

Madras Journal of
Co-operation

May 1934

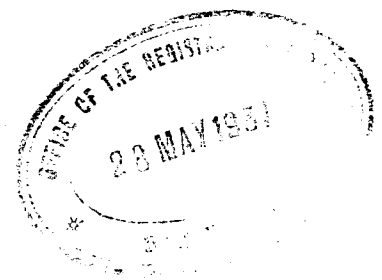


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CONTENTS.

	PAGE No.
1. EDITORIAL NOTES ...	219
2. ARTICLES—	
THE MADRAS LAND MORTGAGE BANKS' BILL—By Dewan Bahadur M. Ramachandra Rao Pantulu Garu, B.A., B.L. ...	227
3. RECENT UTTERANCES—	
(a) THE FIFTH VIZAGAPATAM DISTRICT CO-OPERATIVE CONFERENCE—PRESIDENTIAL ADDRESS— By Mr. V. Ramadas Pantulu Garu, B.A., B.L. ...	239
(b) RT. HON'BLE V. S. SRINIVASA SASTRIYAR'S SPEECH AT SIVAGANGA ...	250
(c) SIR C. P. RAMASWAMI IYER'S SPEECH AT KUMBA- KONAM ...	255
4. SPECIAL TYPES OF SOCIETIES—	
KRISHNAGIRI BOARD HIGH SCHOOL STUDENT'S CO-OPERATIVE SOCIETY ...	257
5. PROGRESS REPORT OF THE SOUTH INDIA CO-OPERATIVE INSURANCE SOCIETY ...	258
6. EXTRACTS—	
(a) THE MADRAS PROVINCIAL CO-OPERATIVE BANK...	260
(b) THE MADRAS CO-OPERATIVE CENTRAL LAND MORTGAGE BANK ...	261
(c) THE MADRAS PROVINCIAL CO-OPERATIVE UNION.	262
(d) THE SOUTH INDIA CO-OPERATIVE INSURANCE SOCIETY, LTD. ...	263
7. DISTRICT NEWS—	264
8. REGISTRAR'S CIRCULARS AND G.O.'S ...	268
9. SUPPLEMENT—	
THE CENTRAL BANKS CONFERENCE ...	



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Editorial Notes

The Madras Land Mortgage Banks Bill.

Philosophers define evolution as a change from the simple to the complex, from the homogeneous to the heterogeneous and that is illustrated in the development of Co-operative finance in our Province. Time was when the movement was started some three decades ago when the promoters of the movement believed that by starting simple village co-operative societies and giving loans to agriculturists, their difficult economic problems would be solved and it took us three decades to realise that the task is not so simple. Our experience during this period has made us realise the fact that the credit requirements of the agriculturist are of three different kinds—short-term credit accommodation for carrying on his agricultural operation, intermediate loans and long-term loans for payment of prior debt and for effecting standing improvements in his estate. The need, therefore, was felt for the starting of a separate banking institution to deal with the long-term credit as it was accepted on all hands that the existing co-operative societies can deal only with short-term credit or at best with the intermediate credit also.

The question of tackling long-term credit was attempted in different ways in different Provinces. The Provincial Bank of Bombay attempted to have a long-term credit branch attached to it, whereas in the Punjab and Madras, separate Land Mortgage Banks were first started with independent powers for floating debentures but very soon the need was felt in our Province for the starting of a Central Land Mortgage Bank into which these Primaries could be federated and which on their combined strength could float debentures and secure money from the money market at easier rates than the isolated units themselves could get. In the actual working of the Land Mortgage Banks certain difficulties were experienced and it became necessary to have a separate enactment supplementing the provisions of the Co-operative Societies Act, investing the Bank with powers both in the matter of floating debentures and in the matter of recovery of loans due to it from agriculturists by summary process, if necessary. Madras has now got the credit as the first Province in India of being the first to deal with the problems connected with the Land Mortgage Banks through a Central Land Mortgage Bank.

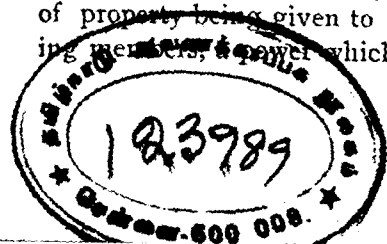
Dewan Bahadur M. Ramachandra Rao, President of the Central Co-operative Land Mortgage Bank has contributed in this number an article on the Bill as passed recently by the Madras Legislative Council. Our readers would remember that this veteran publicist was co-opted as an expert Member while the Bill was being discussed by the Council, and therefore, his article is still more authoritative. After dealing with the historical aspect of the matter that is, the problem of long-term credit and how the various commissions and committees recommended the starting of separate land mortgage bank, he deals with the various provisions in the Bill and shows the need for them. In dealing with the Government guaranteeing not merely the interest as was recommended by the various commissions before, but the principal also of the debentures floated, he shows that this has made the debentures absolutely safe investment and has paved the way for Government of India getting this included in the Trustee Securities. This, it is believed will enable the Land Mortgage Bank to get money for the debentures floated in the cheapest manner possible.

He also discusses the question of the power of distraint and sale of property being given to the creditor bank in the case of defaulting members, a power which ordinary co-operative societies have

not. This, as is pointed out, is very necessary in as much as co-operative Banks deal with only short-term loans; and to inspire confidence in the depositors who invest their money in debentures for 20 or 25 years, such summary powers are necessary. He also points out how there are effective safe-guards against the abuse of such power, how at every stage due notice has to be given, how the Bank can only put in motion the departmental machinery for effecting recovery by summary process and how even if sale be effected, within 30 days thereafter, if the defaulter pays the amount the whole thing could be cancelled. Going into technical details Dewan Bahadur M. Ramachandra Rao points out how the right of priority of Government for loans given under the Agricultural Improvement Act has been removed, so that, the creditor bank is placed in a position of great advantage. There is also provision against applying the law of insolvency to mortgages executed to the Banks. The existing law gives the creditor the right to question the good faith of a mortgagee if the mortgagor becomes insolvent but as Land Mortgage Banks are semi-public institutions, mortgages to them are presumed to be effected in good faith and hence such mortgages could not be called in question in insolvency proceedings. Thirdly the onus of proof in the case of mortgage of minor's property that it was done in the interests of the minor has been shifted from the Manager to the Minor, if the latter on obtaining majority were to question the *bona-fides* of such a mortgage. These and other provisions have made it easy for Banks to function and it is believed that the benefits will manifest themselves in due course. There is one point, however, which we should like to urge and the importance which was very well illustrated by Mr. Ramadas Pantulu with facts and figures. The agriculturists stand to gain very much more by having the period of repayment lengthened than even by reduction of interest and we hope, therefore, that the authorities of the Land Mortgage Banks will bear this fact in mind and will give the agriculturists as long a period for the repayment of their loans as they can possibly give.

Mr. V. Ramadas Pantulu's Presidential Address At The Fifth Vizagapatam District Co-operative Conference.

We have often made it clear in the pages of this journal that we have very little faith in some nicely trimmed sayings embodying at best partial truths about the working of social institutions and that it is folly to bind ourselves for all time by these epigrammatic sayings.



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Society is a living organism; social institutions grow and change and we must therefore always be willing and ready to adopt our institutions to the altered circumstances of the times. This general proposition applies to the working of Co-operative Societies as well. When about three decades ago these Societies were started, the ideal, which the original promoters had in view was the famous Raiffesien model of Germany and those early societies were expected to be completely autonomous in every stage and to get their working capital mostly by local deposits. It was soon found that societies however autonomous in internal administration, could not command from their neighbourhood the whole of their working capital needed to give adequate relief to its members and therefore, the need was felt very early in the history of the Co-operative movement for a central Institution which would tap the available money resources at the headquarters and allow this stream to flow into the villages. The Provincial Bank then called The Madras Central Urban Bank was started and later on the District Banks came into existence. Even in the District Banks depositing and non-borrowing individual members were given a predominant share of the management in the early stages, but in course of time most of these Banks were virtually converted into Banking Unions consisting largely of constituent borrowing societies, the individuals meanwhile getting relegated to a comparatively obscure place.

The precise nature of this structure is getting realised only slowly and Mr. Ramadas' address is a clarion call that the full implications of this inter-connected federal structure should be completely understood and respected in all fields. So long as village societies were able to get their working capital by local deposits they may have been right in claiming to be autonomous and resenting interference from outside authority. But once they had to depend upon an outside financing institution to give them help it was absurd on the every face of it for them to say 'you financiers, give us money as and when we ask for it but do not interfere and try to find out how we spent that amount, so long as you get back your annual instalments.' Even this position was somewhat tolerable so long as the repayment was regular; but repayment began to be irregular and supervision by financing banks became, therefore, a matter of necessity. Societies on the other hand being actuated by the notion of autonomy in which they were brought up began to resent

such interference by a Central authority and we have the sorry spectacle of the borrowing societies constituting the Central Bank insisting on having their own way in the loans granted to them by the Central Bank and resenting interference by the Central Bank in the matter of inspection, supervision and guidance in their working. What is true of the relationship between Central Banks and Primary Societies is, to a large extent true of the relation between the Provincial Bank and the Central Banks. Mr. Ramdas Pantulu pleads for discarding this effete system and for making the whole machine readjusted to the present conditions. If District Banks are owned by borrowing societies and if the Provincial Bank is owned by the District Bank and if the Provincial Bank and the District Banks have on their own responsibility to get money from the money market of the world it is in the fitness of things that these financing institutions should have a voice in guiding the affairs of their constituent institutions. It is therefore, necessary that the recommendations of the Provincial Bank should be binding upon the District Banks and of the District Banks on Primary Societies. It hampers smooth working if borrowing societies expect only money from the bigger institutions but would resent other aspects of their help in guiding and supervising their working. The whole machinery should be treated as one organised and interconnected whole and they must feel and act as one and not as they do at present, one for certain purposes but different for certain other purposes. Mr. Ramadas Pantulu's plea is for bringing about a radical change in the attitude of borrowing societies and making them amenable to the control of financing banks which, as we point out, is inevitable, their relation being what it is.

Another and a more important point made out by Mr. Ramadas Pantulu in his address is an appeal for revitalising the movement with the enthusiastic idealism of the pioneers. Those who have been watching the progress of the movement know very well that in the first half of its history it was worked by people who brought to bear on their task a good deal of idealism and a spirit of self-sacrifice and service, but for various reasons which we need not go into, the spirit has given place in some cases to the spirit of money grabbing, selfish and cold calculation and many other things radically opposed to the faith of the founders. Mr. Pantulu pleads for revitalising the movement with the spirit of the founders and we hope, his appeal will be enthusiastically responded to, at least, by the younger generation.

The third point made out by Mr. Ramadas Pantulu is his plea for the simplification of the whole supervising machinery. Too many unions have been allowed to be started and too many governing body members in each union, all with a view to provide honorary offices to as many Co-operators as possible. This may satisfy the principle of democracy but is very unbusiness-like and certainly does not tend to effective control.

Mr. Pantulu makes a clear distinction between Rural Credit and Rural Indebtedness, the former being the accommodation necessary for productive purposes and the latter alone being real debt incurred which may be for unproductive purpose or to clear the old and long-standing debts; and he, in conformity with the recommendations of the various Commissions and Committees that have gone into the question says that the Co-operative Movement as ordinarily understood can only handle rural credit and that Land Mortgage Banks alone can handle rural indebtedness. He makes certain definite suggestions for enabling co-operative societies for arresting the alarming growth of rural indebtedness and pleads for the Banks giving credit accommodation to reliable agriculturists in contrast with the present panicky policy followed by many societies and District Banks to close their transactions and confine their activities to the collection of outstanding debts only. He also pleads for a vigorous state action by way of reducing the burden of taxation and helping the agriculturists by tariffs and subsidies. The state is also expected to come to the rescue of the agriculturists by introducing more widely than at present scientific methods of agricultural production and efficient marketing of the produce. He expects the state to take definite action in the matter of debt conciliation. He pleads for the preservation of the bold peasantry, the country's pride, which once destroyed can never be replaced.

Co-operative Movement in Austria.

It is a good thing that in India Co-operation is non-political. Unfortunately it is not so in other countries and in some European Countries Co-operative Movement is identified with one or another of strong political parties. It is, therefore, inevitable that when the party identified with the co-operative movement is in trouble, the movement also gets into trouble. In Austria most of the members of Co-operative Societies happen to be active members of the Social Democratic Party and because this party is in conflict with other

parties the Government have suppressed the Co-operative Societies and have taken over their management and imprisoned Dr. Karl Rennar and Frau Freundlich, the well-known President of the International Women's Co-operative Alliance. We are glad to be assured by British Co-operative Magazines that Frau Freunadlich has been set free and we hope the movement will emerge out of the temporary cloud and follow its course with vigour and profit.

A Lesson from England.

We have, once or twice before, pointed out how among the authorities of the T. U. C. S., there are two schools of thought—one advocating the converting of the 26 branches into autonomous Units and simultaneously federating them into a Wholesale Society and another holding the view that time for the formation of a Wholesale Society has not yet come as there is only one principal society in the city of Madras; and in the absence of many flourishing Consumer's Societies in the neighbouring districts, no step can be taken for the formation of a wholesale. The thinkers of the second school are of opinion that progress in the West has been, no doubt, from retail to wholesale and from wholesale to production; but wholesale was brought into existence by the federation of separate societies not by breaking a single society into small parts with a view to federate them. These have been quoting instances of societies situated in a limited area growing by sending out more branches and getting amalgamated more and more with other societies working in the same area.

Recently English papers to hand publish a proposed amalgamation among the four societies operating the London area. London though technically a county is a small state with its millions of population. There are at present the following societies operating different sections in London.

1. London Co-operative Society.
2. Royal Arsenal Co-operative Society.
3. The Southern Suburban Co-operative Society.
4. Enfield Highway Co-operative Society.

It is learnt that these four societies which as statistics given below will show are very big ones, are thinking of getting themselves merged into one big co-operative society for the whole Province of London and this step has been taken with a view to economise the

THE MADRAS JOURNAL OF CO-OPERATION

expenses of Management and to enable the society to get articles cheaper. The authorities of the T. U. C. S., have got a lesson to learn from this. The number of members, the working capital and the value of trade of the four societies that attempt to get themselves merged into a big society are shown in the table given below:—

Society.	Members.	Working Capital. £	Trade in £
London Co-operative Society ...	4,91,686	7,569,561	9,870,515
Royal Arsenal Co-operative Society ...	2,78,446	3,058,547	7,065,756
The Southern Suburban Co-op. Society	1,29,970	1,747,926	3,000,000
Enfield Highway Co-operative Society	30,990	691,434	777,490
Amalgamated ...	9,31,092	13,067,568	20,713,761

Registrar's Report for 1932-33.

The above report was received as the matter for this number was getting through the Press. We reserve our detailed study of and observations upon this report for the next number.

The Madras Land Mortgage Banks Bill.

BY DEWAN BAHADUR M. RAMACHANDRA RAO.

President, The Madras Co-operative Central Land Mortgage Bank, Ltd.

The Passing of the Land Mortgage Banks Bill by the Madras Legislative Council is a Land-mark in the development of long-term credit in India. Madras has the distinction of being the first province in this country for seriously tackling the problem of providing long-term credit and to undertake the necessary legislation. The nature of long-term credit required by the agriculturists, the special periods for which such credit is required and the almost unlimited demand for it have all formed the subject of enquiry and investigation for several years. The Registrars' Conferences, the Townsend Committee on Co-operation, the Royal Commission on Agriculture, the Provincial Banking Enquiry Committees and the Central Banking Enquiry Committee have all devoted considerable attention to this subject. The type of the bank that suits India was also discussed at considerable length and it was ultimately decided by almost all the commissions and committees that dealt with the subject that while commercial land mortgage banks may perhaps be better suited for financing big land-holders and Zamindars, the Co-operative type is better suited to finance small agriculturists and owners of small holdings. This view has been accepted in this province and the present effort is to supply the long-term needs of the smaller agriculturists and land-owners. The question as to whether the land mortgage banks should be governed by a separate self-contained enactment or whether they should be registered and governed by the Co-operative Societies Act, was also a matter for discussion for some time. The Townsend Committee took the view that "it is desirable to pass a separate legal enactment dealing with the land mortgage banks as they differ materially from co-operative credit organisations. If the transactions of such banks assume large proportions this will undoubtedly be necessary." The view taken by the Madras Co-operators and the Madras Government, however, is that the land mortgage banks should at any rate for the present be brought under the Co-operative Societies Act. The present Bill is, therefore, supplementary to the Co-operative Societies Act and contains such special provisions as have been found necessary for the

successful working of the Land Credit Institutions in Europe and America and which are considered desirable for the working of Land Mortgage Banks in this Presidency.

Issue of Debentures.

2. The first question that arises for consideration is whence should land mortgage banks derive their working capital? Almost all the authoritative bodies that considered this question have recommended that besides the share capital, the bulk of the working capital of the Land Mortgage Banks should be raised by the issue of debentures. This recommendation is based upon the practice of the land credit institutions in every European country and also in America where such institutions have been authorised by statute to float debentures on the collective security of the mortgages executed by the borrowers to the banks. It was also recommended that these debentures should be floated by a central institution in each province separate from the Provincial Co-operative Bank. It has been found that without a central financing agency in this province the land mortgage banks scheme cannot be a success. The flotation of debentures by each Primary Land Mortgage Bank has not commanded public confidence and sufficient debenture capital was not forthcoming. The Madras Co-operative Central Land Mortgage Bank, Ltd., was, therefore, established at the end of 1929 and this is the first institution of its kind in India. The by-laws of the Central Mortgage Bank authorises the bank to float debentures on the security of the mortgages assigned to it by the Primary Land Mortgage Banks. These by-laws were based on the provisions of the Co-operative Societies Act, but the present Bill confers specific legislative authority on the Central Bank to issue debentures and the conditions on which they can be issued are also carefully laid down. Under the provisions of the Bill, the holders of debentures will have a floating charge on such mortgages and the other assets that may be transferred to the Central Bank by the affiliated banks. The total amount due on the debentures issued by the Central Bank and outstanding at any time should not exceed the total amount due on the mortgages and the value of all other assets transferred by the banks to the Central Mortgage Bank and subsisting at the time. This very necessary safeguard has been adopted in all land mortgage institutions in the west. The principle underlying this restriction is that the debentures should be fully

covered and supported by securities of landed properties. This feature of the debenture scheme gives a status to the debentures unique in itself in the share market. It is for this reason that the mortgage debentures have always been considered in western countries as one of the safest non-speculative investments and have fetched sometimes prices better than other gilt-edged securities.

Guarantee of Principal and Interest.

3. Reference should now be made to two matters of great importance dealt with in the Bill for the successful flotation of debentures. The first is, Government have guaranteed the principal of and the interest on the debentures till they are redeemed. This form of state assistance in stabilising the debentures and giving them a status in public estimation is very common in western countries. As the whole scheme is intended for the well-being of the agricultural classes, it is very necessary that funds should be obtained at as cheap a rate of interest as possible. It will be obvious that a guarantee by the Local Government will immediately establish the debentures in the market. Following the precedents in the west, the Royal Commission on Agriculture and the Central Banking Enquiry Committee recommended that the best help which the Government can render in this connection is to guarantee the interest on the debentures for the whole period of their currency. The Government of India have, however, suggested that with a view to give Trustee status to these debentures, the Local Government should guarantee both the principal of and interest on the debentures. The Government have accepted this suggestion and section 6 of the Bill guarantees both the principal and interest on the debentures. This provision is certain to make the debentures very popular with the investing public.

Debentures as Trustee Securities.

4. Apart from this guarantee there is the equally important matter relating to the recognition of the debentures as trustee securities. This is an essential condition for the success of the whole scheme. In this matter also, the Royal Commission and the Central Banking Enquiry Committee followed the precedents in Europe and America where, as a matter of universal practice, land mortgage debentures are included in the list of trustee securities from the outset. The ordinary investor in India is not generally inclined

invest his funds in long-term securities and the policy of the Government of India in recent years in issuing short-dated securities has accustomed the public to this form of security. The debenture-holder has to invest his funds for a long period extending to 25 years. The intending investors have constantly inquired whether the Imperial Bank of India will be able to lend moneys on the security of the debentures of the Central Land Mortgage Bank. They cannot now do so. Schedule I of the Imperial Bank of India Act, 1912, mentions the securities on which the bank is authorised to advance or lend money and the debentures of the Central Land Mortgage Bank do not fall within the provisions of the Schedule. The only way to bring them within the schedule is to make them trustee securities under A(1) of the Schedule. When the debenture-holder invests his funds for a period of 25 years, it is of the utmost importance that he should also be able to easily sell the debentures in the market. Both these objects can be secured only by recognising the debentures as trustee securities. It is for these reasons that the Committees and Commissions already referred to recommended that the debentures should be made trustee securities from the outset. The latest instance in point is the Agricultural Credits Act, 1928, which has been passed by the British Parliament for the identical purpose of providing long-term loans on the mortgage of agricultural lands. Even before the company was incorporated, Parliament made a declaration by statute to the intending investors that the debentures of the proposed company would be included in the list of trustee securities. It is with a view to establish them in the market as expeditiously as possible that this declaration by the Parliamentary Act was made. After a protracted correspondence for over 3 years between the Government of India and the Madras Government, the Government of India decided to place the debentures of the Central Land Mortgage Bank in the list of trustee securities on condition that the Madras Government fully and unconditionally guaranteed both the principal and interest on the debentures of the Central Bank, and the necessary amending legislation is being passed by the Central Legislature. We are thankful for the steps taken by the Madras Government and by the Government of India. They have placed the financing arrangements for the issue of debentures on a satisfactory footing. The Madras Co-operative Central Land Mortgage Bank and other provincial institutions of the same kind should have no difficulty hereafter in raising the requisite funds to carry on their operations.

Summary powers of distraint and sale.

5. We now come to the vexed question of whether the Land Mortgage Banks should be vested with summary powers for the recovery of loans from defaulters. As a certain amount of criticism was levelled in the Legislative Council against this part of the Bill, it is perhaps desirable to restate the position. This is a matter of fundamental importance. In Germany, France and other continental countries, Land Mortgage Banks have summary powers of distraint of moveable property, for the sale of the mortgaged property without resort to the courts and for the compulsory administration of the properties of the defaulters by the appointment of a receiver. Without these powers, it has been found by experience that it is impossible to successfully carry on the operations of mortgage banks. The same conclusion was reached in this country whenever the question came up for consideration. The Townsend Committee on Co-operation stated that they are of opinion that "the power of sale without resort to courts was necessary if debentures are to be popular and marketable. Land Mortgage Banks are being started to rescue the ryot from the money-lender. This object will be frustrated if the banks are handicapped in their operations by delay and difficulty in suits and execution proceedings to recover mortgage debts". The Central Banking Enquiry Committee also expressed a similar opinion that "In the absence of special legislation, the primary land mortgage bank will have to institute a suit in the Civil Courts for the recovery of the debt or it may institute it before an arbitrator appointed by the Registrar of Co-operative Societies. The elaborate provisions of the Transfer of Property Act and the Code of Civil Procedure will have to be invoked for obtaining and executing mortgage decrees by the Co-operative Land Mortgage Banks and the time and cost involved in the process will considerably hamper the operations of these banks and react adversely on the market for the debentures issued by them. In view of these reasons the Townsend Committee on Co-operation recommended, in accordance with precedents in other countries, that the land mortgage banks should have the power of bringing mortgaged properties of defaulting mortgagors to sale without resort to civil courts. This power is necessary to make the debentures a popular and liquid form of security, and until it is given, the attempt of the mortgage banks to derive their working capital by debenture issues will not meet with success". The provisions of the Bill relating to the powers of the mortgage banks for the distraint of the produce of the land and

for the sale of the hypotheca without resort to the civil courts are in accordance with these recommendations. They are not extraordinary powers in any sense of the term nor are they in excess of the requirements of the case. One critic in the Legislative Council has asked why when the Imperial Bank of India and the Co-operative Banks have no such powers, the Land Mortgage Banks should have these powers. It is clear that this line of criticism displays ignorance of the essential purpose and the functions of the two sets of institutions. In the case of the Imperial Bank, its main function is to finance the commerce and trade of the country and it is prevented by law to lend moneys on the security of immoveable properties and it is required to keep all its funds in a liquid form. In fact, it does not give credit for more than a few months at a time. Similarly, the Co-operative Banks are now confined to short-term and intermediate credit generally not exceeding 5 years. On the other hand, the land mortgage banks lend money for a period of 25 years and recover their dues in annual instalments. They have to pay the interest to the debenture-holders every six months and unless the annual instalments are collected regularly, there may be default in the payment of interest, which under the terms of the debentures, has very serious consequences. In fact, the debenture-holders are entitled, if the interest is not paid for a period of 3 months, to demand the return of their moneys.

The Safe-guards.

6. In these circumstances, it is very necessary that these summary powers for the recovery of dues should be granted to the banks. At the same time, the provisions in the Bill contain ample safeguards, one of which is that the distraint and the sale of moveable and immoveable properties are, on application by the banks, conducted by officers of the Co-operative Department appointed by the Registrar. The Banks do not themselves exercise the powers of sale but merely set these officers in motion. Another safeguard is that due notice is given at every stage to the mortgagor and to other persons interested in the mortgaged property to pay the arrears and to avoid the sale. The third safeguard is that, even after the sale of the mortgaged property, the mortgagor or other person interested, may deposit the amount within 30 days and have the sale cancelled. These safeguards are very effective and there is no reason whatever why any of these provisions should be abused by the Land Mortgage Banks. On the other hand, it is possible that the members of the

Committees of these banks who are representatives of the borrowers may hesitate to use these powers even in cases where they ought to be used. Where a man borrows money on the definite understanding that it should be repaid by annual instalment within a period of 25 years, there is no reason why it should be regarded as a hardship if he is asked to keep to his engagement. If for any extraordinary reason he is not able to pay the instalment in any year, the banks have sufficient discretion to extend the time. Moreover, it is desirable that the borrowers should cultivate the habit of thrift and of punctual repayment of their loans and insistence on punctuality in this respect instead of being a hardship, is the only way by which the borrower can be saved from more serious consequences. After all, these are all reserve powers and they need not be necessarily used in every case. Their very existence will be an inducement to the borrower to repay his loan punctually. Powers of distraint and sale of moveable property of a tenant are possessed by land-owners under the ryotwari settlement and also by land-holders in permanently settled estates, and the power of sale without the intervention of the court is now given under the provisions of the Transfer of Property Act, 1882 to every petty mortgagee in certain large towns such as Madras, Calcutta, Bombay and Rangoon. There is no reason why this power should not be given to semi-public institutions like the mortgage banks with appropriate safe-guards. There is no intention of permitting Mortgage Banks to accumulate in their hands by sales and purchase at such sales, large extents of immoveable properties. In fact, a contrary intention has been expressed in the Bill which provides that if immoveable properties are purchased by mortgage banks, they must be disposed of within a time fixed by the Registrar. This is in accordance with the western precedents. Land Mortgage Banks should not, like the ordinary sowcars be open to the temptation of having an eye on the purchase of the properties of their borrowers and of becoming land-holders except for the purpose of realising their dues.

Advantageous Terms to the Borrowers.

7. One of the criticisms made in the Legislative Council against the Bill is, that while the mortgage banks have surrounded themselves with special privileges, the position of the borrowers has not received sufficient consideration. This criticism is entirely without any justification. The many advantages to the borrower of taking a loan from a Land Mortgage Bank have not been fully

realised by the critics and it is, therefore, necessary to make a brief reference to them. They may be summarised as follows:—(1) The loan is at present limited to Rs. 5,000 to each individual and will be granted only on the mortgage of agricultural land, the income from which, should be sufficient to cover the instalment. The borrower is entitled to a loan up to 50 per cent of the value of the land as fixed by independent appraisers employed by the Primary Banks. After sufficient experience is gained, it is proposed to raise the maximum to Rs. 10,000. The mortgage banks are intended for small holders and if mortgage credit for bigger estates is required, commercial land mortgage banks on the lines recommended by the Central Banking Enquiry Committee will, as already pointed out, have to be started to meet their requirements. (2) The rate of interest chargeable to the borrower is fixed by the By-laws of the Primary Banks which, in the present conditions, is 7 per cent. per annum. The Primary Land Mortgage Banks and the Central Mortgage Bank are not profit making concerns, and the margin between their borrowing and lending rate is intended more or less to meet the administrative charges. If in consequence of the passing of the Bill, it becomes possible to borrow from the general public on cheaper terms than now, it is likely that the rate of interest may be further reduced. No money-lender, under the existing circumstances, will give a loan at this uniform rate of interest for so long a period. (3) The loan taken by the borrower is repayable by equated payments in a period not exceeding 25 years. This system enables the borrower to pay the same amount every year, a portion of which goes towards the payment of the principal and the remainder towards interest. (4) The loan is not recallable by the bank except when the security offered becomes depreciated or when wilful default is made in respect of any instalment. The borrower has, however, the liberty of paying off the whole or any portion of the loan at any time according to his convenience. (5) There is no stamp duty on the mortgage deed executed by the mortgagor to the bank. The mortgage deed is also exempt from the payment of registration charges. The mortgagor can also obtain non-encumbrance certificates on the property proposed to be mortgaged free of all charges for 24 years. All these exemptions afford a substantial relief to the mortgagor who saves thereby Rs. 60 to 70 on a mortgage of Rs. 5,000. These concessions and exemptions cannot be obtained if the mortgagor borrows from a private money-lender. (6) It is a notorious fact that some of the creditors give a good deal of trouble to

the debtors in settling up their accounts and in receiving their dues. The Bill contains a provision which will minimise this inconvenience. Where a mortgage is executed for the payment of prior debts, the bank may, by notice, call on the creditor to receive payment of his dues and, if he neglects to do so, interest on the debt will cease from the date of such notice. Even if there is a dispute as to the amount due to him, the creditor is bound to receive what is offered subject to the settlement of his claim in due course of law. This is a very valuable provision for safeguarding the interests of the mortgagor.

It will be seen, therefore, that the borrower is accorded exceptional treatment and valuable exemptions and the whole scheme is intended to provide facilities for the easy repayment of the debt which are not obtainable elsewhere.

Modifications of Existing Law.

8. I must now make a brief reference to some useful provisions incorporated in the Bill with a view to remove many practical difficulties in the working of the banks. For that purpose, it has been found necessary to modify the provisions of some of the existing Acts of the Central Legislature. The banks can only lend on a first mortgage of immoveable property. But under the provisions of the Land Improvement Loans Act, 1883, any claim of the Government arising from a loan under that Act even when such loan is subsequent to a mortgage to the bank now takes priority over the mortgage debt. This priority is manifestly unjust and if allowed to continue, will introduce an element of uncertainty in the financial position of the banks. There is no reason why the Government should enjoy this priority where loan is given by the Government with the full knowledge of a prior mortgage in favour of the mortgage bank. Section 28 of the Bill accordingly removes this priority and a mortgage executed in favour of a mortgage bank will hereafter take priority over the claim of the Government under the above Act when it arises subsequent to the mortgage. Another provision which has been modified by the Bill relates to the Law of Insolvency. Where a mortgagor becomes an insolvent, the validity of a mortgage can be questioned in insolvency proceedings by any of his creditors on the ground that it was not executed in good faith for valuable considerations or on the ground that it was executed in order to give preference to one creditor over the other

creditors of the mortgagor. Mortgage Banks are semi-public institutions and there is no reason whatever to suppose that they will be parties to any transaction lacking in good faith or tainted with fraud. Considerable inconvenience will be caused to the administration of a mortgage bank if mortgages executed in its favour are called in question in insolvency proceedings. The Bill, therefore, provides that notwithstanding anything contained in the Presidency Town Insolvency Act, 1909, and the Provincial Insolvency Act, 1920, a mortgage executed in favour of a mortgage bank should not be called in question in proceedings under those Acts.

Powers of the Manager of a Hindu Family.

9. A very important modification relating to the present position of the powers of the manager of joint Hindu family is contained in clause 32 of the Bill. The present law relating to the powers of a Hindu minor after attaining majority to question a mortgage made on his behalf either by a guardian or by the manager of the family is unsatisfactory. In the case of mortgage banks, there is a minor in the family almost in all cases where applications for loans are made by the manager of a joint family. These applications are thoroughly investigated not only by the banks, but also by the chain of officials through whom the applications reach the Central Land Mortgage Bank and the latter carefully examines these applications for finding out whether the debt is for purposes binding and beneficial to the minor. In these circumstances, it has been considered inadvisable to permit minors attaining majority to challenge these transactions entered into on their behalf. The Bill as originally drafted provided that the minor should not after attaining majority be permitted to question these transactions. This provision has been considerably modified in the Select Committee and in the Council and Section 32 now lays down that where a mortgage executed in favour of a mortgage bank is called in question on the ground that it was executed by the manager of a joint Hindu family for purposes not binding on the members thereof whether major or minor, the burden of proving the same, shall notwithstanding any law to the contrary, lie on the party raising it. This provision which shifts the burden of proof may afford some amount of protection to the mortgage banks. It is a deviation from the present provisions of the Hindu law, but in the circumstances, it is entirely justified. In the Bill as originally introduced, it was provided that mortgages

executed to the mortgage banks by guardians of minors and by limited owners like widows and daughters should not be open to question in subsequent proceedings. In several cases, guardians of minors whose estates are encumbered have to borrow funds for saving the properties of their wards and if a bank, after an exhaustive enquiry comes to the conclusion that the guardian is justified in borrowing the funds, it was felt that that conclusion ought to be accepted and that the minor should not be permitted to challenge the transaction. Some of the members of the Council were of opinion that it is better not to give a finality to the acts of the guardian and this provision was accordingly omitted from the Bill. For similar reasons, the provisions relating to the borrowing powers of limited owners were also omitted.

10. Finally the officers of the mortgage banks and the Central Mortgage Banks are placed in the same position as other public officers in the matter of facilities for the registration of documents on behalf of the banks. They need not attend the Registration office hereafter in person and tender the documents in person, but may send them to the registering officers in the same way as other public officers. This will facilitate the registration of documents by the officers of the banks without causing inconvenience to the banks.

Government Control.

11. The last point relates to the extent of the control of the Government over the affairs of the Central Mortgage Bank. During the debate on the Bill, some of the members of the Legislative Council made statements which displayed a certain amount of nervousness on their part in agreeing to the provisions of the Bill. They seem to have thought that the Government, in agreeing to the guarantee clauses, are imposing a great burden on the revenues of the Province and that the Government have not assumed sufficient control over the affairs of the bank to safe-guard their interests. Both these views are based on an insufficient acquaintance with the by-laws and of the provisions of the Bill and are altogether without any justification. Questions like the degree of control and the form of the guarantee were exhaustively examined by the authoritative Committees referred to in the preceding paragraphs and they have made specific recommendations on the subject. They were again examined at the preliminary conferences summoned by the Government before the Central Land Mortgage Bank

was established and also at two other meetings where the financial provisions in this Bill were discussed with the Minister in charge of the Bill and the Finance member of the Government. In the first place, the trustee for whose appointment by the Government provision has now been made in the Bill, was hitherto appointed, under the by-laws of the Central Mortgage Bank, by the share-holders. In view of the guarantee given by the Government to the debenture holders, the appointment of the Trustee by the Government is a justifiable change. The trustee holds the key position in the affairs of the bank. Every new issue of debentures is subject to his approval. The period of debentures and the rates of interest are likewise subject to his consent. Besides these powers, the trust deed between the Central Mortgage Bank and the Trustee confers extensive powers of intervention in the affairs of the Bank. The trustee is also an ex-officio member of the Board of management and also of the Executive Committee and besides himself, Government will have the power of nominating two other Directors of the Bank. In this way, the Government, through the trustee and their nominees whom they can appoint and remove, have the fullest possible control over the affairs of the bank. On the subject of the burden on the revenues imposed by the guarantee, it may be pointed out that under the provisions of the Bill, the debentures should be fully covered by mortgages at least for an equal amount at all times. This proportion is exceeded in practice. For example, there were debentures for 20 lakhs of rupees in circulation at the end of the co-operative year 1932-'33 and the properties mortgaged to the bank were according to the valuation of Government officers worth 70 lacs of rupees. The risk is, therefore, very negligible and the liability of the Government is very remote. It is at the best, a contingent liability in which there is very little risk.

In conclusion I should like to say that, although I am not in favour of some of the modifications made during the last stages of the Bill, the Bill as a whole is a satisfactory beginning in this branch of legislation in the country. Defects may come to light in the practical working of the measure which will, no doubt, receive attention from the Government. It is a matter for satisfaction that this legislation has been passed, but the further extension of the scheme of land mortgage banks depends very much on the help and assistance which the Government can give in the matter in various other directions. I must deal with this aspect of the matter on another occasion.

Recent Utterances. THE FIFTH VIZAGAPATAM DISTRICT CO-OPERATIVE CONFERENCE.

Dimili—21st and 22nd April 1934.

PRESIDENTIAL ADDRESS

By

MR. V. RAMADAS PANTULU.

FELLOW CO-OPERATORS AND FRIENDS,

Permit me to tender to you my sincere thanks for the honour you have done me by asking me to preside over this Conference. I, however, feel greatly oppressed by the heavy responsibility that rests on the shoulders of the President of a Conference of Co-operators at the present time, when "Co-operation" is passing through a terrible crisis, for it is generally expected of him to give some sort of a lead to help the Movement out of its difficulties. I confess I am unequal to the task. All that I can do is to place before you some solutions that suggest themselves to me for your consideration. Some of my suggestions may appear to be very heterodox to orthodox co-operators. But new situations call for new remedies.

Pursuit of Co-operative Principles, the primary solution—Develop Co-operative Conscience.

In my humble opinion, the first and the foremost solution for the resuscitation of the Movement is the rehabilitation of co-operative ideals and the development of co-operative conscience. Co-operators have to admit that to-day the failures of the Movement are more outstanding in the eye of the public than its successes—that the demoralisation that has crept into the Movement is attracting more attention than its idealism and cardinal principles. The main cause for this regrettable state of affairs is, in its essence, more moral than material. The catastrophic fall in prices and the repaying capacity of our members and the continued and prolonged economic depression, attributed to factors, national and international, have no doubt, had their severe reaction on our rural economy and co-operative "business." But, "Co-operation" on its material side is still strong enough to weather even the present unprecedented financial

storm, if only the Movement can command the necessary *morale*. It is my sad experience that simple and practical schemes for arresting further deterioration of the Movement and improving the working of our institutions are held up, if not thwarted, by the utter absence of the spirit of co-operation and disciplined action in many of our institutions. It is a humiliating spectacle to find, in these days of our travail's and trials, that the services of the 'friend, philosopher and guide' of the Movement—the Registrar—are in requisition more to decide disputes among co-operators, to overhaul committees engaged in internecine warfare, to appoint dictators replacing normal managements which have ceased to function, and to detect frauds, than to help co-operators in strengthening and developing the Movement. We have travelled far away from the principles and practice of Co-operation in the conduct of our affairs. It is claimed by us that "union", "justice" and "peace" are the "three spiritual and moral basements upon which are lying the foundations of the Co-operative Movement". If Union gives place to Dissension, Justice to Wrong and Peace to Strife, does it not mean that there is an end of Co-operation? And yet, that is what is happening in many places. To add to our troubles, political and communal differences and factious quarrels, which have absolutely no place whatever in Co-operation, have also found their way into our institutions.

Mr. Strathie, in his last administration report, struck the right note when he attributed the fall in the standard of the working of our institutions to the increasing disappearance from the ranks of co-operators of men with idealism, leaders with the Rajagopalachari, the Ramachandra Rao and the Hemingway spirit, which was much in evidence once. They lived and worked in an atmosphere in which service to fellow-co-operators was the first consideration. We must realise that our co-operative institutions are not mere soulless repositories of money and merchandise or rendezvous of book-keepers, clerks, accountants and auditors. They are living institutions designed for active service to the masses and this ideal of co-operative service demands the exercise of the highest qualities of the head and heart, which those engaged in the service are capable of. Some eminent European Co-operators now urge the necessity of recruiting even the managers (paid staff) of co-operative institutions "among the true co-operators who could fructify the practice by their idealism," because with the expansion of the Co-operative Movement into a mass movement, much of its direction and control has passed

into the hands of the employees and technicians in charge of the institutions. It is they that are in daily touch with thousands of co-operators and their precept and practice do tell. The salvation of the Movement and its whole future will, therefore, depend upon co-operators, official and non-official, high and low, paid and unpaid, bringing to bear on their work co-operative ideology, in a true spirit of service. I may be pardoned for detaining you so long on the moral aspect of the reform of the Movement. I feel strongly that sufficient attention has not been paid to it in assessing the causes of our failure and in formulating the remedies for our ills. By the incessant preaching of true co-operative principles and the unfailing practice of co-operative virtues alone, can we hope to transform the Movement into a true and potent agency for the service of the masses. It will then pulsate with new vigour and unfold a new vision of life to those who come within its spell. Co-operation will then offer a new solution to the problem of reconstruction of our social and economic life on a fundamentally rational and equitable basis.

Need to overhaul the Structure of our Organisations.

Next in importance to regulating the Movement in accordance with true co-operative principles, comes the necessity to make drastic alterations in the structure of our organisations. The present structure is not one, the various parts of which are organically interrelated or the several stories of which are made to rest on common foundations. The component parts of our machinery are not so set as to fit into each other, in order to generate the necessary motion in the required direction. In the Act of 1904, there was no provision to normally enable the primary societies to organise themselves into secondary or central societies. Even in the Act of 1912, which supplied that legal omission, there are no indications of any aim or purpose to give a structural character to the organisation. The Provincial Bank (M. C. U. B.) was established before any central bank was set up. The earlier central banks began with individual members and slowly admitted societies to membership. It is only since the publication of the MacLagan Committee's Report that the practice of admission of societies on a large scale as members was adopted. The primaries are members of central banks and the latter of the Provincial Bank, without a real federal relationship between them. There is no plan or design

at the back of the existing organisation. The policies enunciated by the general body or the committee of a central society represent in theory the decisions of a majority of the affiliated societies; nevertheless they are not binding on the general bodies or the committees of the latter. Any attempt to enforce such policies is stigmatised as dictation from the centre and is said to offend against the principles of autonomy of the units. The result is that there is no real power of direction or control in any central institution. It follows as a corollary that while everything depends on the soundness of the primary credit society in our organisation, when its efficiency is gone, there is nothing that the central financing institution can do to pull it up.

No financial organisation can develop or flourish under such conditions. In my opinion, far-reaching modifications in the existing system are absolutely necessary. In the first place, the individual element in the central banks has now ceased to play any useful role, with rare exceptions. I do not advocate the elimination of the individuals as a rule, but there is certainly a good case to allow individuals to withdraw from the central banks, where they find that they cannot serve the institutions without compromising their self-respect or feel it advisable, for other reasons, to withdraw their share capital and to terminate their membership. Even if individuals continue to hold their membership in their present numbers, the societies have still a predominant voice in the central banks and the latter in the Provincial Bank. So, no co-operative principle or rule of democracy will be violated by ensuring in some suitable manner that the Provincial Bank's decisions, which are really those of the representatives of the central banks, bind the latter, and those of central banks, which are really those of the primaries, bind them too.

I do not on this occasion wish to go into the more controversial question whether the central banks should continue to be independent units or virtually become branches of an apex organisation, which may itself have to be reconstituted on the model of a true federal structure. In India, we have illustrations of almost every type of co-operative federal constitution. In Madras itself, we have a new organisation, to deal with long term co-operative land mortgage credit, which is conceived on an entirely different plan from that of the ordinary co-operative credit organisation. The relative merits of these systems have to be examined carefully before we come to any final conclusion. But, in the meantime, we may proceed on lines of

least resistance and supplement the existing system by some constitutional device under which the central financial institutions can regulate and control the working of their units. This reform will incidentally result in substantial economies in the running of the central banks. When common policies are determined in the apex organisation and automatically carried out by the member institutions, small and compact boards and fewer but technically equipped employees will suffice to transact the normal daily business of these banks. The present chaos in the co-operative credit system can be cured only if we knit together the several units of it so as to be interdependent on each other, not merely for borrowing and lending but also for the conduct, administration and control of the credit organisation as a whole. I cannot envisage the prospect of our existing credit institutions being rectified, consolidated and transformed into live units or of co-operative credit being developed and expanded, without making substantial changes in the financial structure of the Movement.

I have so far dealt with the financial structure. Closely allied with it is the problem of Supervision. Fortunately, of late, we find that the divergence of opinion on this question, which was once very serious, has begun to fade away and that to-day there is more of agreement among co-operators than conflict. Until a better solution is forthcoming, we seem to be generally agreed that the system of supervision through the agency of the local unions shall hold the field. At the same time most of us also agree that the unions in many areas have turned out to be inefficient and effete bodies and have not been fulfilling their functions. So, an earnest effort should be made to overhaul them. In the first place, they are far too many in number and are far too expensive. We must pursue a rigorous policy of retrenchment. We should substantially reduce their number by liquidating the utterly bad ones and amalgamating the smaller ones into larger ones. The idea that every union must be individually represented on the board of a central bank, which is responsible both for the undue multiplication of unions and the enlargement of the boards of central banks beyond business requirements, must be abandoned. The number of the members of the governing bodies of unions must be limited normally to 3 or to 5 at the most in the largest unions. The quality of the staff of the unions must be greatly improved, and I hope that the Registrar will insist on trained

and competent men alone being employed. The appointment and control of the supervisory staff of the unions and the administration of the supervision fund must be centralised in the central bank. The managers of the unions must be responsible not only to the unions but to the central bank as well. It is a matter for gratification to note that in most areas these reforms are being carried out. There are still four or five districts in which these central functions are discharged by another secondary institution called the District Federation. I am definitely of opinion that District Federations are superfluous bodies and involve avoidable duplication of work and a certain amount of wasteful expenditure. I hope that local co-operative opinion will soon appreciate this view point and dispense with the still surviving District Federations.

Co-operation and Rural Indebtedness.

I shall now turn to the problem which, at the present moment, is greatly agitating the minds of the Public, and the Governments in India (Central and Local), namely the Problem of Rural Indebtedness. But, I shall confine my treatment of the question to its co-operative aspect. The Co-operative Credit Movement in India owes its origin mainly, if not solely, to the belief in its efficacy to redeem agricultural indebtedness. Before we give our verdict on the question whether it has succeeded or failed to achieve the aims of its founders, we should understand what Rural Indebtedness means precisely. In a sense debt contracted for any purpose creates indebtedness. But money borrowed for the pursuit of an industry and repaid out of the income accruing therefrom is not ordinarily called "debt" but is termed "credit." No one describes accommodation given by banks to industrialists for working capital as "Industrial debt" and I fail to see why a loan given to the agriculturist for his occupational needs, whether it is of the short, intermediate or long term variety, should be designated "Rural Indebtedness." It is true that the portion of the agricultural credit, which is not duly repaid from the harvests or the increased profits accruing from land by investment of capital, gets accreted to standing debt and the agriculturist himself does not distinguish between the two. But that is no reason for our mixing up rural credit and rural indebtedness in dealing with the problem of rural indebtedness. I feel that such mixing up has led to much avoidable confusion of thought both in envisaging the problem of rural indebtedness and in searching for

remedial measures. The problem of finding rural credit in an adequate measure and on reasonable terms for the pursuit of agricultural occupation is, to my mind, wholly different from that of reduction, conciliation, adjustment, redemption or liquidation of standing prior debt of the agriculturist.

No reliable estimate of the relative volumes of seasonal rural credit borrowed and repaid, in whole or part annually, and of the standing rural debt is available. Assuming that the estimate of the total of Rs. 150 crores of both varieties arrived at by the Madras Provincial Banking Enquiry Committee is approximately correct, we may safely put the seasonal credit at Rs. 50 crores and the standing debt at Rs. 100 crores. In this estimate, the effects of the fall in land values and prices of primary products are not taken into consideration, as our main purpose on this occasion is to ascertain how far Co-operation can be relied on to deal with rural credit and rural indebtedness, and not to work out any detailed scheme for either programme.

Rural Societies can deal only with rural credit and not directly with rural indebtedness. The most effective service which the co-operative rural credit societies can render is to develop a sound system of controlled productive rural credit, thereby controlling the growth of unproductive rural indebtedness, bringing down the excessive rates of interest charged on rural finance and reforming, if not displacing, the present system of money-lending. The high water mark of co-operative credit through rural societies, so far as volume is concerned, was reached by the end of 1929-30, when the loan business of central banks with rural societies stood at about Rs. 530 lakhs. On the assumption that the annual seasonal credit requirements of the cultivators in the province amounted to about Rs. 50 crores, the maximum effort of the credit societies thus covered only a tenth of those requirements. But, since then the business of central banks with rural societies has fallen off considerably and at present it stands at about Rs. 340 lakhs; in other words, there has been a contraction of about Rs. 2 crores in the co-operative rural credit in these four years. The bulk of the outstanding amount of Rs. 3 crores and odd in the societies is, however, money advanced prior to 30th June 1930 and some of it for discharge of prior debts, and does not in any sense represent seasonal credit which is fructifying in the hands of the

borrowers. The reason for this contraction, whatever else it may be is not want of funds. As against a loan business of Rs. 340 lakhs, the central banks have on date a loanable working capital of about Rs. 520 lakhs. The main causes for this regrettable contraction of credit are the increasing ineligibility of members of societies for fresh credit, as the bulk of their past loans have become long overdue, and the continued and prolonged economic depression, which has materially curtailed the repaying capacity of the rural co-operators. The efforts of the central banks and primary societies are now mainly concentrated on the collection of these outstanding loans and there is scarcely any progress in the direction of fresh loaning or expansion of credit except in rare cases.

Something must be done to terminate this position which practically means the collapse of co operative rural credit. The importance of seasonal rural credit in relation to rural indebtedness lies in the circumstance that growth of past debt can be arrested only by future regulated credit on reasonable terms. The most important cause of growth of old indebtedness is fresh borrowing on usurious terms. So, the rural credit societies, though they cannot liquidate old indebtedness, can arrest its alarming further growth by their legitimate operations of dispensing new productive credit. It is, therefore, a blunder of the first magnitude to practically close down these credit societies except for the purpose of collection operations.

The remedies that I suggest are briefly these :—

(i) Central banks and primary societies should carry out with zeal and enthusiasm the Registrar's scheme for the reduction of the interest on existing loans so as to give tangible relief to the members, who are able and willing to avail themselves of it and to stimulate collection of current and overdue interest at the concessional rates, waiving all penal interest, where payments under the scheme are made.

(ii) Central banks and societies must follow up the examination of individual loans done in the course of rectification and consolidation work by giving extensions in all suitable cases to members for repayment of overdue loans, where adequate security is forthcoming.

(iii) The central banks and rural societies must revive their loaning to good societies, but at the same time confine themselves, for the present, to short term agricultural credit for seasonal operations,

payment of Government kist and other similar urgent needs. Such loans must carry concessional rates of interest having regard to the present condition of the money market and the reduced income of the members.

(iv) The Department must register new societies in suitable areas on a new plan and encourage the expansion of short term seasonal credit through them.

It is a matter for regret to note in this connection that the Government have turned down the proposals for the advance of loans by central banks direct to members of affiliated credit societies on the security of produce and gold to give relief to them as a temporary measure during the economic depression. Until the Government can be persuaded to change its anti-deluvian notions of Co-operation and its reactionary outlook on our problems as they present themselves to-day, this helpful form of relief has to be denied to our members.

There is a general agreement among co-operators that land mortgage banks are the only suitable co-operative credit agencies to deal directly with rural indebtedness. The passing of the Madras Land Mortgage Banks' Act, 1934 is an epoch-making event in the history of Co-operation in this province. The debentures issued by the Central Land Mortgage Bank, the principal and interest of which are guaranteed by the Local Government, are being made Trustee Securities by a suitable amendment of section 20 (a) of the Indian Trust Act. It may confidently be expected that plenty of long term money will be forthcoming leading to rapid and large expansion of the business of the primary land mortgage banks. These banks now lend in practice only for liquidation of prior debts, though they may also lend for schemes of land improvement requiring investment of substantial long term capital. There can be no doubt that the land mortgage credit organisation is a great blessing to the agriculturists of this province and that members of these banks, with prescribed repaying capacity, will be considerably benefitted by the replacement of their prior usurious debts by co-operative land mortgage loans carrying substantially lower rates of interest, as the difference in the annual interest charges will enhance the debtors' margin of savings. I feel that the benefits of these banks will be greatly enhanced, if they find their way to further reduce the rate of interest

charged to ultimate borrowers and also to raise the maximum period of the loans to 40 years, in order to increase the number of eligible borrowers by reducing the size of the instalments on which the repaying capacity of the borrowers depends.

The operations of these banks cannot, however, be expected to touch the fringe of the problem of rural indebtedness viewed as a whole. If a survey of typical areas where land mortgage banks are working is made to ascertain the total volume of chronic rural debt and the proportion of it which can be handled by the land mortgage banks, it will, I am sure, be found that the latter will be an insignificant fraction of the former. When harnessed to a debt-conciliation scheme, land mortgage banks may be able to handle a few more cases of indebtedness, but will not offer any general relief to the indebted agriculturists, as they do not possess either the security or the repaying capacity prescribed by these banks.

As the Indian Central Banking Enquiry Committee has observed, "The prosperity of the country and the successful development of trade, industry and commerce entirely depend upon the improvement in the general economic condition and in the increase in the buying power of the population engaged in and dependent on Agriculture. To achieve this, it is necessary that the Problem of Indebtedness, its causes and its liquidation, should be effectively solved." The root cause of rural indebtedness is chronic poverty. Poverty is the cause and not the result of rural indebtedness, and rural indebtedness is the result and not the cause of poverty. So, the State, by revising its fiscal and economic policies, should remove the operation of causes that contribute to this chronic poverty of the rural masses and improve their economic condition. Lowering the burdens of taxation, assistance to agriculture by tariffs and subsidies, and the like come under this head of State action. This is the main line of attack of the problem of rural indebtedness. The next line of action lies in the organisation of production and marketing of agricultural products by the State, so as to make agriculture a paying industry and increase the margin of savings of the agriculturist. Institution of schemes for the improvement of land, live stock and crops, provision for power and other industry subsidiary to agriculture, organising the transport system of the country with due regard to the interests of agriculture, improving the conditions for marketing the agricultural products and the like

come under this head of action. A third line of action, which is now much talked of but in regard to which little has been done, is bold and courageous action by the State to revise the relations between the creditors and debtors so as to substantially reduce the volume of the existing usurious debt and to prevent usury in future. The modification of the contractual and processual laws for the determination and recovery of debts, regulation of money-lending, the simplification of the Insolvency Law to suit rural conditions, inauguration of schemes for conciliation and adjustment of debts and the like fall under this head of State action. It is a matter for regret that the Central and Local Governments in India are unable to envisage the gravity of the situation caused by the peasantry being weighed down under the crushing load of huge unproductive chronic debt and place too much emphasis on the sanctity of contract between the creditor and the debtor. Indeed, the contract itself has been radically modified to the debtor's prejudice by economic factors beyond his control, for a fall in price of land and products by one half means the doubling of the burden of debt. It is simply impossible for the debtors to pay the whole of the existing debt with the stipulated rates of interest. State must face the problem with courage and foresight. Let them remember the warning of Goldsmith :

" But a bold peasantry, their country's pride,
When once destroyed can never be supplied."

In contributing to the enrichment of the life of the peasant, we co-operators have a mission to fulfil. If we carry on our work with faith in and loyalty to the principles of Co-operation, it will prove to be a most potent force in our National Reconstruction.

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Gentlemen,

I am very pleased, as you have indicated in the address just now read, to be here among old and tried friends. It is no doubt a human trait to love one's friends and wish to meet them as often as possible.

Now to the function that I am about to perform.

You say in the address and the report also that I am an old co-operator. You give me greater honour than is due. I really have taken a very deep interest in this great movement. Because I remember the time when there was no official co-operative movement and the famous Act was passed inaugurating the movement in our country. My master Mr. Gohkale took a special pride in the development of the movement. I dare say that you all know that the full activity of many of my colleagues in the Servants of India Society is given to the promotion of the co-operative movement in all its branches.

In your report, you wish that the true spirit of co-operation should animate not only the Directors concerned but all those who have dealings with it. You could have no higher aim. I notice that in an earlier paragraph you emphasise the business aspect of the co-operative movement. Far be it for me to ask you to neglect or overlook it in any branch of your transactions or proceedings. The business aspect is the first, but almost of equal importance with it from the practical point of view and of far greater importance than it, from the theoretical point of view is the moral side to which you make a reference in the penultimate paragraph of your report.

There is Dharma, there is Artha, both these things combine in this co-operative movement. Here are those who deal with money, through whose fingers constantly coin passes in one shape or another. Some times people accumulate money with all the skill and knowledge of human nature that they acquire. At other times through speculation or through fraud or through misfortune people loose money and come to grief. But in both these cases the object of our

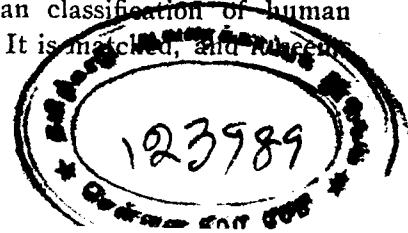
THE SIVAGANGA CO-OPERATIVE URBAN BANK

people is Artha. Their minds dwell exclusively on the money aspect of the affair. In days prior to the co-operative movement, middlemen who had no concern for the welfare of their neighbours enriched themselves at the expense of the needy poor. Persons who enrich themselves come to grief through over doing their part. It is the poor that really need the assistance. In days prior to the co-operative movement, the humble agriculturists and the small businessmen to whom a little timely assistance was greatly needed, these people had only a standing room in our economics. And therefore it happened as it has happened in similarly situated countries and communities that the poor in this country became poorer and poorer, that instead of many they became more and became most of the population. The poverty of India is deeply ingrained. It is notorious throughout the world that there is wealth accumulated in some hands and with people who know how to keep it on. That there is such wealth is freely granted but if wealth is a source of happiness and prosperity it must be said with sorrow that in this country it does not bring happiness as we understand the word, even to the owners. For it is true in this matter as in others, concerning the deepest human welfare that no one can truly be happy who is not surrounded by truly happy and prosperous people. He who thinks that he could be prosperous in the midst of adversity or happy in the midst of unhappiness makes the most profound mistake in life. Nobody can seek his own interest to the best advantage unless at the same time he seeks the advantage of others as well.

Now, I began by using two Sanskrit words, Dharma and Artha. It stands to reason that people should pay particular attention to them. We have got our own families, our own personal and individual interests. And the man who neglects them as good old Johnson used to say is not likely to attend very carefully to other people's affairs. Ancient wisdom has laid it down that the pursuit of wealth, its acquisition and its accumulation, the care that we bestow on the matter connected with Artha must be consonant with Dharma. No Artha is considered safe, or proper by our ancient Sages unless it is not acquired or is not held by doing injury to the doctrine of Dharma.

You remember the great Aristotelean classification of human beings from the moral point of view. It is matched, and repeated

251
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to me it is even excelled in real spiritual appeal by 'Bhartrihari' who says that men must be divided into four classes. He puts first those who are self-less, who neglect their own affairs, that is, by means of sacrifice of the self, seek the good of others. The next class are the average citizens who seek the good no doubt of others, but without sacrificing their self, who try as much as they can to reconcile themselves to the primary interests of humanity,—Dharma and Artha,—who do not neglect either, but promote both in mutual harmony, who do not destroy the one in order to promote the other.

The third class whom the poet stigmatises as Rakshasas are those who promote their selfish purposes by the destruction or the sacrifice of their neighbours' interests, that is, who seek to build their interests upon the ruins of other people. He calls them Manava Rakshasas and dismisses them by that word.

Last of all comes the class who even without seeking their own private interests, ruin the fortunes of others. They have few justifications, not even the excuse of promoting their interests thereby. This poet of ours is a good student of human psychology, and institutions. Now the worst word in the language has already been used for the third class. There is no word bad enough to denote this class. The poet says "I do not know what to call them."

What higher wish can I make for this Co-operative Bank than that they should have none among them of this fourth class, that they should not have even a sprinkling of the third class, that they should have a preponderant majority of the second class, people who while minding their own business will also try to mind the business of others; that they should in addition, on the top of everything, have a few eminent and distinguished personages of the first class who in the words of the poet Bhartrahari *Parartha ghatakaha* should bring about or accomplish the good of others by their willing and ready sacrifice of their own good. For as you know, all moralists, poets, emancipators of our race, great pioneers of striking reforms like the abolition of the slave trade that have marked the history of human progress, all these great men have laid it down in solemn words that no good is really enduring which is performed without some sacrifice and suffering. No great movement for the improvement of humanity has ever been regarded or will ever be regarded as great,

to which a few good men of this class have not given their lives, who have not hesitated to neglect and if necessary to ruin their own interests in order that they might advance the general weal.

Well, gentlemen of the Co-operative Bank of Sivaganga, two or three of such people in one generation are quite sufficient to lift any movement up into the regions of higher air. I do hope, you will want one man or two men of this kind.

To you all I would say pursue the second ideal at least. You can easily do it. It is by no means necessary, to ruin another in order to prosper yourself. If such a think be at any time necessary depend upon it, it is not your good but it is your evil. You are then under the influence of another person than God.

I know very little of the Directors of this Bank. But I know of Directors who have not hesitated to add to their worldly possessions by means that could not be described as legitimate or honest. The ordinary man seeks positions in the co-operative movement now a days, alas! for the purpose of making himself more important and his interest best served. I wish that you here should not have such Directors. You cannot even afford to have one man of this type amongst you. That you should have none of the fourth or the third class and that all of you must be at least of the second quality is my humble and earnest prayer this morning. I wish the Bank all the worldly success and I wish also that in its proceedings from day to day it will bear in mind that it is here for the purpose of assisting the poor and the needy, for the purpose of enabling the people to get over their indebtedness, for being enjoyed by the many and not for being monopolised by the few. If you confine all the loans and other services of the Bank to the few Directors, their sons-in-law and nephews, it is a distasteful thing. I love those Banks of which the Directors make it a rule that they will conduct the affairs of the Bank for the benefit of others and not seek even a loan from its resources. I used to advocate whenever I had a chance, that Directors must pass a self-denying ordinance. You may then say we will have few Directors coming. Perhaps that is so. But the men that seek public honours and public responsibilities must be men of sacrifice.

From my experience of public life, alas! in the less fortunate and less prosperous branches of it, I can tell you one thing when you

reach old age, when your faculties deaden, when your ambitions are stilled, you come to that last period of life when you look upward before one who knows all and forgives nothing, when you come to that stage, you will then realise what you may dimly read of in books, this most important and impressive truth about our nature. Though good that popular elections are, the most honourable men are not always to be found amongst those who win these elections. Sometimes it occurs to me that in the annals of Democracy no story is brighter, no episode is more brilliant than that which records the defeat at an election of a person who stood high above intrigues and who appealed to the good qualities of his constituents and was willing stand or fall according as they appreciated his worth or not. To lose an election if it is done on grounds of honour is, it seems to me, a very good record for anybody. If he is conscientiously able to say "I lost the elections because I stood on the high ground, because I was not willing to come down to appeal to the communal prejudices of constituents or to make all kinds of promises which I could not fulfill, because I would not disgrace myself by telling lies to people about my capacity or my circumstances I lost the election," he is a good man and true and the shame of his failure falls in no measure on him, but in the fullest measure upon his constituents. But if a man after failing, says "I fell at this fellows feet and I promised so much and I spent so much money but yet I failed,"—if the statement of his failure is accompanied by a statement of the like grievances then indeed the failure is a double curse. To me therefore, gentlemen, the successful competitor at a popular election is not necessarily the most popular or the most useful member of society. Sometimes I feel it an honour to shake hands with those who have encountered failures in life, for as you know they are not weak men. Sometimes they fail through misfortune, sometimes they fail through unwisdom, but occasionally here and there they fail also through their virtues. They are the people we should honour. They are the people who belong to the first class in this Bhirthrihari classification.

Concluding Mr. Sastriar thanked them once again for the honour done to him and proceeding to the dais of the new building declared it open amidst deafening cheers.

THE CENTRAL CO-OPERATIVE BANK, KUMBAKONAM.

SIR C. P. RAMASWAMY IYER.

(Opens New Buildings.)

Sir C. P. Ramaswami Iyer opened the new buildings with a gold key and unveiled the portraits installed therein. Addressing the gathering present, he said that it was a great thing to remember the work of such men who had laboured hard at institutions like the present. It was easy to work in the limelight for the purpose of momentary applause. But not equally so easy for those who day to day laboured at their routine and at the small things the sum total of which went to make the aggregate of commercial or business success especially when the underlying idea of that success was not personal aggrandisement or profit but communal benefit. In this country large scale production and large scale manufactures were possible only to a limited extent. Generally speaking, it would be correct to say that the prosperity and the future of this country depended on the co-ordination of small activities, agricultural, industrial and in the way of cottage industry. Bearing that in mind, the significance of the co-operative movement became apparent. Let them take their own family laws. In one generation or in two a big landholder by virtue of the law of the partition had to see his family lands split up into many small portions and similarly it was one of the misfortunes of the country that they had not got a partnership spirit yet well-developed amongst them with the result that the founders of great industrial organisations found at the end of two or three generations receivers in charge of their estates and nothing more or less than that. The co-operative movement brought people together to work together either in the way of agricultural production, agricultural marketing or cottage or small scale industries. Those that had travelled elsewhere to countries like Holland and Denmark would realise what that movement could do. England was a great country with great capital. But a little impoverished country with fragmented holdings like Denmark was able to dictate its own terms with regard to milk, butter, cheese and eggs to England. That had been due to the growth of the co-operative movement which had made the whole country one entity for the purpose of production and marketing. All this was possible only if easy credit was available and the object of the societies in India was to

make that credit available. Unfortunately it was quite true to say that in India they had hardly emerged from that stage of availability of rural credit and other ventures like those the speaker had indicated in his preceding remarks. But credit in any case was essential especially for a country like theirs.

Essentials of Success.

He then observed that three or four things were absolutely essential for the success of co-operative institutions. The first and foremost thing, he said, was not money. In no movement was money really necessary so much as men and most of all so in the co-operative movement. He knew of institutions which started with nothing, but if a man was there willing to put his back to the work, willing to suffer and enthruse over the work, money would come. But what was wanted was trained men, not amateur efforts by benevolent personages utilising their leisure moments. He was glad to find that the Servants of India Society was training workers. Workers were wanted for purposes of propaganda to do things in a business-like fashion so that they might not be stagnating where they were. Secondly they wanted both legislative and other efforts for the purpose of making these banks highly effective. Some kind of legislative effort was bound to come because the evil was so great.

Referring to the land revenue policy of the government, he said that from his personal experience as a big absentee landlord, he knew what the plight of the land-owner in this district was. All that he could say was that there was a very widespread feeling that the whole pitch of assessment and the whole theory underlying what might be called State demand should be reconsidered in the light of the researches that had been recently made and they must see to it that the small landholder was an effective entity in the body politic which unfortunately he was not at that moment.

Referring to the work done by the Bank and the progress it had made the speaker trusted the institution had justified itself. It was no wonder because he knew the men who were responsible for the foundation of this institution. He concluded by saying that in the conditions of the country with its fragmented holdings its small capital, with its absence of many natural resources and small scale cottage industry, the co-operative movement, bringing together isolated and small efforts towards agricultural and industrial production and marketing, would alone lead to an economic regeneration of the country. They were face to face with difficult times. World competition which was ruthless threatened them. They could feel secure in the possibilities of their own regeneration if they organised politically, socially and economically.

Special Type of Societies.

A SHORT REPORT ON THE WORKING OF THE KRISHNAGIRI BOARD HIGH SCHOOL STUDENTS' CO-OPERATIVE STORES, LTD.,

No. S. 350 For The Year 1933-34 (ending with 31-3-34).

1. The society completed the fourth year of its working with 31st March, 1934, for which the audit certificate has just been received. The year for the society is from 1st of April to 31st March of the succeeding year. There were 29 members on the rolls on the last day of the year of whom 10 are students. The paid up share capital of the society is Rs. 67.
2. There was, at the beginning of the year, stock worth Rs. 211-4-0. During the course of the year purchases were made for Rs. 3856-14-0 and sales amounted to Rs. 4,254-3-0 leaving at the end of the year stock worth Rs. 358-2-0. The society earned a gross profit of Rs. 544-3-0.
3. The net profit for the year amounted to Rs. 479-11-0.
4. With this year's addition the Reserve Fund comes to Rs. 282. The society has been permitted by the Deputy Registrar of co-operative societies, Salem, in his F. Dis. C. No. 1431-31, Dated 23-10-31 as a special case to utilise the Reserve Fund in its own business.
5. Bonus for purchases made by members and associates during the year has been declared at the rate of one anna and four pies per Rupee of purchase made.
6. The working of the society has been declared to be satisfactory by the Sub-Deputy Registrar of co-operative societies, Salem.

K. S. CHENGALROYA AIYAR,
Secretary.

M. K. SWAMINATHAN, M.A., L.T.,
President.

A NEW BOOK OF ITS KIND.

Simple Interest, Compound Interest, and Annuity Tables with Notes

By BRAJANANDAN SAHAI, B.Sc.,

OF

The Traders' Co-operative Bank, Ltd., Patna

WITH A FOREWORD

By V.M. THAKORE, Esq., B. Com., A.M.I.B.

Secretary, B. & O. Provincial Co-operative Bank, Ltd.

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The South India Co-operative Insurance Society, Ltd., MADRAS.

*Report on the working of the Society from 19th February, 1934 to
14th April, 1934.*

The last meeting of the Board of Directors was held on 18th February, 1934 when the working of the Society from 17th December, 1933 to 17th February, 1934 was presented. The present report relates to the period from 19th February to 14th April, 1934. The progress of the Society during this period is extremely encouraging.

The Business Committee met four times and transacted the business of the Society.

As per the resolution passed by the Board at their meeting held on 18th February, 1934, Messrs. C. Subba Rao and V. Venkatachalam (Secretary) left for Berhampur in the last week of February, 1934 to organise the work of the Society in that area, consequent on the death of late Rao Sahib W. V. B. Ramalingam Pantulu and made necessary arrangements for future work in that district. Accordingly, the Business Committee of the society, which met on 28th March, 1934 reconstituted the Local Board at Berhampur with the following members thereon. It is hoped that the new Local Board will be formed shortly and that it will function successfully.

Names of the members of the re-constituted Local Board.

Messrs. V. V. Jogiah Pantulu (President of the Ganjam Bank)
Convener.

„ I. Ramamurty.
„ G. Dharma Rao
„ G. Balramdas
Dr. Rajeswara Rao.

Also as a result of the tour to Ganjam district, a new Local Board, attached to the Aska Co-operative Central Bank, was constituted. The President of the Aska Bank, Mr. Narasingha Padhi, is the convener of the Local Board and he is evincing keen interest in the progress of the Society. The newly formed Local Board at Aska has begun to function and it has sent within the short period of one month business to the extent of nearly Rs. 15,000.

The Aska Co-operative Central Bank subscribed 100 shares and the requisite number of shares was allotted.

THE SOUTH INDIA CO-OPERATIVE INSURANCE SOCIETY, LTD.

The Inspector for Northern Districts, Mr. P. Satyanarayana, who was deputed to work for sometime in Ganjam District, appointed suitable sub-agents in the various taluk headquarters and the agents appointed by him are sending good business.

Mr. V. Gopal Menon was sent as Inspector on the 15th March, 1934, in pursuance of the resolution passed by the Board at the last meeting, to organise the work of the Society in the West Coast districts. He is planting new agencies in Malabar, Coorg and other places, to secure business for the society.

As the work received from the Southern districts during this period under report was not encouraging, it is worth while trying the scheme of appointing one or two agents on salary and commission basis and see how it works out. One such agent may be appointed for the Trichinopoly district to begin with, if the Board considers that such a scheme may be usefully tried.

Claim on Policy Nos. 5 and 400 (late Mr. Gopal Menon and Ramachandra Acharya) for Rs. 1,000 each, which were admitted by the Board, were settled during this period. A fresh claim for Rs. 500 on policy No. 147 from Ramachandrapuram was intimated, but the same was not admissible, as the policy was not kept in force by the policy-holder.

179 proposals to the extent of Rs. 1,50,550 were received during this period.

179 proposals to the extent of Rs. 1,46,000 were accepted.

7 proposals to the extent of Rs. 4,800 are pending acceptance.

*133 policies to the extent of Rs. 1,05,150 were issued during this period.

*N. B.—Besides, ten policies to the extent of Rs. 10,600 on which premiums were received already, are not issued pending the receipt of good health certificates.

The total business in the books of the Society as on date is as follows :—

	No.	Amount.
Proposals received	1695	15,16,800
„ accepted	1614	14,27,050
Policies issued	1230	11,08,200

Extracts.
**FROM THE ANNUAL REPORT OF THE REGISTRAR
OF CO-OPERATIVE SOCIETIES FOR 1932-33
ABOUT PROVINCIAL SOCIETIES.**

THE MADRAS PROVINCIAL CO-OPERATIVE BANK.
The Madras Provincial Co-operative Bank continued to make satisfactory progress as may be seen from the following comparative statement for the last three years :—

	1930-31. RS. (IN LAKHS.)	1931-32. RS. (IN LAKHS.)	1932-33 RS. (IN LAKHS.)
1. Share capital paid up ...	6'53	6'53	6'59
2. Deposits and other borrowings including overdrafts.	161'41	171'49	211'42
3. Working capital ...	178'17	188'90	231'51
4. Net profits ...	2'56	1'68	1'40
5. Reserve fund after audit ...	10'87	11'30	13'85

During the year, the deposits of individuals fell from Rs. 62'39 lakhs to Rs. 59'05 lakhs while those from local boards, municipal and jail contractors, etc., rose from Rs. 12'70 lakhs to Rs. 15'58 lakhs. There was an increase in the deposits made by joint stock banks and other institutions, the amount held at the end of the year being Rs. 13'91 lakhs as against Rs. 10'62 lakhs in the previous year.

The bank has invested Rs. 146'32 lakhs in Government securities.

Net Profit.—During the year under review, the bank earned a net divisible profit of Rs. 1'40 lakhs as against Rs. 1'68 lakhs in the previous year. The fall in the net profit was due to the marked shrinkage in the loan business of the bank.

Loans.—The bank has continued the sound policy of advancing only short-term loans to Central Banks. During the year, the bank disbursed to Central Banks Rs. 5'66 lakhs only as against Rs. 20'56 lakhs in the preceding year. Rs. 1'66 lakhs were given for long term and Rs. 4 lakhs for short-term purposes. Rs. 20'44 lakhs were advanced to individuals on the security of their deposits as against Rs. 7'08 lakhs in the previous year. At the close of the year, Rs. 9'33 lakhs were outstanding under short term and Rs. 14'50 lakhs under long term. Except for a sum of Rs. 2,478 due by societies under liquidation, the bank had no direct dealings with primary societies. Partly owing to the very careful policy of limiting the loans to short periods adopted by the directors, partly to the large surpluses from which most of the Central Banks themselves were suffering and partly to the lack of demand for

EXTRACTS

loans from societies, the lending business of the bank considerably dwindled during the year. In spite of reduction of its lending rate to 6 per cent there was no demand for money. The rate has since the close of the year been further reduced to 5 per cent.

Overdraft and Fluid Resources.—The overdraft given by the Imperial Bank on the security of Government securities increased from Rs. 30 lakhs to Rs. 37 lakhs. There was no overdraft on the security of co-operative bonds. The Provincial Bank maintained throughout the year the necessary standard of fluid resources.

**THE MADRAS CO-OPERATIVE
CENTRAL LAND MORTGAGE BANK.**

The Madras Co-operative Central Land Mortgage Bank made satisfactory progress during the year. It can be seen from the following comparative statement that there is an increasing recognition on the part of the agriculturist classes of the utility of the land mortgage banks for the supply of long-term credit and that the debentures of the Central Land Mortgage Bank are becoming more popular amongst the investing public :—

	1929-30.	1930-31.	1931-32.	1932-33.
1. Number of members—				
Individuals ...	124	166	168	181
Primary Land Mortgage Banks ...	19	37	35	50
2. Share capital ...	RS. 70,400	RS. 99,500	RS. 1,07,000	RS. 1,45,600
3. Borrowings ...	63,000	4,95,900	12,18,250	22,84,193*
4. Loans outstanding. { No. ...	4	57	157	378
{ Amount ...	42,200	5,38,684	11,31,004	20,92,734
5. Overdues ...	...	407	109	95
6. Net profits ...	1,358	7,212	18,920	15,223
7. Reserve fund after audit ...	340	340	6,873	10,678
8. Dividend ...	...	...	7%	7%

The year was characterised by great fluctuations in the money market. On account of trade depression and the difficulty of the investors in finding profitable employment of their moneys, funds were available on easier terms than during the preceding year. The bank gradually reduced the rate of interest on its debentures from 6½ per cent at the beginning of the year to 5 per cent at the end of the year. Just before the close of the previous year, the bank stopped the issue of 6½ per cent debentures. Early in the year, it floated fifteen-year debentures at 6½ per cent for Rs. 2,20,300. Thereafterwards, it floated 6 per cent ten-year debentures for Rs. 2,07,500 which were all taken by the district boards and other local

* Excludes reserve fund of primary land mortgage banks amounting to Rs. 12,553.

THE MADRAS JOURNAL OF CO-OPERATION

bodies. This rate was again reduced to $5\frac{1}{2}$ per cent when the bank stopped the ten-year debentures and, as anticipated in the previous year's report, issued twenty-year debentures for Rs. 2,23,000. Towards the close of the year, the bank reduced the debenture-rate to 5 per cent. Even at the reduced rate, money has been coming in. The debentures issued during the year amounted to Rs. 10,81,400, while the money received for debentures within the year was Rs. 12,82,300. The issue of twenty-year debentures is a welcome departure, and I am sure that the bank will soon develop its business. The bank has established itself firmly and has, by its wise and sound management, created an impression on the investing public; and with the continuance of the past traditions and sound management, the bank will become an effective institution for the supply of the much needed long-term credit to the agriculturists of the Presidency."

"Before concluding this section of the report, I wish to place on record the great personal care bestowed by the President and the other Directors on the sanctioning of loan applications and the ability with which the administration of the Central Land Mortgage Bank has been carried on by them."

THE MADRAS PROVINCIAL CO-OPERATIVE UNION.

The Provincial Co-operative Union continued to do useful work. On the 30th June 1933 it had 492 members including 20 honorary individual members. It continued the publication of the 'Madras Journal of Co-operation' in English. After the cancellation of the registration of the Andhra Sahakara Sammelanam in April 1932 and the stoppage by it of the publication of the 'Sahakari' in Telugu, the Provincial Union has been publishing a Telugu Journal styled "Andhra Sahakara Patrika" from Madras. The publication of the "Village Panchayat" was stopped from July 1932. A number of books have been added to the library of the Union and the reading room has continued to be popular. The President and some other members of the Executive Committee carried on general propaganda work on co-operative insurance, loan and sale societies and rural reconstruction. Lectures were delivered with the aid of magic lanterns on rural reconstruction and "Co-operation."

The Provincial Union continued to co-ordinate the activities of the six training institutes through its Education Committee and to hold the examinations. Arrangements were made for practical training of the students after the examination was over. Rural reconstruction work in six select centres was also continued during the year.

EXTRACTS

THE SOUTH INDIA CO-OPERATIVE INSURANCE SOCIETY, MADRAS.

The society was registered in January 1932 and commenced work in March 1932. At the end of the year under review, there were 605 members on rolls composed of 55 co-operative institutions and 550 individuals. Its paid-up share capital amounted to Rs. 41,111 and of this, the societies held Rs. 36,970. Nine proposals for policies amounting to Rs. 11,000 were pending acceptance at the beginning of the year. Six hundred and seventy-four proposals for policies worth Rs. 6,10,800 were received during the year. Of these, 655 proposals to the value of Rs. 5,85,300 were accepted and 17 proposals for Rs. 21,500 were rejected. Thus, there were at the end of the year 11 proposals for policies amounting to Rs. 15,000 pending acceptance. Four hundred and eighty-nine policies for Rs. 4,62,700 in all were issued during the year and two policies for Rs. 1,800 were terminated on account of the death of the holders. At the end of the year there were 635 policies for an assured sum of Rs. 6,31,700 as against 148 policies for Rs. 1,70,800 at the close of the previous year. A premium of Rs. 22,582 was collected in the year. Before the end of the year, there were 35 local boards in several centres to canvass business. Roughly the Telugu districts contributed a business of Rs. $3\frac{1}{2}$ lakhs, the Madras City Rs. 1 lakh, and the southern districts and the West Coast about Rs. $1\frac{1}{2}$ lakhs. It is gratifying to record that the society has made very satisfactory progress under the able management of its President and other directors.

"The South India Co-operative Insurance Society made appreciable progress in the year under review."

[From the G. O. on Registrar's report dated 10th March 1934.]

Distict News.

SIVAGANGA CO-OPERATIVE URBAN BANK, LTD.

The opening function of the New Buildings of the Bank was performed on 30th April 1934, at 9 a.m. by the Rt. Hon'ble V. S. Sreenivasa Sastriar, P. C., C. H., LL.D., of the Servants of India Society who had come for the same on the 29th. The distinguished guest was photographed with the Directors in the morning and was received with music at 8 A.M. in the Bank's new premises by the Secretary Mr. V. Sundaram Iyer and Mr. S. Nagaswamy Iyer, Director and was led to the gaily decorated dais. There was a large audience of the members and gentry of the town in the special pandal put up in front of the Building. Prominent among the visitors were Rao Sahib N. Ramaswamier, Ex-President, Madura—Ramnad Co-operative Central Bank, Mr. L. Dharamaraja Iyer, B.A., Secretary of the above Bank. Mr. T. C. Sreenivasa Iyengar, M. L. C., and Messrs. R. Subramania Iyer, Dewan of the Sivaganga Samasthanam, representing the Raja of Sivaganga, Raja Rama Iyer, Retired Deputy Collector and Asst. Dewan, Rao Sahib Chellam Iyer, personal Assistant to the Dewan, M. G. Mukundaraja Iyengar, Ex. M. L. A. and A. Rangaswami Iyengar of the Devakota Bar. The address of the Directors was read by Mr. M. Harihara Iyer, the President, Mr. V. Sundaram Iyer the Secretary read the report of the working of the Bank. The Rt. Hon'ble Mr. V. S. Sreenivasa Sastriar then delivered a very impressive address lasting over three quarters of an hour stressing the ideals of co-operation and its workers and declared the building open amidst deafening cheers with a silver key presented to him. The guests inspected the building. The function terminated with an enjoyable Tea on the evening attended by the members and the elite of the town. The credit for the design and early completion of the building is in the main due to its President Mr. Harihara Iyer, the architect-in-charge, and Messrs. V. Sundaram Iyer the Secretary, S. Nagaswamy Iyear and S. Subramanian Iyer, Directors and S. Manikkam Servai the contractor. The neat design of the building located in a prominent throughfare in the town is a distinct addition to the architecture of the locality.

THE GOVERNMENT TELEGRAPH EMPLOYEES' CO-OPERATIVE SOCIETY, LTD., MADRAS.

Free Public Library.

The number of readers during March 1934, was 913 and the number of volumes issued for home reading was 546. The corresponding figures for February 1934 were 871 and 503 respectively. The Library is kept open on all working days of the society from 10 a.m. to 5 p.m. A sum of Rs. 300 was donated to the Library from the Common Good Fund of the Society; Rs. 100 was received as Government grant.

PROCEEDINGS OF THE PRIMARY LAND MORTGAGE BANKS' CONFERENCE.

Held at Dimili Vizag District, on the 21st and 22nd of April 1934.

PRESIDED OVER BY M.R.Ry. N. SATYANARAYANA GARU, OF ALAMURU.

Resolution No. 1.—This Conference, urges that the lending rate of interest of the Central Land Mortgage Bank to the Primary Banks be reduced to 5 per cent. and that of the Primary Banks to individuals to 6½ per cent.

Resolution No. 2.—This Conference resolves to request the Central Land Mortgage Bank to extend the period of repayment from 20 years to 40 years and to extend the maximum borrowing power of individual members from 5 to 19 thousand rupees.

Resolution No. 3.—This Conference resolves to request the Government to start a Land mortgage Bank at Palconda, (Vizag District.)

RESOLUTIONS PASSED AT THE 5TH VIZAG DISTRICT CO-OPERATIVE CONFERENCE.

Held at Dimili on 21st and 22nd of April 1934.

1. This Conference resolves that the Department be requested to register new societies in suitable areas on a new plan and encourage the expansion of short term seasonal credit.

2(a). Whereas there is some difference of opinion regarding the interpretation of the circular issued by the Registrar in connection with collection of interest at concessional rates as a measure of relief to members of rural societies, the conference resolves and requests the Registrar to make the following matter clear.

(1) Overdue loans must include loans which were decreed or in respect of which awards were obtained, whether under execution or not.

(2) In computing overdue interest under this scheme, it should be calculated at the concessional rate and after giving credit to the payments of interest made at the old rate, the balance shall be received if paid.

(3) If in giving effect to the concession mentioned above it becomes necessary to enter satisfaction in part or whole of decrees and awards obtained for overdues, it shall be done and the adjustment certified to the court which is executing the decree or award.

THE MADRAS JOURNAL OF CO-OPERATION

- (4) If in giving effect to the above scheme the society will have to refund any sum to a member by reason of the overdue interest being calculated at concessional rate, such refund shall not be claimed or made.
- (5) If the by-laws already framed and registered in this behalf are found to be defective they should be suitably amended and registered a new.
- (6) The concession shall be given to all members who pay at least one full year's interest.

2(b). In primary societies where financial condition permit the rate of interest in accordance with the above scheme on overdue loans shall be charged at Rs. 7-13-0 per cent.

3. This conference resolves that the Central Banks and Societies must follow up the examination of individual loans by giving extension in all suitable cases to members for repayment of overdue loans where adequate security is forth-coming.

4. This conference regrets that the Government should turn down the proposed proposal for central Banks financing directly as a measure of temporary relief, in this economic depression, members of affiliated Primary Societies on the Security of produce and Gold in areas where adequate and suitable arrangements can be made, the Conference further resolves to request the Registrar to recommend to the Government to reconsider the matter.

5. This Conference requests all co-operators to encourage the South India Co-operative Insurance Society Limited, which is registered under the Co-operative Societies Act, and which is working on sound and exemplary lines.

DISTRICT NEWS

List showing the contributions so far made for the relief of the **Earthquake disaster in Bihar.**

				Rs.	A.
Registrar's Office	...	{ Registrar	...	100	0
	...	{ Staff	...	33	12
The Madras Provincial Co-operative Central Bank, Ltd.	...	...	...	1,000	0
The S. I. Ry. Employees Co-operative Society, Ltd.	...	...	...	5,000	0
The M. S. M. Railway Employees Co-operative Society, Ltd.	...	...	...	1,000	0

District	Contribution by Co-op. Govt. servants.	Contribution by Co-operative societies	Total.
	Rs. A.	Rs. A.	Rs. A.
Madura	...	579 0	579 0
Madras-Chingleput	17 8	431 0	448 8
Godavary West	...	332 0	332 0
Tanjore	53 12	237 14	291 10
Arcot, North	28 8	231 0	259 8
Cuddappah	...	246 0	246 0
Malabar	...	201* 0	201 0
Ganjam	16 7	135 9	152 0
Tinnevely	...	143 0	143 0
Kanara, South	...	120 0	120 0
Anantapur	...	97 0	97 0
Trichinopoly	39 0	55 0	94 0
Guntur	40 4	35 0	75 4
Godavary, East	13 0	50 0	63 0
South Arcot	...	50 0	50 0
Bellary	14 4	19 0	33 4
Kurnool	6 4	25 0	31 4
Kistna	...	25 0	25 0
Chittoor	16 12	...	16 12
Total Contributions	...	...	10,391 14

THE MADRAS P. C. U. FREE READING ROOM.

The Reading Room of the Madras Provincial Co-operative Union, Royapettah, Madras, is kept open to public from 8 to 10-30 A.M. and from 5 to 7-30 P.M., on all days of the week except Monday. The Reading Room is becoming more and more popular. The number of Readers during the month of March 1934 was 1030.

Registrar's Circulars

R. Dis. A. 1534/34.

OFFICE OF THE REGISTRAR OF
CO-OPERATIVE SOCIETIES,
Madras, 18th March 1934.

M. R. Ry Rao Bahadur K. Deivasikhamani Mudaliar Avl., Registrar.

CIRCULAR.

Subject:—Remittance Transfer Receipts—Use of remittance book by Co-operative Societies—Standardisation of forms.

When a society remits money to another society, through a Sub-Treasury of Government, the former obtains an R. T. R. or a cash order which it sends to the latter for presentation at the Treasury at which money is to be received. There is therefore no record with the society remitting money to show whether any money was sent to the treasury and if so when. To serve as a voucher for the money so remitted into a treasury Government have, in their order No. 70 M. S. Dev, dated 16-1-1934, directed that Co-operative Societies should maintain a printed remittance book and note in it the details of the remittance into the treasury and get the dated signature of the treasury officer in the remittance book when each remittance is made in the treasury. With a view to secure uniformity and make the remittance book complete, the Registrar suggests the enclosed* form for adoption by Central Banks and societies.

2. Central Banks are requested to advise primary societies also to adopt this form.

* Form in given below

(By Order)

A. CUNNIAH,
Manager.

Treasury Remittance Book of..... Regd. No.....
G. O. No. 70 Ms. Dev. dated 16-1-1934.

Date of remittance.	Name of Treasury or Sub-Treasury into which money is remitted.	Particulars (specify the name of the society or other party in whose favour R.T.R. or cash order is required and purpose of remittance.	Amount in figures. Rs. A. P.	Amount in words.
1	2	3	4	5
Dated signature of the Treasury Officer in token of having received the amount.	Date of receipt of R.T.R. or cash order by the society.	Date of despatch of the R.T.R. or cash order to the society or other party on whose behalf it was obtained.	Initials of the Manager or Secretary of the society as to the entries in column 8.	Remarks.
6	7	8	9	10

REGISTRAR'S CIRCULAR

OFFICE OF THE REGISTRAR OF
CO-OPERATIVE SOCIETIES
Madras, Dated 24th April 1934.

No. B 2207/34.

M. R. Ry. Rao Bahadur K. Deivasikhamani Mudaliar Avargal.,
Registrar of Co-operative Societies.

CIRCULAR.

Sub:—Loans—rates of interest—reduction by Central Banks to societies and by societies to individuals.

Ref:—Registrar's circular No B 1084-34 dated 24-2-34.

In the Registrar's circular No. B. 1084-34 dated 24-2-34, it was suggested that Central Banks and societies might reduce the rate of interest on loans to their members and that under certain conditions they might collect interest on all outstanding loans at the reduced rate for the current co-operative year 1933-34, if their financial condition permits. Since the issue of the above circular a few references in regard to the scope and applicability of the suggestions contained in the circular have been received. Where societies are not sure that they will be able to collect sufficient money in the shape of interest from their members to pay the entire interest due to the Central Bank the only course left open to them is to collect interest from members at the rate prescribed in the bylaws and the benefit of reduction in the rate of interest should be granted as a rebate if after the close of the year it is then found that the requisite conditions have been satisfied. The rebate may be adjusted towards the principal.

(By Order)

A. CUNNIAH,
Manager.

Government of Madras
DEVELOPMENT DEPARTMENT.
G. O. No. Press. 376, dated 20th March 1934.

A B S T R A C T.

Co-operative Societies—Act—1932—Rules—Rule XXII (4) (k), amendment—published.

ORDER :—In notification No. 56, dated 1st February 1934, published at page 325 of Part I of the Fort St. George Gazette dated 13th February 1934, the Government under sub-sections (1) and (2) of section 65 of the Madras Co-operative Societies Act (VI of 1932) published as required by sub-section (3) of the said section an amendment omitting clause (k) of sub-rule (4) of rule XXII of the rules issued under the Act. No objections or suggestions were received by Government within the period allowed in the notification. The amendment published is hereby confirmed. The Superintendent, Government Press is requested to publish the appended notification in the Fort St. George Gazette.

(By order of Government, Ministry of Public Works)

C. A. HENDERSON,
Secretary to Government.

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BANGALORE.

Published on the 7th of each month.

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BANGALORE CITY.

GOVERNMENT OF MADRAS.
DEVELOPMENT DEPARTMENT.
G. O. No. 330, dated 10th March 1934.

Co-operative Societies—Administration Report—1932-33—Recorded with remarks.

READ—*Letter from the Registrar of Co-operative Societies,*
dated 27th November 1933, No. A-115.

Order—No. 330, Development, dated 10th March 1934.

Recorded.

2. It was not to be expected that the Co-operative movement would escape the effects of the continued depression in agriculture and industry. Generally the percentage of balance to demand has increased, as shown in the following statistics :—

Percentage of balance to demand.	Central banks.		Agricultural societies.		Non-Agricultural societies.	
	1931-32.	1932-33.	1931-32.	1932-33.	1931-32.	1932-33.
Principal	38.25	39.69	62.95	67.09	23.13	23.21
Current interest	7.03	8.79	51.69	59.39	20.00	21.74
Arrear interest	27.75	41.40	62.26	65.81	52.63	54.37

In spite of efforts, official and non-official, to improve matters, collections have fallen off and arrears have increased. The policy of rectifying those societies which give promise for the future and of eliminating those which are dormant or incapable of rectification has been and will continue to be pursued. The Registrar emphasizes the necessity for a careful and systematic scrutiny of the assets of primary societies, and it is hoped that the Central Banks will proceed with this undertaking without delay. Naturally with the present prices of agricultural produce, the difficulties in the way of recovering debts incurred in more prosperous seasons are increasing.

3. Regular loan transactions in Central Banks only amounted to Rs. 92.57 lakhs, while their overdraft transactions amounted to Rs. 69.93 lakhs. The fall in transactions and the indiscriminate receipt of deposits by these banks increased their surpluses which amounted to over a crore of rupees at the end of the year. The Provincial Bank had also a surplus of about Rs. 75 lakhs. The existence of this large accumulation of funds for which no immediate use can be found has engaged the serious attention of Government. Central Banks have been instructed not to receive any fresh fixed deposits from local bodies until further orders; deposits already made should, with the help of the Provincial Bank, be repaid on maturity to local bodies; deposits which have not

matured local bodies are advised to withdraw from the banks, if the banks can repay them without loss of accrued interest. The Government hope that as a result of these measures the surpluses now existing in Central Banks will soon be reduced.

4. The number of new societies registered has fallen, and a large number of existing societies have had their registration cancelled during the year. The working of non-agricultural societies, not being so seriously affected by the present prices of agricultural produce, shows some progress. Those weavers' societies which are functioning have increased their purchase and sale of finished products, but show no improvement in profits. The South Indian Co-operative Insurance Society made appreciable progress in the year under review.

5. The Central Land Mortgage Bank issued Rs. 10'8 lakhs worth of debentures during the year and was able to issue Rs. 10 lakh in loans to agriculturists. The Government are glad to note the uniform progress made by the Bank. The question of the inclusion of its debentures in the list of trustee securities is still under correspondence with the Government of India and it is hoped that it will be possible before long to achieve the object in view.

Primary Land Mortgage Banks have increased in number from 38 to 57. These banks have managed to improve their percentage of arrears slightly in respect of principal due from their members; while payment of dues to the Central Land Mortgage Bank is very satisfactory.

6. The rules under the Madras Co-operative Societies Act (VI of 1932) were issued in August last; departmental officers are now empowered to execute decrees obtained by societies.

(By order of the Government, Ministry of Development)

C. A. HENDERSON,
Secretary to Government.

THE CENTRAL BANKS' CONFERENCE.

XIII SESSION.

(Held on Saturday the 24th March, 1934 at 12 Noon
at the Madras Provincial Co-operative Bank Ltd., Mylapore.)

Present.

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

1. The Madras Provincial Co-operative Bank Ltd.

- (1) Mr. V. Ramadas Pantulu
- (2) „ K. V. Raghavachariar
- (3) „ R. Venkoba Rao
- (4) „ T. Adinarayana Chettiar
- (5) Rao Saheb K. M. Singaravelu Mudaliar

2. The Anantapur District Co-operative Central Bank Ltd.

- (1) Mr. K. Ramadas Rao
- (2) „ Y. Ramaswami

3. The Co-operative Central Bank Ltd., Vizianagram.

- (1) Mr. C. Subba Rao
- (2) „ Y. Narayana Rao

4. The Co-operative Central Bank Ltd., Vellore.

Rai Bahadur V. Murugesu Mudaliar.

5. The Co-operative Central Bank Ltd., Conjeeveram.

- (1) Rao Bahadur A. Rajabadar Mudaliar (Chairman).
- (2) Rao Bahadur C. Sambasiva Chettiar

6. The Co-operative Central Bank Ltd., Kumbakonam.

- (1) Mr. V. R. Srinivasan
- (2) „ A. Krishnaswami Vandayar.

7. The Co-operative Central Bank Ltd., Tanjore.

Mr. S. Ramaswami Iyengar.

8. *The Cuddappah District Co-operative Central Bank Ltd.*
(1) Mr. G. Sundara Rao
(2) „ K. Lakshmana Rao
9. *The Coimbatore District Urban Bank Ltd.*
Mr. S. K. Ramaswami Mudaliar
10. *The District Co-operative Bank Ltd., Cocanada.*
(1) Mr. K. Sitaramayya
(2) „ K. Challapathi Rao
11. *The Ganjam District Co-operative Banking Union Ltd.*
(1) Mr. V. V. Jogiah
(2) „ Iswara Sahu
12. *The Guntur District Co-operative Central Bank Ltd.*
(1) Mr. C. Venkatrao
(2) „ M. Gopalakrishnaiah
13. *The Krishna Co-operative Bank Ltd.*
(1) Mr. K. V. Ramanayya Naidu
(2) „ K. V. Raghava Rao
14. *The Kurnool District Co-operative Central Bank Ltd.*
(1) Mr. P. Kesava Rao
(2) „ K. Ramanathan
15. *The Madras District Co-operative Central Bank Ltd.*
(1) Mr. S. S. Sankara Mudaliar
(2) „ M. S. Sabhesan
16. *The Madura-Ramnad Central Co-operative Bank Ltd.*
(1) Mr. V. Chinnikrishna Naidu
(2) „ E. S. Sunda
17. *The Nellore District Co-operative Banking Union Ltd.*
Mr. O. Viswanatha Rao
18. *The Ramachandrapuram Co-operative Central Bank Ltd.*
(1) Mr. N. Satyanarayana
(2) „ B. Venkataratnam
19. *The Rajahmundry Co-operative Central Bank Ltd.*
Dr. P. Gurumurthi

20. *The Sree Konaseema Co-operative Central Bank Ltd.*
(1) Mr. K. Venkat Rao
(2) „ B. N. Sastri
21. *The South Canara Central Co-operative Bank Ltd.*
Mr. A. M. Monteiro
22. *The South Arcot Co-operative Central Bank Ltd.*
Mr. R. A. Sivananda Mudaliar
23. *The Srivilliputtur Co-operative Banking Union Ltd.*
(1) Mr. G. Alagiriswami Naidu
(2) „ R. V. Ramasundaram Pillai
24. *The Tinnevely District Co-operative Central Bank Ltd.*
(1) Mr. S. M. Ramalingam Pillai
(2) „ D. Athikari Pillai
25. *The Vizavada Co-operative Bank Ltd.*
Mr. P. V. Subbiah.
26. *The West Godavari District Co-operative Central Bank Ltd.*
Mr. V. Suryanarayana Rao
27. *The Christian Central Co-operative Bank Ltd.*
Mr. S. Krishnaswami Iyengar

M.R.Ry. Rao Bahadur K. Deivasikhamani Mudaliar Avl., Registrar of Co-operative Societies, was also present on invitation.

Mr. V. RAMADAS PANTULU, President of the Provincial Co-operative Bank, in welcoming the delegates, spoke as follows.—

It is a year since the Central Banks met in their annual Conference to confer together on the problems which require their attention. On behalf of the Provincial Bank, I have very great pleasure in welcoming you to this Conference.

I desire to place before you two matters for your earnest consideration before you commence the business on the agenda.

1. There is some agitation in the Press and on the platform about the financial soundness of the co-operative central banks in this Province. I have already stated my view publicly that there is no need

for any alarm regarding safety of our funds, although there is certainly reason for a certain amount of anxiety in regard to the collection of our assets from the societies. I am sure that any loss that may arise by such assets becoming partly unrealisable will not fall on the depositors and creditors of the central banks and that the shock, if any, will be absorbed by the Movement itself which has ample owned capital of its own. I am glad to find that the present Registrar of Co-operative Societies, with his long and wide experience of the conditions of Movement in this Province, has substantially expressed the same view.

In this connection, I would like to remove a serious misapprehension that seems to have been created in the minds of certain people by the order of the Local Government restricting the investment of moneys of local bodies in the central banks. It is interpreted in some quarters as indicating a want of confidence of the Local Government itself in the stability and soundness of the co-operative central banks. Such a responsible person as the Mayor of Karachi, in one of his recent speeches, is reported to have said that the Local Government of Madras have ordered the withdrawal of local bodies' funds from the central banks, because the financial condition of the latter was unsatisfactory. I must say that this is a wholly unjustifiable and ill-informed statement. I would request the Ministry for Development and the Registrar of Co-operative Societies to issue a Press Communique contradicting this impression. The G. O. in question itself says that the restriction of investment of local bodies' moneys in central banks was intended to help the movement to get rid of the unwanted surpluses.

This is a legitimate step to be taken by the Government for two reasons. *Firstly*: the loan business of the co-operative central banks has been gradually going down. A comparison of the figures of outstanding loans in co-operative central banks as on 30th June 1930 and 28th February 1934, shows that their loan business has shrunk from Rs. 5. 26 crores to Rs. 3. 42 crores while their capital available for loaning was Rs. 6. 07 crores and Rs. 5. 20 crores respectively. It would, therefore, be a great advantage to the Movement that a large portion of the local bodies' moneys should go out. I believe we have still about Rs. 1 crore of that money with us in all the central banks. On date, about Rs. 75 lakhs of the central banks' surplus money is still invested at very low rates of interest in the provincial bank. *Secondly*: the policy of central banks deriving the bulk of their working capital by taking large deposits from the local bodies was never favoured by the provincial bank. Apart from the inadvisability of depending on a single big creditor to an undue extent, the co-operative central banks were expected to promote thrift

and banking habit among the public, especially the middle classes, by encouraging deposits from them, and to the extent that local bodies have put in large funds into these banks, the receipt of deposits from the public in small amounts was curtailed. There is no lack of confidence of the public in the central banks, as we find that even now money, if wanted by them, is easily coming in.

2. The other matter to which I would like to draw your attention is the question of overdues and the manner of tackling the problem. During the last four years commencing from 1930, the central banks and the provincial bank have been pursuing a policy known as "Consolidation and Rectification" in order to steadily reduce the overdues and also to put the financial position of the primaries on a satisfactory basis. The broad outlines of this policy are well-known. The essential requisite of it is an individual examination of all the loans with a view to put them on a sound basis and to collect as much as possible. In regard to collection, it must be admitted that some central banks have endeavoured their best to collect as much as possible. But in some areas, I feel that more substantial results could have been achieved. Difficult times are perhaps still ahead, as there is no indication of rise in prices and as the repaying capacity of the borrowers threatens to deteriorate still further. So, while efforts at reducing overdues should not be slackened, I would like to urge on the central banks the desirability of following some definite schemes to give relief to the indebted members of the societies in these hard times. The Registrar has already circularised the central banks in regard to relief by way of reduction of interest both to the societies and to the members thereof to meet the existing situation. If the recommendations of the Registrar are given effect to, the collection of overdues also will be facilitated to some extent for such relief will naturally be given only to those who pay at least a part of their debts.

Regarding extensions to members who are unable to repay but who can give adequate security for their loans, we have already passed a suitable resolution at the last Conference. But, sufficient attention does not seem to have been paid to it and I think the relief given to debtors in that direction is practically nothing, so far as I can gather. The execution of that proposal will certainly involve a great deal of time and labour on the part of the central banks and societies, and I feel that, unless the necessary amount of exertion and attention are forthcoming, there will be no improvement in our position.

The recent Registrars' Conference, in which the non-officials from all over India also participated, passed certain resolutions much on

the same lines as the Central Banks did in their last Conference. I would specially like to commend for your consideration the following resolution passed by the Registrar's Conference :—

"The Conference is of opinion that:

- (a) In view of the present depression, the rate of interest charged by primary societies should be temporarily reduced as far as possible, consistent with the safety of the society, even at the cost of not leaving a margin for contribution to the reserve fund;
- (b) The instalments payable to the societies may be spread over a longer period, as far as the resources would permit; and
- (c) That fresh finance should be given to the members consistent with the safety of the funds."

I hope that this Conference will draw up a workable and business-like plan to give effect to the recommendations outlined above and that central banks will put into operation definite programmes of work in pursuance of such a plan.

Mr. Ramadas Pantulu then proposed Rao Bahadur A. Rajabadar Mudaliar to the chair. This was unanimously adopted and Mr. Rajabadar Mudaliar took the Chair.

Mr. Rajabadar Mudaliar (Chairman) requested Mr. V. C. Rangaswami (Convener of the Conference) to read his report about the action taken on the resolutions of the last Central Banks' Conference.

Mr. V. C. Rangaswami stated that most of the resolutions passed at the last Conference were mere expressions of opinion on various subjects. The resolutions of the Conference were communicated to all the Central Banks and the Registrar of Co-operative Societies. There was no matter on which the Provincial Bank had to take action.

The subjects on the agenda were then taken up for consideration.

I. Items Nos. 1 and 6 of the agenda were taken up together for consideration as they related to the same subject.

Item No. 1. Some Central Banks issue demand drafts on other sister Co-operative Central Banks and request them to honour the demand draft before the receipt of the advice of credit from the Madras Provincial Co-operative Bank Ltd. But our Executive Committee have resolved in their resolution No. 325 6—11—1933 to honour the drafts only on receipt of advice from

the Madras Provincial Co-operative Bank Ltd., Madras. Some Central Banks desire that the demand draft may be honoured on receipt of a letter of advice from the drawer bank to the drawee bank together with a copy of the letter of advice addressed to the Madras Provincial Co-operative Bank enclosing cheque for the amount of demand draft with instructions to credit the amount to the account of the drawee bank. (Proposed by Tinnevely Dt. Bank).

Item No. 6. Circular letter of the Co-operative Central Bank Ltd., Tanjore dated 9—10—33 regarding facilities that may be given to constituents for making payments at outstations. (Proposed by Madura-Ramnad Central Bank).

Mr. V. C. Rangaswami explained the exact implications of the motions and dealt on the present procedure. The change proposed in the resolutions will no doubt facilitate quick transaction of business. But, the question reduced itself to one central bank trusting another. Practically, there will be no difficulty as every central bank has an account with the Provincial Bank, and central banks may be trusted in the matter.

Several delegates took part in the discussion and spoke in favour of the present proposals; but some were generally in favour of fixing a limit to each transaction.

The following resolution was proposed from the Chair and carried unanimously :—

"Resolved that demand drafts issued by central banks on other sister central banks be cashed even before the receipt of advice of credit by the Provincial Bank and that the limit of each transaction be Rs. 1,000."

II. Items 2 and 5 were considered together.

Item No. 2. All Central Banks in this Presidency cash the outstation cheques mutually, some free of charge and some on commission basis. To have uniformity in collection of outstation cheques, and to arrive at an agreement among central banks, this may be placed before the Conference for advising a uniform procedure to be adopted by all central banks. (Proposed by Tinnevely District Bank).

Item No. 5. Desirability of Co-operative Central Banks following a uniform procedure in the matter of encashment of cheques sent to them by Co-operative institutions. (Proposed by Conjeevaram Central Bank).

The Conference resolved that the commission rates in force in the Provincial Bank may be adopted by all Central Banks. The Provincial Bank was requested to issue the necessary circular in the matter.

III. **Item 3.** The Conference reiterates its request that the Government be pleased to reduce the audit fee by at least 50 per cent in view of its being far too in excess of the actual cost involved to Government. (Proposed by S. Canara Central Bank).

The resolution was passed unanimously.

IV. **Item 4.** The Conference reiterates its request that the Government be pleased to remit the registration charges and the fee on encumbrance certificates.

Some delegates were in favour of the passing of the resolution, while some others were against making such requests to the Government. After some discussion, the mover, representative of the S. Canara Central Bank, did not press the proposition.

V. **Item No. 7.** G. O. No. 5210 L and M. Press dated 13—12—'33 imposing restrictions on investments of funds of local bodies in co-operative central banks.

The Local Bodies and Municipalities continue to make fresh deposits of security amounts of market lessees, L. F. contractors and employees in Central Banks as they were doing hitherto. It must be made clear if such amounts do not come under the term "its funds" in clause (1) of the G. O.

Item No. 8. The question of insisting on encumbrance certificates being obtained by societies in all cases of mortgage loans sanctioned to its members.

The above two subjects were withdrawn by the mover, representative of the Madura-Ramnad Central Co-operative Bank Ltd.

VI. **Item No. 9.** Registrar's circular B. 1084 dated 24—2—'34 regarding reduction of rates of interest on loans to societies and by societies. Framing of a set of rules to facilitate the practical application of the suggestions contained in paragraphs (2) and (3) thereof so as to avoid audit difficulties. (Proposed by Madura-Ramnad Central Bank).

Mr. V. Ramadas Pantulu moved the following resolutions on the subject:—

I. This Conference whole-heartedly approves the following resolution of the Registrars' Conference and requests the Government to

give effect to it by taking such action as is necessary under the Co-operative Societies Act by exempting the societies from the provisions of section 35 of the Madras Act.

(i) In view of the present depression, the rate of interest charged by primary societies should be temporarily reduced as far as possible, consistent with the safety of the society, even at the cost of not leaving a margin for contribution to the reserve fund;

(ii) The instalments payable to the societies may be spread over a longer period, as far as the resources would permit; and

(iii) That fresh finance should be given to the members consistent with the safety of the funds.

II. This Conference resolves that for the year 1933-34 central banks do charge to the societies interest at the rate of 6½ per cent including contribution to the supervision fund:

(a) Provided that the benefit of the concession rate of interest of 6½ per cent be given to a society, if in the year a society pays all the interest due for the current year to the central bank on the loans outstanding. The same concession shall be given in case of overdue interest also, if paid in full for one year. The excess of the interest paid in the year over the sum of interest so calculated shall be applied in reduction of overdue interest if paid in full in any one year also calculated at the same rate; and the balance if any, to redemption of the principal; and

(b) Provided further that the interest so paid by a society to the central bank comes into the society as interest collected from the members.

In doing so, he drew the attention of the Conference to the resolution for the last Central Banks' Conference which is substantially the same as that now proposed. He said that the Registrar has been good enough to approve the ideas underlying the resolutions of the Central Banks' Conference and the Registrars' Conference, and that something tangible must be done in the matter.

Several delegates took part in the discussion and supported the proposals. The resolutions were passed with the addition of the following proviso to clause (ii) of the resolution of the Registrars' Conference:—

"Provided the society gives extension to members who can afford to give adequate security, after a careful examination of the individual loans.

VII. **Item No. 10.** Can Co-operative Banks and Stores become members of the Chamber of Commerce in several District areas? (Proposed by Madura-Ramnad Central Bank).

It was agreed that co-operative banks and stores can become members of the local Chambers of Commerce.

VIII. After the subjects on the agenda were finished, the following propositions, notice of which was given by the Krishna Co-operative Bank Ltd., were taken up for consideration: (They were not included in the agenda, as they were received after the prescribed date):

1. Reduction of rate of interest on loans granted by the Madras Provincial Co-operative Bank to Central Banks to 4 per cent per annum.
2. Reducing the rate of interest on overdrafts granted by the Madras Provincial Co-operative Bank to Central Banks on the security of societies' bonds so as to make it the same as that charged on overdrafts granted on the security of G. P. Notes.
3. Increasing the subvention to Central Banks for rectification and consolidation work.
4. Refund of Share Capital to societies by Central Banks.

With regard to the last item, Mr. Ramadas Pantulu pointed out that the last Central Banks' Conference had dealt with the matter and that there was no need to pass a resolution again. The proposition was not therefore pressed by the mover, the representative of the Krishna Co-operative Bank.

With regard to the first two items, Mr. Ramadas Pantulu explained the present position and said that the Provincial Bank's average borrowing rate was much higher than four per cent and that it was not practicable to carry out the proposals.

Regarding the question of increasing the subvention to central banks for rectification and consolidation work, Mr. Ramadas Pantulu mentioned that the question was one for the Board of Management of the Provincial Bank to decide.

The propositions were not therefore pressed.

IX. Mr. Ramadas Pantulu moved the following propositions:—

1. Resolved that all the Central Banks be requested not to charge any commission for transmitting premium collections to the South India

Co-operative Insurance Society or to their account with the Provincial Co-operative Bank.

2. Further resolved that the Central Banks be requested to follow a uniform practice in the matter of the commission to be charged to Insurance concerns whose premiums they have undertaken to collect.

The above two propositions were carried unanimously.

X. After all the subjects were disposed of, the Chairman, in winding up the proceedings, thanked the members for their co-operation with the Chair in conducting the proceedings of the day. He exhorted all the members to press the resolutions passed at the Conference before their Banks and persuade them to adopt the resolutions.

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

A. RAJABADAR.

Chairman.



The Madras Provincial Co-operative Bank Ltd.

(Registered under Madras Act VI of 1932, formerly Act II of 1912)

HEAD OFFICE: Luz, Mylapore, Phone No. 2390.

TOWN BRANCH: Armenian St., George Town, Phone No. 3334.

The Bank is the chief organisation for providing credit to the agriculturists of the Province.

The above Bank acts as Bankers to the Madras Corporation, University of Madras, Andhra University, Annamalai University and the various Local Boards and District Municipalities.

For rules and terms of business, apply to :—

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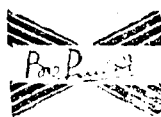
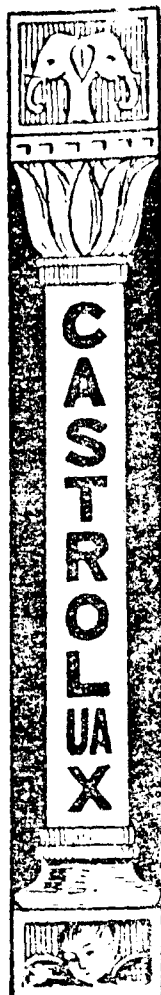
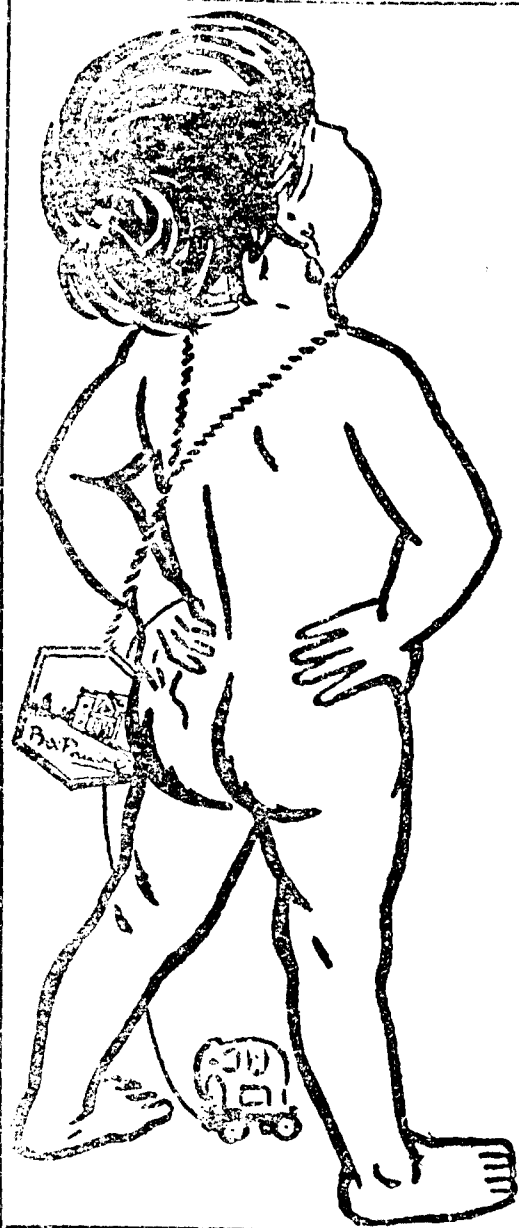
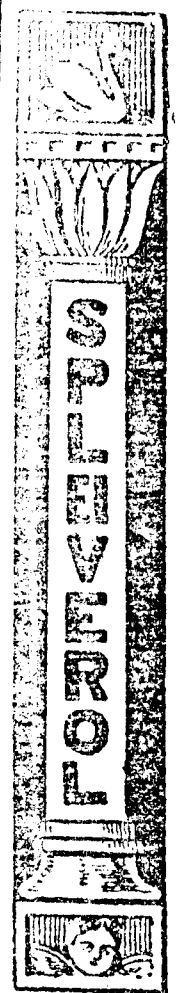
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