the debentures. For this reason, the Primary Land Mortgage Banks are being established only in areas where the ryot is certain of a crop every year and you will agree with me that unless the land proposed to be mortgaged is irrigated under a well, a tank or a canal system, the ryot has no reasonable chance of being able to raise a crop every year and to pay the instalment regularly to the Primary Land Mortgage Bank. In the third place, there are numerous legal difficulties which are to be got over by a thorough investigation of titles. The Central Land Mortgage Bank cannot carry on its work if the leisurely procedure of ordinary courts for recovering mortgage debts is adopted. Following the precedents in other countries, the Madras Government have introduced a Bill for the purpose of recovering the mortgage debts by speedier methods. This Bill is now under consideration. The Central Bank is anxious to ease the situation by taking over the debts due to ordinary co-operative societies and giving the debtors a longer term for repayment up to 20 years. But recent investigations made in four districts have shown that not even 5 per cent of the debts due to co-operative village societies are fit for being taken over by the Primary Land Mortgage Banks under the conditions laid down in their by-laws. The Central Bank is most anxious wherever possible to help the ryot by providing facilities for easy repayment of debts and the lending rate has also been recently reduced from $8\frac{1}{2}$ to 8 per cent. The difficulty in the proper working of these banks is in the selection of proper men as the governing body of the banks, and unless suitable men who are willing to spare the time and to co-operate with the Central Bank are forthcoming, there is no chance of success. As regards the supply of funds for long term loans, I am glad that the Bank's debentures are now fairly established in the estimation of the general public and there is no difficulty whatever in

attracting debenture capital. The question of declaring the debentures as trustee securities is still under the consideration of the Government of India and I have every hope that the Madras Government will be able to find for the near future, a way out of the difficulties pointed out by the Government of India.

MR. STRATHIE'S VIEWS.

The achievements and failures of the movement as a whole have formed the subject of a recent address by my esteemed friend, Mr. D. N. Strathie, the official head of the co-operative movement in this province. That instructive address was delivered at the University of Madras in an atmosphere free from all bias and contention and was intended to promote a dispassionate examination of the social and economic side of the co-operative movement. The points raised by Mr. Strathie in his address deserve the most careful examination by the co-operative organisations in this province. From my own knowledge of him as a Director of Central Land Mortgage Bank, he is, by no means, a pessimist. A Scotchman takes to finance and financial problems as a duck takes to water, and Mr. Strathie is therefore more alive to the defects in the financial and business side of the co-operative movement than to its other possibilities as a social organisation. We are deeply indebted to him in the Central Land Mortgage Bank where his services have been invaluable. He cannot be accused of having no faith in the co-operative movement; for if that were so, most of the difficulties with which we were faced in the Central Land Mortgage Bank would have remained unsolved up-to-date. Without expressing my agreement with all that he said on the subject, I agree with him that there is great need for improvement in the human material of the movement. We have also to guard against the incursion of the Local politics and factions into the co-operative movement. The estimable men who were members of the Board of Revenue in 1896 cannot be considered as authorities on the duties, functions and responsibilities of a modern Government. They were brought up in the beliefs and traditions of that day and the activities of Government in those days were unduly concentrated upon such elementary tasks, such as police, justice and the maintenance of order. The constructive task of economic development of the people did not enter into their minds. They did not consider that the Government had a duty to assist and organise the finance of the main industry in the country. From my own experience, I believe that there is much greater indebtedness in

some districts than in others among the ryots and the total indebtedness is probably more than that estimated by the Provincial Banking Enquiry Committee.

In conclusion, I should like to state that the most urgent problem before the ryots to-day is much broader than the mere organisation of rural credit. It is of the utmost importance that the country as a whole and the agricultural interests in particular should not be led to believe that in easily obtainable credit there lies a panacea for the ills from which the ryot suffers to-day. What is of vital importance is that agriculture should be made to pay. Credit alone cannot convert an unprofitable industry into a profitable one. Credit may enable an individual to make a certain operation pay which might not otherwise pay, or might not otherwise be undertaken at all, and the price which the producer has to pay for credit may just turn the scale towards profit or loss in his own case. Viewed in this way, credit is an important factor in the cost of production in individual cases, but it is mainly in other directions that a solution must be sought of the difficult problem of how agriculture generally can be made to pay. This depends on various other factors which have been discussed at very great length by the Royal Commission on Agriculture. Unless the ryot produces more from his Land than he does to-day and adopts better methods of farming, agriculture cannot be made to pay. We have heard a great deal of late about the "special responsibilities" of the Governors and the Viceroy in the coming Constitution. The betterment of rural population has been the theme of the Royal Commission on Agriculture. What do they say on the subject? I would invite your attention to their exact words. "We would, however, point out that, in Indian conditions, a very special measure of responsibility in this direction falls upon the Viceroy and upon the Governors of provinces. Throughout our enquiry we have been much impressed by the extent to which the Viceroy can, by the display of a personal interest in agricultural matters, forward the cause of India's premier industry. But the immediate responsibility of provincial Governors in this matter is the heavier, since the services most directly concerned with rural development are administered by provincial agency, and since it is they alone who provide a link between the reserved and the transferred departments." Have the Governors ever attempted to effectively carry out their responsibilities to the rural populations in India as set out by the Royal Commission? We want their broad human sympathy with the rural classes translated into action in the day to-day administration of the country. There has been of late a good deal of talk about rural reconstruction and though the progress made so far is insignificant, the future of the country largely depends on the reconstruction of village life to suit the conditions of to-day.

(2) REPORT OF THE REORGANISATION COMMITTEE, BOMBAY.

CHAPTER XIII.

Co-operation, Present position of the movement.

217. The present position of the co-operative credit movement in Bombay, as disclosed by the figures which have been placed before us in evidence, is, in our opinion, an extremely disquieting one.

Prima Facie the co-operative credit movement is one which should be able to function without the intervention of Government. At its inception, however, Government took the view that it was likely to advance more quickly and on sounder lines if official help were given in its early stages. Consequently, since the year 1904-1905 provision for such assistance has been made in the budget, a provision which gradually rose from Rs. 10,000 in 1904-05 to over six lakhs of rupees in each year of the triennium ending in 1930-31. The movement has thus been supported by Government for twenty years to a total of nearly Rs. 80 lakhs.

218. We think that the time should now have come when the movement should be in a position to cast off its leading strings; but an examination of figures shows that for several years past its financial position has been steadily deteriorating. The number of Societies and the amount of loans granted have grown rapidly during this period; but the growth the arrears of repayment has been even more rapid. The culminating point has been reached this year when, of a sum of Rs. 362 lakhs due for repayment, no less than Rs. 283 lakhs, or 78 per cent, are in arrears, of which, Rs. 173 lakhs, or 48 per cent of the total, are unauthorised arrears. As a result, the Societies have had to apply to Government to adopt coercive measures in order to effect recoveries and sixteen special officers have been appointed to enforce recovery on the same lines as the recovery of arrears of land revenue are enforced. We realize that the present position is, to some extent at least, due to the recent fall in the prices of agricultural produce but this is not the whole explanation; the percentage of unauthorised arrears, which was under ten per cent in 1919-20, has risen to nearly thirty per cent in 1926-27, long before the present depression commenced to make itself felt.

Remedies Proposed.

219. In view of the figures quoted, it is evident that the movement has ceased to a great extent to be co-operative and the first necessity

is to bring it back on to proper lines. For this purpose, we recommend a temporary tightening up of official control, which seems to us inevitable if the whole system is to be saved from the collapse. When the movement has again been placed on a sound financial basis, we consider that it should be handed over in its entirety, subject to a Government audit chargeable to the Societies, to non-official agency and left to work out its own salvation.

As a first step we make the following recommendations:—

(a) Government should discharge all the propaganda in favour of the opening of new Societies and, save in exceptional cases, should refuse registration to new Societies until such time as the position of those now existing has been consolidated.

(b) Government should so amend the Co-operative Societies Act as to remove in respect of all future loans the privileges at present granted to Societies of obtaining awards and securing their recoveries as arrears of land revenue.

220. If our first recommendation is accepted, the grant made at present towards the travelling allowances of honorary organizers can be withdrawn. They did valuable work in the initial stages of the movement but the scope for further work of the same nature will, for some time to come, be so limited that no provision on this account seems to us to be necessary.

As part of the work of consolidation we include the weeding out and winding up of the weakest societies. Only such should be permitted to continue as are likely to regain financial stability within reasonable time. We are informed that 890 societies have been liquidated since the inception of the movement, but we anticipate that this process will have to go further before stability is again achieved.

221. We attach special importance to our recommendation for the amendment of the Act in respect of the recoveries of future loans. It was certainly never intended that the normal procedure of recovery of their dues by the societies themselves should be transferred to the revenue administration on so extensive a scale as has had to be adopted to meet the present emergency. Such a course would only tend to weaken responsibility all round. So long as the members of the primary agricultural societies, which form the great majority of the societies registered, feel that the failure of any of them to pay their dues will not recoil on the heads of the other members but will be made good by the summary powers of collection vested in the collector, they will inevitably cease to exercise that care in granting loans which is the fundamental condition of their success. The moment the security for the loan ceases to be the honesty, thrift and personal credit of the borrower and his sureties, as

known to their neighbours, and is transferred to his tangible assets, the whole movement degenerates into a system of financing the production of crops on a commercial or at least a non-co-operative basis, with which, as such, Government should have no concern.

Organisation of the Department.

222. The Co-operative Department consists, in main, of a Registrar in the presidency proper, a deputy registrar in Sind, five assistant registrars in the presidency proper, one assistant and one assistant deputy registrar in Sind and large audit staff. The assistant registrars have each about a thousand societies to supervise. It is their duty to scrutinize the audit notes on the individual societies and to visit and assist those, the notes on which show that all is not well with them. They attempt to visit every society within their jurisdiction once in three years visiting those in need of special aid or encouragement more frequently.

The audit staff is allotted on the basis of one auditor and one sub-auditor to every two hundred societies. The auditor and sub-auditor usually tour separately, the auditor auditing the accounts of the large, and sub-auditor those of the smaller societies. We are however, authoritatively informed that these officers do a good deal more than mere audit; they call the committees of societies together, discuss their proceedings and point out wherein they are wrong or require improvement.

223. Working more or less parallel with the official staff are the non-official supervising unions under the control, in some districts, of district supervising boards. The Managing Committee of each union is elected by the societies, which it embraces; there are at present 118 such unions, each supervising from twenty to forty societies. The union employs a supervisor for each twenty societies, his duties being to visit the societies at short intervals and see that defects brought to notice in the audit reports are remedied.

The whole cost of the supervision is directly or indirectly, more than borne by Government. The cost of audit is, nominally recovered from the societies, but in the case of these societies which belong and subscribe to supervising unions, the amount of the subscription is deducted from the audit fee before recovery. We are informed that the loss to Government by these remission of fees is one and a half lakhs of rupees, and in addition, provision is made in the budget for a direct grant to the unions of Rs. 35,000. Government's total liability in respect of the unions is thus Rs. 1,85,000 or about Rs. 1,500 per union, the pay of a supervisor averaging about Rs. 700 per annum.

224. There are three agencies engaged in supervising and exhorting the societies, the official assistant registrars, the official auditors, and the non-official, but Government subsidised, supervising unions and boards. It seems to us that this arrangement is bound to lead to duplication of work, nor are we convinced that a supervisor is really satisfactory agency of control. We have been informed by no less an authority than Sir Chunilal Mehta that upon the supervisor's work is based the finance of the societies. We are however at the same time informed by the registrar that those men are poorly paid, ill qualified and dependent upon the auditors for continuous guidance. In our opinion it would make for much greater efficiency if these supervisors were, at least temporarily, abolished and replaced by a smaller number of trained auditors in Government service. In a sense this would be retrograde measure and conflict with our own dictum that Co-operative Societies should be independent of Government assistance except in the matter of audit. But, as we have stated above the present financial position of the societies is so thoroughly bad that we think a temporary tightening up of Government control is an absolute necessity.

Strengthening of Government Audit.

225. We believe therefore that the large sum of money now spent on subsidising the supervising unions would be better and more effectively spent on strengthening the Government audit staff. It appears to us, judging from the work now done by the supervisors, a sample of which was kindly supplied to us by Sir Chunilal Mehta, that it is not really necessary to provide one of these men for so small a number as twenty societies apiece. Were they trained men, we think that work could be as well or even better performed by a very much smaller number. At present a group consisting of an auditor, a sub-auditor, a clerk and two peons deals on an average with two hundred societies. If each auditor were provided with two more sub-auditors each of the four auditing officers in a group would in future have only an average of fifty societies to supervise and we consider that such a number is not beyond the power of a properly qualified man to cope with. In fact we consider that more efficient supervision and guidance would be afforded by having two trained men for a hundred societies than one trained and five or six untrained men, at present, for the same number. It is not as if the work of the auditor and of the supervisor were entirely distinct. It is true that the work of the latter is rather of supervision and guidance than of audit, but we have been told that the former does a great deal more than mere audit and has to supervise the supervisor. Until therefore, the societies are placed on a sound financial footing, we recommend that the number of the auditing staff be doubled in the manner described above but that the additional sub-auditors be engaged on a temporary

basis to facilitate a reversion to the system of supervisors when the condition of the societies has been rehabilitated. In order to secure satisfactory service from these temporary men, they should be given the benefit of a provident fund, to which there should be a Government contribution of 8½ per cent.

226. The cost of the supervisors now employed is about Rs. 80,000 per annum, exclusive of allowances. The cost of putting our proposal into effect for a period, say, ten years would be Rs. 1,15,000 per annum. Government are now making direct contribution of Rs. 35,000 a year to the supervising unions and an indirect contribution of about Rs. 1½ lakhs in the shape of the remission of audit fees to societies belonging to the unions. The suspension of these contributions would more than cover the cost of the additional temporary staff and would incidentally effect a saving to Government of Rs. 70,000.

227. An argument may be advanced that temporary supersession of supervisors would be detrimental to the efficient working of the societies. We have already stated that we consider that an increase in the number of auditors would more than counterbalance the detriment caused by the temporary supersession of supervisors. We would also invite attention to the fact that at present by no means all societies belong to the unions. At the beginning of that the present financial year only 3,014 societies out of 4,603 agricultural credit societies to which the scheme of supervising unions is intended to apply were actually affiliated to such unions. There was thus a balance, of 1,589 societies which had not the advantage of this form of supervision. We have no information whether these societies are definitely less efficient than the others, but the figures quoted would appear to show that supervisors are not indispensable. Under our proposal those societies which do not enjoy the advantages of supervisors would be very materially benefitted by the suggested doubling of the number of auditors and sub-auditors, as we do not propose restricting such addition to those areas where supervisors now exist.

It is, of course, with considerable reluctance that we make these proposals for the transfer of the control and supervision of societies from an unofficial agency, but the position is so serious that we consider the step to be justified.

Concessions Enjoyed by Societies.

228. There is one other recommendation which we would make, namely, that the societies should bear all charges which a commercial Society doing similar business would have to incur, including registration and stamp fees and the cost of audit. Exemption from charges is, we think, wrong in principle and merely tends to maintain unsound societies

in existence. A recovery of Rs. 60 per annum, or Rs. 5 per mensem, from each Society would cover the whole cost of audit; as the banks and larger societies would naturally pay more, the incidence on smaller societies would be correspondingly less. We have been informed that the margin between the rate of interest at which the societies obtain their money and that at which they relend it to their members is so small that even the payment of Rs. 60 would seriously affect their finances. We are not impressed by this argument. Any society which is operating on a margin so small that payments of the order involved in registration, stamp and audit fees are likely to threaten its stability must be fundamentally weak; it can have no hope of ever building up an adequate reserve fund and it would be to the benefit of the movement as a whole if it were liquidated and wound up. We, therefore recommend that concessions at present granted exempting societies from stamp duty and registration fees, be withdrawn and the whole real cost of audit, including leave and pension liabilities be made recoverable.

Financial Effects.

229. We estimate the ultimate betterment which would ensue from our proposals in this department, apart from that for which credit has been taken elsewhere in our report, at two and three quarter lakhs of rupees, as compared with the cost of the Department in recent years. We are indebted to the present register for an estimate of rupees two lakhs as extra receipts from registration and court fees if the exemption of co-operative societies from these were removed. The reorganisation of inspection which we propose above would yield in addition about Rs. 70,000 while there would be a saving of Rs. 7,500 a year in the travelling allowance of Honorary Organisers.

205. Dealing with the head-quarter organisation, we have been struck by the over-lapping which takes place between the activities of the agricultural, Co-operative and Veterinary departments. The Co-operative movement is in the main an agricultural movement and so close is the connection between it and the agricultural department that the Chairman of the quarterly meetings of the divisional boards of agriculture is alternately a Deputy Director of agriculture and an Assistant Registrar of Co-operative Societies. In so far as Cattle Breeding Societies are concerned, the sphere of the co-operative department touches that of the veterinary department on the one side and of the agricultural department, which maintains a live-stock expert and assists cattle breeding by the supply of premium bulls, on the other. Indeed the question has arisen whether the live-stock expert should not be transferred from the agricultural to the veterinary department. It seems

to us to be impossible to define exactly where the responsibilities of the one department cease and those of the other begin.

Board of Rural Development.

206. We think that this fact should be formally recognised and the possibility of overlapping should be obviated by the provision of a single head-quarter establishment for the 3 departments. For this purpose, we propose the constitution of a Board of Rural Development, on the lines of other head-quarter boards which we have recommended, should be formed. The Director of Agriculture would be the head of the combined department and the chairman of the Board; he would have 3 deputies, who would also be members of the Board, these being the Director of Veterinary services who would become Deputy Director for those services, the Registrar of Co-operative Societies, who would become the Deputy Director of Co-operation, and the Deputy Director of Agriculture, who would relieve the Director of so much of his present duties as to enable him to direct the business of the combined department. We realise that this proposal entails additional expenditure in that a new post of the Deputy Director of Agriculture would have to be created in place of the present post of personal assistant, but we consider that the small expenditure involved would be fully justified. We have elsewhere expressed the view that the recommendations of a head quarter board would be more reliable and carry more weight with Government than those of any single officer and in view of the vital importance of agriculture and its connected activities to the welfare of the presidency, we consider that this department should be placed in a position of equal strength to those of others for which we have proposed a constitution of such boards.

SITUATION REQUIRED.

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PROVINCIAL CO-OPERATIVE UNION,

ROYAPETTAH, MADRAS.

Correspondence

MANCHESTER,
1st March 1933.

To

THE EDITOR,

THE MADRAS JOURNAL OF CO-OPERATION,

Madras.

Dear Sir,

I should like to give a short account of the Southport Co-operative Educational Fellowship in Lancashire which is an auxiliary body working under the auspices of the Southport Co-operative Society, where I delivered a lecture on some aspects of Indian Co-operation, at the request of the society on 22nd January, 1933. This auxiliary may be taken as a typical local educational organisation of the Co-operative Societies of England.

Southport is a beautiful Sea-coast town in Lancashire which is said to be the health resort of the midlands. It presents a striking contrast to the neighbouring industrial cities like Manchester, Liverpool, and Sheffield, in the systematic outlay of the city. No casual visitor could ever miss the magnificent Lord's Street, the fine array of houses and the select type of Lancashire men and women inhabitants, who have been long reputed for their hospitality. Owing to the importance of the city both as a health resort and coastal town, it is being visited by people from all parts of the world. The innate goodness and their constant contact with people from abroad have widened their outlook of life in every way.

The fellowship was started in 1929 by a body of 60 enthusiastic Co-operators of Southport, the most energetic among them being Mr. C. M. Halfhead, who is the president from its very inception. The membership has since been fast increasing. Meetings are held every Sunday at 6-30 P.M. and at the fixed time the Meeting Hall gets thronged by ladies, gentlemen and even children. I was particularly pleased to see a beautiful child of nearly 6 years attending the meeting with all the enthusiasm. The punctuality of the members and their keen participation at the meeting is worthy of praise.

The usual programme of meeting is as follows :—

- | | | |
|-------------------|----------------|-------------|
| 1. Hymn. | 5. Questions. | 9. Notices. |
| 2. Reading, Solo. | 6. Thanks. | 10. Vesper. |
| 3. Hymn. | 7. Collection. | |
| 4. Lecture. | 8. Hymn. | |

CORRESPONDENCE

They also hold their half-yearly and yearly functions. At one of their such functions in which I was present, they staged a small play written by one of the members and acted by some of the members, who displayed a high degree of literary talents. Holding of summer schools, week-end schools and occasional rambles to places of Co-operative interest are a common feature of the fellowship. The management consists of a president, a general secretary, Holiday secretaries and 7 members of the committee.

It has been a recognised policy of the members of the fellowship from the inception to interest themselves in subjects of national and international importance. A glance at their quarterly syllabus will reveal that the speakers are mostly internationalists and persons of learning. The Hon. Saklatwala was also invited on several occasions to speak on the Indian problems. The fellowship has evinced keen interest in the works of the great Indian Poet Sir Rabindranath Tagore. This is a clear indication of the magnanimity of this small band of typical co-operators in this part of the globe, and I am sure they will be the fore-runners of the *World Co-operative Common-wealth*. The line of work followed by this fellowship is worthy of note by all Co-operators in the world.

Yours faithfully,
P. M. CHENGAPPA.

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" MYSORE ECONOMIC JOURNAL."

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Extract. NEGLECTED CONSUMER.

By DR. J. P. WARBASSE (*New York*).

Industry has attempted to keep going by selling its products at more than they cost. The fallacy of this method is obvious to anyone who thinks it through. The mistake lies in applying the profit principle as a general rule. Some business can do this. But that all business can sell everything for more than it costs is impossible. This is as absurd as the assumption that anyone can keep on taking out of a reservoir a million and a quarter gallons for every million that is put in. Presently the time will come when the outgo will have to stop until the inflow catches up; and during that period somebody will have to be thirsty. The basis of the profit method in business is unsound and unworkable. It means that after the people have bought all the goods they can buy, there still remains a large part that they cannot buy because they have used up their money buying enough to keep themselves and the business going.

Consumers may make the things they need, and then, when they have made something, it is theirs and ready to be consumed or used. Industry and the arts have gone so far that things can best be made in quantities by many people, for many people. This means organisation. And this precisely what the co-operative consumers are doing. But before they proceed to production they master something that is nearer to their daily function, and that is distribution. What they have learned to distribute, retail and wholesale, they are then ready to take the next step and own, control, and administer through their own employed experts the production of things for their own use.

That is production for service and not for profit. The co-operative consumer gets the commodity at cost. If profit business has not touched it, then the only cost is the wages paid to labour. Labour has gotten as wages the full value of the commodity produced. The consumer pays only what labour gets. There is no profit. This is the method and aim of co-operation.

Impatient souls who want the great economic change wrought in a jiffy, turn their attention to schemes that are fatuous and impractical or violent and fallacious. The Co-operative Movement destroys nothing. It is evolutionary and not cataclysmic. It is wholly constructive. It builds a different kind of business; if that business is more efficient it grows and slowly supplants the less efficient methods. It trains people to conduct business for themselves. In thousand of communities it can be seen steadily taking the place of profit business and rendering the functions of the state less necessary. All this it does without shock or disorder. Quietly and without ostentation it goes on building a system of service and mutual aid in the every presence of the crashing of capitalistic institutions and in world sorely in need of co-operation.

(*From Review of International Co-operation January 1933.*)

District News. THE MADRAS DISTRICT CO-OPERATIVE CENTRAL BANK AND THE DEPRESSED CLASS SOCIETIES.

MR. STRATHIE'S SERVICES APPRECIATED.

A meeting of the representatives of the Madras City Depressed Class Societies was held in the premises of the Madras Provincial Co-operative Union, on Tuesday the 18th instant. Besides the representatives of about 40 depressed class societies, Mr. Strathie, I.C.S., the Registrar of Co-operative Societies, Messrs. Rao Saheb V. S. Dharmalingam Pillai, M.L.C., Rao Saheb N. Sivaraj, M.L.C., Rao Bahadur R. Srinivasan, M.L.C., and Sreemathi K. Alamelumangathayarammal, M.L.C., and a number of prominent co-operators like Prof. S. K. Yegnanarayana Iyer, S. S. Sankara Mudaliyar, K. Bhashyam, K. Parameswara Iyer, V. Venkatasubbaiya and G. Sriram Babu Naidu, attended the meeting.

Mr. V. Ramadas Pantulu, in opening the proceedings of the meeting, explained that its object was to inform the public about the existing arrangements to finance the City Depressed Class Societies and concert measures to improve those arrangements with a view to widen the scope of such financial accommodation and to place it on a more satisfactory basis. Till June 1930, these societies were financed by the Christian Central Co-operative Bank, which, however, gave up since then the financing of the societies in the City of Madras. It was then that the Madras District Co-operative Central Bank was registered under the Co-operative Societies' Act. This was mainly due to the initiative and progressive outlook of Mr. Strathie. Since August 1930, the new Bank has been financing these societies. At present, 110 societies situated in the city are affiliated to the Bank and about half that number are depressed class societies. Since August 1930 up-to-date, a sum of about Rs. 2 lakhs was lent out to the depressed class societies. Mr. Ramadas Pantulu claimed that the new District Bank had done far more for those societies than the Christian Central Co-operative Bank ever did, and the accusations made in some quarters that the District Bank neglected the interests of those societies were baseless. He, however, said that in the matter of fixing the maximum borrowing power of those societies and of their members, and other allied matters, there was room for considerable improvement. Mr. Ramadas Pantulu then urged the following measures in the form of a comprehensive resolutions:—

- "1. The deputation of a departmental official and a special official of the Bank to revise the bye-laws of these societies.

2. Fixing the maximum borrowing power of all societies at 5 times the owned capital (paid up share capital of the members plus reserve fund).
3. Fixing the maximum borrowing power of a member at 5 times his paid up share capital, or Rs. 500 whichever is less.
4. Embodying special bye-laws dealing with loans for purchase of house sites.
5. The District Bank to maintain a special Administrative Officer to look after the depressed class societies, and the Provincial Co-operative Bank be requested to earmark its present grant to this Bank for expenditure in connection with this scheme.
6. Maintaining a Propagandist to do work throughout the year among these societies. The Provincial Co-operative Union may be requested to make a grant for the purpose.

Finally, Mr. V. Ramadas Pantulu referred to the attack recently made by one Mr. H. M. Jagannadham, a nominated representative of the Arundhateeyas in the Madras Legislative Council, on the Registrar and said that it was baseless. He invited the leaders of the depressed classes present at the meeting to express their opinion on the various matters placed before the meeting.

Rao Saheb Dharmalingam Pillai, then moved the following resolution:—

“This meeting of the representatives of the City Depressed Class Societies, places on record its high appreciation of the valuable services rendered to the Co-operative Movement by Mr. D. N. Strathie, I. C. S., Registrar of Co-operative Societies, and entirely disapproves of the statement recently made by Mr. H. M. Jagannatham in the Madras Legislative Council about the work of Mr. Strathie.”

In moving the resolution, Mr. Dharmalingam Pillai traced the history of the Madras District Co-operative Central Bank, and pointed out the good work that it had done and the help that it rendered to the depressed class societies, and spoke of the services rendered by Mr. Strathie and Mr. Ramadas Pantulu to the Co-operative Movement in general and to the depressed class societies in particular. He strongly condemned the speech of Mr. H. M. Jagannatham and said that it was read out at the fag end of the budget session when the guillotine was about to fall and no other member could get a chance to rise and repudiate the allegations on the floor of the house, as it should have been done in the usual course.

Messrs. N. Sivaraj, Rao Bahadur R. Srinivasan and Sreemathi K. Alamelumangathayarammal, Members of the Legislative Council, in supporting the resolution, said that they entirely associated themselves with all that Mr. Dharmalingam Pillai said. Mr. Jagannatham did not consult any member of his party before he read out his speech, and that if they had a chance, they would have repudiated it on the floor of the house then and there. They all spoke in very appreciative terms of the work of Mr. Strathie.

Messrs. R. Rajagopal, Jayavel and Pandit Palaniswami Pillai representatives of the depressed class societies, also took part in the proceedings and spoke appreciatively of the benefits conferred by the District Bank on the depressed class societies in the City and of the good work done by Mr. Strathie and Mr. Ramadas Pantulu. Mr. Rajagopal said that Mr. Jagannatham had no credentials whatever to speak about the co-operative movement. They all supported the resolutions moved by Mr. Ramadas Pantulu and Mr. Dharmalingam Pillai and they were carried unanimously.

Mr. Strathie, in his reply, thanked all those who spoke in appreciation of his work. He said that his official position precluded him from replying, specifically to the allegations made against him in the Legislative Council and therefore he welcomed the opportunity thus offered to him to state generally the limitations under which he had to carry on his onerous duties. He was expected to function as a missionary of the co-operative movement and to act as its friend, philosopher and guide. At the same time, he was charged with the responsibility of safe-guarding the material interests of the numerous investors who had put in their money in co-operative banks. He had to control a staff of about 800 men and see that there was no popular discontent in their handling of the societies. He said that the Madras District Co-operative Central Bank was one of his co-operative children and that he registered it against the advice of his more experienced departmental officials. He said that his judgment proved right and that the Bank was a success. It had done more work than most co-operative central banks did, in the period of acute depression. He congratulated the management of the Bank on its successful working. Regarding the resolutions moved by Mr. Ramadas, he promised to depute a departmental official to do the needful, each society being dealt with on its own merits.

Mr. Strathie was then garlanded and the guests were treated to light refreshments. With a vote of thanks proposed by Mr. Ramadas, the proceedings came to a close.

EFFORTS TO REORGANISE NELLORE PADDY MARKET CO-OPERATIVE SOCIETY FORMED RYOT'S ENTHUSIASM.

The Nellore Paddy Loan, Purchase and Sale Co-operative Society Ltd., was started day before yesterday evening at a meeting of the share-holders held in the premises of the Nellore District Co-operative Banking Union, with Mr. O. Viswanatha Rao, B.A., B.L., in the chair.

The by-laws of the Society were read and explained at great length by Mr. K. Nagarathnam, Senior Inspector of Co-operative Societies Nellore. The meeting postponed the election of the office bearers to a future day on the ground that several more influential ryots ready to pay the required share capital necessary to qualify them to stand as directors were desirous to join the Society and that opportunity should be given to them to join the Society. A strong propaganda committee however has been formed with Mr. Athivarapu Venkataramareddy as convener to enlist share-holders, to open correspondence with merchants in and outside the district, and do such other business as is necessary for furthering the objects of the Society. Rupees 100 was sanctioned for the expenses of this committee. Several amendments to the bye-laws have been passed at the meeting and are sent to the Deputy Registrar for approval and incorporation. After the meeting was over, Mr. K. L. Narasimha Rao B.A., B.L., advocate addressed the share-holders on the general principles of marketing and the principles to be followed and dangers to be avoided.

Nellore, }
16-4-33. }

(Sd.) M. S. NARASIMHA RAO, B.A., B.L.,
Pleader.

Review. PRINCIPLES OF ORGANISATION OF AGRICULTURAL CO-OPERATIVE CREDIT SOCIETIES IN INDIA.

BY PROF. J. P. MISRA, M.A., B. COM., F.R.E.S.

There are some books, says Bacon, which should be masticated and digested. Besides those books, which bear the mark of transcendent genius and which live for all times and in all places, those that embody such thoughts as would, if translated in action, contribute to the material and moral advancement of a people, come within the purview of the Baconian dictum. Prof. Misra's book, containing as it does, the most useful thoughts on Co-operation can be taken as a species within the genus of such Literature.

The author at the outset dealt with the multifarious causes which necessitated the inauguration of the Co-operative Movement in India. He put the premium on the credit side of the Co-operative Movement, since it chooses to eradicate the great evil of indebtedness, which is the mother of a legion of miseries. While clearly indicating that Sound and Systematic Organisation, Careful and Methodical Development (the infraction of which flings the villager in the vortex of Pessimism and Fatalism) are indispensable for the success of co-operative endeavour, he laid stress on the strength of Primary Societies which constitute the foundation of the fabric of Co-operative Credit Movement. Consolidation, Prof. Mitra rightly avers, should precede expansion. The author further pursues his thought thus: Organisation based on requisite training and experience and on a thorough grasp of the great principles of co-operation is the *Sinequanon* for the success of the Movement. Thrift and mutual help, decision and firmness, discipline and determination, self-control and sound health should be expatiated upon by the hierophant of co-operation. The organiser should initiate the rural folk in Better Farming, Better Business and Better Living by vocal and ocular methods of Propaganda. Democratic principles should percolate in the mental soil of the villager. The spirit of the altruistic ideal, to wit "each for all and all for each" should be imbibed by every co-operator. Organisation, Registration, and Efficient supervision go hand in hand. Co-operative Sale and Purchase Societies preclude the dissipation of money engendered by the old methods of Marketing, which while rendering the poor peasant a victim of the ambitious Mahajan, ties him hand and foot to several pernicious stipulations. The author has remarkably shown the interconnection of Irrigation Societies, Societies for the consolidation of holdings, Cattle-breeding Societies, Cattle Insurance Societies, which aim at freeing the member from the clutches of the Shahukars and secure to him sufficient savings out of his business. The formation of Arbitration Societies extirpates the litigious spirit which lands the villager in straitened circumstances and worries galore. Compulsory Education Societies and Thrift Societies raise the moral level of the Rural folk. While dealing with the manifold aspects of the Credit side the author has not forgotten to descant very lucidly on the Non-credit side, of the Great Co-operative Movement and hence the observation that his production should be classed among those books that merit mastication and digestion by all Earnest Students and Workers in the field of Co-operation.

A. SATYANARAYANA MURTHY.

Resolutions passed at the Guntur District Co-operative Business Conference held at Tenali on 8th April 1933 under the Presidency of M. R. Ry. V. Ramadas Pantulu Garu, President, Madras Provincial Co-operative Bank Ltd.

1. Resolved to request the Registrar to establish one Land Mortgage Bank for each Taluk in Guntur District as far as possible.
2. Resolved to request the Government to remit all registration and encumbrance certificate fees.
3. Resolved to request the Government to reduce the Audit fees by about 50 per cent.
4. Resolved to request the Government to permit limited liability societies paying audit fees to pay only a nominal sum towards supervision fund.
5. Resolved that the following conditions shall be observed in regard to extensions :
 - (a) These extensions shall be given on mortgage security of immovable properties ; fresh mortgage bonds (with new additional security) where necessary, must be taken in renewal of the old bonds, if any.
 - (b) No extension shall be given for a period exceeding seven years from the date of the extension.
 - (c) Mortgages for sums in excess of a limit to be agreed upon shall in all cases be taken by the societies with the previous approval of the central bank by which they are financed, and such bonds, if necessary, may be transferred to the central bank.
6. This conference is of the opinion that the central bank should develop on the lines indicated by the Provincial Bank a system of advancing loans against produce to members of primary societies to help them in the marketing and movement of the produce raised by them.
7. Resolved to request the Registrar to direct the sale officers to take up first of all the execution work in societies which are mostly in arrears to the central bank.
8. Resolved to request the Registrar of Co-operative Societies, Madras to modify his recent circular regarding the appropriation of funds received from liquidated societies making the expenses of the

RESOLUTIONS

liquidator at 5 per cent as the first charge on collections, and to fix a proportion of the interest realised to be so appropriated.

9. Resolved to request the group directors of the Unions to visit the bad societies in their groups more frequently than they do and advise and direct the panchayatdars in rectification work.

10. Bad and doubtful debts :—Resolved to request the Executive Committee of the Central Bank to convene their meetings at the Headquarters of different Unions successively for 3 or 4 months giving previous notice to all the bad societies of the union to direct their office bearers to attend the meetings to explain the position of their societies so as to enable the Committee to advise them as to the lines on which the bad and doubtful debts in the societies have to be dealt with, and to concert measures to safeguard the interest of the Central Bank.

11. Resolved to recommend to the Co-operative Societies to take shares in, and encourage its co-operators to insure their lives in the South India Co-operative Insurance Society, Ltd., Madras.

12. This Conference recommends the use of "Neel-Kaal" Ink manufactured by Andhra Kala Parishat, Tenali in all co-operative institutions.

13. Resolved to request the Registrar of Co-operative Societies to abolish the District Federation without any further loss of time to safeguard the financial interest of central bank and the advancement of the movement in the district.

Sd. V. RAMADAS,
President.

CIRCULARS

Circulars.

THE 20TH MADRAS PROVINCIAL CO-OPERATIVE CONFERENCE.

I

THE MADRAS PROVINCIAL CO-OPERATIVE
UNION, ROYAPETTAH, MADRAS.
5th May 1933.

*[To all Provincial Societies, Central Banks, District Federations,
Local Unions, Urban Banks Non-credit Societies and unlimited
Primary Societies with a working capital of Rs. 50,000,]*

Dear Sirs,

The 20th Madras Provincial Co-operative Conference will be held at Madras on the **17th and 18th June next**, under the presidency of **Dewan Bahadur S. Aravamuda Aiyangar**, B.A., B.L., M.B.E., President, Hyderabad Dominion Co-operative Bank Ltd., Hyderabad.

I request you to kindly nominate your delegate or delegates to the conference and send us his or their names and exact postal address.

Boarding and Lodging arrangements will be made by this Union for the convenience of the delegates. The fees for Boarding and Lodging are at Rs. 2-8-0 per delegate for both the days of the session.

Institutions electing delegates are requested to kindly fill up the enclosed form and return it so as to reach us on or before 5th June next. They are also requested to communicate to this office resolutions for consideration at the conference.

In addition to deputing delegates to attend the Conference each institution is requested to kindly make liberal donation as usual, towards the expenses of the conference and thus make it the grand success that it ought to be.

V. RAMADAS,
President.

SCHEME FOR REPRESENTATION AT THE CONFERENCE.

II

1. The Madras Provincial Co-operative Union, the Madras Provincial Co-operative Bank, the Madras Central Land Mortgage Bank, the Triplicane Urban Co-operative Society, the Central Co-operative Printing Works and the Christian Central Co-operative Bank may each elect 5 delegates.

2. The Andhra Sahakara Sammelanam and the Tamil Nadu Co-operative Federation may elect 10 delegates each.
3. District Central Banks and District Federations may elect three delegates each.
4. Co-operative Training Institutes may elect 2 delegates each.
5. Local Supervising Unions may elect 1 delegate each.
6. Limited Primary Societies with a working Capital of not less than Rs. 50,000 may elect a delegate each.
7. Unlimited Primary Societies with a working Capital of Rs. 50,000 may elect one delegate each.
8. Societies in which other registered societies are members, other than those mentioned above, may elect a delegate each.
9. The Registrar may nominate 10 delegates to represent the Department, if he wishes to do so.
10. Such of the members of the Executive Committee of the P. C. U. as are not elected by any of the above constituencies shall be deemed ex-officio delegates.

Scale of Delegation Fees.

Primary Societies (Urban and Rural) and Supervising Unions	Rs. 2
Training Institutes Central Banks and Federations	5
Provincial Societies and Language Federations	10

The above delegation fee is irrespective of the number of delegates that the institution may send.

THE MADRAS PROVINCIAL CO-OPERATIVE
UNION, ROYAPETTAH, MADRAS.
5th May 1933.

[To the Member Societies of the P. C. U.]

Dear Sirs,

The annual general body meeting of the Union will be held at 8 A.M. on Sunday 18th June 1933 on the occasion of the 20th session of the Madras Provincial Co-operative Conference to be held at Madras on the 17th and 18th June 1933.

Institutions which have not elected their representatives are requested to kindly elect one delegate to the general body and communicate to the Union his name and address along with a copy of the resolution so as to reach the Union on or before Monday the 5th June 1933.

Societies which have not yet paid their annual subscriptions, current as well as arrears, are requested to do so without any further delay.

V. RAMADAS,
President.

Bye-law No. XII relating to the election of delegates to General Body.

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

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

III

MADRAS PROVINCIAL CO-OPERATIVE-
UNION, ROYAPETTAH, MADRAS.
5th May 1933.

[To all the Delegates to the General Body of the P. C. U.]

Dear Sir,

The Annual General Body Meeting of the Madras Provincial Co-operative Union will be held at Madras at 8 a.m. on Sunday, the 18th June 1933 on the occasion of the 20th Session of the Madras Provincial Co-operative Conference to be held at Madras on the 17th and 18th June 1933. You are kindly requested to be present for the meeting.

V. RAMADAS,
President.

IV

MADRAS PROVINCIAL CO-OPERATIVE
UNION, ROYAPETTAH.
5th May 1933.

[To all the Member Societies of the P. C. U.]

Dear Sir,

The Annual General Body Meeting of the Madras Provincial Co-operative Union will be held at 8 a.m. on Sunday, the 18th June 1933 on the occasion of the 20th Session of the Madras Provincial Co-operative Conference to be held at Madras on the 17th and 18th June 33. Your representative on the General Body has been informed to the effect and requested to attend.

Please remit, if you have not already done so, the annual subscription due by your Society, current dues as well as arrears without any further delay and oblige.

V. RAMADAS,
President.

THE CENTRAL BANKS' CONFERENCE.

XIIth SESSION.

(Held on Saturday the 18th March, 1933 at 12-30 A.M.
at the Madras Provincial Co-operative Bank Ltd., Mylapore.)

Present.

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

1. The Madras Provincial Co-operative Bank Ltd.
(1) Mr. V. Ramadas Pantulu
(2) „ K. Bhashyam Iyengar
(3) „ K. V. Raghavachariar
(4) „ Rao Sahib K. M. Singaravelu Mudaliar
2. The Anantapur District Co-operative Central Bank Ltd.
(1) Mr. C. Raghavendrachar
(2) „ K. Ramadas Rao
3. The Co-operative Central Bank Ltd., Conjeevaram.
Mr. K. Rangaswami Iyengar
4. The Co-operative Central Bank Ltd., Vellore.
(1) Rai Bahadur V. Murugesu Mudaliar
(2) Rao Sahib A. Arunachala Mudaliar
5. The Co-operative Central Bank Ltd., Tanjore.
(1) Mr. T. B. Ratnachalam Iyer
(2) „ T. R. Srinivasa Iyengar
6. The Co-operative Central Bank Ltd., Vizianagaram.
(1) Mr. C. Subba Rao
(2) „ D. Ramalingaswami
7. The Chittoor District Co-operative Central Bank Ltd.
Mr. B. Konda Reddi
8. The Coimbatore District Urban Bank Ltd.
(1) Rao Bahadur T. A. Ramalingam Chettiar
(2) Mr. S. K. Ramaswami Mudaliar

9. *The Cuddappah District Co-operative Central Bank Ltd.*
(1) Mr. N. Subbaramiah
(2) „ G. Sundara Rao
10. *The Ganjam District Co-operative Banking Union Ltd.*
(1) Rao Sahib W. V. B. Ramalingam Pantulu
(2) Mr. Iswara Sahu
11. *The Guntur District Co-operative Central Bank Ltd.*
(1) Mr. C. Venkat Rao
(2) „ V. Vasudeva Rao
12. *The Hospet Co-operative Central Bank Ltd.*
Mr. R. Venkoba Rao
13. *The Krishna Co-operative Bank Ltd.*
(1) Rao Bahadur S. Hanumantha Rao Pantulu
(2) Mr. K. Lakshmiah Naidu
14. *The Kurnool District Co-operative Central Bank Ltd.*
(1) Mr. K. Ramanatha Iyer
(2) „ M. Sidda Reddi
15. *The Madura-Ramnad Central Co-operative Bank Ltd.*
(1) Mr. E. S. Sunda
(2) „ V. Chinnikrishna Naidu
16. *The Malabar District Co-operative Bank Ltd.*
Rao Sahib V. Krishna Menon
17. *The Nellore District Co-operative Banking Union Ltd.*
Mr. P. Venkatasubba Reddi
18. *The Ramachandrapuram Co-operative Central Bank Ltd.*
(1) Mr. B. V. Krishna Rao
(2) „ M. V. Narayana
19. *Sree Konaseema Co-operative Central Bank Ltd.*
(1) Mr. D. V. Surya Rao
(2) „ K. Venkataratnam
20. *The Srivilliputtur Co-operative Banking Union Ltd.*
(1) Mr. S. Venkitakrishnama Naicker
(2) „ V. Meenakshisundaram Pillai
21. *The South Canara Central Co-operative Bank Ltd.*
Mr. Ullal Mangesh Rao

22. *The Salem District Urban Bank Ltd.*
(1) Mr. S. C. Venkatappa Chettiar
(2) „ K. Sundararaja Iyengar
23. *The Tinnevely District Co-operative Central Bank Ltd.*
(1) Mr. S. M. Ramalingam Pillai
(2) „ P. Nellaiappa Pillai
24. *The Trichinopoly District Urban Bank Ltd.*
Mr. M. M. Krishnaswami Pillai
25. *The Vizavada Co-operative Bank Ltd., Bezwada.*
(1) Mr. C. Rajagopalachariar
(2) „ P. Venkatasubbiah
26. *The W. Godavari Dt. Co-operative Central Bank Ltd.*
(1) Mr. D. V. Krishna Rao
(2) „ M. Viyyanna Pantulu (Chairman).
27. *The Christian Central Co-operative Bank Ltd.*
Mr. S. Krishnaswami Iyengar.

MR. D. N. STRATHIE, Registrar of Co-operative Societies, and Rao Bahadur K. Deivasikamani Mudaliar, Joint Registrar of Co-operative Societies, were also present on invitation.

MR. K. BHASHYAM IYENGAR proposed Mr. M. Viyyanna Pantulu to the chair. It was seconded by Mr. E. S. Sunda and unanimously carried. Mr. Viyyanna Pantulu took the chair.

MR. V. C. RANGASWAMI, Convener of the Conference, made a report on the action taken on the resolutions of the last Conference. The subjects on the agenda were then proceeded with.

Subject No. 1.—Draft rules under the Co-operative Societies' Act.

MR. V. RAMADAS PANTULU in opening the discussion on the subject stated that the Local Government notified in the Gazette dated 10th January 1933 the draft rules under the Madras Co-operative Societies Act. The Executive Committee of the Provincial Bank appointed a sub-committee, consisting of himself, and Messrs. K. Bhashyam Iyengar, V. Venkatasubbiah and Rao Bahadur T. A. Ramalingam Chettiar, to consider the rules and make representations. The Committee met on the 3rd March 1933, considered the rules and sent to the Local Government the representation contained in the appendix. The work of examining the rules was divided between himself and Mr. K. Bhashyam Iyengar.

Extensions & Renewals.

II. The Provincial Bank is of opinion that the programme of rectification ought to make provision for giving suitable extensions to debtors who are able to give adequate security for the overdue loans (decreed or undecreed), and to prevent, as far as possible, the sale of the properties of such debtors, specially during the present economic depression. The following conditions shall be observed in regard to the extensions:—

- (a) These extensions shall be given on mortgage security of immovable properties; fresh mortgage bonds (with new or additional security), where necessary, must be taken in renewal of the old bonds if any.
- (b) No extension shall be given for a period exceeding 7 years from the date of the extension.
- (c) Mortgages for sums in excess of a limit to be agreed upon shall in all cases be taken by the societies with the previous approval of the central bank by which they are financed, and such bonds, if necessary, may be transferred to the central bank. It is not necessary for the central bank when it applies for accommodation to the Provincial Bank, to transfer such bonds to the Provincial Bank as cover for the loan, but a suitable agreement will be made between the central bank and the Provincial Bank, as regards making such securities available to the Provincial Bank, in case necessity arises for such a course.
- (d) In areas where land mortgage banks are in operation, and when such banks are willing to take up such overdue loans, the rural societies and the central bank concerned must not entertain proposals for such extensions.

Loans against Produce.

III. (A) The Provincial Bank is of opinion that there are many advantages to be gained by the central banks developing a system of directly advancing loans against produce to members of primary societies to help them in the marketing and movement of the produce raised by them. In areas where the central banks are not prepared to take up this business, the Provincial Bank may transact such business through a suitable agency.

Note:—(i) The period of these loans shall not exceed 6 to 9 months and adequate arrangements must be made for storing, securing and insuring the produce pledged.

(ii) The central banks must normally employ its own paid agency for the purpose. In areas where an indigenous banker can be found to do this business for the bank, his services may be availed of.

(B) The Registrar be requested to encourage this form of co-operative credit by giving necessary facilities to central banks so as to be able to lend to non-members.

Loans against Gold.

IV. The Provincial Bank requests the Registrar to permit all suitable urban and central banks to advance loans against gold on such conditions as may be laid down as to safe custody, testing and valuing of the gold pledged.

Loans to Co-operative Industries.

V. The Provincial Bank is of opinion that facilities should be provided to it and to the central banks to finance industrial concerns organised on a co-operative basis and recommended by the Industries Department and approved by the Registrar of Co-operative Societies to be sound.

Rao Bahadur T. A. Ramalingam Chettiar was the next to speak on the subject. He said:—"I thought that the question of loan policy was settled once for all. In the Townsend Committee, Mr. Ramadas Pantulu and myself held opposite views. The Tamil Country has always been for giving loans for 10 years and I still hold the view that loans up to 10 years ought to be granted. But Mr. Ramadas was for confining the activities of ordinary co-operative societies to short and intermediate term loans up to 5 or 6 years. I thought that Mr. Ramadas was now coming round to my own view. But the resolution now placed in your hands is quite different from the proposals in the circular of the Provincial Bank in one material respect. The circular proposed that fresh loans may be granted up to seven years. As a compromise, I was prepared to agree to seven years so that it may not be thought that we are attempting to compete with the Central Land Mortgage Bank. But the resolution now proposed by Mr. Ramadas whittles it down to 5 or 6 years, and I am sorry Mr. Ramadas has gone back upon his view probably owing to pressure from other quarters. We must not shape our loan policy to suit the desires of other institutions, but must adapt our terms to the needs of members. I am for granting new loans for a period up to 7 years."

Several representatives took part in the discussion and they expressed the opinion that fresh long term loans for a period exceeding 5 years should be issued.

who has done his part of the work very creditably. Rao Sahib M. S. Seshachala Iyer had sent some suggestions and they were also duly considered. He said that it was for the Bankers' Conference to consider the subject and pass suitable resolution.

Mr. K. BHASHYAM IYENGAR stated that even though very great care was bestowed on the examination of the rules, some matters escaped his attention. Two or three defects in rule XXII have been found out in the course of further examination of the rules and a supplemental representation would be made to the Local Government.

Mr. K. V. RAGHAVACHARI (Nellore) suggested that the period within which the sale amount should be paid by the auction purchaser or defaulter be raised to 30 days.

Mr. BHASHYAM IYENGAR further explained that he had not looked into the minute details of the rules which would be familiar only to people who are acquainted with the day to day working of primary societies. He confined himself to the broad aspects of the rules and examined the rules from the standpoint of the co-operative societies. Here and there a few rules may affect the public, and it is for the public to consider and make necessary representations to Government.

Mr. D. N. STRATHIE, Registrar of Co-operative Societies, thanked the members of the Committee for their labours and said that their recommendations would be carefully considered by himself and the Government and that the suggestions would be carried out wherever possible.

Mr. S. C. VENKATAPPA CHETTIAR (Salem) said that some at least of the members have not read the draft rules and therefore could not make any useful suggestions either about the rules themselves or about the report of the Committee. He therefore suggested that the matter may be adjourned for consideration.

Mr. RAMADAS PANTULU explained that the time allowed by Government to make representations had already expired and that no useful purpose would be served by adjourning the matter. The rules were published in the Fort St. George Gazette as long back as 10th January 1933 and attention was drawn to it through the columns of the Madras Journal of Co-operation. It is surprising that central banks should not have looked into the rules.

Mr. M. M. KRISHNASWAMI PILLAI (Trichinopoly) stated that so far as the report of the Committee is concerned, there is a general agreement that the amendments and alterations suggested by the Committee are

quite alright, and that they may be approved by the Conference. It is open to any individual Co-operator or co-operative society or bank to make any further representation to the Government.

The President in winding up the debate stated that the thanks of the central banks are due to the members of the Committee for their labours and that the report covers almost all points that require elucidation. He moved that the report of the Committee be approved.

The Conference unanimously approved the report of the Committee.

Subject No. 2.—Future Loan Policy of Provincial and Central Banks.

In opening the discussion on the subject, Mr. RAMADAS PANTULU spoke as follows:—"The Provincial Bank's proposals with regard to loan policy was circulated to central banks and their opinions were invited. The circular note on the subject and the proposed draft resolutions on the matter are now in your hands. You will see therefrom that no changes of a far-reaching character are proposed. There is an impression in certain quarters, particularly in the directorate of the Central Land Mortgage Bank, that the Provincial Bank is going back on the present policy and attempting to trench upon the province of the Central Land Mortgage Bank by reviving the grant of long term loans. I should unhesitatingly say that those impressions are wrong. The proposals are intended to offer some solution to our present difficulties. In the course of rectification work, it is found that unless liberal extensions are granted to members of the primary societies, the loans could not be placed on a basis which will help in their being discharged. In regard to fresh loans, several co-operators have expressed to me that the period now allowed, viz. 5 or 6 years, is too short for repayment owing to the catastrophic fall in the prices of the agricultural products. But it is not proposed that the Provincial Bank and Central Banks should change their present policy with regard to new loans. The Provincial Bank will adhere to the policy outlined by the Registrar in his last administration report. I propose the following resolution for the acceptance of the Conference"—

I. The Provincial Bank adheres to its present policy in regard to advancing loans to central banks and does not intend to make any departures.

Note.—Where loans are given for discharge of prior debts, such prior debts must be those contracted for current needs and relatively small, so that the sums lent for their discharge may be repaid within the period for which the loan is advanced.

The Conference is of opinion that each bank has got to be guided by its own bylaws.

Subject No. 8. Regarding the desirability of central banks lending money on the security of produce to non-members.

Disposed of by resolution on subject No. 2.

Subjects Nos. 9 & 14.

9. Regarding the abolition of registration fee on encumbrance certificates and other documents.

14. Remission of the registration charges levied recently.

The Conference unanimously resolves to request the Government to remit the Registration Fees on documents and encumbrance certificates.

Subject No. 10. Regarding the desirability of requesting the Board of Revenue to get all decrees executed by the Revenue Department.

Dropped in view of Section 28 of the Co-operative Societies Act.

Subject No. 11. Policy of having all the Unions in a Bank area compulsorily affiliated to the Bank by taking a share and that being stated as a necessary qualification for representation on the Board.

The Conference endorses the policy underlying the suggestion.

Subject No. 12. All the societies in the bank area should be given a share in the bank not necessarily for the purpose of transacting business but to figure as a factor in the District Movement.

Mr. E. S. SUNDA (Madura) stated that in his district there were a large number of societies which were not members in the District Bank. The Kallar societies in his district were financed by the Government while the Christian and Depressed Class societies were financed by the Christian Central Co-operative Bank. Though they belonged to the district, they did not figure in the district movement. He therefore suggested that every society in a revenue district should become a member of the concerned central bank.

Mr. S. KRISHNASWAMI IYENGAR (Christian Central Bank) spoke against the proposal as it would injure the interests of the Christian Central Co-operative Bank which was started with the specific purpose of financing the Christian and Depressed Class Societies in the presidency.

Mr. K. V. RAGHAVACHARIAR suggested that each society should be given the liberty to affiliate itself to such financing bank as the society considers desirable.

The Registrar suggested that this question might be deferred consideration as the issues involved were rather complicated and no immediate decision could be arrived at.

Mr. E. S. SUNDA replying to the debate stated that what all he wanted was that the society should take part in the district movement and that he did not intend that the interests of the Christian Central Bank should be affected. Having regard to what the Registrar said, Mr. Sunda did not press the proposition.

Subjects Nos. 15. & 30.

15. Reduction of interest chargeable on individual loans in societies.

30. Resolved to request the Government to accord permission to reduce the rate of interest on members' loans in primary societies from Rs. 9-6-0 p. c. to 9 p. c.

RAO BAHADUR S. HANUMANTHA RAO PANTULU (Krishna) stated that the rate of interest on loans to members of primary societies should be reduced in view of the fall in the general rate of interest in the country.

Mr. RAMADAS PANTULU stated that any reduction in the rate of interest at the present juncture would seriously curtail the utility of the societies. Societies are already working on insufficient margins and any reduction will not benefit the movement ultimately. After some discussion, the Conference passed on to the next item on the agenda.

Subject No. 16. Resolved to request the Registrar of Co-operative Societies, Madras, to move the Government of Madras to modify Government Development Memorandum No. 3460-111/32-1 dated 6-8-32 regarding free remittance transfer facilities to the extent that the Imperial Bank of India should invariably accept the certificate of co-operative institutions that the concession was not misused, and to move the Imperial Bank of India to charge a more favourable rate of commission on drafts issued to co-operative institutions for non-co-operative purposes and also to issue free drafts for investments of surplus funds of co-operative institutions.

The Conference resolved to support the recommendations of the Central Banking Enquiry Committee.

Mr. Ramadas Pantulu then proposed the deletion of the note under clause I of the resolution and substitution of the following therefor :—

“Loans for purposes requiring longer periods than five years for repayment may be granted by the Provincial Bank to the Central Banks in proper cases and after due enquiries.”

The amendment was agreed to.

The President put the resolution as amended above to vote and the resolution was carried unanimously.

Subject No. 3.—*Referred by the Madras Provincial Co-operative Union.*

“Resolved to request the Provincial Co-operative Bank to recommend to all the central banks that primary societies be granted loans up to the amount of Reserve Funds deposited by them in the central banks at a rate of interest which shall not be more than one per cent. over the rate allowed on the said reserve fund deposits, as has been recommended by the Townsend Committee.”

The Conference resolved to recommend the principle referred to in the resolution for the consideration of central banks.

Subject No. 4.—Registrar's Circular suggesting that central banks might invest their Reserve Fund in Central Land Mortgage Bank debentures.

MR. K. RANGASWAMI IYENGAR (Conjeevaram) wanted a lead from the Central Banks' Conference as there was a divergence of opinion about the safety of the debentures of the Central Land Mortgage Bank.

MR. RAMADAS PANTULU explained the history of the question. The Conference resolved to leave the matter to the discretion of central banks.

Subject No. 5.—*Poor progress in liquidated societies.*

MR. K. RANGASWAMI IYANGER (Conjeevaram) pointed out that collections in liquidated societies were not satisfactory and that urgent steps must be taken for improving the machinery of collection in liquidated societies. He suggested the appointment of non-official liquidators.

RAI BAHADUR V. MURUGESA MUDALIAR (Vellore) referred to the loss of interest on the amounts due from the liquidated societies and pressed for the appointment of more staff.

MR. K. BHASHYAM IYENGAR supported the proposal for the appointment of non-official liquidators and appealed to the Registrar to appoint non-officials as liquidators.

MR. T. R. SRINIVASA IYENGAR (Tanjore) referred to the delay in enquiries under section 38 and suggested the appointment of non-officials as enquiry officers.

The Registrar of Co-operative Societies stated that next year additional staff would be available and that if suitable non-officials were forthcoming, they would be appointed as liquidators. Right men are not, however, coming forward. He however was glad to accept the policy underlying the suggestion to appoint non-officials as liquidators. The Conference then passed on to the next item on the agenda.

Subjects Nos. 6, 13 & 24.

6. “Question of adjustment of excess share capital investment of societies towards their dues in the central bank.”

13. “Over-capitalisation.”

25. “Reduction of share capital in central banks.”

MR. K. RANGASWAMI IYENGAR (Conjeevaram) urged the need for permitting reduction of share capital in central banks. In several cases the paid-up share capital of societies is less than that held by societies in the central bank. This anomaly cannot be corrected unless reduction of share capital in central banks is permitted. Further, as the business of central banks has fallen, there is no need to have a large share capital on which dividend has to be paid.

RAO BAHADUR S. HANUMANTHA RAO PANTULU (Krishna) supported the proposition.

MR. RAMADAS PANTULU explained the history of the question and said that each case must be judged upon its merits. The Provincial Bank, the Central Banks and the Registrar will consider each case and do their best in the matter.

The Conference resolved that reduction of share capital may be permitted in suitable cases.

Subject No. 7. The desirability of abolishing the preferential rate of dividend to individual shareholders of central banks wherever such rate is in force and of introducing a uniform rate to societies as well as individuals and of devising ways and means (without detriment to financial stability and existing vested interests) towards the attainment of this object whereby, among other reasons which may contribute towards the same result, the rate of dividend payable to societies may be enhanced.

Subject No. 17. Resolved to request the Government of Madras to modify G.O.No.2758 L & M dated 14-7-32 regarding the investment of funds of Local Boards and Municipalities in Co-operative Central Banks and allow the old rules regarding the maximum limit to continue and make another rule prohibiting investment of funds of Local Bodies in Central Banks other than that situated in the District.

The Conference resolved to request the Government to reconsider the G.O. referred to.

Subject No. 18. Resolved to request the Registrar of Co-operative Societies, Madras, and the Local Government to move the High Court of Judicature at Madras to cancel their proceedings No. P. Dis. 411/32 dated 2-5-32 regarding investment of monies belonging to minors.

Dropped.

Subject No. 19. Resolved to request the Registrar of Co-operative Societies, Madras, to modify his recent circular regarding appropriation of funds received from liquidated societies making the expense of the liquidator at 5 p. c. as the first charge on collections.

The Registrar stated that there was an old G. O. that the costs of liquidation should be the first charge on collections and that what the department had done was to put it into force. Special staff are entertained for collection work and they must be paid. The resolution was not pressed.

Subject No. 20. Resolved to request the Registrar to restore the old form of monthly progress reports of collection in liquidated societies, as the form recently introduced and now in vogue gives only total figures for the District as a whole, which do not enable the financing banks to gather any information regarding the liquidated societies. Resolved also to request the Registrar of Co-operative societies, Madras, to direct the Deputy Registrars to furnish financing banks with a copy of their quarterly narrative reports on societies under liquidation for long periods submitted to the Registrar.

The Registrar agreed to furnish the banks with quarterly reports received from liquidators.

Subject No. 21.—Request to the members of the Local Legislative Council to introduce bills providing for "A Debt Conciliation Board" and "Consolidation of Small holdings."

The Conference accepted the suggestions and resolved to refer the matter to the Provincial Co-operative Union for propaganda.

Subject No. 22.—Resolved to reduce the interest on reserve fund deposits of primary societies to 5 p.c. in view of the fact that the Madras Provincial Co-operative Bank has reduced the rates on the reserve fund deposits of central banks.

The Conference resolved that the matter should be left to the discretion of each central Bank.

Subject No. 23.—The Registrar be moved to reduce the rates of interest on District Board and Municipalities and Abkari Deposit.

The Conference resolved to leave the matter to the discretion of each central bank.

Subject No. 25.—Exemption from paying incometax on G. P. Notes.

Dropped.

Subject No. 26.—Permission to deal in loans on movable properties such as gold.

Disposed of by resolution on subject No. 2.

Subject No. 27.—Proposal of the Government of India to amend the law relating to exemption of salaries and wages from attachment in pursuance of the Labour Commission's report.

The Conference resolved to refer the matter to the Provincial Co-operative Union for being dealt with.

Subject No. 28. The Land Mortgage Bank Bill.

The Conference resolved to remit the subject to the Executive Committee of the Provincial Bank for consideration and making representations.

Subject No. 29. G. O. on Provincial Audit Scheme.

Recorded.

Subject No. 31. Resolved to request the Government not to impose stamp duty on cheques as such a procedure will hamper the co-operative banking system and if the total exemption of stamp duty on cheques is not possible, resolved to request the Government to exempt the cheques of co-operative institutions from being stamped.

The Conference unanimously resolved to request the Government of India not to impose stamp duty on cheques.

Subject No. 32. (a) This Conference desires to bring to the notice of the Government that while the prescribed scale of audit fee is unduly high and prohibitive even under normal condition the present state of financial depression and the consequent shrinkage in the loan transactions have reduced the profits which show a further downward tendency, disabling the societies from paying the fee at the prescribed scale. The Conference strongly urge therefore that the fee should be reduced by at least 50 p.c.

The Conference unanimously resolved to request the Government to reduce the scale of audit fees by at least 50 p.c.

- (b) This conference further urges that as the societies which have been paying supervision fee hitherto are unable to continue to do so on account of the levy of this new fee, the Government may be pleased to contribute to the supervision fund out of the audit fee collections such balances as may be left after meeting half the cost of the auditors specially deputed for this work.

Not pressed.

The Chairman, Mr. VIYYANNA PANTULU, in winding up the proceedings, thanked the members for their co-operation.

With a vote of thanks to the chair, the meeting was dissolved.

V. C. RANGASWAMI,
Convener.

M. VIYYANNA,
Chairman.

APPENDIX.

Recommendations and observations of the Sub-Committee consisting of Messrs. V. Ramadas Pantulu; K. Bhashyam Iyengar, V. Venkatasubiah and Rao Bahadur T. A. Ramalingam Chettiar, appointed by the Executive Committee of the Madras Provincial Co-operative Bank, Ltd., to consider the draft rules under the Co-operative Societies' Act notified by the Local Government in Fort St. George Gazettee, dated January 10, 1933.

(1) *Rule IX.* As now drafted, the rule requires a financing bank to maintain fluid resources in respect of deposits and loans received by it as well as those received by societies financed by it. The Committee doubts whether this is the real intention of the rule. The old rule VIII (c), which dealt with fluid resources exempted deposits reserved from co-operative societies from its scope. The present rule clearly intends to include them. In addition, it also clearly includes the liabilities of the affiliated societies for which the financing bank has undertaken to provide cover, that is to say, the amounts of cash credits or overdrafts given by a financing bank to societies financed by it as now provided for in Rule VIII (c). It is now the practice of the Provincial Bank to maintain fluid resources in respect of both these items. So far there can be no objection. But the rule as framed is much wider. Under it, the Provincial Bank in addition to providing for all demands against itself will have to maintain fluid resources in respect of all deposits received by all the central banks financed by it and not merely to the extent of the liabilities to be met by the central bank for which it has undertaken to provide cover, that is to say, it has given cash credit or overdraft. The central banks will similarly be required to maintain fluid resources in respect of all deposits and loans received by all their affiliated societies whether the central banks have undertaken to provide cover for them or not. Affiliated societies do not consult the financing bank in taking deposits and loans. The Committee believes that what is intended is the inclusion of deposits from co-operative societies which were excluded by the old rule VIII (c) and also the amounts for which cash credits or overdrafts are undertaken to be provided to affiliated societies. If so, the rule must be made clearer by a suitable amendment. As it stands, no financing bank can observe it. The amendment the Committee suggests is this:—after the words, "financed by it" add these words, "for which it has undertaken to provide cover."

Civil Court to which application may be made under rule XV (7) (e) wants to proceed.

Some specific provisions in the rules themselves should be made to the effect that when there is already an attachment of the Civil Court on the property against which the decree holder wants execution of the decree under the Act, the papers relating to execution in Civil Court should be sent either to the Registrar or the Collector or to other Civil Court referred to in rule XVII (7) (c) who shall be empowered to deal with the same in a manner analogous to the provisions under section 73 of the Civil Procedure Code. Similarly, where attachment is sought by a decree holder in a Civil Court against property under execution under the Act, the papers should be sent to the Registrar for necessary action.

(8) In the matter of sale, a provision similar to that in Order XXI R. 73 of the Civil Procedure Code restraining officers or other persons having any duty to perform in connection with any sale from directly or indirectly bidding for or acquire or attempting to acquire any interests in the sale, may well be added.

(9) Rule XXII (4) (k). Clause (k) of sub-rule 4 of rule XXII is not properly worded. It may be recast and put in the following form:

"Where a defaulter makes or has made a fraudulent conveyance of property to prevent the distress, any competent civil court having jurisdiction over the subject matter of such conveyance shall, on being satisfied that such fraudulent conveyance has been made, direct that the property shall be delivered forthwith to the sale officer."

"In case of disobedience of such order of the Court, the same may be executed by the said Court in the same manner as in execution of orders of that Court."

In this connection, it is perhaps permissible to point out that the whole scheme of the rules is to get rid of, if possible, recourse to civil courts on the ground that it involves great delay in the realisation of amounts due. It is better therefore that this power is given not to a Civil Court but to a responsible Departmental Officer.

(10) So also rule (L) may be recast in the following form:

"Where any person has forcibly or clandestinely taken away property once distrained and the same is proved to the satisfaction of any civil court of competent jurisdiction, the Court may direct such property to be restored to the sale

Officer forthwith. In case of disobedience of such an order, it may be executed against the said person as if it were a decree passed by such Court."

(11) The proviso for investigation of claims provided for under sub-rule (17) of rule XXII may as well be omitted as such power is always implied in the words, "dispose of it on the merits."

(12) The only other subject which the Committee wishes to touch upon is that power may be given to the sale officer to be in possession of the property as a receiver thereof till the amounts due under the decree or decision are realised from the property. Such a provision is to be found under section 19 of the Land Mortgage Bank Bill now before the Legislative Council. There will be distinct advantage in such a power being given in cases where the amount due from a person is not too large and may be covered by the value of the crops on the land not yet ready for harvest.

(13) The second sentence of sub-rule (2) of Rule XXII reads that "the decree holder may indicate whether he wishes to proceed in the first instance, against the immovable property mortgaged to the decree holder or other immovable property or to secure the attachment of movable property." Sub-rule (3) of the rule XXII further states that "unless the decree holder has expressed a desire that proceedings should be taken in a particular order as laid down in sub-rule (2), execution shall ordinarily be taken in the following manner:—

- (i) Movable property of the defaulter shall be first proceeded against, but this shall not preclude the immovable property being proceeded against simultaneously in case of necessity.
- (ii) If there is no movable property, or if the sale proceeds of the movable property or properties attached and sold are insufficient to meet in full the demand of the decree holder, the immovable property mortgaged to the decree holder or other immovable property belonging to the defaulter may be proceeded against."

The model mortgage bond form published at page 317 of the Madras Co-operative Manual (Third Edition) Volume II recites that the creditor may recover the amount due "either from the property mortgaged, a description of which is furnished below or from other properties belonging to him." These rules and the mortgage bond form referred to are inconsistent with the provisions of law relating to mortgages and the realisation of a mortgage decree. The Committee, however, understands

(2) *Rule XV (6)*. The Committee is of opinion that the total prohibition under rule No. XV (6) of legal practitioners appearing before the arbitrators, etc. is not desirable. The Committee thinks that there must be some discretion left to the Registrar or the arbitrators to allow legal assistance in exceptionally complicated cases. It cannot be said that such cases do not crop up. The Committee, therefore, suggests that the rule may be framed in the following manner:

"No party is entitled as a matter of right to appear by a legal practitioner before the Registrar or arbitrator or body of arbitrators; but it shall be open to such Registrar, arbitrator or body of arbitrators to permit such appearance in proper cases."

(3) *Rule XV (7) (b) and (c)*. The Committee feels that it is open to doubt whether the clauses (b) and (c) of XV (7) allowing execution of decisions and awards made under Rule XV, either through the Collector of the district by an application made by the Registrar or by the Civil Court, are consistent (in the form in which they are put) with the main provisions of the Act. These sub-clauses, as framed, cover cases of decisions and awards obtained by registered societies as well as those obtained against them, and those obtained by persons other than registered societies. So far as decrees or orders of a Civil Court or the decisions or awards of the Registrar or arbitrator or an order of the Registrar or Liquidator obtained by a registered society for the realisation of money, are concerned, section 28 of the Co-operative Societies' Act VI of 1932 is perfectly clear to show that they must be executed by the Registrar or any person subordinate to him, except of course in cases falling under section 49 and section 58 where there are specific provisions for sending some orders for having them executed through the Collector of the District as if they were arrears of land revenue. If this view is right, clause (7) has to be omitted altogether as the same is provided for under rule XXII specifically.

It is however desirable that these provisions of clause (7) of rule XV should be retained for the purpose of enabling persons entitled to the benefit of the decision or award other than a registered society to have that benefit secured to them by execution. If this is so understood, rule XXII will clearly apply only to cases where the decree holder is a registered society.

(4) *Rule XVII (j)*. It is not clear what is meant by the "period of limitation" referred to in this rule. The object of rule presumably seems to be that, unless all conceivable claims by possible claimants to the money

deposited by the liquidator get time-barred, the bank cannot use the fund. The law of limitation as to deposits is that the period of limitation will not commence to run until a demand is made. The deposit may be with the bank for a century without demand and yet the claim will not be barred (vide article 60 of the schedule of the Indian Limitation Act). The clause requires redrafting, so as to embody a working rule. The bank's liability to the real claimant entitled to the money will remain unaffected notwithstanding anything contained in the rule. His right of suit in a civil court cannot be taken away.

(5) *Rule XX*. The rule is perhaps intended to apply to primary credit societies only. But as a credit society is not defined so as to exclude the financing bank, a member of a primary credit society cannot be a shareholder in a central bank, nor can a shareholder in a central bank be a shareholder in the Provincial Bank under the new rule. If the rule means this, we shall have to remove from the Provincial Bank some of our directors. The Committee thinks that either "credit society" may be so defined for the purpose of the rule as to exclude financing banks or the words "or a financing bank" be added after "land mortgage bank."

(6) *Rule XXII*. As regards the rule relating to mode of execution by the Registrar, there is a serious omission in that the rules do not lay down the effect of an attachment specifically, that is, that an attachment prohibits the owner from alienating the property and the general public from purchasing the same, (vide section 64 of the Civil Procedure Code). Without such a provision, the protection to the decree holder will be gone. It may be argued that the Revenue Recovery Act does not make a similar provision, but the result is secured, as the enactment itself states that revenue is a first charge on property and that the auction purchaser in a revenue sale gets it free of prior encumbrances. In this connection, the case in 8 Madras 573 may be usefully referred to. The Committee will therefore suggest that a specific provision to the following effect may be made:—

"Where attachment has been made, any private transfer or delivery of the property attached or of any interest therein and any payment to the judgment-debtor of any debt, dividend or other money contrary to such attachment, shall be void as against all claims enforceable under the attachment."

(7) Again, there is no provision made for conflict of jurisdictions, such as where the Civil Court is going on with its execution in respect of some properties against which the Registrar or the Collector or any other

that the rules are in consonance with the practice obtaining in the co-operative department and that the persons concerned have not raised any objection in the matter. It is also represented to the Committee that such a rule is necessary for the easy and early realisation of the amounts due. The rules are also consistent with the form of mortgage bond executed by debtors. The Committee do not therefore feel called upon to press for any modification of the rules, whatever legal flaw there may be.

(14) Sub-rule (2) of rule XXII states that a "demand" notice shall be prepared setting forth the name of the defaulter and the amount due and forward it to a sale officer who shall proceed as prescribed in the rules to recover the amount contained in the demand. Later sub-rules refer to this demand as "arrear demand" in some places and as "arrears" in some other places (vide sub-rules 4 (a), (m), 7 (d), (8) and (13). The word "arrears" appears to be unnecessary and the language of the rules should be made clear so as to be free from doubts.

(15) Moreover, there is no reason suggested for fixing the period for applying to set aside the sale at 20 days, whereas the usual limitation is 30 days. The Committee feels that it will be better to fix the usual period of limitation and not to vary it especially as the variation does not materially conduce to expedite collection.

Sections 47 (8), 51 (5) and 57 give powers of appeal and revision to the Registrar. It is desirable to frame some simple rules about the procedure to be adopted in hearing and disposal thereof such as notice to the parties and their right to be heard. It is not always that we get Registrars who have had some judicial experience and are familiar with rules of procedure in hearing and disposing of appeals and revisions.

Report of the Malapanagudy Rural Reconstruction Centre.

Bellary District, from November 1932 to March 1933.

The Rural Reconstruction activity in the village of Malapanagudi—Hospet—though humble in its inception, has the urge of ardour and alacrity and is beginning to bear fruit. The Reconstruction work of the Village is by no means circumscribed within one particular sphere. Its activity is many-sided and is designed to aim at an all-round efficiency and growth of the village. It includes in its scope, activities concerning health, sanitation, education, village improvement, Panchayat, Scouting, Library etc.

Malapanagudi and the adjoining villages were the scenes of health and baby week-shows in the month of November when the villagers were educated on right living by means of talks on health and sanitation with the help of Magic Lanterns about diseases like Malaria, Small-pox etc. Physical demonstrations and Prize distributions were also held. Further, the programme of activities consisted of processions of village boys and girls singing health slogans and carrying health placards.

Bajanas.—A Bajana Sabha was organised in the village of Naganahalli with a President, a Treasurer and a Secretary in the month of January and rules were formulated for the conduct of social activities. One feature of this was that daily gatherings yielded place for weekly assemblies on Mondays, the idea behind their arrangement being the bestowal of religious sanctity on the Bhajana. The expenses were cheerfully borne by the members in rotation. The expense involved is none too expensive, being the very modest sum of a rupee per performance. And the non-members brought offerings as they liked. It is encouraging to see the villagers are responding to the Bhajana idea in a large measure. Bhajana parties in every village are therefore gaining strength gradually.

Adult Education.—The adults of the village were educated in the current topics of the day by means of newspapers, and our thanks are due in this respect to Mr. M. M. Bhat on the fine and instructive lecture he delivered on Child and Child Welfare at Naganahalli on 9-11-32. Mr. Ayyangowd and Mr. Lingangowd, were gently persuaded to subscribe for the "Mysore Star," "Rashtra Bandhu", (two Canada Weeklies). They have kindly consented to do so and to lend these papers for circulation in other villages as well. Our thanks are due not a little to Mr. Nilakanta Rao M.A., of the Hospet Theological Lodge for his talks

practices and the frequent use of gramophone at same village centre inviting the attention of the rural populace to scientific advancements and in engendering in them the love for the great art of music deserve the unstinted praise of all and sundry. The repair of ditches, the construction of roads, the improvement of village sanitation, the distribution of quinine pills, the assistance rendered to those engulfed in domestic exigencies and steeped in the Slough of Despond raise the level of rural life. The rehabilitation of Panchayats, the introduction of the multiple furnace for the manufacture of better jaggery place the villagers on the way to progress. The sympathy created for the uplift of the Harijans deserves the appreciation of one and all. Periodical talks on Economics and Religion to initiate rural folk in the great *Dharma* of their lives will not fail in the attainment of their great objective.

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to the villagers on "God", His various aspects of Brahma, Vishnu and Maheshwar, "Veerasaivism" and allied religious topics on the 23rd, 24th, 25th, and 26th December 1932. Under this heading, the activities include the visits paid to the Panchama School at Naganahalli on the 11th and 17th of January 1933. The staff of the Hospet Training School were present on these occasions and greatly appreciated the work of Rural Reconstruction. On being explained the financial embarrassment we are faced with, they readily donated certain sum and collected a small amount towards defraying the expenses of the school.

Social Work.—Social Work was carried on in the villages mainly with a view to alleviate the miseries and distress of the poor. In Naganahalli, for example, the young men went round from door to door and gathered two bags of paddy which they placed at the disposal of a poor old man landed in very straitened circumstances. Mr. Nilakanta Rao B.A., was primarily responsible for inspiring the people to this act of charity.

Youth Movement.—A Youth Movement was set on foot in the village of Naganahalli and newspaper classes were conducted to the great appreciation of the villagers. The members of the movement have formed themselves into a society called the *Naganahalli Yuwakara Sangha* and are holding meetings fairly frequently. Until the end of December 1932 sixteen members were enrolled and had resolved to subscribe for two Cannada Weeklies and to present an address of welcome to the President, Taluq Board. This movement is gaining strength day by day as will be evidenced by the fact that four meetings were held in the month of January the inaugural address of which was delivered by Mr. S. Nilakanta Rao, B.A., of Hospet Theological Lodge on "Youth and village work" on the 17th at 6-30 p.m. The guests were treated to tea at 5 p.m. that day and to a business meeting at 5-30 p.m. and later on to a Magic Lantern lecture and then to the address of the evening. The library of the Sabha now contains 38 books and the people are invited from time to time to visit the Sangha and to make use of these books.

Public Works.—The road from Hospet to Naganahalli and Dhana-pur which is in a bad state of repair has been engaging the attention of the people for some time. Various meetings were held with a view to discuss this problem and it was finally decided to invite the Taluq Board President to their village to present an address of welcome and to place into his hands a memorial requesting him to get the road repaired.

Scouting.—The Scout Troops at Naganahalli and Hospet are progressing satisfactorily. All Elementary Schools in the area have been closed for a month and a half in January last in view of the Sugar-cane season. Their investiture is being delayed pending registration of the

troops at the Scout Head-quarters in Madras. An attempt to bring the town and the village boys together has been made. The Hospet Troops met the Naganahalli Troop at a Scout game on the Naganahalli hills on 12-11-1932 and the game was won by the village troop. The return game which was played at the Jambunatha hills on 19-11-32 between the two troops ended in a draw. Besides the actual scouting, games like drill, physical exercises, open air rambles, nature study are fully resorted to by the boys. It augurs well for the Panchama Children at Naganahalli in that they have now a cub pack of their own organised in connection with the Panchama schools recently started.

Rural Library.—This library consists of 36 books old and new contributed by the people of Hospet and the Supervisor takes some of them on his rounds and lends them to villagers.

Monthly Camps.—Monthly camps have become a normal feature of Rural Reconstruction work and these lend to the promotion of many activities.

--- The Supervisor interests himself in his work and tries to do everything to ameliorate the condition of the villagers. The villagers evince a desire to have a panchayat of their own and villages like Basapur and Venkatapur have also requested to include their names in the Rural Reconstruction area for purposes of Panchayat. The Supervisor spares no pains to promote the cause of Rural Reconstruction and he approaches people in Hospet and other villages for donation for maintaining a network of village schools and a rural Travelling Library and, we understand, signs of sympathy are not wanting in the village area. There is a considerable change in the mentality of the villagers due to the Rural Reconstruction work in the villages and in the years to come the villagers will look upon this movement with favour and welcome it. People have been taking interest in new things and on the advice of the Supervisor have set apart some portion of the land for vegetable cultivation.

General Remarks.—The ambit of the Rural Reconstruction work is, it is refreshing to note, comprehensive. The Salient Principles that contribute to the growth of Corporate life in the village are grasped. Education, which counts most in the Rural Regeneration Work, is construed in all its aspects physical, intellectual, moral and spiritual. The requisition of lantern talks, the scheme for the introduction of the travelling library, the interest generated in the village folk in Yoga

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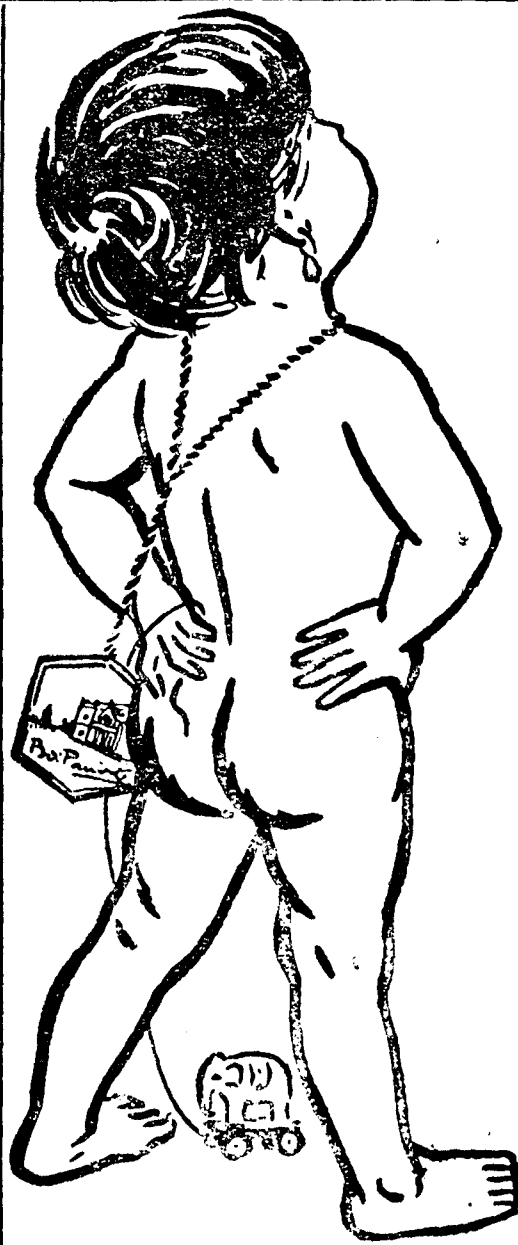
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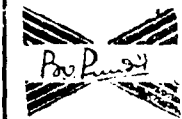
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