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Editorial Notes.

The Salem District Co-operative Conference.

We have no doubt that the speeches delivered by Mr. T. Adinarayana Chettiar and Dr. E. F. Paton at the Salem District Co-operative Conference, published elsewhere in this number, will be read with interest as they deserve to be. Mr. Chettiar has been in the co-operative movement almost from its beginning in this country and has had varied experience of it. His remarks are therefore worthy of every consideration. He has spared neither the official nor the non-official and has taken on the whole a pessimistic view of things. He could with as much justification have taken an optimistic view, especially as his district has responded worthily to the noble efforts of the late Dewan Bahadur R. Ramachandra Rao to develop the movement intensively there and as, despite the prevailing economic depression, the overdues in the district both under principal and interest were reduced considerably during the co-operative year that has just ended. For every instance of wrong action that he has mentioned in his address, we are sure he could have mentioned several instances of right action. But the spirit which has inspired his remarks, pessimistic as they are, is of the best and will not be mistaken.

Reduction of Interest.

Mr. Chettiar sounded a note of warning against the reduction of interest on lendings 'below the safety level'. It is true that the rate of interest in our societies have generally been about the lowest in the country and that recently special steps were taken to reduce them in view of the fall in prices of agricultural produce and the consequent increase in the ryot's burden of debt. But it cannot be said that we are in danger of overlooking the safety level or forgetting the needs of efficient administration. Mr. S. V. Ramamurthy who opened the Salem Conference invited co-operators to reduce their rate of lending to the level of the Government rate under the Agricultural Loans Act, i.e., 5½ per cent. It may not be possible for co-operative societies to compete with Government which can always get money cheaper than any other agency and which is not in need of much margin for administrative expenses. But as pointed out by Dewan Bahadur N. Gopalaswami Aiyangar, while presiding over the Silver Jubilee celebrations of the Mallur Co-operative Society, it is unreasonable that when central banks can get money at 3 or 3½ per cent. the ultimate borrower should have to pay 7½ per cent. We are afraid that between them the central banks and the primary societies are now keeping a wider margin than was the case some years ago and that they are not as willing as one would expect them to be to pass on to the ultimate borrower the full benefit of the fall in interest on deposits. We believe, quite consistently with safety, it is possible to make money available to the ryot at 6 or 6½ per cent. The Registrar has complained in his annual report that primary societies, either on account of inertia or unwillingness, have been slow to carry out his instructions regarding the waiver of penal interest and the reduction of ordinary interest. This slowness creates a hostile reaction in members' minds. If that is removed and transactions are quickened, it would be possible for societies to work with even smaller margins.

Unfounded Criticism.

We see no justificatiom whatever for the strong and unmeasured criticism in which Mr. Chettiar has indulged, of those non-officials who have joined the co-operative movement after attaining distinction in their own professions. Such men do not join the movement, as uncharitably supposed by Mr. Chettiar, to seek cheap personal distinction, to grab offices in a number of important organisations, only to fail to do justice to any one of them and to block the way of younger men capable of initiative and push. If a successful lawyer or doctor joins the co-operative movement—or politics or any other public cause, for that matter—he does so at the sacrifice of his profession. Some twenty-five years ago it was perhaps true that participation in public life helped a man in his profession. But now public life and the professions are both exacting and a man can wholeheartedly be either in his profession or in public life. If a lawyer devotes any considerable part of his time to public life, his clients gradually desert him. And we see nothing wrong in a person seeking distinction in public life either after or before attaining success in his profession. The desire to win the esteem of one's fellow men is a legitimate ambition and it is a nobler incentive to good work than the desire to possess wealth. We should therefore welcome, not regret, the presence of men of proved ability and character in all our important co-operative institutions. Their services are particularly needed in the formative stages. In democratic institutions like our important co-operative societies, there is no meaning in complaining that certain men get elected to offices time after time. They are elected presumbly because the voters, who are not lacking in intelligence or independence, have confidence in them and want them to hold the offices. Nor is it a fact that capable young men are denied opportunities of service and responsibility. Those among them who have 'initiative and push' will refuse to be kept in the background by old incompetents, and will elbow their way into prominence. They do not ask for sympathy.

If Mr. Chettiar had his own way, he would compel a man to retire from an honorary job on reaching his fiftieth year—'tenth lustrum'—in the interests of younger men. Nothing would be more unwise than to do so and thereby deprive institutions of men who by experience and maturity of judgment would be in a position to render them the most useful service. Why, under such a rule Salem would have been deprived of Mr. Chettiar's own and the late Mr. R. Ramachandra Rao's valuable services. The picture of the veteran lagging on the stage beyond the years of his usefulness and obstructing the path of younger men, though attractive, is entirely imaginary and unconnected with present day facts.

Dr. Paton.

Mr. Chettiar should be congratulated on having been able to persuade Dr. Paton to preside over the conference. Though the contribution he made to the conference was not a deep and intimate knowledge of co-operation, it certainly was the spirit of love, self-sacrificing devotion and deep faith in God. Dr. Paton is the embodiment of the missionary spirit at its highest. He has spent several lakhs of his own money in establishing and equipping a very efficient free hospital and a home of spiritual service at Tirupattur, where every kind of work is done on a voluntary basis, that is, without salaries being offered, and where everyone is treated as God's beloved child. It is very rarely indeed—if ever at all—that one hears at a co-operative conference the kind of religious appeal that he made. Like the late Mr. Gokhale who wanted public life to be spiritualised, Dr. Paton wants co-operation to be spiritualised. He reminds us truly of the teachings of the great Raiffeisen. It is to be hoped that everyone who attended the conference has imbibed some of Dr. Paton's fine spirit.

District Economic Councils.

We find it very difficult to feel optimistic about the District Economic Councils, for the formation of which the Government have recently issued orders. The great personal interest which H. E. the Viceroy takes in the welfare of the ryot and in rural development, and his desire that Collectors as representatives of Government should get into much closer touch with the villagers than at present, are no doubt responsible for the issuing of the orders at present by the Government. During his term of office His Excellency will of course supply the driving force for their working. In spite of these favourable circumstances, we are afraid, constituted as they are, the Economic Councils cannot work efficiently. Their object is to co-ordinate the work of the various Government Departments which are engaged in nation-building activities. They are to be composed of all the district officers representing the various Departments and two non-officials nominated by the Government, with the Collector as the President. The Commissioner of Labour, who will be known hereafter as Commissioner of Labour and Rural Uplift, is to be the authority to co-ordinate the work of the different Councils. Each Council will have several sub-committees working under it, composed of some of its members and several co-opted officials and non-officials. The Councils are not provided with any funds by the Government but are asked to raise them locally.

The Government are apparently of the view that, while each Department is provided with ample funds and is working efficiently

by itself, the lack of co-ordination has stood in the way of the best results being produced. The control and co-ordination supplied by the Ministers and the Finance Department have apparently not sufficed. But will an advisory Council, consisting of a large number of officials, each fully occupied with his own departmental duties, and presided over by an officer who has multifarious defined and undefined duties to perform, be able to tackle the problem of rural uplift seriously? The Tiruvallur experiment, confined to a comparatively small area, started under very favourable auspices and supplied with adequate funds, failed miserably on account of too many expert officials being put to work on it. How can the Economic Councils, composed of a larger number of expert officials but not supplied with funds, be expected to work better? The Government Order mentions Village Panchayats and co-operative societies as instances of existing organisations which the Economic Councils could stimulate and utilise for furthering their objects. We do not see how exactly they can do it—without any funds placed at their disposal. Five or six years ago, when Village Panchayats were working under a separate Act, and under a separate officer who had been provided with funds from the Provincial revenues to make grants to them, they roused a good deal of enthusiasm in the villagers and some excellent work was done. Without funds to give grants, but with only capacity to give advice, we do not think the Economic Councils can succeed in stimulating them. And what can the Councils do for co-operative societies which the non-official organisations and the Co-operative and Agricultural Departments are now unable to do? The only way to make the Councils useful is put them in possession of funds which could be used judiciously for village uplift. The least that should be done is to hand over to these Councils the special grant of Rs. 15 lakhs given by the Government of India for rural reconstruction, which strangely enough in our province—and only in our province—was made over to Local Boards to augment their funds. Of course, it would be better if the Government could add to the special grant at least an equal sum from the Provincial revenues. But without funds the Economic Councils will achieve nothing.

Supersession of Committees.

In the speech which Mr. Ramadas Pantulu made at the meeting of the Board of Management of the Madras Provincial Co-operative Bank on the 19th of July—which speech will be found in the supplement to this number—he has protested vigorously against the tendency of Government to seek to remedy the defects prevailing in co-operative societies by increasing official control. A fresh illustration of this tendency is seen in a new Rule, providing for the supersession of managing committees of societies, promulgated under the Co-operative Societies Act by the Government of Bombay. Strong protests are being made against this Rule by non-official co-operators all over that province. Nowhere in India is non-official opinion stronger or more influential than in Bombay, and in the past nowhere was the Government more anxious to have non-official opinion on its side than in Bombay. Of late, however, the attitude of Government has changed, bearing out Mr. Pantulu's observation.

The new Bombay Rule runs as follows :—

"48. (1) Notwithstanding anything contained in the by-laws of a society, Government may by an order published, with the reasons therefor, in the *Bombay Government Gazette* :—

(*a*) remove all the members of the committee of a society and appoint a new committee in their place, or

(*b*) remove any of the members of the committee of a society and appoint one or more members, as the case may be, in the place of the member or members so removed :

Provided that the number of members of a new committee appointed under clause (*a*) shall not in any case exceed nine :

Provided further that before making such order Government shall, except when, in the opinion of Government, there is an emergency, consult the Bank, if any, financing the society and give an opportunity to the committee or the member or members concerned to show cause why such order should not be made.

(2) When Government have appointed a new committee under clause (*a*) of sub-rule (1), Government may direct that the members of such committee shall hold office for a period not exceeding three years from the date of their appointment. The member or members appointed under clause (*b*) of sub-rule (1) shall hold office so long only as the member or members, in whose place he is or they are appointed, would have held office, if the vacancy or vacancies had not occurred.

(3) The committee or the members so appointed shall, during the period in which they hold office under sub-rule (2) perform the duties and exercise the powers of the members of the committee of the society.

(4) The bye-laws relating to the meetings of a committee of the society shall apply to the meetings of the new committee appointed under clause (*a*) sub-rule (1) except that the quorum shall be three."

As pointed out forcibly by the *Bombay Co-operative Quarterly*, this Rule is open to several objections. Firstly, Rules are intended to carry out the provisions of an Act by prescribing details and not to introduce radical changes in policy or principle. Any such changes have to be made by means of an amendment of the Act itself. In Bihar and Madras, supersession is provided for in the Act itself. Secondly, the power of suspending committees is now exercised in Bombay by supervising unions with the approval of the district union boards. This is in accordance with the recommendations of the Bombay Provincial Banking Inquiry Committee of 1930 and the Supervision Committee of 1934. No reasons have been given for transferring the power from the Unions to Government. Another objection to the Rule is that if the power of supersession be vested in the Registrar there could be an appeal to Government, but if it is vested in the Government there could be no such appeal. But perhaps the most objectionable feature of the Rule is that under it individual members of managing committees could be removed—a power which lends itself peculiarly to abuse. The Bombay Co-operative Institute and conferences like the recent Karnatic Co-operative Conference held at Dharwar, have therefore urged the Government to withdraw the Rule and vest the power of supersession in federal controlling agencies to be exercised in consultation with the Registrar and the financing bank concerned. Supersession orders have evoked considerable dissatisfaction in our province. The only way to avoid it is to obtain for such orders the support of public opinion to the greatest possible extent.

Provincial Bank.

In Mr. Ramadas Pantulu's speech, to which we have referred above in part, there are several other matters of general interest. The Provincial Bank had to pay an income-tax of Rs. 97,455 last year against Rs. 20,122 in the previous year 'owing to an interpretation placed on certain rules of assessment'. It is monstrous that a new interpretation of rules should result in the enhancement of a tax by 400 per cent! By this interpretation the co-operative movement in the province has been deprived of the beneficial use of about Rs. 75,000 on objects like the rectification of bad societies, promotion of marketing, co-operative education and reduction in rates of interest. We trust the Government will consider favourably the Bank's representation on this matter. One notes with satisfaction that the central banks and the Provincial Bank are agreed with regard to the policy of concentrating on seasonal loans for raising crops and for marketing produce. In pursuance of this policy the Provincial Bank had lent out upto the 30th of June last Rs. 14½ lakhs to three co-operative societies concerned with sugar manufacture. Mr. Pantulu stressed the need for better business co-operation between the Provincial Bank and its constitutent members, the central banks. He pointed out that the Provincial Bank gave the central banks all the cash credit they needed without charging any interest on undrawn portions or making any charge for other services. For it to function efficiently and be useful to the movement, a co-operative business of Rs. 40 lakhs to Rs. 50 lakhs a year was needed. During the last two years the central banks had borrowed only Rs. 7.5 lakhs and Rs. 12 lakhs respectively. They seemed to be acting on the principle, "Borrow and invest elsewhere if you *can*: go to the Provincial Bank if you *must*"—an obviously unfair and one-sided arrangement. In asking them to abandon this attitude and to prefer the Bank's loans to Local Board deposits, unless the difference in interest was more than ½ per cent, Mr. Pantulu has not demanded from the central banks anything more than the usual degree of loyalty which every society is entitled to demand from its members. We welcome the promise contained in Mr. Pantulu's speech of a subsidy to the Provincial Co-operative Union for organising loan and sale societies and trust the Union will engage itself in their organisation. One sympathises with the co-operators of Orissa who have to pay interest at 15¾ per cent when their neighbours in Madras Presidency pay only about half of that, and in particular with the co-operators of Ganjam District who, for no fault of theirs and on account of the district being included in Orissa, will be deprived of the comparatively low interest rates and other advantages hitherto enjoyed by them—unless the Government of Orissa accept the offer made by Mr. Pantulu on behalf of the Provincial Bank and enable all the co-operators of Orissa to obtain loans at the Madras rates.

Bengal's Splendid Example.

With very great pleasure H. E. Sir John Anderson, Governor of Bengal, declared open recently a small irrigation project, the Khurulia Khal Irrigation Project, in a rural area. What made it worthy of the Governor's special affection and praise was the fact that the whole earth-work was done by voluntary labour. It is common enough in Bengal and some other parts of India for river-beds to be silted up, and in consequence for rivers to change their courses, resulting in

the ruin of a number of villages. A Khal is the silted up dry river-bed. A wide channel, three miles long, 65 ft. broad and 10 ft. deep, was dug in the Khurulia Khal and a road 30 ft. long was laid along the Khal by the villagers of the area, of whom every day not less than 10,000 and on some days as many as 20,000 worked at the project for some two months. They consisted of all classes of men, many of whom were pleaders, officials and other educated men unaccustomed to this kind of work. The Governor praised it as a fine piece o selp-help and patriotic co-operation, whose example was already being emulated in other parts of the sub-division and in other districts. He said that according to the estimates of the Public Works Department the work done by the villagers was worth some Rs. 40,000; and if they had got it done by the collection and expenditure of taxes, it would have meant a good deal of hardship and oppression to the people, as money was now so scarce in the villages. He said:

> "Money to you, if I may say so, is not the milk but the cream of the milk, and any demand that is made in cash is a demand on the cream; it is a demand on that kind of wealth of which you have the least. Your real surplus of wealth lies in the long days of comparative leisure during certain periods of the year and in the latent energy for which so long no fruitful outlet has been found."

In an address which the villagers (of Brahmanbaria) presented to the Governor they mentioned several other pieces of work, such as the removal of water hyacinth, clearing of jungle, filling up insanitary ditches etc., which they had done in the same voluntary manner. Like Sir John Anderson, everyone will be happy to see the undoubted and fine but sometimes misdirected patriotism of the youth of Bengal take this new and highly useful form. There is need for this kind of service in every part of the country. We fervently hope that this splendid example in self-help and co-operation set by Bengal will be followed by other provinces.

Registrar's Term of Office.

In the course of a leading article on the co-operative movement in this province, the 'Madras Mail' recently wrote:

> "The co-operative movement generally is in need of strong and firm direction. This is only possible if the Government appoint a suitably qualified person to the office of Registrar and leave him in that office for a sufficiently long period to make his influence felt. If possible, the appointment should be a permanent one, the individual remaining in it

> until the time comes for him to retire, or illness, proved incompetency, or other disability makes a change necessary. Frequent changes and stop-gap arrangements hav done, and will continne to do, considerable harm to the movement unless the Government make a change. Instability at the top has led to defective working lower in the scale."

There is much force in the above passage. For many years it has been the practice of Government to keep a person as Registrar only for a period of three years, which gives him too little time to guide the movement. In the selection of persons also, the exigencies of Service rather than the needs of the movement seem to be the deciding factor. That of course should not be the case. It was said by a former Registrar that the strain of his office was such that one could not bear it for longer than three years. But strain is not felt where interest is keen, and if a person is appointed as Registrar who believes in the potentialities of the movement and is fitted for it by temperament, we are sure he would like to continue in the post, and everybody concerned would benefit thereby.

Tanjore District Board and Rural Reconstruction.

A comprehensive scheme of rural reconstruction, very much on the lines of Mr. F. L. Brayne's famous Gurgoan Experiment in the Punjab, was inaugurated recently by the West Tanjore District Board. The speech made on the occasion by Mr. Nadimuthu Pillai, President of the District Board, is published on another page. While we congratulate the Board and its President on adopting the scheme, we do not think that his claim that 'theirs is the first local body to undertake in these parts work of this kind on organised lines' is well founded. Some ten years ago the Chingleput District Board, under the leadership of Dewan Bahadur M. K. Reddi, adopted a scheme which was also modelled on the Gurgoan Experiment, and worked it with enthusiasm for some time. The organisation of Village Panchayats and the introduction of compulsory education in the whole of Saidapet Taluk were its special features. It was abandoned later, partly because the District Board could not finance it and party because there was a change in the Presidenship of the Board. West Tanjore has no doubt better resources than Chingleput. But it may be useful for it to acquaint itself fully with the experience of the latter.

Milk Supply in Madras

BY MR. R. SURYANARAYANA RAO,
Servants of India Society, Madras.

With the growth of population and with increasing recognition on the part of every one of the value of milk in building up the health of the community, the problem of milk supply in cities and towns has assumed greater importance. Nobody who is interested in the health of the present and the future generations can afford to be blind to the factors affecting milk supply in Madras. There was a time when the consumption of milk or the use of any milk products was considered a sign of luxury. But nutrition experts have fortunately helped to dispel such wrong notions and have laid emphasis on the fact that milk is an important and even indispensible article of food. The importance of milk as an article of diet has been so well recognised that the quantity of milk consumed is taken as a true index of the health of the community. If a survey of facts relating to milk consumption in our cities and towns is carried out, it will be seen that the increase in consumption of milk is not in proportion to the increase in population, and dietists and nutrition experts will not hesitate to call attention to this disquieting situation. It may be that there is even a set-back owing to reduced purchasing power brought about by the economic depression, unemployment and other economic causes. In countries where an enquiry has been held into certain aspects of milk consumption, two facts have been found to be prominent, viz., relatively low liquid milk consumption by families with children and the rapid decline in *per capita* expenditure on milk with reducing incomes. It can be safely asserted that this is equally true in the case of Madras City. It is also seen that low consumption of milk by poorer classes is a normal feature, as by force of habit also milk has been regarded as an article of luxury. It is doubtful whether at any time in the near future the purchasing power would so increase as to permit an increase in *per capita* expenditure on milk consumption.

But in view of the importance of milk as an article of diet, it is necessary to devise methods to ensure maximum supply to the consuming public as cheaply as possible, so that even people with reduced purchasing power may be induced to consume more milk.

While cheapness is desirable from the view point of the consumers, we cannot afford to neglect the fact that the producer should be assured of a reasonable remuneration to make it worthwhile for him not only to keep up the supply but also to increase it. So two factors which have to be borne in mind and which though conflicting should be reconciled are: (1) the necessity of securing a reasonable remuneration to the producer and (2) the maximum supply to the consumers at the lowest rates consistent with the legitimate interests of the producer. To achieve this, in some countries the State has even subsidised the price of milk in the interests of the producer. In our country such a step is yet unheard of, but the recent interest shown by His Excellency the Viceroy will, it is hoped, ere long find practical expression in State aid to the dairy industry. Meanwhile it is the duty of all interested in the welfare of the community to devise measures calculated to increase the consumption of milk and also safeguard the interests of the producer.

Besides cheapness and other considerations already mentioned, the factors which affect the consumption of milk are purity, quality, regularity in supply and dependability. It is needless to say whether the Madras milkman satisfies all these tests. While the larger consumer may be able to secure purity, regularity, etc., there is a large section of the population, in whom the consumption of milk should become a habit, who will not be able to secure those facilities, because the quantity consumed by them is small. To ensure purity there is the Food Adulteration Act by which even the addition of water to milk is now prohibited. But in how many cases can the addition of water be detected, and even if detected, how many consumers of the poorer classes will complain about it? It will be interesting to know how many cases of prosecution there have been in the City in regard to addition of water to milk since the Act has come into operation. Not only adulterated milk robs the public, especially children and invalids, of essential nourishment, but also the water added carries in it usually germs of serious diseases. Moreover, in milk from cattle which are suffering from malnutrition and have thus become susceptible to diseases, there is always danger to public health. It is not known what machinery exists now not merely to prevent adulteration but also to ensure that the milch cattle are free from diseases; and even if such machinery exists, it is doubtful whether it has effectively put down adulteration and prevented the sale of milk of diseased cattle. The Food Adulteration Act also deals with

butter and ghee which form important articles of diet in our country. Adulteration of these articles of food usually consists in the addition of other fats. In regard to these the Act seems to have proved effective.

Besides adulteration, milk is liable to undergo some abnormal changes such as 'ropiness' which is due to the growth of bacteria either on account of the inflammation of the udder or the bacteria gaining access to the milk after it leaves the udder. Scientists who have made researches into this problem have found that the common sources of infection of 'ropy milk' organisms are:—

(1) Dirt from the cow or the worker.

(2) Contamination of milk utensils, cloths, strainers, coolers, churns or any other material with which the milk comes into contact.

(3) Contaminated drinking water or marshy land which may infect the udders or flanks of the cows.

(4) The water used for washing the utensils etc. Such water may also infect the milk passing over a leaky cooler.

(5) Straw, mouldy hay, bedding, manure etc., which may show the presence of organisms producing ropiness in milk.

(6) Dust-laden air.

(7) Certain plants, e.g., butterwort.

(8) Feeding stuffs.

Preventive remedial measures have to be adopted to avoid the sources of infection enumerated. Apart from these measures it is considered that efficient pasteurisation will kill ropy milk organisms. But care must be taken to avoid post-pasteurisation contamination.

Investigation has fairly established the theory that "immunity from contagious disease is dependent on the nutritional state of the body and that diet has a definite effect on the increased resistance or decreased susceptibility of an animal towards an invasion of certain types of micro-organisms." It is also opined by experts that the greatest factor of importance in the causation of degeneracy in cattle is malnutrition. A study of the condition of dairy cattle in the City will disclose that most of them are suffering from malnutrition. It is wellknown that the milkman in Madras disposes of his cattle when they fail to yield or the yield is so small as to make it uneconomic for him to maintain them. He looks to the immediate gain as he cannot afford facilities to keep the dry cattle till they calve again. Only a few are sent to Guntur and Nellore districts for grazing purposes.

How best to retain the cattle till they calve again without permitting them either to be sent to the slaughter house or otherwise disposed of, is a problem which needs serious attention in the interests of the milk supply of the City. Depletion in the stock of cattle, instead of an adequate increase in number to meet the growing demands of the consuming public in whom the milk-using habit should grow, is a serious menance to the health of the City.

It will be seen from what has been stated above that efficient organisation is necessary to ensure the supply of milk of good quality and to secure a reasonable remuneration to the producer, while assuring the maximum supply to the consumer at the lowest prices. The individual milkmen who owns a few cattle cannot possibly satisfy all the requirements suggested. He should form part of an organisation, which while safeguarding his interests will also satisfy the requirements of the consuming public. Moreover, problems like pasteurisation, provision of adequate supply of fodder and feeding stuffs, economic raising of calves and others, can best be tackled by an organisation which can command expert knowledge and make effective use of the same in improving the quality of the breed, in avoiding malnutrition etc.

The Madras Co-operative Milk Supply Union, which is a federation of 11 Milk Supply Primary Societies in and around Madras, has been started to meet the requirements of the milk consuming public of the City. The price at which milk is sold is fixed and the quality is guaranteed. From small beginnings the Union has slowly extended its activities, and at present there are 34 depots selling on an average 700 measures of milk per day. Besides the sale through depots the Union supplies milk to 4 State hospitals and to important Cafes like the Modern Cafe. The total daily sales come to about 1500 measures. During 1935-36, the Milk Societies supplied to the Union 4,10,399 measures of milk of which 3,81,461 measures where sold as liquid milk and the reminder was converted and sold as milk products such as cream, butter, curds and ghee. The amount realised by the sale of milk and milk products was Rs. 1,64,045. To strengthen the societies to meet unforseen losses, the share capital and the Reserve Fund have been considerably increased and greater vigilance is being exercised in regard to expenditure. The Union is now arranging to get cream from members of village credit societies from which butter and ghee are prepared. The Union is finding it difficult to meet the demand for ghee. The Union has also

arranged to purchase feeding stuffs required for cattle at wholesale prices and distribute them to the members of the City Societies.

In order to extend the useful activity of the Union, more societies of milkmen should be organised in the City so that in course of time the milk supply of the City is completely controlled by the Union and the milkmen secure all the benefits which a co-operative organisation confers. Then the Union should make arrangements for installing a pasteurising plant so that milk will become available at all hours of the day and that the need for converting milk into butter and ghee may be avoided, for such conversion is not economically sound. Disposal of raw milk must be done within two hours of its arrival. Pasteurisation will help the Union to handle large quantities avoiding 'spoilt' milk. The pasteurising plant may also enable the Union to reduce the price of milk. Greater attention should be paid to the health of the animals by a regular and periodic examination of the cattle by the Veterinary Department. The members of all societies should receive the benefit accruing from the wholesale purchase and distribution of feeding stuffs. The housing and surroundings in which cattle are kept will have to be improved greatly. Provision of pasture land for dry cattle to graze in and return as soon as they calve again, is absolutely necessary. In addition to feeding stuffs for cattle, fodder should be purchased and supplied to milkmen. Model cattle yards should be erected wherever possible so that cattle may be reared under hygienic conditions. The Union should also carry on a Drink More Milk campaign. In these and other ways the Union can play a great part in solving the milk supply problem of the City and thus promote the health of the citizens. The Corporation of Madras should come forward to render all possible assistance for this laudable enterprise.

The Union has formulated a definite scheme for erecting a pasteurising plant at a convenient place in the City and when the plant is set up it is proposed to arrange also for house delivery of milk in bottles and thus ensure supply of milk of good quality to all who can afford to pay, while the increased number of Depots that will be opened in the City will cater to the needs of small buyers. The Union has also a scheme ready to prevent the disposal of dry cattle for slaughter houses by providing suitable grazing grounds and arranging to take care of milch cattle during the dry period on payment of a nominal fee per month. As already stated the practice of sending dry cattle to Guntur and Nellore Districts now exists; but it is not availed of freely for fear of losing the animals. The alternative of selling them to the slaughter houses in view of the immediate gain it brings, has proved more attractive. But the existence of an organisation like the Union to undertake the care of cattle may induce the cattle-owners to prefer to maintain dry cattle instead of disposing them of. The scheme prepared by the Union will become self-supporting only when at least 500 cattle can be gathered. Till then the Union needs public support. Humanitarians cannot find a better cause worthy of support. The Union has just promoted another scheme by which members of village credit societies are induced to supply cream to the Union for the purpose of preparing ghee for sale. It is the earnest desire of the Co-operative Department, as evidenced by a Circular recently issued by the Registrar, that Central Banks should arrange to start some cottage industries to enable the members of the primary credit societies to secure supplemental income. The Union has given practical expression to the suggestion of the Registrar by persuading the members of the Kilacheri Credit Society in Chingleput District to prepare and send cream to the Union. If this scheme is extended to other areas, it will enable the ryots to get a supplemental income, the Central Banks which suffer from a plethora of money can find better and more profitable investment for their funds for productive purposes, and the City will be assured of a supply of ghee of good quality free from adulteration.

As the Milk Supply Union is performing a public duty, the State should come forward to finance its schemes by loans on easy terms, preferably without interest for a period of time, as ventures of this kind cannot become self-supporting in the initial stages. In addition, the Government should also grant subsidies till the pasteurising plant and the scheme for taking care of cattle during the dry period become self-supporting. The success which attends the efforts of the Union will prove an incentive for other big towns and cities to undertake similar schemes to solve their problem of milk supply. The public also should extend their co-operation to the schemes put forward by the Union. Is it too much to expect that such assistance as is needed will be forthcoming in an abundant degree and that the hope the Honourable the Development Minister expressed during the budget discussion in the Council that "in a year or two this Union will be in a position to supply the whole city of Madras with pure milk, ghee and so on" will be realised?

Security and Mortgage Bonds

By Mr. M. S. Narasimha Rao, B.A., B.L., Nellore.

How have societies to guard themselves against losing the liabilities of either the principal debtors or sureties in respect of personal security bonds?

Every personal security bond is as a rule executed by a principal debtor and one or two sureties. I have already referred to the question of limitation* and stated that unless there be an unconditional acknowledgment in writing off the debt before the expiry of the period of limitation, the right to enforce liability on the debtor might vanish.

There is however another way in which such a right might disappear and that is, by some stranger or either of the executants acknowledging liability by part payment or otherwise and the debtor not so acknowledging, contending that the person acknowledging was not his duly authorised agent and that his liability had therefore ceased. It is a principle of law that an acknowledgment or part payment made by the principal debtor with a view to save limitation will not be even binding on and avail against the sureties. To prevent such a kind of plea, the Nellore Co-operative Society of which I am the President, on my advice, inserted a clause in every personal security bond to the effect that the executants of the bond individually acknowledge that every payment or acknowledgment made by either of them or by any stranger, should be regarded as a payment or acknowledgment made on behalf of the executants not directly paying or acknowledging. The supervisors and inspectors may instruct the societies to incorporate such a clause in the personal security bonds executed in favour of rural societies.

There is another way in which a surety to the bond may claim that his liability was discharged on account of the conduct of the creditor (that is, the society). It arises in the following manner. A surety in law as well as in equity is regarded as a "Favoured debtor". His liability is often stated to be a secondary or contingent liability, though when the principle debtor defaults, the surety becomes liable as if he were himself the principal debtor. It is on this basic principle that the surety is a favoured debtor, that the courts regard the sureties as having been discharged from liability, the moment the creditor

* An article on the Law of Limitation by the writer was published in this *Journal* in March 1936.

does any thing by way of varying the terms of the contract, behind the back of the surety, and without his consent and to his detriment. Even where it is doubtful as to whether the variation is to the detriment of the surety or not, the courts are inclined to hold that the surety is discharged by the simple reason of the variation. It is not necessary that the variation should be substantial enough to discharge the surety. For example, it is the case in credit societies, that a loan is granted to a principal debtor on the surety of another, and both the principal debtor and the surety agree that the loan is to be repaid in certain specific instalments. If on an application by a principal debtor, the society gives an extension of time for payment, without the surety joining in the application for extension, it is possible for the surety to contend that there is variation in the terms of the contract and that he was therefore discharged from all liability. Section 133 of the Indian Contract Act provides that any variance made without the surety's consent discharges the surety. Section 135 of the Contract Act also provides that if time is given to the principal debtor without the assent of the surety, the surety is discharged. No doubt there should be consideration for the grant of the extension of time. But it is safe to give extension *only if* both the principal debtor and the surety join in the application. It is therefore necessary that when an application for extension is made by the principal debtor, the society should not grant it, unless the principal debtor secures the consent in writing of the surety for the application for extension. The Supervisors and Inspectors may advise Panchayatdars accordingly.

Now about the recetals that should find place in mortgage bonds executed by members in favour of societies.

When a society lends money on a mortgage security, for discharging a prior mortgage, the question arises whether the society gets subrogated to the rights of the prior mortgagee. According to the amendment to the Transfer of Property Act in 1929, under section 92, it is provided that a person who advances money for discharging a mortgage debt in full, gets subrogated to the rights of the prior mortgagee, only if the mortgagor (borrower) has by a registered instrument agreed that such person shall be so subrogated. It may be said that where the society takes a mortgage and not merely a personal bond, such a registered instrument in writing is not necessary; but still it is safe that in every mortgage deed executed in favour of the society, where a prior mortgage is discharged, a

recital is made in the mortgage deed to the effect that on the prior mortgage deed being discharged in full by the society, the society should at once get subrogated to the rights of the prior mortgagee. Where the society takes a mere personal bond from the borrower and discharges a prior mortgage deed of the borrower, the society should as a rule take a registered bond from the borrower to the effect that on the society paying the prior mortgage, the society should have rights of subrogation. I would request the Supervisors and Inspectors to instruct the Panchayatdars to see that this precaution is taken.

I shall next deal with the recitals that should find place when a member who has borrowed money on mortgage of his property, again applies for an additional loan either on the security of the same property or on the security of different property. Under section 61 of the Transfer of Property Act, the debtor will be entitled to redeem each mortgage separately, unless there is a contract to the contrary. So far as co-operative societies are concerned, it is not in the interests of a society to allow a debtor to redeem each mortgage separately. It is therefore necessary that when additional mortgages are executed by members, there should be a definite clause inserted in the said additional deeds, to the effect that the mortgagor binds himself to redeem both the mortgages together (simultaneously), and that if he should default in the payment of instalments in respect of any one mortgage, the society should have the right to close his loan accounts in respect of all the mortgages executed by him, even though he might have been regular in the payment of instalments of the other mortgages, and the society should have the right to file a single reference to recover the debt due under all the mortgages, at one time. On my advice such a recital is being incorporated in the additional mortgages executed in favour of the Nellore Co-operative Society. The Supervisors may usefully advise the rural Panchayatdars accordingly.

I must in this connection refer to a particular kind of mortgage in vogue in the rural societies in the District. I understand that a similar mortgage is also in vogue in Kalahasti in the Chittoor District. I do not know by what name I should name it. It is a mortgage which runs in the nature of an overdraft account in a Bank. The way how it is being worked is as follows:—A mortgage is executed by a member for advances to be made or future advances to be made, say, up to a maximum sum of Rs. 250, and after execution, is registered. The society then begins to make advances to the borrower, and also receives payments from him. The total advances made by the society may aggregate and go up to even Rs. 1000. The only precaution taken by the society is that the outstanding balance of principal due from the borrower, after giving credit to the payments made by him, does not exceed at any time the maximum mentioned in the mortgage deed, and that there is always at least a balance of Re. 1 due on the mortgage towards principal, before any fresh advance is made to the borrower as loan. I have very grave doubt if the mortgage security subsists in respect of advances, made over and above the initial sum of Rs. 250 advanced. When the loan of Rs. 250 advanced by the society is paid back either in full or in part, it means the mortgage is discharged to that extent. I do not consider that another sum to make up Rs. 250 or part thereof can again be given to the borrower, under the same mortgage bond, so as to cover the same mortgage security, simply because at the time of the making of the subsequent advance, the debtor has repaid the previous advance substantially. The provision of law regarding mortgages executed for securing future advances is contained in section 79 of the Transfer of Property Act. The language of this section does not appear to give so much liberty to the creditor. There is no doubt an expression 'running account' in the section. But there is no decided case, so far as I could see, which says that the expression 'running account' is the same thing as 'overdraft account'. The society may come to grief, if the borrower, after executing this overdraft mortgage in favour of the society, mortgages the property once again to a stranger. The stranger may contend, and in many opinion probably with success, that in so far as the society advanced in the aggregate more than the maximum amount mentioned in the mortgage deed, the society cannot claim priority over the subsequent mortgage in respect of the excess advanced. My opinion is that while there is no objection for societies taking these mortgages for securing future advances, it is safe that when any amount over and above the maximum mentioned in the bond is to be given to the borrower, even though the additional amount proposed to be advanced along with the outstanding principal amount due from the borrower is not at the time more than the amount stated in the bond, the society should as a rule take a fresh mortgage bond, instead of relying on the original bond. Whether the construction of section 79 as given by me is correct or not, the adoption of the above course is safest. Supervisors and Inspectors may recommend it to the societies.

Co-operative Societies and How to Improve them

By C. Venkata Rao Pantulu,

Ex-President, Guntur District Co-operative Bank, Ongole.

It is an admitted fact that the co-operative movement has failed for some reason or other. The official attributes it to the incapacity of the non-official and the non-official attributes it to the unsteady policy and unsympathetic attitude of the official. Upto 1930, the Department followed the policy of expansion; societies, unions and central banks were organised in large numbers. The borrowing power was enhanced to absorb all the Local Board deposits which were just released for investment in central banks. The central banks indiscriminately gave loans. In the Guntur Bank a sum of 3 lakhs was given as loans at one meeting. The anxiety of central banks was to absorb all the available Local Board deposits in order to increase their profits and to be able to employ more staff. The profits rose from Rs. 40,000 to Rs. 70,000 in 1928-29 and the Board immediately sanctioned additional staff. The Department too, was not less anxious to increase its staff and it did so with a vengeance. It was subsequently found in rectification that book adjustments were freely resorted to and that many of the loans in societies were irrecoverable. Then began liquidation and prosecution. Restrictions were placed by the Department on the withdrawal of investments. In primaries more than a certain proportion of share capital could not be withdrawn in one year. The Registrar issued also a circular sometime back that the maturity of Local Board deposits should be spread over some years, so that the central banks might not be inconvenienced to repay the whole deposit in one year. If there had been such restrictions on other deposits also, the movement would not have got into so bad a state.

In earliar years the non-officials in the movement were good enough. In the period of expansion all sorts of people got into the movement and borrowed large sums. To protect themselves they got into the managing committees of unions, federations and central banks. They also got themselves nominated as arbitrators. I explained this state of affairs to one Deputy Registrar and requested him to inspect the societies of Directors of all denominations. He inspected and found them to be the worst, while the other societies were not so bad.

I have been an honorary worker for the past twenty years. I was entirely responsible for the spread of the movement in Ongole Taluk. I co-operated with officials as far as possible. I found excellent men in the service. Many of them told me that they were selected for this Department by the late Dewan Bahadur R. Ramachandra Rao. I cannot omit to make mention of the late lamented M. Chalapathi Rao Naidu, Assistant Registrar, the like of whom, I do not find now. But I cannot congratulate the Government on their present day selection of inspectors and Deputy Registrars. . . . . There was a proposal in the Guntur Central Bank to reduce the number of unions. The Deputy Registrar openly suggested at the meeting that all the unions might be retained by balancing the budget, and the Board resolved accordingly. But when the Registrar visited the district, the Deputy Registrar represented to him that the Central Bank refused to reduce the number of unions in spite of him. I at once told the Registrar that the Board resolved to retain all the unions on the suggestion of the Deputy Registrar. When asked by the Registrar, the Deputy Registrar denied having made the suggestion. Then the Board passed a resolution that the Deputy Registrar did make the suggestion. But the Registrar would not enquire and know the truth. Such is the regard for non-official opinion. I know instances where officers induced members to file disputes in elections. I also know instances where they openly canvassed for particular candidates. . . . . . Seeing all this I walked out of the movement as a self-respecting man. In spite of all these, if the movement has not crumbled down, it is because there are still a few excellent officers.

Formerly corruption was unknown in the Department. But now I am not sure. With the powers of execution matters will become worse soon. Formerly the Department was weeding out the undesirables among non-officials by prosecutions, liquidations and supersessions. Now, the time has come when the Department has to weed out its own men without distinction of caste or creed. The sooner this done the better for the movement. This is the first step that should be taken to improve the movement.

(2) Character is the first and the only qualification for membership in a society. This is lost sight of altogether. Organise model societies on the basis of character. Enough if there are four or five societies in a district or even less. Where there is a selfless worker have one society there. The membership should not exceed

ten for the first one or two years. Enlist men of character. Reject drunkards, litigants and those who have not discharged their obligations to others. It is difficult to have more than ten such men in a village. Let the needs of these members be met either by kind or by coin. Improve their condition morally and financially. Let them be object lessons to the rest of the villagers. If any of the villagers improve and come up to this standard, take them as members. Let there be no anxiety for expansion. One such society in the district will be a dynamic force.

(3) The co-operative movement has an unnatural growth in this country. Central banks were started first and then primaries. Primaries exist for the sake of the central banks. They were taught at the time of starting that they should borrow from the central bank. They are not aware of the deposit by-law in societies. It has become the concern of every co-operator both official and non-official to look to the welfare of the central banks first and to induce societies to take loans. Societies must be taught to find money for their own requirements in the village. I know many cases when depositors go to urban and central banks at long distances for investment even though there is a well-managed society in their own village paying a higher rate of interest. Depositors are not aware that it is safer to invest in a village society than in an urban or central bank. Propaganda should be made in this direction. I need not mention the advantages of a local deposit over a central bank loan. The depositor will have an eye on the working of the society. He will also stimulate collections in proper time for his own sake. The period of the loan will depend upon the period of the deposit. The instalment too will be fixed in consultation with the depositor. I wish co-operators will strive in this direction. I am quite confident that primary societies can get deposits if prominent co-operators and the Department canvass for them, forgetting their interests in the central bank. Central banks have grown on the ignorance of the village societies. I shall not be sorry if they dwindle with this propaganda, for the movement will grow in the right direction in another place. Let central banks lend to societies for repayment of deposits.

(4) Honorary workers should not be saddled with clerical work. Every society must have a clerk of its own. As Secretary of the Federation I introduced a rule that every society with a capital of Rs. 2,000 and less should pay Rs. 2 per month for the clerk, for Rs. 5,000 and less Rs. 4 and Rs. 8 for Rs. 10,000 and less.

Over fifty societies in this district adopted this scale. As President of Union I passed the bills of the clerks every month. I never passed them till all the returns in the month were received.

(5) Unions should exist, for there is no substitute for a union. I do not like the scheme of Mr. Ramadas Pantulu to abolish unions and place the area under a bank director for loan recommendation etc. It is not safe to entrust this responsible work to one man.

(6) Supervisors should be on a district cadre under the bank. Let there be no over-lapping of work between supervisors and bank inspectors if any. Supervisors are not contemptible beings. They are the soul of the movement. They correspond to the village officers under the Government.

(7) The supervison fund is dwindling. Supervision cannot be dispensed with, even if the fund is reduced to a minimum. There is provision in the by-law of the central bank to make contribution to the supervision fund in addition to the statutory contribution of 0-8-0. The Townsend Committee recommends it.

(8) A borrower should not be on the committee of any society. A rule must be made immediately.

(9) Every central bank must have an executive officer on a salary of Rs. 100 per month. He should be either a departmental man or one from the Provincial Bank. The Board of the central bank must have power to ask for another man if the present man is found incompetent or undesirable. The outdoor staff must be under his control.

(10) An individual director must have not less than three shares or a deposit of Rs. 500 till he continues as director. Individual directors should be elected by the general body.

(11) The proportion of society representatives to individuals must be two to one.

Conferences.

SALEM DISTRICT CO-OPERATIVE CONFERENCE.

The Salem District Co-operative Conference was held on the 14th July at Mallur a village near Salem. Mr. T. Audinarayana Chettiar, President, Salem District Urban Bank, as Chairman of the Reception Committee welcomed the delegates and the Conference was presided over by Dr. E. F. Paton. Mr. S. V. Ramamurthi, I.C.S., Collector of Salem, opened the Conference. It was attended by about 120 delegates and 500 visitors among whom were many prominent co-operators of the district.

Mr. S. V. Ramamurthi in opening the Conference said:—

OPENING ADDRESS.

It is kind of Mr. T. Adinarayana Chettiar and the organisers of this Conference to ask me to open this Conference. I readily consented as it afforded me an opportunity not only for moving with the people but also to discuss a matter which has an important bearing on co-operation. You are all aware that as a result of the Government's scheme of debt reconciliation and issue of long term loans at 5½ per cent introduced in this district, a sort of friendly rivalry has arisen in which the co-operative societies, if they do not fall into the line with the new scheme, are likely to suffer in prestige. Co-operative societies should be able to accommodate their members by agreeing to conciliate their loans at 6 per cent and thereby enable members to avail themselves of the help offered by the Government.

You are aware that business is conducted on capital. It is also plain that unless the business fetches greater profit than what is paid for the use of the capital, it is not worth while to do the business. Agriculture is also a business. To conduct it the ryot needs yearly about Rs. 40 crores for which he has to pay interest. It is also well known that the farmer does not get back from cultivation which he pays as interest. So it comes to this; agriculture is not a business but a profession. It will be admitted that the farmer must live while he carries on his occupation. But when he borrows at 25 or 50 per cent he cannot be said to "live" but he slides into bankruptcy. So this movement was inaugurated by the late Sir Frederick Nicholson. The credit of having reduced the rate of interest on loans from 24 to, say, 7½ per cent goes to the movement. Of course there is the system of Takkavi loans. But delays and inelasticity are, in a way, inseparable from it. But in a rural co-operative society with its living touch with the villagers, this defect attaching to Government machinery need not exist.

We have reached a stage when re-valuation is necessary. We now find that loans at 7½ per cent are not so helpful to the ryot as it was once thought to be. If I were permitted to say it, I would compare the relief to the proverbial straw on the camel's back. So Government have now taken up debt-reconciliation and toning down. It lends to the ryot at 5½ per cent. This rivalry, so to say, has brought about a crisis in the history of the co-operative movement. The question before co-operators now is whether it is possible to continue to enjoy the advantage of saying that the movement has helped the ryot. This conference may consider how far the co-operative movement can work with this scheme. During the last two or three days when Mr. N. Gopalaswamy Iyengar has been having talks with the ryots in this district the impression created was that co-operative societies would not cut down their demands even when the money-lender was willing to do so. It strikes me that it is the duty of co-operators to help the ryots to this extent. In my opinion it is not impossible.

The average period of a loan is three to five years and by scaling down the rate of interest the sacrifice will not be great. I think it is the duty of the co-operative movement to take this bold step in spite of the slight loss of interest. Co-operators must, in my opinion, move in this desirable direction not only in the four firkas which the Government have taken up but throughout the district. The leaders of the movement, official and non-official, can do it.

I wish to take this opportunity of drawing your attention to another important matter. The credit you now give to an agriculturist may advantageously be in a form in which he can assimilate it. For instance, if you give a tender child food uncooked it may not be able to assimilate it. So, if a villager gets a loan for a purpose admitted to be "good" but misuses it or uses it in an uneconomic way, the credit given will do him no good. Therefore, I suggest that credit may be given to the ryot in a form which will help him in agriculture—seeds, ploughs etc.—which he cannot misuse. If such a thing is rather difficult to put into practice at once, it will give me great pleasure to see one society at least do this and enable the members to adopt improved methods. I know Dr. Paton's self-sacrifying work in the cause of the poor and I congratulate you on having secured him as President of this conference.

The following is the welcome address of Mr. T. Audinarayana Chettiar.

WELCOME ADDRESS.

We have met to-day under the shadow cast by the death of distinguished co-operators. Sir Frederic Nicholson may be called the father of the movement in this province and his monumental report is and will for many a long day be the fountain-head of co-operative knowledge and

co-operative practice. But his chief claim on us is that till the last day of his earthly life, he took a genuine interest in the welfare of the ryot whose needs he understood as very few foreigners have done. His life has another lesson for us. He stuck to one or two questions and, unlike some of our "leaders", did not consider himself an authority on all matters. Sir Mocherla Ramachandra Row's greatest assets were his equable temper which nothing could ruffle and his patient tackling of any matter which he took up with a determined application and careful study. He had built himself a lasting reputation among the public workers of the province. On the Death of Dewan Bahadur R. Ramachandra Row our sorrow is even more intense. He had chosen this district for his whole-hearted service, immediately after his retirement, rejecting many an attractive proposal elsewhere, and he was personally known and loved by thousands in these parts. He had visualised the great possibilities of the co-operative movement for the future rebuilding of rural life in this country and did not spare himself in the work of devising practical schemes for realising the objective. His well-thought-out scheme of rural reconstruction was most comprehensive, although it is our misfortune that he was striken with a painful illness while in active work for this district. I am sure, however, the effect of his selfless labours in the cause of the ryot will be ever green in our hearts. This district also mourns the loss of Sir T.N. Sivagnanam Pillai who was Deputy Collector for several years in this district and afterwards Minister with charge of Co-operation. His was a loveable nature and many of us have lost in his death a sincere friend whose place it will be impossible to fill.

Problem of Overdues.

This Conference meets at a time when you are trying to rest after the hard labours of the close of the Fasli year and after your strenuous efforts to keep down the growing evil of overdues—a task in which the staff of the Co-operative Department greatly helped you. The collections have been better than in the preceding year:

					Rs.
Overdue	Principal	on	30-6-35	was	5,61,909
,,	Interest		do		8,431
Overdue	Principal	on	30-6-36		4,92,551
,,	Interest		do		5,127

But the problem of overdues is far from solved. Recent utterances of responsible leaders and the reports of the Department have recognised this sad defect and have tried to suggest remedies. The recent conference at Ooty afforded a good opportunity for a mutual discussion among the workers, although, owing to its very short sittings,

several problems such as the internal structure of the supervising unions, the human machinery for supervision, could not be adequately tackled. For the rehabilitation of the movement the first essential is a correct diagnosis. It will not do to lay stress on one defect such as the alleged intrusion of extraneous matters and of what is loosely called " politics " into the movement—proverbial motes—overlooking the beams. Mutual incrimination, whether it is official interference or non-official inefficiency that is the contributory cause to the present state of affairs, should not be indulged in, if a calm consideration of this important question is desired. Perhaps, in the words of Sir Roger, "Much might be said on both sides."

At the lowest rung of the hierarchy we have the rural society. As one who has participated in the establishment of some of the earliest societies—our earliest being Namakal 19, Velur 20—Salem Urban 25 I may say there was excuse for faulty organisation such as inclusion of wrong people (according to strict Raiffeisen standards) and location in wrong places. Even if the responsibility attaching to unlimited liability was not then fully explained to the villagers, there is extenuation in the fact that the early organisers were enthusiastic amateurs and official subordinates new to their task. But there cannot be excuse for careless organisation at a later date, such as the inclusion of rich men who aimed at the transference of their bad debts, or for exaggerated property-statements, or fixing the borrowing powers merely on the so-called sale value of properties, ignoring the repaying capacity of the members. But even careless organisation is capable of rectification if the central banks' staff woke up in time ; they can stop lending to a bad society.

Supervision.

So, if there are grave defects in the movement today, primarily the fault would lie with defective supervision. I shall relate a recent experience. A rural society has been started as long ago as 1929 in a remote and inaccessible village. The chief promoters are a family of ryots who number in their family the village officers. The members of the family have long had an evil reputation for high-handed acts. The members of this worthy family hold all the loans between them (in all the permutations and combinations imaginable). Is it any wonder that the entire debt is and has been for years overdue to the central bank ? It would be no easy matter even to distrain moveables in such a village ; the village-officer (who is an interested party) will glibly certify the chattels as belonging to other people and the mortgaged properties, if brought to sale, may not have bidders. It is worth our while to give a thought to this state of affairs and think of a suitable remedy before it is too late.

I have said already that the evils are largely due to defective supervision. What is the supervising agency ? Apart from the departmental staff, it consists of the union supervisors and the inspecting staff of the central bank. In districts where the union supervising staff is " pooled " and the appointments and transfers are effected by the Central Bank, the evil is perhaps less. But in districts where the unions themselves appoint the staff, nepotism unfortunately plays great part. Luckily, passing some tests is now insisted on by Government. But in several unions the illiterate presidents are at the mercy of the union supervisors who some how make themselves indispensable and practically become permanent vested interests.

Being on no district cadre their salaries are often extravagent compared with the pay of the immensely better qualified central bank staff. But supervising unions though not always efficient should be mended and not ended. I am glad Government have not accepted Mr. Sathianadhan's suggestions in this matter.

As regards the staff employed by the central banks, presuming they are carefully recruited—selected for their educational and character qualifications—their continued good work would depend on the control exercised over them. In my experience, false diaries, taking bribes from societies which apply to the central banks for loans, partiality, giving false certificates regarding verification of bonds or of properties pledged, exaggerated valuation of properties proposed to be pledged, delays in remitting collections, are not unknown, though luckily not frequent. I have heard of one Inspector who was reported to have given previous intimation to the party whose chattels were to be distrained on the folowing day, and of one who glibly certified to having verified loan-bonds which did not even exist on the date of his alleged inspection, and of one who connived at the inclusion of men of straw and of useless properties as securities for loans in place of sound men and good unencumbered properties, on the strength of which the central bank sanctioned the loans. If, further, there should exist a faction among the members of the Executive or of the managing board, the entire staff would divide and range themselves on either side and watch which side will win in the next election —if they do not actively help in it. So, if any improvement is to be made in the working of the movement, the central control must be in competent hands and the controlling head should be above the displeasures of the committee or managing board. The chief Executive Officer should be a full-timed and thoroughly qualified person who can run a large office. Any money spent is not ill-spent when it is remembered that crores are involved including moneys of public and local bodies. I do not, however, wish to be understood that I am in favour of taking the services of the departmental hands. I am fully convinced that from among the ranks of non-officials there are hundreds of competent hands—only care should be taken that their appointments and continuance must not depend on the likes and dislikes of a small coterie. I would even suggest the creation of a small committee consisting of, say, the president of the Provincial Bank, three representatives of district financing banks and of the Registrar of Co-operative Societies to receive applications and publish a panel of names from among whom the central banks may make their choice.

Societies and Individual Members.

I shall not enter into the details of the vexed problem, societies *vs* individual-members, which once loomed very large. The representation of the latter has been reduced all over the province, on the recommendation of the Townsend Committee—although two prominent members thereof have since expressed they have changed their views. People who are in the higher control of the movement should take care that the large voting strength now vested in the borrowers is not unfairly used to the jeopardy of investments in the movement. It is easy for any representative of a society to propose at a general meeting of the central bank that the lending rate be reduced even below the safety level. It is equally easy to do away by a resolution with the usual and necessary safe-guards (from the lending bank's point of view) such as insistence on the obtaining of encumbrance certificates respecting properties proposed to be mortgaged and registration of loan bonds and the like. Such propositions are carried by acclamation and the investors' only safe-guard would lie in the Deputy Registrar's withholding of the registration of the amendments so enthusiastically carried. It thus lies largely in the hands of the unions' people either to make or mar the movement.

No non-official should seek a place as a personal distinction. Next to defective supervision, the present unsatisfactory state of affairs is due to the wrong type of non-officials coming into the movement, in recent years. If a man is a successful lawyer or a doctor, it does not necessarily mean that his joining the business board of a bank would be a blessing. In other countries the cobbler sticks to his last. In this country, we, non-officials think we are fit for any work. Nor do we always consider whether we have the necessary temperament, liking or the leisure to undertake a new task. I know of people, who, if they had undertaken a single task, would have done the work well. There are some who think they can be the head of a central bank, of a weavers' society, of a large house-building organisation, of a huge distributive society and of a land-mortgage bank as well as perhaps an insurance society, besides being an authority on marketing. Often not one of these is done well, and what is worse, these gentlemen, often long past their life of usefulness, insist on occupying the stage to the exclusion of

younger men who are capable of initiative and push. If Swaraj India can impose a rule that no man, however eminent, should monopolise all the honorary jobs but should, on reaching his *tenth lustrum at least*, give a chance to the younger men, it will be a very desirable move. The late Sir Frederick Nicholson confined himself to a few well-recognised activities and the late Mr. R. Ramachandra Row stuck to rural uplift, carefully avoiding standing for any election or even sitting in a group photograph. Before I finish with this topic, I venture to suggest that even with the best of intentions departmental officials should not influence elections, particularly, in central banks. Some non-officials, whenever their work is criticised, turn round and say "I am not a paid hand". But a moment's reflection will show that it is not the best answer to give.

Official Co-operation.

Let me say a word or two regarding the officials. At the outset, I may state that in the matter of co-operation, I believe in frank, hearty and full co-operation of both officials and non-officials—if the movement is to be lifted out of the ugly rut into which it has stuck. Moreover, the officials are paid out of public revenues and we must get the best out of them. Until recently, however, I fear that some among the departmental staff acted as if they considered that the non-official was not quite competent to deal with matters co-operative. But I am glad a salutary change has come over them. They now accept cases of execution of decrees more liberally and even help in collection work. I may also be permitted to state that the recruitment in recent years has not always been the happiest, although I have many good personal friends among them and there are also some brilliant men in their ranks. But still, I fear, there has been a falling off from the previous standard either owing to retrenchment or the communal G. O. or owing to political or other considerations, co-operation being a transferred subject. This falling off in the standard affects the movement in this way. There is no forethinking (not to speak of a vision) or boldness of initiative in many of the present set. This was glaringly brought to my mind when, last year, I had to tour in several districts and discuss the question of agricultural marketing with the various district officials. I have been complaining that even at the fountain-head there was no clearly visualised policy. I am glad, however, the present Registrar has begun well with the Conference at Ootacamund. He is also organising a Provincial Marketing Society. We are also thankful that he has sent up a comprehensive scheme for Co-operative Education and has favourably reported on the need for the reduction of the audit-fees which are unconscionably high. I appeal to the Department to take the non-officials into confidence and to immediately start off planning for the next five or ten years. The beginning of a new co-operative year is a fitting time for a thorough examination of the (loan) investments, a fairly correct estimate of the probable losses and a mercilessly correct picture of our position to-day. If this preliminary step is taken, if the supervising machanism is improved and if there is a clearly enunciated policy and if the officials and non-officials work it out in a brotherly spirit, I am sure, we will have good times in the near future. But as it is, things have gone bad. Even as regards credit, we have not succeeded much when compared with other countries, from whom we borrowed the system, viz., Germany, Italy and even Soviet Russia. In the U. S. S. R by the end of 1934 Government was able to liquidate agricultural indebtedness amounting to 435 million roubles. Here after thirty years we have not even touched the fringe of the problem. If Co-operation had succeeded as its originators had fondly hoped, we would not have had the necessity for Mr. Sathianathan's thought-provoking report or the various schemes of debt-reconciliation now in vogue. We, co-operators, official and non-official, may take it as a verdict that we have not worked up the movement as we should have done.

Taking the one great calling in India, agriculture, we have not, during the last thirty years, done anything appreciable. We have not succeeded in effecting improvements in the processes or the practice of cultivation, not even (except to a small extent, viz., 6 per cent of the total indebtedness) in giving timely and adequate financial aid to the ryots and what is even more important in enabling the ryot to obtain an adequate price for the produce of his labours. I am afraid, I have greatly exceeded my limit of time; but the subject is interesting and the deep interest of the new Viceroy gives me a fresh hope that something substantial will be done for the toiling millions in the very near future. In the words of a great world-teacher, the harvest is plentiful but the labourers are few. Let me conclude with an appeal that we, the few labourers, should at least on the perception of common danger, work in a spirit of love, overlooking petty differences and emphasising on the many points of agreement, for the achievement of our common—end a free and prosperous India.

Dr. E. F. Paton in the course of his presidential address dealt with the moral value of co-operation. He said as follows:

PRESIDENTIAL ADDRESS.

When I received your kind invitation to come here my immediate feeling was "Co-operation is not in my line, better I stick to my doctoring work" especially when you have got men of such great distinction and experience as we have the honour and pleasure of listening to to-day.

But as I remember how often Mr. T. Adinarayana Chettiar had come and helped us at the Christukula Ashramam with our village functions and also what a good friend he is to the ryot, it seemed to me that this invitation must have a deeper meaning than I had thought, and while I might be unable to give you any help in your problems, I felt that some personal link with you, some greater understanding of your movement and of your difficulties and problems would be of benefit to me at least. So I am very glad to be here in your midst to-day and I thank you heartily for the honour you have done me in asking me to preside, though, indeed, I am an utterly unfit person for that task.

Moral Value of Co-operation.

I am not going to worry you with a speech on a subject of which I know nothing. As a rank outsider looking at the co-operative movement, it appears to me to be, not so much a matter of sound economic or even good organisation, however important these are, but rather to be a movement which has to be on the foundation of sound moral character, and further I feel that the co-operative movement ought to be a means for the building up not only of character and public morality but of that team spirit which will unite us to work for the common good even when that may lead to some personal loss to ourselves. What are the qualities required in the members of a co-operative society? Strict truthfulness and honesty certainly stand first, but almost equally important are a willingness to trust our neighbours and never ourselves to betray the trust which others place in us. That mutual confidence which is so essential can only come when men see that we are just as careful of others' interest as of our own, in fact that we care more for the common good of the village or the society to which we belong than of our own profit in the matter. To love our neighbours as ourselves is the very essence of the teaching of Jesus, and it is also the sure basis of success in the co-operative credit movement.

I am not speaking only to the officials or the supervisors of the movement. I would like every one of you, the humblest member of a co-operative society, to realise what a great part you have to play in the building up of moral life through your faithfulness in fulfilling your obligations. If any one thinks the co-operative society is simply a cheap and easy way of getting some ready cash on some pretext or other, and then misapplies the money received, say for some needlessly expensive marriage function, then, when the time comes for payment he is naturally unable to make it, and in consequence not only he but the whole society of which he is a member suffers and co-operation is brought into disrepute in the locality. On the other hand, it has been found that where the true aim of co-operation has been grasped by the members of the societies and worked out in honesty and truthfulness, the movement has had a powerful educative and uniting influence and enabled them to come together to carry out other projects, *e.g.* sinking village wells, and also to settle disputes in the same way. I am glad that because you have brave men of character in the movement in this area it has had a very considerable success, but I am sorry that in some other districts, the movement has lamentably failed. In fact if you ask the opinion of the average ryot in the Tiruppathur taluk about the co-operative movement, he will tell you he has no use for it, and many will say that they have been badly let down and suffered much loss on account of it. The economic principles and the organisation are practically the same whether here or in Tiruppathur, but in my humble opinion the failure has been due to the lack of sufficient men of leadership and sound character.

In fact (as Mr. T. Adinarayana Chettiar was saying to me only yesterday) co-operation is really a capitalising of character and corporate honesty. That is to say, a village farmer may be penniless but if he has got a reputation for trustworthiness and if there are other trustworthy men with whom he can unite, his need of capital will be supplied and the money which is held in common really functions as if it was his own. But unfortunately, it is still rare to find men who will take the same care and trouble about common property as they will about their own, and so supervisors are quite necessary to help us to see that we exercise due care and are strictly honest with regard to the money lent to us. But even with good supervisors unless there is a basis of character in the individual members things will go wrong. I said just now that co-operation is the capitalisation of character—perhaps I should add, it depends upon character plus the willingness to work hard. These two really go together and I would have you remember the great fact that, given a group of individuals with character and willingness to work, none of them need starve, if they can make use of the co-operative movement.

But I wish to bring another encouraging fact to your notice. We are not alone in this effort to corporately rescue men from poverty and destitution, nor are we merely battling against a blind fate; for God is with us and is actively helping all genuine efforts at mutual helpfulness. Has not Jesus taught us to pray, "Give us this day our daily bread?" Surely, then, God does take an interest in the supply of our bodily needs. Has He not also taught us that if we will set our hearts on the highest things in life (that is, on right character in relationship with Himself), He will guarantee for us the supply of our daily needs? And yet men have always kept God out of consideration in such matters, as though He had no interest in mundane affairs, and where money is concerned we have relied entirely on our own cleverness—which usually means trying to get the better of some one else even by tricks, if other ways do not answer our purpose—and misery, and often ruin, has been the result.

So let us believe in God who cares for His children and is actively on our side in supplying the needs of the poor. In fact we might say that God is the great co-operator Who is calling men to co-operate with Him and with one another for the supply of our daily needs; and so I believe in the co-operative movement, as being a movement in line with His will and I bid you to be of good courage for God is on your side. If we would honestly seek His help, He demands of us two things—one that we trust in Him, and secondly that we live up to the highest we know. I feel sure that if we approach this Conference in a spirit of prayer and trust in God, we shall find that his strong arm is with us and that He will guide us through the difficult places and make our co-operative movement far more helpful in the future than even it has been in the past.

RESOLUTIONS.

The following are some of the resolutions passed at the Conference.

1. This Conference places on record its deep felt sorrow and sense of loss to the movement by the demise of Dewan Bahadur R. Ramachandra Rao, Sir M. Ramachandra Rao, Sir T. N. Sivagnanam Pillai and Sir Frederick Nicholson.

2. Resolved to request the Government to order for the free grant of encumbrance certificates in respect of properties to be mortgaged to rural societies as was obtaining originally, since such concession and help are absolutely necessary, to popularise these institutions and to make people freely associate with them safely in the interests of the movement. It further desired to point out that income foregone by the Government by re-introducing such a full concession could not be great when compared to the advantages derived by it.

3. Resolved to request the Government to give full concession in the matter of registration charges for the documents executed to or by societies as existed previously, since such a concession is felt necessary to give proper encouragement to the movement and to save it from the unholy competition of private money-lenders.

4. Resolved that the registration of pro-notes to be executed by societies to the central financing bank need not be insisted, as no useful purpose is served for the expenditure involved on such registration, and hence it requested the authorities concerned to do away with the registration of such pro-notes.

5. Resolved that the village munsiff may be permitted to attest pro-notes executed by societies to the central financing bank in view of registration and to request the authorities to take the necessary steps in that direction to save much expenditure and worry to rural societies.

6. This conference is of opinion that all the societies must be affiliated to the co-operative unions in their respective areas and disapproves of the existence of a category called the "non-union societies".

7. Resolved that strict measures be adopted to see that the amounts borrowed by members from the society are utilised for the purpose for which they were got.

8. Resolved that steps be taken to reduce the rate of interest charged to members of societies to at least 6 per cent and the rate charged by the central bank to societies to 5 per cent per annum.

9. Resolved to request the Government to reduce the audit fees charged for the audit of central banks.

10. Resolved that by-law 36 of rural societies should be strictly enforced by the supervising unions, and members who have driven the society to court to recover the moneys due from them should be expelled from membership for that reason, *i.e.*, all those against whom arbitration awards have been obtained should be expelled whether the awards against them have been executed or not.

11. Resolved that by-law 24 of rural societies should be enforced and the supervising unions should remove from office any panchayatdar of a society who has defaulted to his society for a period of three months.

12. Resolved that the due date for repayment of loans to the central bank should not be fixed by the central bank, but by the borrowing society itself on the loan application it submits.

13. Resolved that loan and sale societies be organised at every union headquarters, and if possible a warehouse should be opened at each such headquarter. Government should be requested to post a warehouse officer of not less than the rank of a Junior Inspector for each warehouse, free of cost. The central bank should equip each warehouse with a standard balance and standard weights as well as with one clerk.

14. Resolved that the rate of interest on loans given to sale societies by the central bank be reduced to 4½ per cent and the rate of interest charged by the sale societies to its members should be reduced to 6 per cent.

15. Resolved that each loan and sale society should under its by-law 2 (6) effect collections from sales on behalf of its affiliated societies. For this purpose sale societies should also be recognised by the central bank as transmitting agency societies and the by-laws of the sale societies should be suitably amended.

16. Resolved that the common good fund of the central bank be utilised for the provision of one or two stud bulls to each supervising union which pools the common good fund of its affiliated societies towards the maintenance cost of the bulls supplied.

17. The conference is of opinion that the time has come for co-operators to tackle the problem of cattle insurance and dairying—an industry second only to agriculture.

18. Resolved to request the Government to start land mortgage banks in each taluk in this district.

Recent Utterances.

RURAL RECONSTRUCTION IN TANJORE DISTRICT.

Mr. V. Nadimuthu Pillai (President of the West Tanjore District Board) in requesting the District Collector to inaugurate the Rural Reconstruction Scheme at Trivadi in Tanjore District on the 9th July last described the scheme as follows :—

The call of rural reconstruction has well nigh become universal. In countries both in the East and in the West there is an agitation for the uplift of the rural population but nowhere has this problem assumed so much importance as in India. To us, rural reconstruction is national reconstruction, and, in a country which is predominantly agricultural, with nine-tenths of the population living in villages, it cannot be gainsaid that national reconstruction is bound up with rural reconstruction. And it is a happy feature of the time that agencies, Government and private, are out to better the condition of the villager.

Sustained work is being done in the Punjab where a separate Department was organised recently with Mr. F. L. Brayne, the pioneer of rural reconstruction in India, as its chief. In Bombay a scheme of rural uplift has been initiated by Sir Frederick Sykes. Similar activities have been started in Bengal also. In our Province work of this kind has been left mostly to private organisations.

I have been studying closely the working of the several organisations and schemes and during my study it suggested itself to me that the District Board of West Tanjore might well adopt a scheme of rural reconstruction in its area. I felt that the District Board, composed, as it is, mainly of the representatives of the rural population and deriving, as it does, the main source of its revenue from the land, would be the best agency to work out a scheme of this kind. But it was not without hesitation that I approached the subject, as I learned that the scheme might be branded as novel—and things novel are not always appealing to the Indian villager. However, I considered that it was a worthy and laudable proposal and that with the co-operation and assistance of the public and the Government Departments it could be pushed through. I, therefore, prepared a scheme suitable to local conditions and placed it before the District Board which sanctioned it with the necessary allotment.

Objects of Scheme.

I will not weary you with an account of the scheme but will confine myself to explaining briefly the objects of the scheme and the results that are hoped to be achieved. The objects are :

1. To provide a rural library service in the District;

2. To provide an itinerating dispensary for the benefit of rural parts;

3. To improve public health and sanitation in rural parts;

4. To teach the villagers improved methods of agriculture and help them to improve their earning capacity;

5. To improve live-stock;

6. To teach the principles of co-operation and explain the benefits of the co-operative movement; and

7. To do such other things as would conduce to the betterment of the condition of the villager and make him lead a healthier and happier life.

The literates form a very small percentage of the population and several of them who reside in villages lapse into illiteracy for want of facilities to keep themselves literate.

The aim of the rural library service is to stop this avoidable lapse and to disseminate knowledge among villagers.

Medical aid in rural parts cannot be said to be adequate at present. The villager with his unshakable belief in fatalism either neglects his ailments or places himself in the hands of quacks. The itinerating dispensary is intended to remedy this defect.

Public Health in villages is not receiving proper attention at present. The villagers have to be persuaded to give up insanitary habits and the 'sanitary sense' has to be roused in them.

The proverty of the Indian peasant is obvious and to lift him up from chill penury he should be taught better methods of agriculture. He should also be taught to improve the breed of his cattle and thus increase his earning power.

Village Panchayats.

The villagers need to be educated in the principles of co-operation and on the benefits of combined action for common good. In former times corporate action for mutual benefit was the rule in the village, when tanks and wells were dug or cleaned and roads were formed or repaired. This good custom has now fallen into disrepute, but it is not incapable of revival. Without such a useful system it is difficult to see how the amenities of village life can be effectively improved. It is here that we feel the necessity for establishing Village Panchayats in all villages. Panchayats constitute the best means by which the villagers can not only get training in citizenship but mobilise their forces for action for the common good. I could say without fear of contradiction that these Panchayats are destined to play an important part in rural uplift work.

I do realise that the scheme is beset with some difficulties which have to be surmounted before complete success can be achieved. The

villager himself might be the first obstacle, and we require first and foremost his co-operation. Shrouded in time-worn custom and belief the common villager is reluctant to adapt himself to the altered conditions around him. He develops generally a sort of apathy towards things—suggestive of innovation. It is necessary therefore, that a change should be brought about in his outlook of life. He should understand his present position and cultivate in him the will to live better. The success of the scheme will be assured if the villager realises that it has been undertaken only to improve his condition, and it is up to him to derive the maximum benefit from it.

Government Co-operation.

Next, we require the co-operation of the Government Departments. I am grateful to the Director of Public Health, the Deputy Director of Agriculture and the Deputy Registrar of Co-operative Societies for their valuable suggestions and their assurance to co-operate with the District Board in its work. They have aggreed to depute their subordinates to accompany the rural reconstruction van wherever possible and to carry on propaganda pertaining to their Departments. The Collector has been pleased to permit Tashildars to serve on the Taluk Committees and has observed that their presence on the committee will evoke sufficient interest in the work on the part of the village officers. It is hoped that with the assistance of Departmental officials it should be possible to tackle with success the problem of rural reconstruction in this District in all its aspects.

I take this opportunity to thank my colleagues on the District Board for the generous support they gave the scheme. Some of them were not quite optimistic of the results; nevertheless, with perfect unanimity, they sanctioned the proposal. I need not remind them that this is just another act of useful service to the people of this District. The Board has opened the Silver Jubilee Library to start a rural library service. To reduce the appalling number of the educated unemployed and to provide for technical education for youths the Board has started an Industrial School. It considered at its meeting held to-day a scheme to purchase stud bulls, with a view to breed better type of cattle and increase thereby the economic prosperity of the peasant. To this record of useful work will have to be added the rural reconstruction scheme, and my colleagues will, I am sure, be proud to hear that theirs is the first local body to undertake in these parts work of this kind on organised lines. With time, the activities will surely expand and the day will not be far off when at least one van for each taluk will be touring with the necessary equipment and establishment, doing intensive work.

Special Training.

Five elementary school teachers were trained this year at the cost of the District Board at Y. M. C. A. Rural Reconstruction School at Ramanathapuram in Coimbatore district. It is proposed to send a number of teachers every year for this special training so that in course of time, the District Board may have a good contingent of trained workers to help it in the task of rural uplift.

Correspondence.

MANAGEMENT OF SOCIETIES.

To

THE EDITOR,

SIR,

I

The term 'Officer' is defined in section 2 (*e*) of Act VI of 1932. It includes all persons who form the committee and to whom the management of the society is entrusted. It is an open secret that seats in the committee are subject of keen competition and are as much coveted as seats in the local bodies. Persons with influence are rarely men of education, and it is a well known fact that the electorate of a society does not in any way differ from that of a local body. Coercion and corruption have much to do with the manufacture of the so called competent men for managing the societies, and to them by a strange irony of fate is being entrusted the task of promoting thrift, self-help and mutual aid among agriculturists and other persons with common economic need so as to bring about *better living, better business* and *better methods of production.* It is something like selecting a purblind leader for the blind.

The influential persons of the locality get returned as officers. They rarely know whether such a piece of legislature as Act VI of 1932 exists. Thrift is something foreign to many of them and to them the objects of the co-operative movement are a secret. The societies—at least the vast majority of them—being credit societies, they think that the object of a society is to lend, earn profit and, as the director of one of the societies used to say, declare decent dividends to shareholders and fat honoraria to directors. According to many of them, auditors are a nuisance especially when they ask for a certificate of soundness and, to use the language of the director above mentioned, seek to blind the eyes of the directors with their own fingers. Instances are not wanting where loans apparently irrecoverable have been certified to be good. Loans have to be advanced to persons who have been instrumental in getting them returned as directors and who if not satisfied are sure to bring them to trouble at the next elections. Such loans are to be advanced on the security of properties which whatever their value may be, should be put as being just worth twice as much as the sum wanted as loan. Usually men who are members of the local municipality or panchayat get into these societies and the result is that there arises such a state of affairs that action has to be taken under Section 43 or 44. Section 49 has no fear for the persons mentioned above, since more often than not elections enable men to get rid of thier earthly belongings. Nor does the law as it stands penalise the ornamental and do nothing director. It penalises him only when he is *found* to have 'misappropriated or fraudulently retained any money or other property' or to have been guilty of breach of trust in relation

to society. Inefficiency in a director is not penalised, but the electorate is made to suffer for its unworthy choice. Persons have sometimes to be protected inspite of themselves and it is but fair and proper that the electorate of a society is protected even from the directors it returns. The advocates of the current method of management of societies may say that the remedy lies in getting the electorate educated. For, according to a famous author it is written if we are ourselves valets, there shall exist no hero for us; we shall not know the hero when we see him; we shall take the quack for a hero; and cry audibly through all ballot boxes and machinery whatsoever. 'Thou art he; be thou King over us!' Any how it should be admitted even by them, till educated the electorate has a right to be protected.

Local politics should not be allowed to have anything to do with the management of societies, and rules should be framed by the Local Government disabling members of Local Boards and Honorary Magistrates with jurisdiction over any part of the area of operation of the society from being returned as officers of the society. Minimum educational qualifications should be fixed for officers of societies. They should vary with the locality where the society is situate. The executive administration of each society should be entrusted to officials directly responsible to the Deputy Registrars of the districts, within whose jurisdiction the societies are situate and directors should constitute only an advisory body. The auditor should be warned not to place too much reliance on the statement of the committee with regards to the soundness of the loans. Annual reports of the auditors should be translated, printed and placed in the hands of each share-holder and depositor. Unless such and similar steps are taken it is not possible to hope that societies will fulfil the purpose for which they are constituted.

Yours faithfully,

TINDIVANAM. P. K. SRINIVASARAGHAVACHARYA

II

A REPLY TO RAO BAHADUR A. VEDACHALA IYER.

To

THE EDITOR,

SIR,

In the course of an article in the June issue of *the Madras Journal of Co-operation* Rao Bahadur A. Vedachala Iyyer, has made some suggestions on co-operative subjects and how to improve them. If Mr. Iyer had confined himself to what was relevant and useful, we the readers of the journal would have had no quarrel with him. But the readers are aware that relevancy is a rare virtue in him. Under his XVI suggestion Mr. Iyer says "Politics (another name for communalistic favour and hatred) has invaded the movement everywhere and in fact Brahmins have been turned out in every sphere of activity—staff (official and non-official), directorates and even in lending operations. The hatred of Brahmins has not permeated the villages in every day life to a very large extent, though directors of Central Banks and Unions from villages have imbibed them. This is my general impression of other Districts but it is quite accurate in regard to North Arcot District." This is a deliberate statement. It is not known if Mr. Iyer has made this out of colossal ignorance of facts, or glibly with a view to foster "communal hatred" to use his hackneyed phrase. It is not at all my intention here to take up a brief for the other districts from which Mr. Iyer drew his impressions but I can certainly place certain facts before the readers to judge how far his impressions are quite accurate in regard to North Arcot District. Readers may perhaps be aware that Mr. Iyer was at the helm of affairs of the co-operative movement as Assistant Registrar in the North Arcot District prior to 1919-1920, as a friend, philosopher and guide, the three eternal virtues of a co-operator. He had a large share in the recruitment of the staff, official and non-official. Of the official staff his chief inspector was a Brahmin, his administrative inspectors and audit inspectors were all Brahmins except a Non-Brahmin who was dangling like a fish out of water amidst this monopolistic group. Coming to non-official staff, out of the 14 Union Supervisors 12 were Brahmins. It would certainly be impertinent on my part to suggest that this was 'politics (another name for communalistic favour)" Most of the Supervisors recruited were unpassed men, though the same cannot be said about the official staff. They were evidently chosen for "their capacity to carry their regular work for which they were paid." But the staff now recruited to serve the district officers, to quote in the words of Mr. Iyer, "are practically chosen for their capacity for fostering communal hatred in addition to moderate qualification for regular work for which they are paid." Luckily Government have introduced a special Training course for the staff and have prescribed tests in Co-operation, Audit, Book-keeping and Banking. Minimum qualifications have been prescribed. The non-official staff is strictly chosen from among those having at least the minimum educational qualifications and having successfully undergone the training course. As the readers are aware the official staff is recruited solely by the Services Commission after interviewing the applicants. There is therefore no opportunity for nepotism, as practised in the days of Mr. Iyer. Owing to the liberal policy pursued in the recruitment of staff to give equal opportunities for all communities, I infer that in the North Arcot District out of the 40 official subordinates, 9 are Brahmins, 24 Non-Brahmins, 2 Adidravidas, 5 Muhammadans and 2 Christians. Out of nearly 50 non-official staff (indoor and outdoor) no less than 12 are Brahmins, 2 Christians, 3 Scheduled castes and the rest

Non-Brahmin Hindus. With these facts and figures, I leave the readers to themselves to judge whether it is communal favour or hatred of Brahmins and whether Brahmin staff have been turned out, as in the poor vision of Mr. Iyer.

I shall now take up directorates, the next sphere of activity from which according to Mr. Iyer, Brahmins have been turned out. In the directorate of the Vellore Central Bank during Mr. Iyer's regime there were 4 Brahmin representatives from 4 out of 14 unions and 6 out of the 7 individual directors were Brahmins. In later years more unions sprang up. As a result of the cautious policy of consolidation pursued by the Department the number of unions was curtailed in recent years. Out of 30 unions nearly 11 were weeded out for inefficient supervision and mismangement of affairs. Three of the unions that went into liquidation were those managed by the Brahmin representatives and they lost their seats. The 4th representative still continues to be in the directorate. Is this driving out Brahmins? In so far as the individual directors are concerned their election was held among the individuals themselves who were predominating in large numbers and there was no scope for Non-Brahmin individuals to get into the directorate. Later the electorate was expanded and as a result the "Communalistic favour" inaugurated by Mr. Iyer monopolising all the individual seats had changed itself.

I shall now take the union directorates. Out of the existing 19 unions there are Brahmin directors (Governing Body members) in no less than 8 unions. Coming to lending operations out of a total membership of 30,000 in societies (all classes) nearly 2,700 are Brahmins (i.e. 9 per cent of the membership.) A community which is only 3 per cent. of the population enjoys a triple benefit and still Mr. Iyer says, "Brahmins have been driven out also from the sphere of lending operations."

Incidentally in the same article Mr. Iyer says, "I have had some experience of such feeling (meaning communal favour and hatred of Brahmins.) even among the staff controlling the recent Land Mortgage Bank system in this District." This gibe is probably due to the fact that he was not elected to the Presidentship of the Cheyyar Land Mortgage Bank at the last elections held in May 1936. Mr. Adikesavalu Naidu, to whom Mr. Iyer in one of his weak moments seems to have promised the Presidentship, became elected. Even now out of 7 directors 2 are Brahmins of whom one is the Secretary and the other the Treasurer preserving the two important offices. In the directorate that went out of office prior to the last elections 4 out of the 7 directors were Brahmins. It is rumoured that for 2 more seats to be nominated, Mr. Iyer suggested to the authorities a panel of 4, all of his own community, presumably including himself. When this Land Mortgage Bank was started in 1933 the Rao

Bahadur of Anakkavur, in the largeness of his heart, appointed his own kith and kin as manager and clerk. They were replaced subsequently by two others of the same privileged community, one of whom is said to be his relative, and they both continue even to day. The Legal advisor is from the beginning a Brahmin. When he resigned his presidentship in March 1936 (probably for reasons of health) his successor was also a Brahmin. In lending operations nearly 50 per cent of the loans are said to have been disbursed to Brahmins. From these facts readers can judge on which side is communal favour and whether it is hatred of Brahmins or Non-Brahmins. If Mr. Iyer thinks that his minority community should always have a preponderating influence in every sphere of activity of the co-operative movement it only shows that he cannot rise above his petty jealousies. Co-operative institutions are democratic bodies where all communities should have their due share in their administration, and offices. At a time when the Non-Brahmin community may be said to be just on their path to claim their due share, should not the community which had enjoyed and still continues to enjoy, in unduly large proportion, privileges at the cost of the other communities, be tolerant? Intolerence and democracy cannot go together. By writings of the type of Mr. Iyer the movement cannot stand an iota to gain but will help only in widening the gulf of differences.

I wonder why the Journal of co-operation should publish such controversial matters and invoke further controversies. I do not know if the article had the sanction of the Editorial Committee behind it. Government who support this journal with a fat subsidy may do well also to consider if the journal can be permitted to publish such articles creating bad blood between community and community.

Yours faithfully,

VELLORE. V. MURUGESA MUDALIAR.

[We wish to draw Rai Bahadur Murugesa Mudaliar's attention to the declaration appearing prominently on the first page of very issue of this Journal that 'the Editorial Committee do not hold themselves responsible for views expressed by contributors.' The question therefore, whether Rao Bahadur Vedachala Aiyar's article had the sanction of the Editorial Committee behind it, does not arise. It is our desire to give ample scope for men of knowledge and experience to express their views in these pages, whether we happen to agree with them or not. The discussion of views may sometimes result in controversy, but there is no harm in it if it does not descend to personal attacks and vituperation. We may inform Mr. Murugesa Mudaliar that we get no subsidy, fat or lean, from the Government. To certain officers of Government we are asked to supply our journal, for which the Government pays the same subscription as others do. And we believe all our subscribers are getting proper value for their subscriptions: *Ed.*]

News and Notes.

The Government of Bengal, under the provisions of the Bengal Agricultural Debtors Act, will set up immediately 315 Debt Conciliation Boards in 16 districts. The number of indebted families in these districts is estimated at three millions. It is expected that before the end of the year 684 Boards will be established.

* * *

Three non-credit societies are to be started in Cochin State to promote respectively the weaving, coir and arecanut industries. The Government will give free to each of them the services of a paid secretary and an advance of Rs. 500 for expenses, to be recovered after the societies are able to declare a dividend of 6¼ per cent on share capital.

* * *

The Tellicherry Co-operative Union, in an address presented to the Hon. Mr. P. T. Rajan, requested financial help for unions and the organization of land mortgage banks in Malabar District. The Minister replied that for want of funds the Government was unable to give aid to the unions and that owing to the peculiar nature of the inheritance and land laws in Malabar there was difficulty in organizing land mortgage banks. He would, however, see if one could not be started as an experimental measure.

* * *

In a letter to the Secretary of the Punjab Traders' Association, Pundit Jawaharlal Nehru said, "To talk of complete cancellation or repudiation of debts is to talk in air. It has no meaning, but to talk of preserving the existing debts is even more absurd, for payment cannot be enforced when a debtor cannot pay". He suggested a moratorium to be followed by the establishment of debt redumption boards.

* * *

The Mallur Co-operative Credit Society utilised the occasion of the Salem District Co-operative Conference which was held at Mallur, to celebrate its own Silver Jubilee, though the event was due a few months later. The function was opened by Sir T. Vijiaraghavachariar and presided over by Dewan Bahadur N. Gopalswami Aiyangar. Mr. S. V. Ramamurthi, I.C.S., Collector of the district was also present.

* * *

The Kurnool District Board has sanctioned a sum of Rs. 2,900 for starting 10 rural library centres in the district. Sets of 100 books each will be sent to each centre for circulation in the surrounding villages and kept there for two months in charge of a suitable person. News will be read out at the village *chavadi* for the benefit of the illiterate villagers. Books of pictures cut from illustrated newspapers will also be circulated, Talks, magic lantern shows, bhajans and educative dramatic entertainments will also be arranged. This very good scheme of adult education will be under the supervision of the District Panchayat Officer.

* * *

The Silver Jubilee of the Little Conjeevaram Urban Bank in Chingleput District was celebrated on the 27th June last. It was presided over by Mr. M. Giriappa, Registrar of Co-operative Societies. In replying to the address presented to him, the Registrar congratulated the directors of the Bank on its very successful career and advised them not to allow party politics to play any part in its affairs. The Bank has spent over Rs. 15,000 on its building and is offering on deposits about the same rates of interest as the Provincial Co-operative Bank. Mr. A. Raghavachariar then unveiled the portrait of Mr. N. Krishnamachariar, ex-secretary of the Bank, to whose services he paid a glowing tribute. A large number of poor people were also fed on the occasion.

* * *

A conference of the representatives of the loan and sale societies in West Godavari District was held at Ellore on the 18th July under the presidency of Mr. K. Rangaswami Naidu, Joint Registrar of Co-operative Societies. The Conference passed various resolutions touching the business of loan and sale societies. It requested the Madras Provincial Co-operative Bank to charge only 3 per cent on the loans taken by the West Godavari District Bank for the purpose of lending to loan and sale societies. It also requested the District Bank to extend the period of repayment of crop loans to nine months in deserving cases. The Conference, while thanking the Government for their proposal to give a free grant of 25 per cent of the estimated value of the godowns to be constructed, requested them to extend the free grant to 50 per cent.

* * *

Mr. Giriappa had the pleasure of declaring open on the 22nd July two buildings constructed at Tyagarayanagar by the Madras Co-operative Labour Society. These buildings are the first to be constructed by the Society and are note-worthy for their neat appearance, sound workmanship and moderate cost. The owners are indeed lucky in entrusting the work to the Society. Even if they had supervised the construction themselves and attended to every detail, they could not have got their houses built so cheap and so well. The Society consists of about 100 skilled workmen and its primary object is to find employment for its members It undertakes to build houses on a contract basis. Those who intend building houses will find it to their interest to get into touch with the Society.

* * *

A portrait of the late Dewan Bahadur R. Ramachandra Rao was unveiled by Dewan Bahadur N. Gopalaswami Aiyangar, First Member of the Board of Revenue, in the pandal of the Salem District Co-operative

Conference held at Mallur on the 14th July. In doing so, Mr. Gopalaswami Aiyangar spoke in very high terms of the character and efficiency of Mr. Ramachandra Rao as an officer, and thanked the Co-operators of Salem for having given him the opportunity of associating himself with the function, for the special reason that he had always looked upon Mr. Ramachandra Rao as his guru.

* * *

Some prominent members of the Badaga Community in the Niligiris District waited in deputation on Dewan Bahadur N. Gopalaswami Iyengar, at Ootacamund on the 6th July and urged the Government to take early steps to relieve their indebtedness by the establishment of land mortgage banks or by including the area under the scheme of Agricultural Loans. They pointed out that the average ryot in the district was more indebted than the average ryot in other districts and that though there were co-operative societies in the area they were not able to mitigate the indebtedness to any appreciable extent, on account of their giving loans only for short periods. What was needed was long term loans to repay their old debts. Mr. Gopalaswami Iyengar promised to include the Niligiris district in the scheme of Agricultural Loans in the next official year.

* * *

A Conference of the hand-loom weavers was held at Uppada in East Godavari District on the 17th July last and was presided over by Rao Sahib C. M. Ramachandra Chettiar of Coimbatore. He said that in this presidency there were 12 communities whose profession was weaving, that they were all highly conservative and that the number of looms was estimated at 3,16,000. If there had been work for all these looms, the weavers would not have been reduced to their present miserable state. The presence of the middle man was the chief cause of their getting low prices for the cloths woven by them. The recommendations of the Tariff Board, which were accepted by the Government had deprived the weaver of even the little profit he was getting till now. He observed that co-operation was their only remedy and advised them to organize weavers' societies in every weaving centre and to utilise the services of the provincial Handloom Weavers' Co-operative Society for marketing the cloths woven by them.

* * *

At the session of the Co-operative Congress which was held at Newcastle in June, Mr. A. Whitehead, a former Secretary of the Co-operative Union was presented by the Executive of the Union, with a collection of handsomely bound volumes, for having attended fifty consecutive sessions of the Congress.

* * *

It is said that in Germany co-operative societies are responsible for 65 per cent of the trade in agricultural produce, 44 per cent of the milk marketing, 31 per cent of the wine sales and 72 per cent of the savings and credit business of agricultural enterprises.

* * *

In England the use of the word 'Co-operative' is not confined to registered co-operative societies as in India and some other countries. The public are thereby misled and inconvenienced. Therefore at the Guild Women's Congress held in June last at Bristol a resolution was passed, asking the Co-operative Union 'to take immediate steps to register a word whereby our society is more rapidly recognised.'

* * *

At the end of 1935 there were in Palestine 60 co-operative credit societies of the Raiffeisen type organised for the benefit of the Arab peasants. Their total membership was 2,422. They are financed by the Barklay's Bank which lends them money at 6 per cent. interest. The societies issue loans to their members at 9 per cent, utilising the margin for working expenses which are said to be slight and for building up the reserve fund.

* * *

Mr. J. A. Maybin, formerly Registrar of Co-operative Societies, in Ceylon and now Chief Secretary to the Government of Nigeria, observed, in moving some time ago the second reading of the Co-operative Societies Bill in the Legislative Council of Nigeria:

"I have seen very varied methods adopted in different areas. Some organisers, in a well-meant desire to accelerate progress, explain to societies in formation none of the difficulties or dangers to be met, but only the advantages to be gained. I consider such methods dishonest and have never seen them successful. Co-operation cannot succeed unless the members with a full knowledge of the sacrifices to be made, consider them worth making. In Ceylon we adopted in new areas the following procedure. First, we explained at a public meeting the objects, advantages and difficulties of co-operative work. Then we fixed another date for a meeting about a month ahead, advised the members not to take our advice blindly but to think it over carefully and discuss it among themselves and with any one opposed to Co-operation. At the next meeting we discussed their doubts and difficulties in detail. By this stage the doubters were weeded out and we then really set to work with those who remained, taught them the theory of Co-operation, and the practical side of the society's work how to hold meetings, assess credit, keep the books. They had to learn thoroughly their bye-laws and the Ordinance and Regulations. After some six to nine meetings the society would be ready for registration."

Even when organised with all this care, a good many societies in Ceylon have had to be dissolved. Is it any wonder that our hastily and carelessly organised societies are so bad?

* * *

In support of debt conciliation, a writer in the *Manitoba Co-operator says*:

"The Act does not provide the way to disregard all one's obligations or for wholesale cancellation and repudiation, it is intended to re-establish the farmer by adjusting the debt to an amount he can reasonably hope to pay. One's first duty is to his home, wife and children. Without any hesitation we say they come before any creditor; the sanctity of contract is secondary to the sanctity of the home. It is not dishonest to protect it by all legitimate means in your power."

The same paper gives the information that a little over two years ago the Brazil Government by a decree reduced all the debts of agriculturists by 50 per cent, took over the remaining 50 per cent, thus cancelling them entirely so far as the agriculturists are concerned, and issued Government bonds to the creditors for the halved amounts due to them.

Extracts.

RURAL RECONSTRUCTION.

[The following two interesting articles are extracted from the Rural Uplift member of the *Times of India Illustrated Weekly* published on the 14th June 1936.]

The Patancheru Centre, Hyderabad State.

H. E. H. the Nizam and his Government have fully realised the fact that apart from mere improvement in the agriculture of Hyderabad there is a great need of improving rural life in general.

With this end in view they established the Rural Development Centre at Patancheru, a village about 18 miles from the capital, about four years back. This Centre is now in full working order and is financed from the Government Industrial Trust Fund. It is controlled by the Agricultural Department.

Demonstration Centre.

The main object of the Pantancheru Centre is to introduce suitable improvements in rural life and cottage industries. It is a centre for the demonstration of scientific methods of poultry keeping, goat keeping, kitchen gardening, fruit growing, and the cultivation of field crops. The Centre possesses a good museum containing articles connected with rural uplift. Rural uplift propaganda is carried out from this Centre in 15 villages round about Patancheru by means of lantern lectures, shows and demonstrations which extend to hair-dressing competitions for village girls.

Seven village associations have been organised for work in villages in connection with sanitation, health and education. Eggs of pure breed fowls are distributed to villagers on a half-share system to encourage breeding better kinds of poultry. Some of the village poultry keepers have won prizes for birds, produced from these eggs, at the Hyderabad Horticultural and Poultry Show. Proper methods of poultry keeping and housing have been introduced. Seeds and seedlings of vegetables are distributed free to villagers, as a result of which kitchen gardens have sprung up in villages where no vegetables were grown before.

Night Schools.

For education, four night schools for adults have been opened and are working very satisfactorily. Sixty per cent. of the students, who were altogether illiterate, have now learnt simple reading and writing. A reading room and a circulating library have been opened with good results.

For sanitation and health, simple improvements in houses are being introduced; cleanliness of village sites and drains is advocated and the protection of drinking water wells is encouraged.

Baby shows are organised and propaganda in connection with plague, cholera and small-pox epidemics is carried out.

Practical agricultural demonstrations are held in order to introduce improved implements, varieties of crops, manures, proper conservation of farm-yard manure and the manufacture of Chinese compost.

Co-operation.

Apart from propaganda and training in co-operation affecting almost all village matters, a Co-operative Thrift Society has been started and a Co-operative Honey Sale Depot has been opened. On the veterinary side, advice is given in the proper upkeep of cattle and training is given for combating epidemics.

Fly-shuttle looms are being introduced and weavers are being trained to use them. A detailed survey of the surrounding villages has been initiated.

It will be apparent from the activities described, that the interests of the Patancheru Rural Uplift Centre are very varied, the object being to cover as many aspects of rural life as possible, and to do this simultaneously through one and the same agency.

This has become possible after organisation by Government of an Advisory Committee for the Centre, composed of the heads of the Agriculture, Industries, Veterinary, Co-operation, Medicine and Education Departments.

One great thing which has been accomplished is the creation of enthusiasm for improvement among the villagers themselves; and it is expected that the newly formed villagers' associations will be able to ender very good service to the cause of rural development under the guidance of the Patancheru Centre.

Much of the credit for the success of the work in the Centre is assigned by Government to Mr. Stephen, Superintendent of the Centre whose services were obtained by Government from the Young Men's Christian Association.

T. W. L. T.

WHY LAMBHVEL WON THE SIR FREDERICK SYKES SHIELD.

Lambhvel, a village in the Anand taluka of Kaira district, has recently been awarded the Village Improvement Shield for its excellent and continuous effort in rural uplift work.

It is a typical Indian village with a population of 1,300 souls, the majority of whom live on agriculture. It has a rich alluvial soil, common to the 'Charotar' tract.

The chief crops of this area are tobacco, jowari and bajri, tobacco being the main money crop; it is famous for its quality and is exported to several parts of India and even to foreign countries.

Dairying also plays an important part in the rural economy, almost every family possessing a number of buffaloes. The country around, to use a picturesque phrase, 'flows with milk'. The 'charotar' tract is dotted all over with a number of creameries, small and big, which export cream and butter to places as distant as Calcutta. Most of the land is owned by Patidars whose methods of cultivation are easily the best in this part of India.

Education Stressed.

The uplift work done in the village has been useful and varied. Great emphasis is laid on education. The number of boys has in the School increased from 70 to 106 and that of girls from 10 to 27. A night school has been opened to teach adults the three "R"s and it is accommodated in the Patidar Dharmashala.

A library and reading room sustain interest in the doings and problems of the world outside. A village dispensary has been started, is housed in the Dharamshala and managed by the school teacher.

Sanitation has been improved greatly in the village. Manure heaps have been removed to a safe distance. The village has been cleared of hedges and under-growth.

The streets have been levelled and provided with gutters. Dust bins have been placed at street corners and it is a new and pleasant experience to the house-wife to empty her morning sweepings into a bin instead of depositing them in the street.

At points of vantage, lamp posts have been fixed. Trench latrines have been dug and urinals constructed at convenient places. There were a number of borrow pits about the village site in which storm water collected during the rains and formed a breeding ground for mosquitoes. The worst of these have been filled up and the removal of the remaining pits is merely a matter of time.

A drain on three sides of the villages used to draw off the rain water but this had latterly fallen into serious disrepair. It has now been put right.

A bathing ghat to the village tank has been constructed at a cost of about Rs. 1,300 by the taluka local board, a local philanthropist having contributed Rs. 300.

The Village Chestnut Tree.

It is intended to plant the village square with shade giving trees, which when full grown will be surrounded by *otlas*. This form of open *baithak* is common in this part of the country and is suited to the habits of the people and climatic conditions.

All this work has been accomplished by voluntary and combined action on the part of the villagers and this is in itself apart from the material benefits, a great lesson in self-help.

The untouchable classes also have been affected by the spirit of improvement. An old *vankar* donated Rs. 2,000 to build a gate with a meeting hall above it for the Dhedwada.

The vats of the Chamars, as old as the hills, were close to the village. The Chamars, too, like the Dheds, have caught the spirit of improvement and agreed to fall in line with others. The vats have now disappeared and have been reopened in a place specially assigned but well out of harm's way.

Proof by Demonstration.

The importance of green and artificial manure has been demonstrated by experiments in the cultivators' own fields. Proper bunding to prevent erosion is a pleasing feature of land improvement. Improved strains of tobacco, wheat and bajri have been introduced with success. A buffalo bull, true to type, has been placed in the village on the premium system to improve the local breed.

Village improvement on these and kindered lines is carried on in Kaira and other parts of Gujerat, but Lambhvel seems to have done particularly well. The villagers here are being trained to combine and organise for the common good, and the results have been strikingly successful.

Its reward has been the Shield.

List of Societies Registered in June 1936.

Serial No.	Name of the Society.	District.
1.	The Melpudupakkam Adidravida Co-operative Society. ...	N. Arcot.
2.	The Ambur Muslims' Co-operative Bank, Ltd. ...	,,
3.	The Arkonam Co-operative Crop Loan and Sale Society, Ltd. ...	,,
4.	The Karatha Co-operative Society ...	Nellore.
5.	The Rapur Adi Andhra Co-operative Society ...	,,
6.	Chingleput District Revenue Subordinates' Co-operative Society, Ltd. ...	Chingleput.
7.	Venkatapuram Co-operative Credit Society ...	Coimbatore.
8.	Vellanur Co-operative Credit Society ...	Trichinopoly.
9.	Sangandi Co-operative Credit Society ...	,,
10.	Kounakudi Co-operative Credit Society ...	,,
11.	Panamangalem Co-operative Credit Society ...	,,
12.	Madhavaperumalkoil Co-operative Credit Society.	,,
13.	Pudur Uttamanur Co-operative Credit Society ...	,,
14.	Somur Co-operative Credit Society ...	,,
15.	Gabrielpuram Velayudhapuram Co-operative Credit Society ...	,,
16.	Kuttappar Co-operative Credit Society ...	,,
17.	Periyavalarsili Co-operative Credit Society ...	,,
18.	Melakabistalam Field Labourers' Co-operative Society. ...	Tanjore.
19.	Narimanam Co-operative Society ...	,,
20.	Kalisri Naganathasamy Co-operative Society ...	,,
21.	The Tanjore Co-operative Poultry Farming and Egg Production and Sale Society, Ltd. ...	,,
22.	Sellore Co-operative Credit Society ...	Madura.
23.	The Government College Students' Stationery Co-operative Society, Ltd., Manglore ...	S. Kanara.
24.	The Ramachandrapuram Co-operative Stores, Ltd.	E. Godavari.
25.	The Zeelugumilli Co-operative Credit Society ...	,,
26.	The Peda Amiram Co-operative Better Living Society, Ltd. ...	,,
27.	The Dheevarayuvajana Co-operative Society Ltd.	Malabar.
28.	The Koduvalli Municipal Higher Elementary School Co-operative Stores Ltd. ...	,,
29.	The Trikkangode Adi-Dravida Co-operative Society ...	,,
30.	The Palghat Co-operative Urban Bank Ltd. ...	

List of Societies Cancelled in June 1936.

	Name.	District.	Date of Cancellation.
1.	Noble College Students' Co-op. Stores.	Kistna ...	1-6-36
2.	Panrutti Maruthi C. S. ...	South Arcot ...	3-6-36
3.	Palacole Co-op. Union ...	West Godavari.	3-6-36
4.	Agalanganallur C. S. ...	Trichinopoly ...	7-6-35
5.	Arpisampalayam C. S. ..	South Arcot ...	9-6-36
6.	Kodurupadu Local Co-op. Union.	E. Godavari Dt.	10-6-36
7.	Chebrole C. S. ...	Guntur ...	12-6-36
8.	Arni Pudupalayam C. S. ...	North Arcot ...	14-6-36
9.	Kasargad Narayana Vijaya C. S.	South Kanara .	14-6-36
10.	Pavakulam C. S. ...	South Arcot ...	16-6-36
11.	Kandukur Local Co-op. Union ...	Nellore ...	19-6-36
12.	Pedapavani Local Co-op. Union.	Nellore ...	19-6-36
13.	Kanigiri Local Co-op. Union ...	Nellore ...	19-6-36
14.	Penugolam C. S. ...	Kistna ...	19-6-36
15.	N. Mettupalayam C. S. ...	Trichinopoly ...	25-6-36
16.	Aniappur C. S. ...	Trichinopoly ...	25-6-36

Registrar's Circulars.

D. Dis. A. 4859/36.

OFFICE OF THE
REGISTRAR OF CO-OPERATIVE SOCIETIES,
Madras, Dated 9th July 1936.

M. R. Ry. M. GIRIAPPA AVL., B.A.,
Registrar.

CIRCULAR

I

Sub :—Central Banks—increasing the income of members of village Societies—suggestions.

One of the main difficulties of the co-operative movement in this Presidency has been the growing overdues in village co-operative credit societies. It is admitted on all hands that the present heavy overdues are the result of the issue in the past, of short-term loans for long term purposes and of loans to members without reference to their repaying capacity by the village co-operative credit societies. Further, the societies issued loans at a time when the agriculturists were in affluent circumstances, when their crops had a high price in the market and consequently had a high borrowing power and repaying capacity. Conditions have changed now after the economic depression has set in. Members of village co-operative credit societies are generally in debts now beyond their capacity to repay. In such cases it is not enough if merely extensions of time for repayment of overdue loans are granted. Attempts should be made to increase the income of the borrowers. The co-operative central banks in Bengal which met at a conference with the Registrar of Co-operative Societies, Bengal, considered this question and passed the following resolution to increase the income of the borrowers.

"Encourage the members to take up some sort of subsidiary occupation of cottage industry nature such as poultry breeding, goat farming, fish farming, jute weaving, fish farming, jute covering and spinning etc. The Central Banks would be well advised to engage a special officer to encourage these occupations in co-operative villages."

2. Instead of attempting to finance agricultural operations alone Central Banks may consider the feasibility of financing subsidiary occupations also without any increase of cost. The Registrar hopes that the proposal, if carried out by Central Banks, will reduce the overdues of members in course of time.

No. B—1. 2263/36.

Madras, dated 10th July 1936.

II

Sub.—Central Land Mortgage Bank—Investment of funds in the debentures by Central Banks.

Read.—Registrar's circular No. B-1. 2263/35 dated 28th March 36.

In the Registrar's Circular quoted Central Banks were requested to furnish the Registrar with details of their investments in the Central Land Mortgage Bank debentures both out of reserve fund and out of general funds. The reply received from Central Banks shows that they have not invested their funds to any large extent in the debentures of the Central Land Mortgage Bank. The Central Bank at Vellore, Hospet, Chittor, Berhampore, Aska, Rajahmundry, Guntur, Madras, Madura, Srivilliputhur, Salem and Kumbakonam have not invested anything in the debentures while the investments made by others are little. Out of the 32 Central Banks only 14 have invested portions of their reserve fund in the debentures. Central Banks hold in all only Rs. 1,34,400 of their reserve fund and Rs. 9,92,500 of their general and other funds in the debentures of the Central Land Mortgage Bank.

2. It is needless to emphasise that the debentures of the Central Land Mortgage Bank are not inferior to other forms of investment both as regards security and yield. Any amount invested in the debentures goes only to relieve the agriculturists from their indebtedness. The profits earned by Central Banks are mostly contributed by the agriculturists by way of interest on the loans taken by them and it is highly desirable, therefore, that Central Banks should make their funds available for the debt redemption of the agriculturists. Government have also recently relaxed the limit of investment of reserve fund of Central Bank in the debentures of the Central Land Mortgage Bank to one-half of the total amount to the credit of their reserve fund so as to permit the Central Banks to invest more of their funds in the debentures of the Central Land Mortgage Bank and thus assist the debt redemption work of the Bank. In the circumstances, the Registrar trusts that Central Banks invest more of their reserve fund and general funds in the debentures.

(By Order)

K. A. PADMANABHAN,

Manager.

Supplement to the Madras Journal of Co-operation, August 1936.

The Madras Provincial Co-operative Bank Ltd.

PROCEEDINGS OF THE MEETING OF THE BOARD OF MANAGEMENT

Held on Sunday the 19th July, 1936,

Mr. V. Ramadas Pantulu, President, Madras Provincial Co-operative Bank Ltd., occupied the Chair. In opening the proceedings, he made the following speech :

This additional meeting of the Board is convened in compliance with the recommendation of the Central Banks' Conference which was accepted by the Board at its meeting held on 22nd March 1936. The idea behind the proposal evidently seems to be that if we meet soon after the expiry of the old co-operative year and almost on the threshold of the new one, we shall be better enabled to take a useful retrospect of the past year before it becomes too ancient and to draw up a live programme for the future year before it becomes too late. If the representatives of the central banks utilise such opportunity for an additional meeting to evolve plans for improving the working of the Provincial Bank and the central banks, I have no doubt that a new vigour and a healthier outlook will be imparted to the Movement.

The Provincial Bank and Central Banks—Their place in the Movement.

But such plans, in order to be fruitful, must be animated by a sense of identity of interests between the central banks *inter se* on the one part and between them and the Provincial Bank on the other part. They must realise that, in their aggregate role, they are all integral parts of a single organisation and in their separate role, they are fellow pilgrims in search of the same promised land. It has been our past experience that when acting individually, the central banks have shown scant regard for their own collective decisions made at the central banks, Conferences or the meetings of the Board. If they do not stand by the collective policies enunciated by themselves at their own conjoint deliberations and each follows its own inclination after parting company, there will be little change in the present unsatisfactory situation and it will be impossible to reform the Movement or give a new orientation to it. I am alive to the fact that the representatives of the central banks on the Board of the Provincial Bank oftentimes do not come here with any mandate of their banks and consider themselves free to vote in accordance with their personal view and not necessarily with that of their banks. This is very unsatisfactory. They must as far as possible reflect the opinion of the institutions they represent. Otherwise, the decisions of this Board will have very little effect on the programme and policy of the Co-operative Credit Movement of the province. The Executive Committee will make every endeavour to bring before the Board, from time to time, all questions of policy affecting the Movement, as well as all matters of importance connected with the working of central banks and the Provincial Bank and to take adequate steps to give effect to the decisions of the Board which, in my opinion, ought to be looked upon as the considered conclusions of the central banks themselves.

In seeking for such mutual co-operation and centralisation of policies, I am not contemplating any readjustments or changes in the constitutional or conventional relations that now subsist between the Provincial Bank and the central banks, leading to any overlapping of functions or conflict of rights and responsibilities. The Provincial Bank, which, along with the rest of the right-minded world, condemns Italy for annexing Abyssinia and Japan for annexing Manchuria, can obviously have no designs to annex and occuppy the territories of the central banks. Nor does it aspire for mandatory territories and to foist its men on them, like the Registrar who does it in the name of supersession—a development which, in my opinion, is beset with a new danger to the Movement. Again, we aim at collective security to our organisation not through the aid of impotent sanctions and their ignominious withdrawals, but through purely voluntary co-operation and genuine democratic control broad-based on the collective will of the federated units of our League—the Apex Institution.

While the scope for the Provincial Bank acting by itself to cater to the economic needs of the rural population is very limited and narrowly circumscribed, the field for such service when acting in conjunction with the central banks and their member societies is vast and capable of boundless expansion. In the drive to help the agriculturist to buy his finance cheap, sell his produce dear and free himself from the shackles of unproductive debt, the Provincial and the central banks acting together must take the lead. We are committed to a definite programme in the pursuit of which we have not yet put forth our best and organised effort. We profess to improve the economic prosperity of the agriculturist through co-operative credit which frees him from exploitation by outside capital, co-operative sale which

increases his income and co-operative purchase which increases the buying power of that income. Is all this possible without a well thought out plan and close and intelligent co-ordination of effort on the part of the different limbs of our organisation? I feel that we have not devoted adequate thought and attention to these aspects of the problem. I hope and trust that the programme for more frequent meetings of the Board, on which we have agreed, will afford us greater and better facilities to concentrate our attention on the evolution of plans which will make co-operation yield the results which are yet distant ideals.

Let us now take a rapid survey of the subjects set down for your consideration :—

Progress made by the Bank in 1935-36.

The progress of the Bank during the year 1935-36 can be said to be satisfactory. Its working capital increased by Rs. 10 lakhs during the year, from Rs. 190 lakhs on 30th June 1935 to Rs. 200 lakhs on 30th June 1936. During the year loans to the extent of about Rs. 12 lakhs were granted to central banks as against Rs. 7·5 lakhs in the previous year. The rate of interest on loans to central banks was reduced to 4 p.c. during the year.

During the year, the Bank financed three societies of a special type, namely, the Vuyyuru Co-operative Industrial and Credit Society, the Hospet Sugarcane Growers' Co-operative Society, and the Madras Co-operative Sugar Marketing Society. On 30th June 1936, these three societies owed the Provincial Bank a sum of Rs. 14,34,777. The Bank has also helped some of the land mortgate banks. In order to enable the Gudlavalleru and Alamuru Land Mortgage Banks to reduce their lending rate to members from 6 to $5\frac{1}{2}$ p.c., the Provincial Bank accepted a reduction to 4 p.c. on the debentures of those banks held by it at 5 p.c., besides also helping them with fresh finance to enable them to reduce the interest on the high rated debentures issued by them to the public.

A contribution of Rs. 14,000 was made to 19 central banks in connection with rectification work and a subsidy of Rs. 8,500 was given to 17 central banks for development of loan and sale societies. From the reports received in the administrative section of the Bank, it is found that the central banks have made some satisfactory progress in pushing these items of work. The work of obtaining securities for the ill-secured loans in the societies is however not progressing as well as it ought to. It is rather slow and there is much room for improvement. The Provincial Bank will continue to subsidise central banks to continue and carry on the rectification work and also for encouraging and developing the movement and marketing of agricultural produce through the loan and sale societies affiliated to them.

The Bank made a net profit of Rs. 2·02 lakhs in the year under review as against Rs. 2·04 lakhs in the previous year. The profit is thus practically stationary. This year the Bank had to pay an income tax of Rs. 97,455 as against Rs. 20,122 in the last year, owing to an interpretation placed on certain rules of assessment. Otherwise, the profits would have been substantially larger. Steps are being taken to address the Government to give a more liberal interpretation to the rules in order to help co-operative organisations.

Our project to construct a building of our own to locate our Town Branch is still in abeyance as the Government have not yet passed final orders in regard to the assigment of the site next to the Burma Shell Company, for which we have applied. The question of the desirability or otherwise of securing some other suitable site, if the one applied for to the Government cannot be had, has not yet been considered by the Executive Committee.

Our Future Programme

Our plan of work for the current year will in the main follow the present lines of action. In regard to our loan policy, there is fortunately a better understanding between the Central Banks and the Provincial Bank in the matter of eliminating loans for discharge of prior debts and concentrating more and more on seasonal loans for the development of agricultural industry and for the movement and marketing of crops. The extent of the usefulness of the Provincial Bank to the agriculturists of the Province in the current year will, however, mainly depend on the measures for the expansion of their transactions by the central banks with their societies in accordance with this policy. I hope the Government of Madras and co-operators will give due weight to the considered view of the Mysore Co-operative Committee just published that, unless expansion goes on hand in hand with consolidation, the movement will stagnate.

The Government have now issued orders on two important matters, namely, recognition of the overdraft or cash credit given by the Provincial Bank to central banks for purposes of fluid resources to

be maintained by the latter and the limits and conditions under which deposits may be received by central banks from local bodies. G. O. No. 758 Ms. dated 12th May 1936 deals with the question of fluid resource. It draws a distinction between the cash credit allowed by the Provincial Bank on the security of Government Promissory Notes, Fixed Deposits and Central Land Mortgage Bank Debentures on the one hand and cash credit allowed on the security of Co-operative Paper on the other. It is only the former kind of cash credit that is reckoned for meeting "outside" liabilities, while the latter is available to meet only "inside" liabilities, that is to say, cash credit allowed by the central banks to societies. Co-operative central banks now enjoy a total cash credit of Rs. 25,18,600 of which Rs. 14·46 lakhs is on the cover of co-operative paper. There are now applications to increase the total by Rs. 6,53,600, of which Rs. 4,13,000 is on cover of co-operative paper. The cash credit given on co-operative paper being definitely reckoned only for "inside" liabilities, it must bear some reasonable relation to the cash credit given by central banks to their members, though it may be somewhat in excess of it, to be utilised for other emergent necessities. The central banks will therefore be requested in due course to furnish periodically figures showing the extent of their inside liabilities, with reference to the G.O. According to our present arrangements, central banks do not pay any interest on the undrawn portion of the cash credit, nor do they pay anything for the services rendered to them, though the Provincial Bank is maintaining cent per cent fluid resource in the shape of cash credit obtained from the Imperial Bank wholly on the security of Government Paper for the entire cash credit allowed to central banks either on co-operative paper or other securities. The central banks know that the Provincial Bank does not now get any accommodation, either from the Imperial Bank or from the Reserve Bank on Co-operative Paper, and that the extent of the cash credit enjoyed by the Provincial Bank even on Government paper is only Rs. 37 lakhs and not capable of expansion. If practically the whole of this amount is earmarked for cash credits to central banks there will be little margin to borrow for other purposes. I am not suggesting that there should be any change in the arrangements that now subsist between the Provincial Bank and the central banks or that the latter should be taxed for such services. But I am merely drawing their attention to the need for limiting their demands on the Provincial Bank in this respect to the absolute minimum necessary to comply with the G. O. and for close co-ordination between them and the Provincial institution with a realisation of their mutual obligations and respective difficulties.

G. O. No. 1326 L. & M. dated 30th March 1936 deals with the conditions and limits under which the central banks may receive deposits from local bodies. The Provincial Co-operative Bank never objected to central banks deriving substantial portions of their working capital from local sources, individuals as well as institutions, provided that their borrowing rate was at least half per cent less than the lending rate of the Provincial Bank. But the Provincial Bank has all along expected and has a right to expect always that some reasonable proportion at least of the requirements of the central banks should be derived from it. I estimate that normally and on an average a loan business of about Rs. 40 to 50 lakhs in a year with the central banks is necessary to keep up the financial efficiency of the Provincial Bank and ensure its utility to the Co-operative Credit Movement of the Province. If the central banks act on the principle of "Borrow and invest elsewhere if you *can*: go to the Provincial Bank if you *must*", the notion of a Co-operative Federal Banking Structure is utterly illusory. It is a one-sided demand as the Telugu Proverb goes, "when you go to us what gifts will you bring us; when we go to you, what gifts will you make to us ?". It is impossible to link up the several parts of the co-operative credit organisation on such relationship. I hope and trust that this aspect of our problem will receive due consideration at the hands of the central banks.

There is now a demand from certain parts of the city of Madras for the extension of the facilities which the Provincial Bank can give to the public. A branch in Egmore and another in Mount Road will be useful as well as profitable. The Executive Committee will examine the matter soon.

Development of produce loans, construction of godowns and allied matters.

The Department has of late developed an extra-ordinary affection, if not a new love, for the promotion of co-operative marketing, construction of godowns, the development of loan and sale societies and all the rest of it. The Registrar, in his communication to the Bank dated 22nd April 1936, has made some suggestions regarding the development of produce loans, and invited the Provincial Bank to play a more useful and active part than it has hitherto done in helping the ryots. The Provincial Bank is of course fully alive to the usefulness of such a programme. But the part which the Provincial Bank *by itself* can play in the pursuit of such a programme is very little. It is essentially the financing agency and balancing centre for the central banks and will continue to be such. The Provincial Bank's views in

regard to the ways and means for development of produce loans were placed before the Department in 1933. The then Registrar, who submitted the scheme to the Government, presumably with an expression of his own views thereon, intimated to this Bank, in his communication dated 27th October 1933, the decisions of the Government on the Provincial Bank's proposals. All the proposals were turned down as being opposed to the principles of "Co-operation" as well as "Banking". There was an amusing exposition in that communication of the views of the Madras Government and of the Registrar on those principles. I must resist the temptation of taking up your time by reading it to you, though it is sure to provide you with considerable delectation and greatly relieve the monotony of a business meeting. Paragraph 4 of that communiciation, which disposes of the matter now under reference from the Registrar to this Bank, runs as follows:—

"Lending on produce is a business that calls for a great deal of detailed and effective supervision. It is obviously undesirable that a Bank should own real estate, godowns, etc. which would detract from the fluidity of its resources. The only alternative seems to be to organise loan and sale societies which have powers to hire or construct godowns and finance marketing and sale of agricultural produce."

There can therefore be no question of the Provincial or central banks constructing godowns or financing their construction. There is nothing new in the present proposals, except that the Government have promised to revive their old scheme to finance loan and sale societies for construction of godowns, which was once tried and practically abandoned, as it evoked no adequate response from the loan and sale societies. In view of the final orders of 1933 of the Local Government, it will not be possible for the Madras Provincial Bank to take any direct action to promote the scheme of produce loans. The formation of new loan and sale societies is a matter of local enterprise and not a function of the Provincial Bank. It is a form of business which demands gocd orgainsation and strong co-operative spirit for its success. "Organisation" implies sound management, firm loyalty of members, regulated markets and standardized products. All this can be accomplished only by a definite programme drawn up by the department in collaboration with the co-operators of the locality. If the Provincial Co-operative Union interests itself in organising loan and sale societies, we may subsidise it to meet the organisation expenses. As regards financing these loan and sale societies it is primarily the function of the central banks. The Provincial Bank is bound by the convention that it should not trench on the legitimate business of the central banks. It can directly finance only select loan and sale societies, as non-members, with the Registrar's permission, which he is expected to give only when a central bank operating over any area expresses its inability to do so and asks the Provincial Bank to do it. In order, however, to encourage the development of produce loans through loan and sale societies affiliated to central banks, the Provincial Bank has set apart a substantial sum of money to be given as subsidy to central banks, specially with a view to enable the central banks to employ the necessary inspectorial staff to supervise the operations of the loan and sale societies financed by them and as already stated, a sum of Rs. 8,500 was given as subsidy to central banks under this head during the year that has closed. If any further action which does not contravene the G.O. of 1933 is suggested by the Registrar, the Provincial Bank, I have no doubt, will examine his proposals with a view to give effect to them as far as possible.

Arrangement for the financing of the central banks in the Ganjam District and the Orissa Government's action thereon.

The Government of Orissa invited the President of the Madras Provincial Co-operative Bank, the Managing Director of the Bihar Provincial Co-operative Bank and the Registrars of Co-operative Societies of Bihar and Madras for a consultation at Puri in regard to the arrangements for financing the central banks in the new Province of Orissa, and which were hitherto financed by the Provincal Banks at Patna and Madras. The whole of the banking area of the Aska Co-operative Central Bank and a substantial portion of the Ganjam Dt. Co-operative Banking Union, which were in our jurisdiction till 1-4-1936 have gone into the new Orissa province. On date, the Aska Central Bank owes us Rs. 1,02,670 on loan account and Rs. 20,061 on overdraft account. The whole of the loan amount due to us is overdue and has been so since 34-35. The Aska Bank have been asking us to continue to finance them in spite of their entire area being transferred to the Orissa province and their long-standing default to repay our old loan. There were obvious difficulties in the way of giving fresh loans to that Bank. Nevertheless, we have gone half way to meet their requirements by permitting them to reloan a portion of their collections, so as to keep the societies in the area going, though such collections should normally have been applied to the repayment of our overdue loans. The Ganjam

Dt. Co-operative Banking Union has all along been in a much stronger position and it has not been borrowing from us. It owes nothing to us on loan account; but owes a sum of Rs. 3,258 on overdraft account. The Bank will be able to close its overdraft account without much difficulty, for it has adequate liquid resources to meet its commitments.

During the course of the consultations at Puri above referred to, the question of future finance of the Aska and Ganjam Banks was pressed upon me. I pointed out that, besides business complications, there were technical difficulties as well in the way of the Madras Provincial Bank continuing to finance them. Under our bylaws, we can ordinarily finance only societies situated within the province of Madras and not those outside and when we pointed out this difficulty to the Registrar he advised us to amend our bylaws so as to include the Orissa portion of the Ganjam District within our banking area before we advance any further loans to the Ganjam and Aska Banks. I personally do not find any necessity to amend our bylaws in that manner. Moreover, the Orissa Government have now decided to establish very soon a Provincial Co-operative Bank for the new province of Orissa and under the bylaws of that bank, which were settled at our consultations, the Aska and the Ganjam Banks'areas are included in its jurisdiction. I therefore suggested at the consultations that such finance as the central banks in Orissa required may be derived from the Madras Provincial Co-operative Bank in *the shape of a loan to the newly formed Provincial Bank of Orissa*, on the guarantee of the Provincial Government of Orissa for its repayment.

I may point out in this connection that the generally prevailing rate of interest charged on loans to the members of primary societies in Orissa is 15¾ p.c. The members in the areas of the Ganjam and Aska Banks who are now getting their loans at 7 or 8 per cent will be simply ruined if this high rate of interest is charged, and even in the other 13 central banks' areas (the number of central banks in Orissa is 15 including the Aska and Ganjam Central Banks) the co-operative credit movement there cannot sustain such a heavy interest burden. The old theory that it would be unco-operative to lend at very low rates, when the local market rate charged by capitalists was disproportionately high, seems to still linger in the minds of some co-operators in Orissa—official and non-official. I wholly disagree with that view, for the function of co-operative credit is to bring down the surrounding rates of interest by its example on the one hand and to carefully control the borrowing by the members so as not to finance them beyond their needs on the other. In any case 15¾ p.c. is rank usury. Therefore both at the consultations and in my interview with His Excellency Sir John Hubback, Governor of Orissa, I urged that some steps should be taken to bring down the rate of interest considerably in the whole of the province, if the co-operative movement should survive and function there. I further said, if necessary the Madras Provincial Co-operative Bank would be prepared to lend about Rs. 10 lakhs, which represents the total commitments of all the 15 central banks in Orissa to their outside creditors and depositors, if the Local Government of Orissa guaranteed the repayment of principal and interest to the Provincial Bank. When the existing dues to outside creditors and depositors are fully discharged with this money, the central banks and societies can start on a clean slate and bring down the rate of interest substantially. I understand this suggestion will receive the consideration of the Orissa Government; but it is not likely that any action will be taken on it, till after Provincial autonomy is set up on 1st April next and the Governor can have the advice of his ministers.

There is just one other point which requires mention in this connection. It is the question of financing the societies now affiliated to the Ganjam Bank but which are left within the province of Madras and thus remain in the jurisdiction of our bank. Steps for bifurcating the Ganjam Bank and registering a separate bank for societies that are left over in Madras with headquarters at Chicacole are in progress. There is an alternative proposal to tack on these societies to the Vizianagram Co operative Central Bank, which is under imminent sentence of supersession. This alternative proposal appears to me to be one which bristles with technical difficulties and involves considerable delay. However, till these disembodied units which will be cut off from the Ganjam Dt. Bank, are gathered into the bosom of a new or an old central bank in our province, it may be difficult to arrange to finance them. Many of the societies remaining in the old Ganjam Banking Union area and which are left in Madras are good and deserve to be financed. But they are all starved for some time past owing to the difficulties arising from the formation of the new province and

will continue to be starved until they are reattached to some central bank. The matter is one which deserves the immediate consideration of the Registrar.

Registrar's Ooty meeting— Proposals to reform the Movement— Local Politics and Factions.

The Registrar of Co-operative Societies convened an informal meeting of the representatives of a few co-operative institutions, at Ootacamund on 23rd May 1936. No formal decisions were taken at this Conference. but certain problems connected with the reform of the Movement were discussed in an informal way to elicit the opinion of the invitees. Some radical changes in policy were suggested but there was no general agreement reached on any of them. The first question that was discussed and for the consideration of which the meeting was mainly convened related to local politics and factions which were said to have crept into the movement and the steps necessary to keep them out There was no difference of opinion about the gravity of the evil or the urgency for erradicating it. One of the remedies suggested was that directors of co-operative banks should not contest elections to local bodies which were conducted on party and political lines. But this did not meet with the approval of the meeting. Another remedy suggested was that the Registrar should take statutory power to nominate members to the committees of societies in order to improve their tone where it is weakened by local politics and faction. The meeting did not favour this suggestion either; on the other hand the meeting suggested that power to co-opt independent co-operators to committees of co-operative institutions should be generally given to the institutions themselves by an appropriate rule or by introduction of a suitable provision into the bylaws of the societies.

There was some discussion on a proposal that the Registrar should be given statutory power to remove undesirable men, after enquiry, from the societies. This proposal was seriously put forward by Mr. Sathianathan, the Special Officer on Indebtedness, in his report. One of the leading non-official representatives present at the meeting reiterated this view. In their orders on Mr. Sathianathan's report the Madras Government said that they had already promised to support the departmental officers in their efforts to eliminate undesirable men from the movement and *that no statutory provision was necessary*. It is not known what exactly is the nature of that promise or of the methods contemplated for weeding out the undesirable men from the movement. Apart from the exercise of such powers being wholly opposed to the essentially democratic character of our institutions, the danger of such a power being liable to grave misuse in the hands of the departmental officials, specially in view of the likelihood of political and other considerations influencing such action, is real, and should be guarded against. The representatives of the central banks cannot be too careful or watchful in this matter. It is gratifying to note that the Government have definitely turned down Mr. Sathianathan's recommendations that supervision of co-operative institutions should be wholly placed under the official agency and reaffirmed that it was the function of the central banks to supervise, with the assistance of the local unions. Central Banks must exert themselves fully to discharge this function efficiently and to earn the confidence of the public in their capacity to do so.

A proposal to appoint departmental officers as Executive Officers in central banks, where overdues are very heavy, was also discussed. The general trend of opinion was that it should be done only in very bad cases, for instance, where overdues were as heavy as about 75 p. c. and that the officer appointed should primarily deal with collection of arrears and should not control the general management of the central bank or its committee. The arrangment must, in other words, be an aid to the carrying out of the programme of rectification work on the lines of the Registrar's scheme, with particular concentration on collection.

The Conference convened by the Registrar at Ootacamund is symptomatic of the times. The anxiety of the officials and non-officials to arrest the further deterioration of the movement and to exterminate the corruption and demoralisation that have set in is natural and the creation of opportunities for their conferring together, like the one afforded by the Registrar, should be welcomed. But in our anxiety to reform our organisation, we must not transform it into one run by capitalists from inside and controlled by officials from outside. But that is precisely the direction in which we are proceeding. The curtailment of the influence of the borrowing element by the introduction of the capitalists into our committees and enlarging the powers of the department to interfere with the internal management of our affairs are the two extraordinary remedies that are being pressed on us. Both of them are utterly unco-operative. If the justification is that without adopting these measures, the Movement cannot be improved, my

answer is that nothing of Co-operation will be left in it after that. Some movements (and Co-operation is essentially one of them) are worth pursuing only for their vitalising principles and the fresh solution they offer for the problems of our economic re-organisation which capitalists and monopolists have not only failed to solve hitherto, but have so muddled up as to plunge the masses into the paralysing dread of poverty and want. Capitalist and Co-operator are poles apart. As for the official, he is all the world over the mouth-piece and the protagonist of the capitalist, for it is idle to deny that the capitalist has now gained the absolute control over the machinery of the Government in India and elsewhere. Therefore, to seek to restore the Co-operative Movement to its normal health and to install it once more on its high pedestal from which it has slipped down, with the aid of the capitalist and the grip of the official, is to run away from the road of mutual help and mutual service and to destroy the very foundation on which our societies are built up. Let me not be misunderstood. I am not thinking of any individual capitalist or particular official but only of the absence of a place for *capitalism* or *officialism* in Co-operation and merely giving expression to my faith that "Co-operation" controlled and administered by capitalists and officials is an impossibility and a contradiction in terms. I therefore most humbly beg of you to reverse the dangerous process of reformation on which you have embarked and evolve plans to make your societies families of men and women who combine to help each other—genuinely popular and genuinely co-operative creations."

Proceedings.

Before taking up the subjects on the agenda, the President referred to the demise of four veteran leaders of the Co-operative Movement, Sir M. Ramachandra Rao, Dewan Bahadur R. Ramachandra Rao, Sir Frederick Naicholson and Sir T. N Sivagnanam Pillai, and spoke of the valuable services rendered by them to the Co-operative Movement. He said that Sir M. Ramachandra Rao was responsible for developing the land mortgage Banking system in the province and putting it on stable foundations. Dewan Bahadur R. Ramachandra Rao, as the second Registrar of Co-operative Societies, laid the foundations of the present Co-operative Financial Structure in the Province. He was responsible for starting the first District Central Bank in the whole of India. He also started the first Co-operative Supervising Union in the

Presidency. After his retirement, he tried to do for the Co-operative Movement as a non-official what he had not been allowed to do as an official. He entered the Directorate of the Madras Provincial Co-operative Bank and selected the Salem District for working out intensively his ideas of Co-operation.

Sir Frederick Nicholson must be given the credit of preparing the materials for the introduction of the Co-operative Movement in India and for the framing of the first Co-operative Societies' Act of 1904. After his retriement also, he continued to take interest in the development of the Co-operative Movement in India, particularly Agricultural Co-operation, and was always accessible to co-operators who sought his advice and guidance.

Sir T, N. Sivagnanam Pillai, who rose from the ranks of the Revenue Department to the high eminence of the Developement Minister of the Province, was an ardent co-operator. When he was in charge of Co-operation, he evinced considerable interest in the Movement, and in his own district of Tinnevelly, he was associated with the work of some co-operative organisations.

The death all these co-oprators within a short interval of two months was a great loss to the Movement, particularly at this time when it requires all the help and guidance from those who have toiled for the spread of the Movement in this Province.

The President moved from the Chair the following resolution:—

"The Madras Provincial Co-operative Bank places on record its deep sense of sorrow at the demise of Sir M. Ramachandra Rao, Dewan Bahadur K. Ramachandra Rao, Sir Frederick Nicholson, and Sir T. N. Sivagnanam Pillai, who rendered very valuable services to the Co-operative Movement and conveys to the members of their families its heartfelt sympathy and condolences."

The resolution was carried unanimously, all standing.

The President then invited the members to discuss the subjects on the agenda.

Dewan Bahadur T. A. Ramalingam Chettiar expressed his satisfaction at the provision made for the development of loan and sale societies and said that financial assistance should be continued in the current co-operative year. He mentioned that a Provincial Marketing Society is under organisation and suggested that the Society may be helped by cheap loans from the Provincial Bank. He also suggested that the Provincial Bank may give a liberal subsidy and also meet the organisation expenses of the Society. He added that accommodation may be granted to the Society on "open loan" system. As regards construction of godowns, he suggested that the Provincial Bank may lend to the loan and sale societies what they may require over and above what the Government can give.

Mr. T. Adinarayana Chettiyar supported Mr. Ramalingam Chettiar's suggestions.

Mr. K. Bhashyam Iyengar suggested that the whole question may be referred to the Executive Committee for disposal.

Mr. T. R. Venkatarama Sastriar stated that from what he heard about the "open Loan" system, from two other banks with which he was connected, he could not commend it for adoption without a thorough examination of the procedure.

The President stated that, at the suggestion of the Registrar, a circular had been sent to all central banks inviting their opinion on the subject of development of loan and sale societies. Their replies are being received and will be examined in due course. He further stated that the suggestions made by Dewan Bahadur T. A. Ramalingam Chettiar, on which there is hardly any difference of opinion, will be considered by the Executive Committee in due course, and suitable action taken on them.

Mr. N. Ramakrishna Rao next moved the following resolution :—

"The Board of Management resolves that such of the societies as are affiliated to the Ganjam District Co-operative Banking Union, but are not transferred to the new Orissa Province and which are within the area of operations of the Madras Provincial

Co-operative Bank, be financed by the Madras Provincial Co-operative Bank through the Ganjam District Co-operative Banking Union, till they are affiliated to another central bank. Loans given by the Provincial Bank for the present to the Ganjam District Bank shall be earmarked for loans to such societies."

Mr. Kala Venkata Rao seconded the resolution.

The President stated that he had explained the position in his speech at the commencement of the proceedings and that the resolution might be accepted.

The resolution was carried unanimously.

Mr. T. Adinarayana Chettiar moved the following proposition in modification of the one he had given notice of :--

'That a Bromide enlargement of the late Dewan Bahadur R. Ramachandra Rao. C. S. I.. who was Second Registrar of Co-operative Societies and member of the Executive Committee of this Bank, be put up in the Bank's premises and that a sum of Rs.100/-be sanctioned for it."

He said that his idea was that the portraits of the late Mr V. C. Rangaswamy and Dewan Bahadur R. Ramachandra Rao should be unveiled at the time of the next General Body meeting of the Bank.

This was duly seconded and carried unanimously.

With a vote of thanks to the Chair, the meeting terminated.

K. SUNDAR RAO
Secretary.

V. RAMADAS
President.

MYLAPORE,
24th July, 1936.

S. R. K. P. Works. Madras.—8-'36—1300