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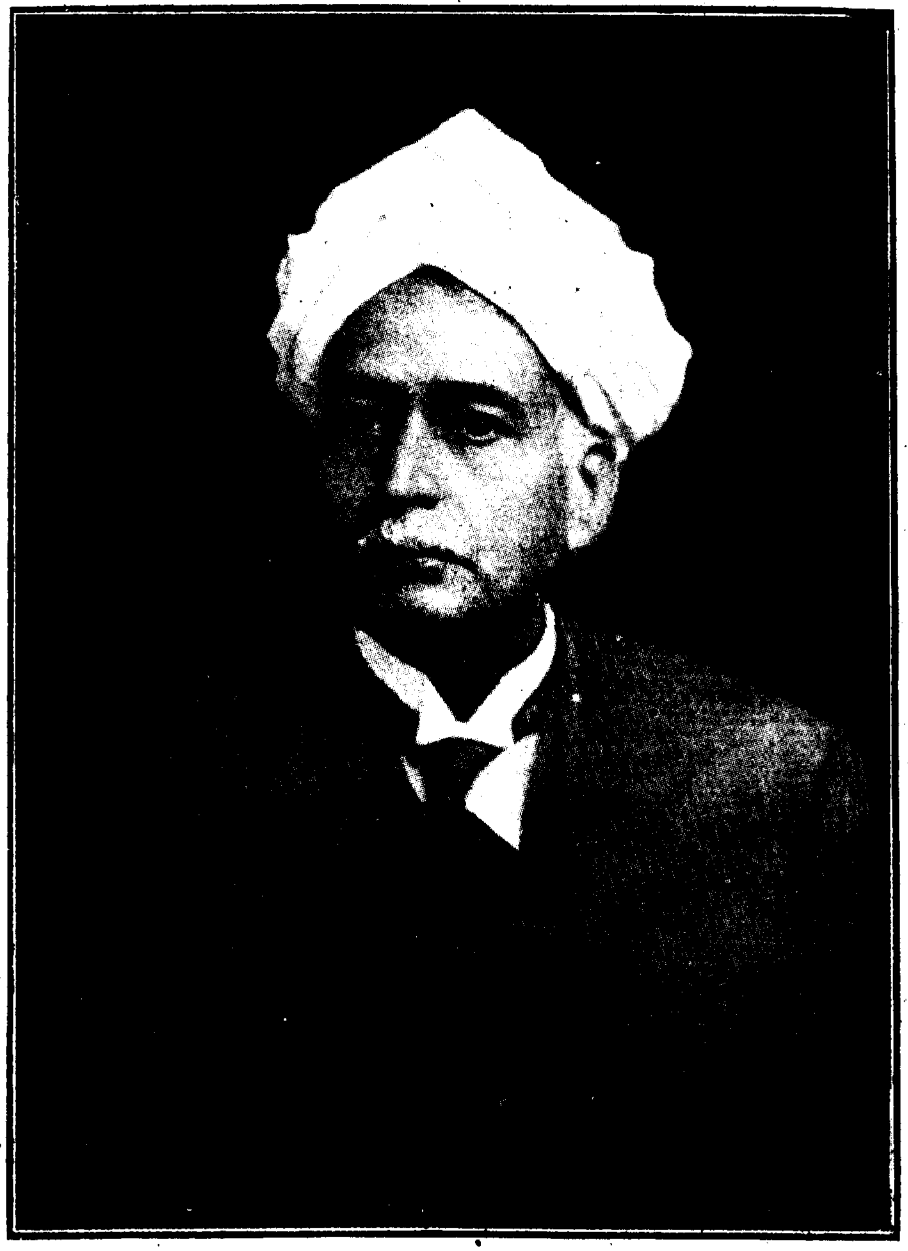

The Late Sir M. Ramachandra Rao.

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Editorial Notes.

The Late Sir M. Ramachandra Rao.

The death of Sir M. Ramachandra Rao on the 17th of May last at Bangalore has come as a shock on the public. Though he was not in the best of health for some months past, he was able to attend to his normal duties and no one imagined that there was anything seriously wrong with his health. His end has come very suddenly.

Sir M. Ramachandra Rao's death removes from the ranks of publicists in India one of her foremost leaders. His long and distinguished public career was one of devoted service to the country. In politics, he was an active and progressive member of the National Liberal Federation and distinguished himself by his deep study, grasp of public questions and soundness and sobriety of judgment. Sir M. Ramachandra Rao was 68 years of age at the time of his death. He had his early education in Madras in the Hindu High School, Triplicane and in the Presidency College. After graduating in Law, he was apprenticed to the late Andrew Lang and later he set up practice at Ellore. He soon rose to the top of the profession. Even when he was in active practice at the Bar, he devoted a great deal of his time and energy to public work. He was a member of the Madras Legislative Council for a continuous period of 12 years up to the inauguration of the Montagu-Chelmsford Reforms in 1920. During his membership of the Madras Legislative Council, he evinced great interest in matters relating to Land Revenue, Local Self-Government, Irrigation, Education and Sanitation, and elicited the admiration of even the official benches in regard to his knowledge of principles and details of almost all administrative problems. The way in which he handled questions of public finance elicited from Sir Harold Stewart, one of the ablest members of the Madras Government, the compliment that Sir (then Mr.) Ramachandra Rao was the "Gokhale of Madras". He was returned to the Legislative Assembly from the Godavari-Kistna rural constituency in 1923 and during the three years that he sat in the Legislative Assembly, he contributed much which is of value to the deliberations of that body.

For his own town of Ellore he did perhaps more than any individual has done. When Sir Ramachandra Rao assumed charge as Chairman of the Ellore Municipal Council it was a filthy town, almost uninhabitable. He laboured hard to so improve the civic amenities of his town as to ultimately make it fit to be the headquarters of a district. His administration of the Rajahmundry Municipality as its Chairman and of the Kistna District Board as its President won for him the appreciation of the Government as well as the people.

Sir M. Ramachandra Rao served on many Commissions and Committees like the Sandhurst Committee, the Skeen Committee and the Lytton Committee. He went to England as a member of the Liberal Federation in 1919 in connection with the Montagu-Chelmsford proposals, and on that occasion he presented a very able memorandum on the question of re-division of Indian provinces on a linguistic basis. He then made out a very strong case for the constitution of a separate Andhra Province. He served on the first and second Round Table Conferences at the invitation of the Government in England. He took active interest in problems connected with subjects of Indian States and presided over their conferences.

To co-operators, Sir M. Ramachandra Rao's services as the President of the Madras Co-operative Central Land Mortgage Bank, stand out as a shining example of what a single individual can do to promote co-operation in a province. Sir M. Ramachandra Rao succeeded the late lamented Dr. S. Swaminadhan as the President of the Central Land Mortgage Bank in the year 1930 and for about six years, he gave his best not only to the institution of which he was the President but also to the entire organisation of land mortgage banking in the province. It may be said that it was his

personal influence and the confidence created by him in the Madras Government that secured for the debentures of the Central Land Mortgage Bank the status of Trustee Securities whose principal and interest were guaranteed by the Provincial Government. His nomination as a Director of the Central Board of the Reserve Bank of India was a fitting recognition of his services to the Co-operative Movement and no better or happier choice could have been made for the place. During the short time that he was a member of the Board of the Reserve Bank, he devoted all his energies to the question of the establishment of a rural credit branch of the Reserve Bank, to help the development of Indian Agricultural Industry and to promote the economic interests of the Indian agriculturists. It is a matter of deep regret that he is not alive to see the fruits of his labours in this sphere.

The outstanding trait of his character was his adherence to principles in which he believed. He never shaped his public conduct either to win the approbation or to avoid the disapprobation of his critics, but always strove to do what he considered to be right and for the good of the country. We beg to convey our heart-felt sympathy to the members of his family in their sad bereavement. The numerous messages of condolence and appreciation of Sir M. Ramachandra Rao's services to the country will, we hope, be a source of some consolation to the members of his family in the thought that the grief caused by his death is shared with them by his numerous friends and admirers all over India.

The All-India Village Industries Association.

It is easy to expect too much of an institution like the Village Industries Association which has the personality of Mahatma Gandhi behind it and which was started in pursuance of a resolution of the Indian National Congress. The first annual report of the Association—for the period from 14th December 1934 to 31st December 1935—shows that it has done very substantial work, in spite of the fact that, being the first year of its existence, it had to grope its way for a considerable part of the period. From its name one would suppose that the activities of the Association would be confined to the economic field. But as its objects include the moral and physical improvement of villagers, it has quite a comprehensive programme of rural reconstruction. Though the Congress resolution, (passed at Bombay in October 1934) bringing it into existence, spoke of it as 'part of the activities of the Congress,' it is an independent nonpolitical organisation, with which it should be possible for bodies like co-operative societies and even Departments of Government, which work for rural uplift to co-operate. The report shows that there is no obstacle to such co-operation and that it would be quite welcome.

The report is confined to the work done in 115 villages, 10 groups of villages and in parts of 15 districts. (It is not made clear whether the parts of the 15 districts include or exclude the 115 villages). Attention was concentrated on (1) sanitation and hygiene (2) diet and (3) industries. Much propaganda was naturally done by means of lectures, leaflets, charts, posters, magic lantern slides and exhibitions. Patient and very useful research work was carried on at different places in respect of several articles and processes and to some extent the marketing of goods was also organised. The Association has laid down the rule that in respect of all work carried on under its auspices, a minimum wage should be given to each workman—that is, for eight hours' efficient work he should be given a wage which would be sufficient to provide him with a minimum of scientifically prescribed food and other requirements, and that it should be raised as circumstances permitted until the earnings of the workers in a family should be sufficient to maintain the whole family. The adoption of this minimum wage will be warmly welcomed by co-operators with whom equitable wages and equitable prices are a matter of principle.

Village Sanitation.

In respect of sanitation the matter that received attention first was the prevention of the fouling of streets, open spaces and river-beds and the conversion of excreta into manure. Attempts were made to introduce simple and inexpensive trench latrines, and to induce people to cover up the excreta with earth in order to prevent bad smell and the spread of disease through flies. Scavenging by workers was also undertaken in many villages. The report frankly states that not much success has attended these efforts and that no co-operation worth the name has been forthcoming from the people. This is not surprising, since the habits and prejudices of centuries are not given up in a short time. We should say that scavenging by high caste outsiders will be looked upon by the villagers as a showy and heroic act and will not impress them with its practicability. Other means should therefore be found for achieving the object. No mention is made in the report of bore-hole latrines which have become

popular in some villages in South India. We invite the Association to examine their suitability. The use of night-soil manure was successfully demonstrated in some villages in Bengal. Indeed the difficulty is not in convincing villagers of its value, but in overcoming their prejudice against removing night-soil for conversion into manure. To show that there was nothing degrading in it the high caste workers of the Association did this work.

Other sanitary measures adopted were the construction of soak-pits or drains to prevent waste water from houses forming cess-pools which stink and breed mosquitoes, the sweeping of villages either by paid or voluntary agencies, cleaning village sites and tanks, the provision of tube wells, the distribution of medicines, the adoption of preventive measures against epidemic outbreaks etc. In all sanitary work wherever possible, the help of the Local Board and of the medical officer was obtained.

Soya Beans.

With regard to diet, opinions of eminent medical men all over the country were obtained regarding the relative merits of polished *vs.* unpolished rice, hand-ground wheat flour *vs.* mill-ground flour and jaggery *vs.* refined sugar. 'Medical opinion being invariably in favour of the less processed foods, leaflets to this effect were printed and distributed, illustrative maps and posters exhibited and articles contributed to various papers'. An interesting experiment was made to ascertain the value of soya bean as an article of food by giving it for three months both morning and evening to those who lived at the headquarters of the Association at Wardha to the exclusion of other protied foods, and by noting their weights weekly. The result confirmed the opinion of diet experts that soya bean should not be taken as the sole source of protien, but was valuable only when taken in small quantities for supplementing a vegetarian menu deficient in animal protiens. Another experiment made at Wardha on the use of tamarind showed that it was good for removing constipation even in chronic cases and that in no case was it found to induce cold, rheumatism or boils as many people outside South India believe it to do.

Paddy-Husking.

Regarding industries, experiments and research were conducted in respect of more than twenty industries in different parts of the country. The work done is of the utmost value and more than

District Munsiff held that the order of the liquidator regarding the liability of the persons to make the contribution was final and that the Civil Courts had no jurisdiction to entertain the suits. They relied upon the provisions of section 42 (6) of the Co-operative Societies Act (II of 1912) which runs as follows :—

> "Save in so far as hereinbefore expressly provided, no Civil Court shall have any jurisdiction in respect of any matter connected with the dissolution of a registered society under this Act."

A bench of the Madras High Court consisting of Justices King and Menon held that the section of the Co-operative Societies Act relied upon by both the Courts below did not take away the rights of the appellants to be heard by a Civil Court in regard to their liability to make the contribution. Their Lordships made the following observation: "We are unable to find in the Act any clear indication that the liquidator can determine, in such a way that his determination is not subject to be set aside by the Civil Courts, who are liable either as members or as past members of the society to contribute to the assets of the society." They accordingly remanded the suits for trial on merits to the court of first instance.

We are constrained to say, with due respect to their Lordships, that the interpretation placed by them on section 42 (6) of the Act is not correct. Section 42 sub-section (2) (*a*) gives the liquidator power "to determine the contribution to be made by the members and past members of the society respectively to the assets of the society." To interpret the words, "to determine the contribution" as meaning merely the determination of the *amount* of the contribution and not the *liability* to contribute is not only to place an unduly restricted meaning on the wording of the section but to practically render the provision of the Act negatory. If the section is to be interpreted, as Their Lordships have done, all that is necessary to oust the jurisdiction of a liquidator to levy the contribution is to deny the liability in all such cases. The liquidator has either to go to the civil court himself to get the liability established or to expose himself to the risk of being impleaded as a defendant in suits in civil courts by those from whom contributions were levied in each case. Liquidation work, which is already long delayed, will practically come to a standstill, if this interpretation of the section by the High Court is accepted and acted upon.

There is unfortunately very little direct authority on the question in the shape of decided cases in the Indian High Courts. There are, however, two cases of the Lahore High Court which have some bearing on the question. In the case reported in A.I.R. 1933 Lahore, 442, it was held that the liquidator's power was limited to determine the contribution to be made by a member and he is not given power to decide whether a particular person is a member, and if any one disputes his membership, the dispute must be decided by some tribunal

before any question of contribution can arise. In a later decision of the same High Court reported in A.I R. 1935, Lahore, 330, a distinction was drawn between cases in which persons against whom contributions were levied pleaded that they never were members of the society in question and in which such persons admitted that they were once members but ceased to be members later. The case from South Kanara was of the latter description. In the latter case the Lahore High Court held that notwithstanding the plea of the person against whom contribution was levied that he ceased to be a member more than two years before the contribution order was made, the liquidator had jurisdiction to decide whether the person really ceased to be a member and if not what contribution was due from him as a past member and that the civil court had no jurisdiction to entertain a suit to question his decision on either point. This decision seems to be on all force with the case from South Kanara. The decision of their Lordships of the Madras High Court, though they do not expressly say so, is evidently made to rest upon the general principle that in the absence of an exclusive jurisdiction expressly given by any Statute, the deciding authority under a special law like the Co-operative Societies Act may decide the preliminary questions which are necessary to vest him with jurisdiction, but such decisions on preliminary questions will still be open to be contested in a civil court. The leading authority on the subject is a full bench decision reported in 14 Cal. 67, which went on appeal to the Privy Council, whose decision is reported in 17 Cal. 590. The broad question that arose in that case was that when the revenue authorities had to decide under Bengal Act IX of 1847 the question of liability of certain lands to be assessed and the question of rate of assessment, whether the decision of the revenue authorities on both the questions was final or whether the question of liability to be assessed which was preliminary to a decision on the question of the rate of assessment was open to be contested in civil courts. It was held by the Privy Council that the decision on the question of liability to assessment was open to be contested in a civil court, though when such liability is found to exist the decision as to the rate of assessment could not be so re-opened in a civil court. On the analogy of that case, it was contended that while the amount of contribution decided by the liquidator could not be contested in a civil court, the liability to make the contribution was open to such contest. The question whether finality attaches to the decision of any special authorities like those acting under the Bengal Act IX of 1847 or the Co-operative Societies Act II of 1912 will depend upon the wording of the particular Act. It is enough to point out that the wording of the Bengal Act is very different from that of the Co-operative Societies Act, and the decisions in 14 Cal. and 17 Cal. quoted above are not in point in construing the provisions of Section 46 (2) of the Co-operative Societies Act II of 1912. The decisions under the Friendly Societies Act in England no doubt may have a bearing on the construction of the provisions of the Co-operative Societies Act, justifies the existence of the Association. Paddy-husking by means of 'earth, stone, cement and wooden chakkis' (grinding stones) is recommended in preference to husking by *dhenki* or pestle as giving less polish to rice and retaining more of its food value. The experiments regarding this article were made in South India. As an occupation for villagers, paddy-pounding had made the best progress in Guntur District—as we know, due to the concentrated efforts of Messrs. Sitarama Sastri and Venkatarangayya—and to some extent in the Tiruvanamalai area where Rao Saheb M. S. Seshachala Aiyer, the well known co-operator, is taking a keen interest in the matter.

Palm Jaggery.

The report reveals the immense potentialities that exist for the industry of making gur or jaggery from palm juice. Says the report:

> "Crores of rupees worth palm gur can be produced if palm trees all over India be utilised. Facts and figures were collected by deputing a special worker in Bengal and it was found that a man can earn about Rs. 120 in a season of less than four months by engaging himself in tapping 15 trees and preparing gur from the juice so obtained . . . Besides, palm gur is preferable even to sugarcane gur for the reason that sugarcane requires cultivable land and plenty of irrigation while palm trees grow on waste lands and often on the edge of fields and require no irrigation or attention. There are millions of trees growing all over India not being utilised for this purpose and easily capable of yielding about Rs. 5 worth of gur per tree per season. It is therefore a sound economic proposition that efforts should be concentrated on making gur from palm juice."

What needs to be overcome is the religious prejudice of people against using palm gur. Widespread propaganda is necessary for this purpose. Experiments were successfully made in Bengal, Malabar and Andhra Desa for improving the colour of the palm gur. We invite co-operative societies in this and other provinces to interest themselves in the establishment and expansion of this industry. Their help in financing the industry and in marketing the produce will be of special value.

Tanning.

Of equal importance is the work done in connection with tanning and the disposal of carcasses at the Tanning Institute of Calcutta under the direction of Mr. Satischendra Das Gupta. After ten months of work done there, the Association is in a position to say that 'village chamars (or leather-workers) may make high quality chrome leather equal to factory-finished leather, with the help of

appliances which are suitable for cottages." A simple and economical way of disposing of carcasses has been discovered, by which every part of a dead animal—skin, flesh, bone, etc.,—will be converted into a useful article. It seems a powder is made out of the flesh and bones after they are well boiled and also out of the blood after it is dried, and that this powder is a valuable manure for which there is a ready market. The Association proposes to bring out a booklet on this subject in the near future. It speaks also of a pedal-ginning machine having been invented at Sabarmathi, whose out-turn is three times that of the old-fashioned machine. This will be found to be of very great value for the cotton producing areas. It also speaks of thin, light, non-absorbent paper being made at the headquarters of the Association, which weighs only 4 to 5 lbs. per ream.

The Association had appointed during the year under report 56 Agents, among whom were Messrs. N. Satyanarayana and G. Sitarama Sastri, superintendents of the Rural Reconstruction centres of the Madras Provincial Co-operative Union conducted at Alamuru and Vinayashram respectively. We are also happy to see among them our veteran co-operators, Rao Saheb M. S. Seshachela Aiyar of Tiruvannamalai and Mr. T. Audinarayana Chettiar of Salem. The Association had 32 certified depots for the sale of articles produced under its auspices. But the only place in South India which had these shops was Guntur. It is a discredit to the city of Madras that it had no such shop. During the short period of its existence the Association has done very useful and valuable work, with which the several agencies interested in rural uplift and co-operative societies generally will do well to become closely acquainted.

Liquidators' powers under the Co-operative Societies Act.

In our May issue we referred to a decision of the Madras High Court in two connected second appeals that arose from the decision of the District Court of South Kanara*. The liquidator of the Uppinangadi Rural Credit Society in South Kanara levied contributions from two persons, who were alleged to be members, under powers vested in him by section 42-2 (*a*) of the Co-operative Societies Act (II of 1912). The two persons against whom the contributions were levied contended that they ceased to be members of the society five years previous to the order of liquidation by resigning their membership and taking back their share capital. The liquidator took evidence on the question of fact raised by the objectors and found that their allegations were not true and levied the contributions. They paid the contributions and filed two separate suits for their recovery on the ground that they were not liable. Both the District Munsiff of Puttur who tried the suits in the first instance and the District Judge of South Kanara who heard the appeals against the decrees of the

*S. A. 840 and 1102 of 1931.

for the statutory provisions ousting the jurisdiction of civil courts to question the decisions of the authorities constituted under the English Act are similar. The three leading cases which may be said to have any bearing on the question are those reported in 10 Common Pleas, 629, 1892, 2 Q. B. 225 and 1897, 1 Q. B. 257. But the observations in these cases have to be read with reference to the particular facts of the cases. All that was decided in these cases was that if one party to the litigation denied before the authorities acting under the Friendly Societies Act that the other party was ever a member of a friendly society or was not entitled to right of membership under the Act he cannot turn round and dispute the right of the latter to question in a civil court the decisions of the authorities acting under the Friendly Societies Act. That was more on the ground of estoppel against his own plea that the person aggrieved was not a member of the society. On a careful review of the existing authories, Indian and English, it must be stated that the decision of the Division Bench of the Madras High Court does not derive any support from the decided cases.

The question requires the serious attention of the Government, for it will practically oust the jurisdiction of the liquidators acting under the Co-operative Societies Act to determine the liability of past members to make contributions whenever they merely allege that their membership ceased more than two years ago, and the civil courts will be flooded with suits on the question of liability. If we are otherwise unable to get rid of the effect of the decision, suitable legislation must be undertaken to make the provisions of sections 42 and 46 of the Act more explicit than they are. (The corresponding sections of the Madras Act (VI of 1932) are 47 and 51).

His Excellency Sir K. V. Reddi Naidu.

We tender our sincere congratulations to Sir K. V. Reddi Naidu Garu on his appointment as acting Governor of Madras. It is a fitting recognition of his valuable services in Madras, first as Minister and then as Executive Councillor, and in South Africa as the Agent-General of the Viceroy.

Sir K. V. Reddi Naidu was the President of the Madras Provincial Co-operative Union during 1924-26 and in that capacity he evinced great interest in the development of the Co-operative Movement. He continued to take interest in the Co-operative Movement and in the short interval between his relinquishment of his office of Agent-General in South Africa and assumption of the office of Law Member to the Government of Madras, he made many notable speeches on co-operation and gave ample proof of his interest in the Movement. We hope that he will bring to bear his intimate knowledge of agricultural conditions of South India and zeal for rural reconstruction on the reform and resuscitation of the Co-operative Movement.

Co-operative Societies and How to Improve Them.

I

By Rao Bahadur A. Vedachala Iyer,

Retired Registrar of Co-operative Societies.

The time for overhauling the Co-operative movement arrived more than three years ago and I stressed this fact in a number of communications to the Registrar, the Provincial Union and the *Hindu*. Now I see that the present Registrar of Co-operative Societies (Madras) has called a meeting of the leading non-official co-operators and M. L. C's. for stock-taking of the present condition of the movement and to ascertain the various steps to be taken to pull up the movement wherever possible from the mire into which it has sunk. I have also seen the questionnaire which appeared in the *Hindu* of the 12th May, showing the directions in which the investigation may proceed. Before actually dealing with the general questions involved, I wish to lay before the public (Co-operative official and non-official) certain facts relating to co-operative borrowing and lending which are carried on under some slogan or other.

(1) It is said that Co-operation is an arrangement by which the borrowers and the lenders are to be one and the same. In fact, it is understood that the lending institutions should be composed of a preponderance of borrowers who should have a preponderating voice and that non-borrowers in such institutions should be few. They are not considered as responsible members having a co-operative bias but as profit seekers with an eye only to dividends. This can only be a distant ideal realisable when the institutions will be manned by selfless, intelligent borrowers who place their personal interests in the background and are determined to work for the benefit of all and for the safety of the corporate institutions. Capital is always a necessity, but it should not be allowed to over-ride its clientele's interest for its own advantage. The real contact between lenders and borrowers must be a co-partnership business transaction. It will bring in all efficient and business elements in every institution, but will restrict the division of profits on a co-partnership basis. Both borrowers and non-borrowers should be brought on a common platform imbued with the idea of a co-partnership business.

If we bring these ideas into practice, the Central Banks should be remodelled so as to get sufficient and responsible individual shareholders who contribute to the share capital without the rights of borrowing and who will be given only a fixed dividend as maximum. The society share-holders will come in as co-partners, educating themselves in the business side of working and in the disciplinary action to be enforced in regard to institutions which do not keep up their engagements. The time will arrive eventually to eliminate the individual share-holders only when the primary organisations become really able through their representatives to manage efficiently the Central Banking concern. This process has taken place to some extent during the last few years. Many representatives of the primaries did become really efficient, but they have been excluded by the vagaries of election and also as the result of the play of political factions in the country.

(2) It is an oft repeated slogan that Co-operative lending is not based on the security of immoveable property but on character. Hence the Department discouraged the mortgage of immoveable property and encouraged the growth of surety loans. But surety loans are really joint loans and careful investigation should be made in every case whether the principal and surety are both solvent and have each sufficient repaying power. In a large number of cases, no such investigation is made and there is no note on the record about the Panchayatdars who investigated in such cases. Sureties are nominal and in fact they are made to understand that they are mere sureties and that action will be taken against them only after the properties of the principals are brought to sale. It is only in cases where the sureties and principals are made to feel the joint responsibility that surety loans will operate successfully. Moreover, surety loans become unbusinesslike when given for long terms or mid-long terms. Surety loans are not intended to be given for sums above Rs. 100. While I was Assistant Registrar these rules were observed and there was less room for benami transactions and false bonds being put in to cover misappropriated amounts. Definite education should be given in regard to this matter to the Panchayatdars. Encumbrance certificates should be obtained in all cases of mortgages of immoveable property and close scrutiny made about the title and value of the property and the repaying power of the borrower. These were practically dispensed with on the ground that the primaries are run on unlimited liability basis. This view was accepted by the officers of the Department in the districts.

(3) Another characteristic of the movement, one over which it prides itself, is that the work is conducted honorarily. This may be

accepted to some extent in Central Banks, though sitting fees and T. A. are attractions, but in the case of rural institutions this has not operated successfully. Money transactions cannot be successful unless the society has a clerk who will make collections and also guide the panchayat to take disciplinary action. The paraded idea of co-operators being not heartless like money lenders only means business laxity. If audit is important in a business concern, the running of the transactions on business lines requires honest and efficient establishment suitably paid. No doubt the Department allows a certain percentage of the net profit as remuneration for clerical work, but as the profit is calculated only on collected interest, the remuneration on this basis does not offer sufficient inducement for good work in rural societies.

Even if the resources are insufficient, I will not stint in the maintenance of establishment but will increase the rate of interest or get contribution from the central bank. Every clerk in a rural society, who has to maintain accounts and serve as bill collector, should be paid at least Rs. 2 or Rs. 2½ per mensem for all transactions up to Rs. 2000 and then his salary will get increased with reference to the expansion of transactions. Let the honorary service of Panchayatdars be utilised for securing their local knowledge and influence.

(4) *Co-operative Education* does not exclude banking and business knowledge. Not only Panchayatdars of rural primaries but also the supervision staff, official and non-official, require better education, theoretical and practical.

I note down below some suggestions of mine.

(i) The primary societies may be on limited or on unlimited liability basis, but the unlimited liability should only extend to the assets of the member in the society in the shape of share capital or mortgaged property free of encumbrances and not proportioned to unascertained property value liable to alienation under the sweet will of the members.

(ii) Loans of one year should alone be given, if desirable, on suretyship basis after careful enquiry and for sums not exceeding Rs. 100.

(iii) Longer period loans and larger amount of loan than Rs. 100 should be covered by the pledge of cultivable agricultural land free from previous encumbrances. Disbursement of such loan should be verified by the union supervisor or bank supervisor and the scrutiny is such cases should be made by the union and the central bank.

(iv) The union or bank supervisor should see to it that the panchayat take prompt legal action within 3 months after the due dates.

(v) Short terms loans should be given only for productive purposes, and extension of time should be given only in deserving cases after the approval of the local union and the central bank has been obtained.

(vi) No collections in a primary should be re-lent by it without the consent of the central bank and the local union.

(vii) Arbitration proceedings should be conducted by satisfactory arbitrators appointed by the Deputy Registrar for specified local areas. Such persons should be selected for their character and ability to conduct the proceedings.

(viii) All the existing past debts in rural societies, excepting those for which extensions have been granted, must be scrutinised and decrees obtained for them; and all irrecoverable cases should be written off the accounts upto the limit of the reserve fund, so as to encourage fresh admissions into the societies.

(ix) In every union, the central bank should have two members on the governing body, where the other members are found not competent to run the union on efficient lines.

(x) The central bank's constitution should be altered so as to base its credit on the paid up share capital of non-borrowing shareholders to the extent of 8 or 10 times and about 4 times on the amount of society's share capital lodged with the central bank, which is really a part of the loan obtained by the societies. If even 4 times the paid up share capital of the societies lodged with the central bank is omitted from the security for calculation of credit of the central bank, I will welcome it.

(xi) The supervisors should be appointed by the central bank and the Deputy Registrar after the capacity of the persons selected is tested or found acceptable by the latter.

(xii) Agricultural loans such as manure, seed, etc., might be usefully made in kind.

(xiii) The dues of members may be recovered in kind where necessary, to be disposed of by the loan and sale society, which should be organised in each taluq on limited liability basis.

(xiv) The audit of co-operative primary societies must extend to administration also and the auditors should review their work so as to enable the local union and the central bank to set them right.

(xv) Liquidation of societies should be freely resorted to where the standard of efficiency has got low, especially where there is not proper human material competent to enforce discipline in regard to the recovery of dues.

(xvi) 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. Pious resolutions or even orders by higher Government officers have no value, as such an intrusion is assiduously fostered by Government officers in charge of District co-operation and their subordinates, who are practically chosen for their capacity in this direction in addition to moderate qualification for regular work for which they are paid. The hatred of Brahmins has not yet permeated the villages in every day life to a very large extent, though directors of central banks and local unions from villages have imbibed them. The Local Boards have absorbed the spirit fully and co-operation has followed suit. This is my general impression of other districts but it is quite accurate in regard to N. Arcot District I have had some experience of such feeling even among the staff controlling the recent Land Mortgage Bank system in this district. The remedy for this state of affairs is to purify the departmental staff and to put a stop to its interest in such activities.

To the existing troubles participation in the political and economic organisations of the Congress has contributed another source of trouble.

(xvii) Supervision by unions is necessary but (1) local unions should be carefully worked under the care of central banks and the Department. Each taluq must have a Government Inspector who should help the unions in doing their work efficiently.

(2) Self-supervision must be secured by panchayatdars of primaries regulating the work of the paid staff.

(3) Every union must have a competent clerk and an efficient supervisor.

(4) Central banks should exercise the power of the money stick if any primary defies local unions.

(xviii) The credit facilities to primary societies must flow freely and reach the borrower in time and without delay and to the deserved extent. Agricultural industry must be formed and not merely the agriculturist.

(xix) Long term credit can more successfully be dispensed by having a taluq bank on limited liability basis and members in it must be members of rural co-societies wherever there are such societies. It should be confined to pure agriculturists.

(xx) The departmental head should turn the search light upon his own departmental officers and see that they have accurate knowledge of the work, with a zeal and heart for the work. He should make them real philosophers, guides and friends of the movement. Multiplication and statistics, returns and correspondence must be avoided. The Deputy Registrar must get into personal touch with the co-operators in the primaries. Mere visits to local unions at general body meetings which now form the main work are not sufficient. The Deputy Registrar must visit each co-operative society at least once in two years and a weak society once in a year. He should be a real administrator of the co-operative movement in each district. The efficiency and earnestness of the departmental staff is very much below the average and deserves to be improved. Suggestions in detail from non-officials will be perhaps resented.

II

BY RAO BAHADUR A. RAJABADAR MUDALIAR,

President, Chingleput District Co-operative Central Bank.

The present condition of the movement is described aptly by our chief leader, Mr. V. Ramadas Pantulu, in the following words in a speech delivered not long ago at the Y.M.C.A.

"Those who have still faith in the movement say that just at present it is 'dry docked for repair,' and will soon be put to sea again, while those who have lost faith in it say it is 'thrown on the scrap-heap as it has proved to be unseaworthy.' I belong to the former class. Let us ascertain precisely what is wrong with it to-day. It is best to give it in the words of our informed critics who wish to help us out of our difficulties if they can. No other opinion is worth quoting. The Managing Governor of the Imperial Bank, giving evidence before the Central Banking Enquiry Committee in 1930, said with regard to our credit institutions: 'The fundamental principle of co-operation is lacking, overdues are highly excessive, audit

is defective and control is inefficient.' This is an impartial condemnation of both the official and non-official wings of the Movement. The Royal Commission on Agriculture, while mentioning all the defects on which the Managing Governor of Imperial Bank laid emphasis, added that the spirit of self-help is not as prominent as it should be if the movement is to be a live force in the village. They have put it mildly for in some cases, 'Self-help' has alas now come to mean 'help yourself with other people's money.' But what does all this mean? It means that the fault lies not with co-operation but with co-operators. Schemes of structural or financial reconstruction of the co-operative movement will therefore bear no fruit until there is a mental and moral reconstruction among the co-operators themselves."

Mr. Pantulu begins in the above words with a hope and ends with a despair. My humble view also is that the movement is not altogether without hope of revival, but that a good deal of constructive work is necessary to place it on a satisfactory basis. Mr. Pantulu has described this work as the 'mental and moral reconstruction among the co-operators themselves.' This on the face of it looks so difficult of achievement that most would despair of success. By 'mental reconstruction' is evidently meant the education and enlightenment of co-operators in the principles and ideals of co-operation. Though this has been always accepted as a most essential need for the successful working of the movement, no arrangements worth mentioning have so far been made to supply this vital need. The Townsend Committee wrote in 1928.

"We have been very much impressed by the lack of knowledge of even the common-places of co-operation shown, not only by the members of primary societies, but also by office-bearers, and even by the staff employed by the various non-official agencies. We believe that many of the unsatisfactory features in the present condition of the movement are directly attributable to this ignorance. Even the official staff is, we consider, in many respects insufficiently trained for the proper discharge of its duties. Too much importance cannot be attached to the necessity for adequate education in co-operative principles of all concerned in the movement."

Except for the starting of about half a dozen co-operative training institutes in some districts and the opening of a Central School in Madras, all of which have the object of educating and training men for the work of supervisors and departmental Inspectors, nothing to my knowledge has been done to impart education to the masses interested in co-operation. Even the few institutes have been abolished and in their place two peripatetic institutes, one for the north and the other for the south, have been substituted. We are relieved, however, to find from the Registrar's last annual report that he recognises that 'education and propaganda are the crying needs of the day' and he refers in para 26 of the report to a comprehensive scheme proposed to be launched for co-operative education and training. It is claimed for this scheme that it 'should make departmental and non-official employees thoroughly efficient and render the members of societies as well as the rural folk enlightened in matters relating to the co-operative movement.' The scheme is stated in the report to be under the consideration of Government. Publication of the scheme for the benefit of eliciting the opinion on it of all interested in the welfare of the movement should be helpful in the adoption of a system of education and training which would meet all real needs. It is hoped that in any case the supply of the long felt need of the movement whose importance was stressed over and over by various committees years ago will not be delayed longer.

Next about the moral reconstruction among the co-operators. This is obviously a reform almost impossible to achieve except by a slow and gradual process and by the combined and earnest efforts of both the official and non-official workers in the movement. The comprehensive scheme of education and training contemplated by Government ought, if imparted on suitable lines, to be very helpful in improving the morale of the co-operators in due course of time. But the present situation of the movement, with a large and unchecked increase of selfish, corrupt and dishonest men who have entered it, as deplored by Mr. Ramadas Pantulu and other well-wishers of the movement in their public utterances, demands that an urgent and drastic action is necessary to weed out such persons from the movement and to admit good men into it. It is here that the leaders in co-operation would not make bold to come forward with any definite suggestions. Mr. Sathianadhan has among his other recommendations, in his well-known report, proposed that the Registrar should be empowered under the Act to remove undesirable persons from the movement. This may be objected to by even genuine well-wishers of the movement as likely to lead to an abuse of such power by the subordinates of the Registrar. But any such possible abuse of the power can surely be guarded against by a rule that the necessary enquiries preliminary to the exercise of the power should be made by

the gazetted officers only, and as proposed by Mr. Sathianadhan any order of removal of a member passed by the Registrar may be made appealable to the Government. A less objectionable method of freeing the movement from the influence of undesirable persons would, in my humble view, be by giving the power to the Registrar to veto the election of any such member to the Governing Body (panchayat) of a primary society or of a Supervising Union. This will ensure the absence in the management of these institutions of men who would be a menace to their progress. If such absolute power of vetoing is considered objectionable by any well-wisher of the movement, a provision can be added that it should be exercised in consultation with the district central institution The Registrar does already possess this power in the form of superseding a Committee of Management in consultation with the Financing Bank. But this power of supersession alone cannot achieve the much desired object of eliminating the large number of the wrong men who have got into societies all over, as it is obviously inadvisable to supersede the whole committee of management for the purpose of removing any particular member on it. It need not be feared at all that the grant of the power of vetoing such as is above suggested would result actually in a large number of removals of members from the movement. The mere knowledge of the possession of the power by the Registrar would act as a certain check against wrong persons being elected by societies to their governing bodies. As these elections are held every year, the removal of undesirable men from the governing bodies can possibly be effected in the course of a year or two. Under this arrangement the principle of election on democratic basis is not disturbed, but the admission into the managements of societies of men likely to ruin the movement is rightly checked. The policy of the Department hitherto in order to remove an undesirable member has been to liquidate the society altogether. This course is obviously unfair to the other good members of the society and cannot also be resorted to as a practical measure to remove an appreciable number of undesirable men from numerous societies.

There is then the strong demon of politics to be fought. Of the havoc played by it in the past Mr. Austin (Registrar) said in a speech at the Y. M. C. A. some months ago as follows :

" One of the fundamental principles of Co-operation that was increasingly ignored in this Presidency was that of political neutrality, Many a society had been totally ruined by the fact that its members had introduced politics in the conduct of its affairs, used their membership for political purposes and forgotten all about co-operation."

Mr. Strathie, his predesessor, speaking in a similar vein considered that the balance of advantage would be in favour of a rule to prohibit members of Local Boards from membership in co-operative institutions. For obvious reasons the suggestion did not fructify as even among politicians there are men who are whole-hearted sympathisers and active supporters of the movement. The proposed power to the Registrar to veto the election of an undesirable member should effectively keep out undesirable politicians from the management of co-operative institutions.

When the managing bodies in the unions are purified in the manner above suggested, the management of the central bank to which representatives are elected from unions will get automatically purified. With regard to the individuals elected to the Board of a central bank, the new model by-law recommended by the Registrar and approved by the Townsend Committee that they should be elected by the general body of the bank, instead of by the individual share-holders as hitherto, may be sufficient protection against the election of wrong men, as the already approved panchayatdars of primary societies and the Governing Body members of unions would largely influence such elections.

Another important need to strengthen the movement is to provide the supervisory agencies with sufficient funds. It is too well known how owing to the very large contraction of the loan business and the difficulties of collection, the funds available for the supervisory agencies are getting curtailed largely, while in order to tackle the ever growing difficulties in all forms we have to increase our establishments and incur increasing charges of administration. It is where that Government help would be most necessary and best deserved. "When the supervision fund collected is not adequate to meet the requirements of supervision in the district," the Townsend Committee wrote, "we consider that supervision ought not to be starved and that Government should make such contribution as is necessary to make up the deficit." Without funds no efficient supervision is possible and Government have to provide what financial help may be indispensably needed.

I may next refer to the view entertained by responsible leaders that the present system of recruitment, especially to the gazetted ranks of the Department, should be improved so as to ensure that really competent men possessing adequate administrative capacity and knowledge of men and things are entrusted with the working of the movement in each district. It is too well known that the weal or woe of a district would depend largely on the qualities of the district officer.

I must not omit, before concluding, to submit that more than all rules and regulations for the better working of the movement, the example which each genuine well-wisher of the movement sets by his own personal conduct would be productive of far better results than his mere precepts. Unfortunately for the movement several educated leaders appear to be more responsible than the illiterate masses for the evils noticed in it. The earnest practice by Co-operators of the golden saying 'Example is better than precept' would yield far more satisfactory results than all other measures.

III

BY MR. K. V. RAGHAVACHARI, B.A., B.L.,

Director, N. D. C. B. Union, Nellore.

The proposals made by Mr. Sathianadhan, namely, that the supervision of the unions and societies should be handed over to the officials, cannot be accepted. Such a transfer may not bring about, after all, the desired effect of improving the condition of the societies. Unless the economic condition of the members of societies is improved the societies cannot improve. Generally the members of the co-operative societies now consist of a small percentage of the total borrowing population of the village. They are mostly people who are otherwise unable to get easy credit from the money-lenders in the locality. Men of means dread the society and so do not join it because they are afraid that they may have at least ultimately to pay for the debts not realised from other members. They are afraid to be sureties to others. At least to avoid suretyship, people of means do not wish to join the co-operative society. Even honest borrowers find themselves unable to keep to their engagements. The income from agricultural produce is precarious. There is no certainty of a good crop every year. Mr. Sathianadhan himself in his report says that on an average out of every five years, one is good, one bad and the other three are indifferent years. That being the case, the borrower can pay in full only in the year of good harvest and his repaying capacity must diminish during the other four years. In addition to his debt thus accumulating, he has to borrow these four years something to maintain himself and carry on his agricultural operations. That means he becomes indebted again. Thus unless the income from land is assured every year, the debt must go on increasing. The greatest calamity that can happen to an agriculturist are famine and the loss of the bull used for agricultural operations. This loss tells heavily on him and he becomes all the more indebted if he is to buy another animal. To help him to get over this calamity, there must be the system of insuring his cattle. Insurance of cattle and assurance of yearly good crop are the only means that can save the village cultivator, and any amount of good supervision or good management of societies can never improve the societies so as to bring economic relief to the ryot. I am very doubtful if co-operative societies have been of any good help to the villagers. It has become another money-lender. Beyond that, no other purpose has been served. Now-a-days no money is lent unless the borrower possesses property. No doubt a man without property may get a loan if a surety could be procured. Then again this surety must have property to enable the society to grant a loan. Thus honesty and character are not enough to procure credit from a co-operative society. After all, how are honesty and character going to help the man if his lands disappoint him? He naturally becomes unable to pay his dues in time and so his credit must fail. However well intentioned, honest and sincere a borrower be, he finds it difficult to keep to his promise and pay his dues in time owing to adverse seasons. Unless he is in a position to stem the tide of adverse seasons, he becomes a confirmed defaulter of his dues and he loses credit with the necessary consequence of losing the little property he may possesses.

Para 74 of Mr. Sathinathan's report condemns the dual control exercised by the officials in the matter of organisation, audit, arbitration and liquidation and the non-official control in the matter of supervision of the affairs of the society by local unions. Dual control no doubt tends to weaken the societies. The remedy suggested in the report is the transfer tentatively of the supervision also to the officials. This is a retrograde step as the report itself admits. All institutions brought into being for the sake of helping the people must be worked, managed and

controlled by the people themselves. Democratisation must be the aim and towards that end all efforts should be directed. To attain this desired effect, the control which the officials are now exercising should be transferred to the non-officials. It is generally admitted that unions are bad everywhere. One cannot but admit the truth of this statement. In fact it has been openly acknowledged both by the officials and the non-officials. The reasons which are given in the report for such a state of affairs may be granted to be true. The only way to improve matters is to abolish all unions. The aims and objects with which these unions were first started, have not been fulfilled. On the other hand, unions have become parasites living at the expense of the village borrower. About 1 per cent out of the interest paid by him is given to the unions. If the unions had not been in existence, this one per cent could well have gone in reduction of interest which the ultimate borrower now pays. The question may be asked who is to take care of the societies if the union and official control are taken away. The institution most interested in the welfare of a village society is the Bank which finances it. The Bank should provide for the proper supervision of the societies. The Bank should employ a body of Inspectors and Supervisors whose duty it should be to do all the work which is done now by the unions and officials. The work of audit and liquidation alone may be the work of the Departmental officials. They should go about in the villages doing propaganda work. Were not Registrars in the early days of the Co-operative Movement going about, mixing freely with people and preaching to the people the principles of co-operation? Do they do it now? If not, why not? We have now people with little or no experience or knowledge of co-operative ideals drafted into the service and very often they start with certain prejudices which get confirmed owing to their want of experience and sympathy. They have heavy office and routine work, which takes up most of their time leaving no time to be devoted for propaganda work to spread co-operative ideals. The Banks as financers of the societies should have power to supervise the societies, set them on right lines and control them with necessary guidance and advice. They should have the whole supervising staff under their direct control and their work should not be interfered with by any outside agency. The question as to who should form the directorate of the Bank if unions are abolished can easily be solved by having a fixed number of directors for each Revenue taluk having regard to the number of societies therein.

There may be one director for every 30 societies or something like it. Care should be taken to get as directors representatives of societies which are not in overdues to the Bank, and the individual selected should not be in arrears to the society in which he is a member. The directors so chosen should form the majority. Directors from individual share-holders and also a fixed number from among the depositors also may be chosen. There may be six or seven directors from the individual share-holders holding a particular number of shares and also about an equal number from the people who hold deposits of more than a particular amount and for a particular period. These and similar details may easily be settled provided the principle of the abolition of the unions in-toto is accepted. The present crisis in the working of the societies can thus be got over.

There is no use of having the co-operative movement in its present form. It should be thoroughly overhauled. The lending rate to the ultimate borrower should be reduced to at least six per cent. The property of the member should be mortgaged to the society at the outset. The borrowing power of a member should be fixed with regard to his property. The member must be given loans as and when he wants, subject to the maximum borrowing power. His mortgage should be a continuing mortgage for the amount of the maximum borrowing power. This system of continuing mortgage sets at rest the difficulty of security for the money lent. To improve his ways of thrift, the supervising authority should check the abuse of money by the member. He should be given money only for necessary and productive undertakings, making a decent margin for monies required for unforeseen contingencies.

Steps should be taken to improve the economic condition of the members. To achieve this, the help of Co-operative Department, the Agricultural Department and the Industries Department should freely come in. In every village the Agricultural Department should open a depot where improved implements, seeds and such like can be easily had. If possible they should be supplied to members of co-operative societies on credit and the society should be held responsible for its collection. The Industries Department should come with its suggestions as to sinking of wells and baling of water in an easy and cheap manner. For this purpose, their services should be done by co-operative action. The necessary finance should be supplied by the Bank at even a favourable rate for such agricultural and

industrial improvements. The Agricultural Department should visit each village and preach the methods of improving the agricultural income. Similarly the other development departments should do such propaganda work.

The difficulty of collections of loans should be solved. The insistence on the borrower to pay in coin has brought the societies to the stage in which we find them now. Recovery of dues must be generally in the shape of kind. The borrower should find it always easy to repay his dues, in the shape of the produce of his lands. Steps should be taken to improve matters on these lines. The Co-operative and Agricultural Departments should be able to open marketing centres, storage godowns and such other facilities to dispose of produce thus collected from members.

The members would then not be at pains to find market or purchasers for their produce. The difficulties of grading of produce etc., should be overcome by proper advice from experts in the Departments. It would be possible to insist on all the borrowers to use such seed and adopt such methods as would result in the production of the same quality of produce in a given area. To give an illustration; every borrower in a delta area may be supplied with the best seed of paddy in the right season by the Agricultural Department. The agriculturist may be made to realise that by adopting such a course his productive capacity will increase. If the whole lot of people in that area produce the same quality of grain, marketing will be easy and the sale of it also easy. The cultivator may be given what he needs for his seed, for his manure and for his other agricultural operations from time to time. His produce may be collected, stored and sold at the best market. In all these things the Government must help the ryots at all stages. If some such system as I have indicated is adopted, the ryot will be really benefitted, he may be weaned away from his indebtedness after sometime and all the difficulties that now attend the process of collection of dues or overdues will disappear in course of time.

It is already felt that in the Co-operative Department there is a large amount of unnecessary official control. This is resented by many self-respecting people. It may be said that this is one of the reasons why many shun the societies. Owing to the absence of really sincere and honest people in the management of societies, owing to the frauds, forgeries and embezzlements in the societies, the present control by the Government in an increasing manner has been brought about. No doubt it is an unhappy state of affairs that there should have been such malpractices and maladministration in the societies. It is all due to unscrupulous persons utilizing for themselves money which they were not entitled to touch—money which ought to have gone to help their brother-members. Such persons must be mercilessly prosecuted in the larger interests of the movement itself. It does not matter that the number of societies dwindles on account of such action. It is far better that there are fewer societies which are working well and for the benefit of the members. If the society will not serve its poorer members, its existence shall be in vain and nobody will be justified in helping it.

An Experiment in Industrial Co-operation.

BY MR. MOHAMMED HUZUR ALAM,

Leather Inspector, Co-operative Department, U. P.

Co-operation, as it is generally known in India, is of the credit type. Societies are usually formed with the main purpose of arranging loans for the members. There are also organizations for helping the members towards better living or for providing facilities in their sales and purchases. But 'industrial co-operation', which by means of co-operative methods during the various operations, might reduce the cost of production and secure better profits for the workers, is rarely found in this country.

It might be interesting and instructive to note a few details in respect of an experiment of these methods which was recently made with the tanners of Amroha, in the district of Moradabad. A co-operative society was registered in January, 1935, primarily with 12 members, though the number gradually increased to 22. A sum of Rs. 200 was advanced by the Co-operative Department, as a loan without interest, for the construction of the building. Working capital was arranged from the Co-operative Bank, Moradabad, and in view of the poor condition of the members, who possess very little in the shape of landed property, their 'maximum credit' could not be fixed beyond Rs. 1,000 for the first year of their working.

The system of work was that the members were advanced loans seperately. They purchased hides locally as well as in the neighbouring villages by combining in groups, though on individual accounts. Tanning operations were carried on jointly with the material purchased in large quantities and re-sold to the members. The whole stock was kept under the care of the society and thus it served as a security for the investment of the bank.

Ultimately, when the goods were 'finished', they were sold in proper markets on the individual accounts of the members but in combined lots of sufficient magnitude. The profits, after paying of the loan, interest, as well as, the price of the materials, were kept by the members concerned, and a small contribution, fixed according to the number of hides treated by each member, was made towards the common 'tannery fund'.

By working on this system the constituent members have obtained cheap credit due to joint responsibility, better sales and purchases, and economised consumption of tanning materials caused by joint production. They have further benefitted by adopting the right line of manufacture and introducing such improvements in their technical processes as would suit their peculiar needs, besides approaching profitable markets for their transactions. All these co-operative activities have been carried on, while the members' individual interest has been retained in the work which is indeed so very necessary for stimulating their active participation.

The annual returns show that, inspite of cautious and restricted production, needed for a new venture of this type, the total output amounted approximately to Rs. 3,000 and the members' individual profits, according to their own calculations, were Rs. 365, though acctually they must have been in the neighbourhood of Rs. 500. Contribution to the 'tannery fund' was Rs. 145 and net profit to the society amounted to Rs. 114. These figures, together with the fact that the investment is reasonably secure, go to prove that if industrial societies are organized for productive purposes, they should run profitably and successfully.

The indigenous tanning industry, which gives employment to about a lakh of men in the United Provinces alone, is in a bad state and, like any other cottage industry, it can be stabilized only by the introduction of 'co-operative' methods. It is time that efforts should be made to organize it on proper lines.

Co-operation in Orissa.

By Mr. A. Surya Narayana Murthi.

In the newly created province of Orissa, the portions that go from Madras are very considerable. A major portion of the Ganjam District, and the whole estate of Jaipur have been included in it. Therefore it behoves your readers to know what is the position of the co-operative movement in the new Province.

Provincial Bank. The societies in the area are being financed by the Provincial Bank at Patna. There are proposals now for the organisation of a Provincial Bank in Orissa. The main features of the scheme follow the Bombay model. The province will have a central institution at Cuttack with branches at several district towns. The affiliatory type which obtains in Madras is not favoured. Another feature of the scheme is that the President of the Bank will be the Registrar. Protests are being made against this proposal. But the authorities seem to attach no particular weight to them. The proposed Bank will also supervise societies. But it is not known what will be the arrangement for the regular supervision of societies as is done by the Unions in Madras.

Central Banks. There were 13 central banks before, and now they will be 15. The average number of societies per central bank is about 130. With such a limited number the overhead charges are very heavy.

Primary Societies. Almost all the societies are rural societies on the unlimited liability basis. Urban Co-operation is practically non-existant. It will be surprising that in a town like Cuttack there is no Urban Bank, such as we find in almost all important places in the Madras Presidency. Efforts are being made to organise one such institution. There are no Store Societies, nor any of the special types of co-operative enterprise.

Long and Short term Finance. Generally speaking, the distinction that we draw in long and short term finance is not known. The banking principles that ought to be applied to finance are absent. There is no Land Mortgage Corporation. In the Hubback Committee Report it is recommended that one might be started. But the nature of land tenures will offer one difficulty. A large portion of the lands are under the permanently or temporarily settled estates. In fact, Ryotwari tenancy is not much to be found. And the tenure under the Orissa Tenancy Act is not governed by the basic conceptions that have been legalised in the decisions of the Madras High Court. Restricted right of transfer, subject to the consent of the Zamindar, and subject to a payment of Salami, operate as a hindrance to the establishment of a land mortgage corporation. The most surprising fact is that though the operation of the Tenancy Law is restricted to rural agricultural holdings, even in Municipal areas, the transfer of house sites on Zamindary land is subject to the same restrictions, though the intention of the Legislature was definitely contrary to such an interpretation.

Interest. The most painful portion in the co-operative system of Orissa is the rate of interest. The maximum rate is 15 per cent. and the minimum is about 10 per cent. The result of this is that the whole rural population for whom are intended the benefits of co-operative finance, has been driven to a state of perpetual insolvency. When the agricultural industry is to be financed at a rate higher, and in Orissa, far higher than it can bear, the result will be a hopeless irremediable poverty. The situation in Orissa requires very careful handling, and so far as Madras areas are concerned they stand to lose, and not to gain by the Movement as at present constituted.

Recent Utterances.

Under the auspices of the Madras Economic Association, Rao Bahadur C. Gopala Menon delivered a lecture recently at the Senate House on 'the Principles of Mortgage Banking,' with Dr. P. J. Thomas in the chair.

In the course of his lecture Mr. Menon said :—

The purpose for which Land Mortgage Banks are started is to make capital flow into agriculture so that the agriculturist may borrow at the cheapest possible rate the largest amount of money which he needs for his purpose. At present the agriculturist borrows money at 9 to 12 per cent, even at higher rates of interest, and, further, he borrows more money than he can use at a profit. After harvesting he is forced to sell his produce immediately.

In Europe.

It is to provide a remedy for this sort of trouble to agriculturists that Land Mortgage Banks have been started all over the world. Countries in Europe first devised the mortgage credit system and the money required for the agriculturist is raised by agricultural mortgage bond credit. *Mortgage bonds in Europe, with the exception of Holland, can only be issued by privileged institutions or,* as in Hungary, by institutions maintaining certain prescribed standards. One of these institutions *Schlesiche Landschaft* was started in Prussia during the time of Frederick the Great in 1769. The *Landschaft* is an association of land owners belonging to the nobility for issuing bonds based on mortgages on the property of individual members, with some sort of guarantee of the association. Subsequently the entire credit of the *Landschaft* was borne by the institution itself, thus permitting the creation of a marketable security of the bonds issued. After 1850 *Neve Landschatten* were founded on the basis of voluntary membership, without regard to social status, and small farmers were also allowed to become members. Here the joint liability of members was replaced by limited liability of reserve funds.

In the middle of the 19th century the Polish economist and banker, Louis Francois Wolouski was requested by French agriculturists to start a Land Credit Bank. In France, he proposed the starting of a bank based on the Prussian model but without the co-operative implication of the *Landschaft*. On his suggestion the *Credit Foncier*, a Joint-Stock Company, was organised in Paris in 1852. Here it was necessary to finance the heavily indebted French farmers at cheap rates. Thus the German system of co-operative land banks came to France *via* Poland and was planned in the form of 'capitalistic' mortgage bank, which system was later on introduced in Germany itself. Since 1862, Germany founded a number of privately owned land banks with Governmental supervision. All over Europe, private mortgage banking with quasi-Governmental management has been developed, chiefly on the German pattern.

England in 1929 introduced an institution of this type. Switzerland has, since 1931, super-imposed legal regulations on the unrestricted mortgage banking, which was working there for a long-time. Holland is the only country to-day left without legal regulation of mortgage banking.

In some of the eastern Europeon countries, Governments create and subsidize mortgage banks where commercial or co-operative capital is wanting. The Land Mortgage Banks of Warsaw and Bulgaria are of this type. In pre-war Austria, the monarchy patronised a variety of institutions which issued bonds not only on mortgage basis but on all sorts of "pledges" and the present day Austrian banks are all of this type. In middle and eastern Europe the Governments of those countries came to the rescue of farmers, both by Government subsidy and guarantees for bond issues. But the principle involved is that the issue of bonds by these mortgage banks is always backed up by a volume of mortgaged claims. In the Dutch, in Belgian and Swiss banks, the total assets of these institutions and not mortgages alone formed the securities. In such cases the bond-holder does not get the first mortgage on certain specific assets.

Mortgage financing is thus in most countries entirely controlled by Mortgage Banking regulations and deposit banking institutions do not enter this type of business. In fact mortgage banking is entirely kept separate from deposit banking. The principle is to keep commercial banking out of the field of mortgage banking business; in other words, to keep the debtor free from the dangers involved in the use of short-term deposits for long-run investment, and to supply the funds needed by attracting the savings of the public rather than the resources of deposit banks.

Why the two kinds of banking should be separated is explained by the reason that in mortgage banking there should be an equality of bond issue and of mortgage credit volume. This is a fundamental principle and Governments see that the mortgage institutions are keeping to this rule. Legislation almost everywhere prescribes a 'minimum guarantee capital' as a margin to protect the interests of the investor and also to safeguard against undue credit expansion. In Germany, where these banks are working on a sound basis, the volume of mortgage bonds cannot exceed twenty times the amount of capital and the life-time of bonds issued has to be identical with that of the underlying mortgage.

Coming to the question of guarantee of the credit, it must be based rather on the underlying mortgage than on additional security. It is necessary to see that a sound ratio between assessed value of the property and the credit granted on it must be worked out. Consequently, the required credit margin on agricultural property must be higher than on gilt-edged securities and produce. Mortgage credit is a question of security of title, of valuation and of the power of recovery—it is not possible to divide responsibility.

In all countries farm mortgage credit is granted through co-operative and governmental institutions. In Great Britain, since the Farm Recovery Act of 1928, credit to farmers is largely subsidised by the Bank of England. Government control over the mortgage banks gave these institutions a certain amount of safety and prestige. It is a safeguard against fraud or falsification by Governmental audit, it is separated from commercial banking and assures the safety of the bondholder. It helps to create sound standards of credit and marketing policy.

The Agricultural Mortgage Corporation was started in 1929 in England for the purpose of making loans on mortgages of agricultural land, and under the Improvement of Lands Acts. The Treasury is empowered to under-write the debentures issued by the Company to the tune of £5 million. The Treasury itself may subscribe one-fourth of each issue, and it is worthy of note that the debentures issued to the public are Trustee securities.

In India.

One word regarding the issue of mortgage bonds. As far as the Madras Co-operative Land Mortgage Bank is concerned the institution has all along been able to sell its debentures over the counter—nearly 60 to 70 lakhs. It looks as though all resources have been tapped by private negotiation and it is found necessary now to put these debentures on the Stock Exchanges. Whatever may be the method adopted, the chances of success under the market conditions is better for large issues than small ones.

It is about 32 years since the Co-operative Movement was introduced in the Presidency for the purpose of redeeming agricultrists from their indebtedness. Until Land Mortgage Banks were started, short term credits only were given by the co-operative credit societies. This sort of credit system did not relieve the ryots of their troubles. Experience showed what is needed for agricultural indebtedness is cheap and long-term credit, cheap in respect of interest as compared with the ordinary rate paid to money-lenders in the market, and long-term in the sense that loans should be repayable in easy instalments spread over a number of years.

When the Townsend Committee carried out their inquiry in 1927-28, only about ten primary banks were working. The Committee came to the conclusion that unless a Central Land Mortgage Bank were started to finance the operations of the primary banks by raising funds through the flotation of debentures on the mortgages transferred to it by the primary banks it would not be possible to relieve these people of their troubles. Membership of the Central Bank is open to individuals as well as to Primary Land Mortgage Banks. The bye-laws of the Central Land Mortgage Bank provide for adequate representation for both on the Board of Directors. Under the bye-laws the Central Land Mortgage Bank and the Primary Banks work under a Board of Directors.

The primary bank's duty is to investigate the title of lands, income and the repaying capacity of the borrowers. The Central Land Mortgage Bank generally grants loan only up to 40 to 50 per cent, of the market value of the land. The principle adopted in granting loans on the mortgage of land is that the net income from mortgage lands is at least equal to the equated instalment to be collected on the loan advanced. Say, for a loan of Rs. 1,000 the property mortgaged should at least yield Rs. 91 per annum, that is, the total income must be Rs. 200 or over. It is thus apparent that the security to the Central Land Mortgage Bank for the loan granted is quite ample. Stamp duty is not levied for registration, etc. Debentures issued by the Central Land Mortgage Bank—both principal and interest—are guaranteed by the Government of Madras.

The primary banks have to take one share of Rs. 100 in the Central Land Mortgage Bank for every Rs. 5,000 borrowed from the Bank. The Bye-laws provide that out of the net profits, 25 per cent, is to be carried on annually to the Reserve Fund and that the maximum rate of dividend payable is 7 per cent. The balance of net profit may be allotted to all or any of the following purposes, viz., (1) Dividend equalisation fund, (2) Common good fund, (3) Propaganda fund and (4) Building fund. You will, therefore, observe that the facilities granted by Government, the privileges enjoyed under the Co-operative Credit Societies Act and the close scrutiny of its work by the Government afford ample safeguards for the investing public in its debentures.

The main source from which the Central Land Mortgage Bank gets its funds for making loans to the banks and through them to the agriculturists is by the issue of debentures. The Registrar of Co-operative Societies is the Trustee for the Debenture holders. Under the scheme as embodied in the Trust Deed and the Madras Land Mortgage Banks Act, debentures can be issued only to the extent of the mortgages paid for by the Bank. As security for these debentures, it has been provided in the Act that mortgages assigned to the Central Mortgage Bank atonce vest in the Trustee.

The maximum amount of loan that is generally sanctioned to a borrower is Rs. 5,000 and the unit for the jurisdiction of a Primary Bank is generally a revenue taluq and the lending rate through primary bank is 6 per cent.

It is stated in certain quarters that the Central Bank has refused loans without giving adequate reasons. The Committee rejects applications only if the repaying capacity is found insufficient and the title is defective. Mortgage credit is a question of the security of title, of valuation and the recovery of the annuity on due date. Unless these conditions are complied with, the bonds will not rank as a first class security in the market. They must be made popular and easily marketable too. Land Mortgage Banks are established to rescue the ryot from the money-lender. This object will be frustrated if banks are handicapped in their operations by delay and defects.

In conclusion. Mr. Gopala Menon said :

" I do not say that mortgage banking by itself is going to put agriculture on its own feet. Nothing but better prices for our produce can do it. Success of this sort of banking depends on the agriculturists using wisely the credit allowed to them and in the proper employment of that credit. Agriculture is our main industry. Therefore, let us do our best in the administration of Land Mortgage Banks to give them every possible chance of success."

Co-operation in Legislative Council

11-3-'36

Activities of the Provincial Weavers' Co-operative Society.

891 Q.—Mr. K. A. Nachiyappa Gounder: Will the Hon. the Minister for Public Works be pleased to state—

(a) what tangible work the Provincial Weavers' Co-operative Society was able to do so far in each district;

(b) whether they have been made aware of the acute distressed condition of the weavers in Salem district and, if so, what special attention has been paid to their causes;

(c) how many branch societies have so far been started in each of the districts;

(d) when and in which of the places such societies have been started and what work each of such societies has turned out;

(e) whether any special officer or officers have been appointed to organise and work these institutions successfully; and

(f) what the amount allotted for these activities for this year and the coming year is and in what way it is, or is proposed to be, spent?

A.—(a) The Hon. Member is referred to the answer given to clause (a) of his question No. 598. Further information is furnished below:—

The society has allotted shares to the extent of Rs. 19,250. The Presidency has been divided into seven circles and a Supervisor of production societies has been appointed for each circle. The Board of Directors have sanctioned subsidies to twenty-five existing societies ranging from Rs. 10 to Rs. 45 on the recommendation of Deputy Registrars of co-operative societies and supervisors. The Board has also decided that new societies should be formed at ten places before 31st March 1936. The Executive Committee of the Society has selected the mills from which yarn may be supplied to the societies, the necessary guarantee to the mills having been given by the Provincial Society. Societies are being supplied with mill yarn. Efforts are being made to organise two new societies for the production of Madras handkerchiefs and lungees. The society arranged an exhibition of the goods of the rural societies at the Park Fair in December 1935 to popularise the goods as well as to advertise the starting of the Provincial Society itself. Goods to the extent of Rs. 900 were sold. A cloth designer has been advertised for to prepare proper patterns which are likely to be popular in the market. The Provincial Society is proposing to start calendering and

finishing centres in at least two places in the Presidency in the course of the present financial year.

(b) The Marketing Officer of the Provincial Society visited Salem and had a discussion with the officers of the Salem Weavers' Society and the merchants. The present distressed condition of the weavers in the Salem district is, it is stated, due mainly to the influx of cheap Japanese grey cloth and, to a certain extent, to seasonal conditions. The Marketing Officer selected samples of mill cloth sold in Madras and placed them before the Salem Weavers' Society and some merchants with a view to the manufacture of similar cloths on handlooms. A sample saree produced by the Salem Weavers' Society has since been received and the market is being tested with it.

(c) & (d). Twelve societies have been registered as production societies and 19 affiliated. It is not possible to detail the work done by them in answer to a question.

(e) Seven supervisors of production societies have been appointed by the society for the purpose. No Special Officer has been appointed by Government.

(f) The amount allotted for the current year is Rs. 59,500. The Government of India have not yet allotted the grant for 1936-37. The amounts will be spent mainly in accordance with the scheme sanctioned in G. O. No. 368, Development, dated 8th March 1935, a copy of which has been placed in the Legislative Council Library subject to slight modifications.

Progress of Co-operation.

I. HYDERABAD STATE.

During the year 7th July 1933 to 6th July 1934, the number of new societies registered was 219 as compared with 134 in the previous year and the number of societies cancelled was 34 with the result there were 2,739 societies at the end of the year compared with 2,554 in its beginning. Of these, apart from the Dominion or apex Bank and the Co-operative Union, 39 were central banks, 2,272 village credit societies, 400 non-agricultural societies and 26 societies in the British Administered Areas. The total membership increased from 75,596 to 83,010 and the working capital from about Rs. 231 lakhs to about Rs. 240 lakhs.

The working capital of the 26 societies in the British administered areas was Rs. 9.16 lakhs. That of the societies in the State proper was therefore about Rs. 231 lakhs. Out of the latter, the share capital amounted to about Rs. 51 lakhs, the reserve fund to about Rs. 39 lakhs, deposits to about Rs. 67 lakhs, loans from non-Government sources to less than Rs. 70 lakhs and loans from Government to Rs. 3.82 lakhs. The proportion of owned capital was thus fairly high.

The Co-operative Union had 117 individual and 1177 society members. Its functions were education, propaganda and supervision. It conducted a training class at Hyderabad and another for supervisors at Gulbarga. Its 7 propagandists conducted training classes in 58 villages which were attended by about 400 panchayatdars and members, of whom 200 were given certificates for passing the examinations held at the end of the training. The Union held its annual Congress, which was presided over by Nawab Sir Hydar Nawaz Jung Bahadur, Finance Member, a district conference and several "rallies" in rural areas, which were largely attended by members of village societies and officers of various departments and at which dividends and prizes were distributed among members of good societies. The propagandists of the Union delivered magic lantern lectures on co-operation and allied subjects in about 150 villages. The Union continued to publish a quarterly journal in Urdu. For supervision it had a field staff of 81 supervisors each of whom was in charge of a circle of 20 to 30 societies.

The Dominion Bank had a working capital of Rs. 44.46 lakhs of which about Rs. 11.5 lakhs was owned capital. The loans issued by it to societies and central banks during the year amounted to Rs. 3.88 lakhs, the total outstandings being nearly Rs. 24 lakhs. Its investments in Government securities amounted to nearly Rs. 17 lakhs.

The working capital of the 39 central banks was about Rs. 65.4 lakhs of which nearly Rs. 19 lakhs was owned. Compared with the previous

year, there was a considerable fall in the collection of interest and a rise in that of principal, owing to the fact that in the case of several societies which were financially unsound, the amounts repaid by them were credited on the advice of the department in the first place to their principal account, in accordance with orthodox banking principles. Complaint is made that the machinery responsible for the execution of awards was not sufficiently alert and helpful.

The agricultural societies advanced Rs. 2.46 lakhs to their members during the year and collected Rs. 4.75 lakhs under principal and Rs. 6.37 lakhs under interest. The outstandings were Rs. 61.70 lakhs under principal and Rs. 29.74 lakhs under interest. The proportion of overdues is not stated but it is presumably as high as in the rest of the country.

The most important among the non-agricultural societies were the salary earners' societies. These accounted for 227 out of 400 non-agricultural societies of all kinds, and in respect of membership and transactions formed even a higher proportion. They are presumably for the benefit of Government servants. The report does not say to what extent there is duplication of membership and whether these societies have resulted in the growth of thrift or extravagance among their members. There were 29 urban banks of which 17 were organised during the year under report. Their total membership was only 2,380 and their working capital only Rs. 2.12 lakhs which shows that they are still in a rudimentary stage. There were 72 weavers' societies with a membership of 1,700. The amount advanced to them by the societies was Rs. 4,477 as against Rs. 1,338 in the previous year, and the amount collected was Rs. 29,157. The attention of the Department is being rightly directed more and more to the organisation of societies for the sale of agricultural produce, especially cotton. Good work is reported of the Implement sale society, Parbhani.

Decrees and awards are said to be pending execution with the revenue authorities for inordinately long periods—in some cases for seven or eight years. This delay has led to a considerable deterioration of societies especially in what are known as the Paigah areas. The only remedy for this appears to be the appointment of special staff under the control of the Registrar for executing decrees, as has been done in Madras.

If the 26 societies in the British administered areas, the State Railway Employees' co-operative credit society accounted for about two-thirds of their membership and transactions. With a view to encourage thrift among its members, it has introduced a scheme of monthly deposits which is said to be proving attractive. The other important societies in the area are the Prudential co-operative credit society and the Police co-operative society. Though there are 8 housing societies, only two are said to be active and their working capital is comparatively small.

The State is rather conspicuous for the absence of non-credit forms of co-operation and for the poor development of urban co-operation.

II. BIHAR AND ORISSA.

The year 1934 will go down in the history of the province as the year of the earthquake. The ravages caused by it increased the difficulties of the economic depression from which the members of societies had been suffering for some years past. Seventy-seven societies were registered during the year and the total number of working societies was thus 8,882 as against 8,901 of 1933-34. Societies did not have the necessary funds for adequately financing even their honest and non-defaulting members. If the movement is to be saved from stagnation, adequate fresh finance must be arranged for. Non-credit and rural welfare societies are to be organized on a large scale.

The Provincial Co-operative Bank completed the twenty-first year of its existence. Its working capital was Rs. 96.70 lakhs, and the paid up share capital Rs. 6.11 lakhs. Loans to the extent of Rs. 3.58 lakhs were made to central banks and societies and loans due from them amounted to Rs. 59.16 lakhs. The reserve fund stood at Rs. 5.97 lakhs. The total deposits from members and non-members amounted to Rs. 78.03 lakhs. There was a big fall in the total amount of loans given during the year from Rs. 12.67 lakhs in 1933 to Rs. 3.58 lakhs in 1934. An interest of 6 per cent on loans for one or two years and 7 per cent for three or more was charged. The Registrar considers the margin too high and hopes to take steps to reduce it. To strengthen the Bank's long term resources, two loans, one of Rs. 16 lakhs for 15 years and another of Rs. 4 lakhs for 4 years both at 4 per cent interest were sanctioned by the Government and drawn during the year.

The number of central banks remained at 66 as before. Their working capital stood at Rs. 224.7 lakhs, share capital Rs. 22.03 lakhs. As a measure of economy their directorates are being made smaller. There was a lady director in one of the central banks—the one at Cuttack. The total reserves including bad debt and other funds stood at Rs. 18.12 lakhs. The percentage of collection of principal and interest works out to 1.08 as against 13.3 for the previous year. This low collection is partly attributable to the damage caused by the earthquake. But the collection will not be satisfactory unless the movement is put in possession of adequate long term capital at a moderate rate of interest to enable the instalments of loans to members being spread over a sufficient number of years on the basis of repaying capacity.

A feature of the central banks in the province was their active direction of welfare work in the villages. Medicines during cholera and other epidemics were freely distributed, village roads were cleaned and repaired, wells were disinfected and cattle were inoculated. Homeopathic medicines were distributed free, wells were sunk and tanks excavated. Among cottage industries, eri-culture and eri-spinning continued to be popular. For education the total amount allocated was Rs. 2,775 as against Rs. 4,079 in the preceding year. Thirty two new schools and patasalas were started during the year and the total number was 151. District Board grants amounted to Rs. 4,094. Spread of literacy continued to engage the attention of the banks and about 40 night classes were started, majority of them in Orissa.

Rural reconstruction was carried on in various centres under development officers appointed for the purpose. The Registrar has submitted to the Government a five year scheme for opening five rural centres by way of experiment in the five divisions of the province at a total cost of Rs. 7,000 annually. The scheme has been adminstratively approved but is now awaiting allotment of funds.

Among weavers' societies, the Bihar Weaver's Co-operative Society Ltd., was the most important. Its membership was 53 and it earned a profit of Rs. 4,692 on a working capital of Rs. 5,026. Its goods worth Rs. 31,296 mostly purdahs were exported to foreign countries through the Cottage Industries Institute, Gulzarbagh. A five year scheme for the development of the handloom industry has been improvised by the Government of India and has been put into operation since the close of the year.

The Bihar and Orissa Co-operative Federation, Ltd., continued to its useful work of supervision and control but like other institutions it also was affected by the earthquake. The contributions from members were in arrears and inspite of the Government subsidy of Rs. 66,637, the Federation had a deficit in expenditure to the extent of Rs. 54,561 which was met by overdraft from the provincial co-operative bank. It maintained 87 auditors besides a number of probationers. The development staff consisted of 5 propaganda officers. "The Bihar and Orissa Co-operative Journal" and the Hindi Magazine "Sahyog" continued to be published. The training institutes at Durgaprasad, Cuttack and the rural welfare one at Silout functioned satisfactorily.

Reviews.

CO-OPERATION IN SIND: By Mr. N. M. A. Siddiki, B.A. (Hons). Published by Mr. D. N. Abhichandani, B.A., BAR-AT-LAW, Honorary Joint-secretary, Sind Co-operative Institute. Price Rs. 1-8-0 paper bound; and Rs. 2 cloth bound.

This small book on co-operation is written by one who is occupying the responsible position of Deputy Registrar in Sind. The author seeks to point out the stage that the co-operative movement has reached in Sind. It is also his object in writing this book that the defects of the movement should be understood and that suitable remedies be adopted. The author also feels the need for answering a section of critics who go on arguing that the movement should be considered a failure.

In addition to the short foreword by Mr. S. N. Bhutto, Ex-minister for Local Self-Government, Bombay, the book contains twelve chapters of eighty pages. It has been written to indicate the scope of the movement in Sind and it is a matter for great satisfaction that a responsible officer should choose to leave the official shell for a moment and give the benefit of his knowledge and experience to persons interested in co-operation. The book should not be regarded as a general treatise on co-operation paying attention to the several fundamental principles of the co-operative movement. The official tone is too much in evidence in certain places and one may feel that there is undue publicity or reference to speeches and circulars of official origin.

One or two points emerge clearly on a perusal of this book. The author is aware of the existing serious defects in the co-operative movement but is optimistic enough to hope that the movement has got a great future. The defects pointed out, such as slow recoveries and mismanagement of societies, are countrywide and it is significant that the author should have emphasised the need for sound co-operative education and publicity so as to educate the public. The two chapters on Radio broadcasting scheme and the Cinema propaganda scheme are interesting and contain practical suggestions and details regarding co-operative education. Opinion may differ as regards the degree of success of such schemes and much will depened upon the qualifications and capacity of the persons deputed to the work of giving talks. The idea that the co-operative societies should be associated with such a scheme of publicity is a practical one and other departments may have to gain substantially by such publicity. It is for the proposed co-operative uplift association to take a comprehensive view and see that the scheme should not only place the co-operative movement on a stable basis but

also play a prominent part in village reconstruction. The Departmental meeting scheme proposed by the author is another form of publicity work and detailed suggestions regarding the convening of meetings and the nature of talks are given. We do not know the conditions in Sind, but we doubt very much whether this method is likely to prove useful in South India. There is repeated reference to officers and their work in this scheme, and in a co-operative movement it is essential that the official element remains in the background, always ready to help but never anxious to keep societies in leading strings.

The chapter on the financial aspect of the agricultural co-operative movement is interesting because the author is not inclined to adopt the panicky frame of mind. He is not unduly disturbed by the slow recoveries and he is confident that the debts are all well-secured. He is conscious that the peculiar situation of the agriculturist who is hit hard by low prices and bad seasons should be understood. His plea that it should be the endeavour of co-operative societies to stand by the agriculturist in such critical times should be appreciated by all who are interested in agriculture. His reference to the role of Land Mortgage Banks in this connection is appropriate and anything that is attempted to help the ryot to clear off his prior debts will be welcomed by him.

The spirit which has animated the author in writing this book is the uplift of the poor and he rightly calls our attention to the moral aims of true co-operation. We should congratulate the author on the successful efforts he has made to emphasise the importance of the co-operative movement. We would have been glad to know something about the extent to which non-officials have been co-operating in Sind. Further, a few more details about some of the new organisations such as Better Living societies and new Agricultural Credit societies will be appreciated.

M. S. SABHESAN.

Extracts.

I

DECLARATION OF THE INTERNATIONAL CO-OPERATIVE ALLIANCE

ON THE SIGNIFICANCE OF CO-OPERATIVE ECONOMY.

The International Co-operative Alliance, in the midst of an era of world-wide economic depression and abundant evidences of political and constitutional ferment, the outcome of which cannot yet be foreseen, deems it necessary and desirable that the principles and practices upon which the Co-operative Movement is founded and is built up should be re-stated and reaffirmed in a declaration addressed to the People, no less than to the Government, of every land.

The International Co-operative Alliance is a union of the national co-operative movements of 40 States, comprising the unions or federations of consumers' societies, agricultural and industrial producers' societies, agricultural credit societies, and co-operative banks. So large is its representation of the population that it is the greatest organisation of consumers in the world, and the only one which stands between the interests of the community as consumers and the exploitation of capitalist profit-making enterprise. Over 100,000,000 individuals, mainly heads of families, are enrolled in its ranks.

In the continents of Asia, Africa, South America, and Australia, considerable progress has been made in the creation of similar movements to those that form the membership of the International Co-operative Alliance. There exists in these embryonic movements in other continents a huge potential membership which—with the return of the world to something like stable economic conditions, and the establishment of collective security—should be easily recruited to our International Co-operative Family.

It is with its mind centred upon the great possibilities of benefit to the human race which the mobilisation of this vast peace army can produce, when organised upon the basic principle of 'Each for all and all for each,' that the International Co-operative Alliance proclaims to the world, and especially to those who are at present outside its ranks, *the principles upon which the co-operative movement is founded; the possibilities of its peculiar economic basis; and the right which the co-operative movement has to, at least, an equal place with any other form of economic enterprise within the polity of any and every State.*

* * *

The essential principles of the co-operative movement are :—

I. *Open and voluntary membership*, which provides that the membership of a society shall be open to all without

'limitation of colour, race, or creed,' and that the right of every citizen shall be freedom to remain outside or to enter the ranks of its adherents according to the dictates of his own free will.

II. *Democratic control*, which provides for the complete autonomy of the societies in relation to the national economic life and freedom of development, which is only limited by State or legislative provisions which are common to, and in the interests of, the whole community. The basic element of democratic government—'One man one vote'—is the foundation of the co-operative constitution and is exercised without discrimination of sex.

III. *Dividend on purchase*, which is the method by which the profit-making motive in commerce and industry, and, indeed, profit itself, is eliminated, and when generalised into 'Distribution of the surplus resulting from the transactions of the society with its members' it becomes not merely the basis of co-operative economy but the practice which distinguishes it from the existing competitive system of capitalist economy.

In these three principles lies the whole philosophy of the co-operative movement which has grown out of the pioneer efforts of working men and women in half a dozen countries crystallising around the plans of the Rochdale Weavers of 1844 into a new system of economy. The further principle of *a strictly limited interest on capital* is a corollary to the elimination of individual profit-making through the method of dividing the surplus in proportion to the contribution of the members to its production, and an attempt to establish a 'just price' for the sale of the necessaries of life, and the limitation of the profits of capital.

The Initial aim of the Pioneers to establish their economic freedom and their social independence compelled their further provision that the co-operative society should observe *Political and Religious neutrality* towards all applicants for membership, and in the discussions and transactions of the Society—a provision which, so far from eliminating thought and action in these vital matters, preserves the independence of the individual and of the collectivity, while broadening its appeal whenever it is used in the legitimate interests of the economic organism.

* * *

It is on this basis that the National co-operative movements affiliated to the International Co-operative Alliance, supported in principle by huge organisations of co-operative enterprise not yet affiliated and embryonic movements in a number of countries, have built up 'States within the States,' and a league of the peoples which demonstrates in its practice the efficacy of a new economic order, capable of replacing the existing capitalist or individual profit-making system; of restoring the world to an equilibrium in economic matters which can be maintained by its principles of association; and when applied universally, of furnishing the surest guarantee for *World Peace.*

An examination of the co-operative principles already stated, but especially of their practical application, manifests that *Co-operative economy* differs from *Capitalist economy* in that :—

I. It substitutes the service of the community for the profit of the individual; establishes a genuine interdependence between its members throughout the world and a means, through international association, of achieving equilibrium in the economic sphere between the needs of the people and world resources.

II. It dethrones capital from the dictatership of economic life and puts in its place the *Association of Mankind* on the basis of mutual and active participation in the enterprise.

III. It provides in its economic device of 'Dividend on purchase' an immediate financial benefit, and an access of independence to the wage-earning consumer.

IV. It secures to the agricultural producer, among other benefits, relief from exploitation in the purchase of the machinery and materials of his industry, and also markets for his produce which yield him a reasonable return without exploiting the consumer.

V. It confers direct benefits upon a very large section of the community irrespective of their social condition.

VI. It provides a solution of the problems of employment, wages, and general conditions of labour on the highest plane of advantage to the employees which economic conditions permit.

* * *

New forms of Government and new orientations of economy are the subjects of experiment in many lands to such an extent that the social order generally may be said to be in a state of ferment. This fermentation has varying manifestations, all of which, however, tend to regard the development of our co-operative economic system with disfavour, and, moreover, at the bidding of organised capitalist enterprise, to put stumbling blocks in the way of its advance—in some cases, definitely to plan the suppression of free, voluntary and independent co-operation.

In resisting these tendencies the International Co-operative Alliance desires to draw the attention of the community and of Governments, and all lovers of fair play, to the manifest unfairness and injustice of the attitude of organised private capitalist enterprise towards the co-operative movement. These capitalist forces obviously take their stand on

the monstrous conception of economic life that accords to private trade a 'vested interest' in the exploitation of the needs of the whole population. Co-operators seek, by association and mutuality, to equalise the burdens, responsibilities and rewards of economic enterprise over the whole body of the citizens, and to establish the free democracy of non-profit-making associates, which is the only genuine form of new society.

* * *

The International Co-operative Alliance claims for the World co-operative movement the recognition of the place which its forty constituent states have achieved for themselves in the realm of co-operation in the creation of a league of the peoples as broadly based as humanity itself.

It demands for the National co-operative movement—(*i*) Complete freedom to develop on equal terms with every other economic enterprise which is permitted by the laws of the respective States. (*ii*) Legal protection by all the forces of the State in the exercise of their inalienable rights as citizens. (*iii*) A special place, appropriate to their distinctive economic characteristics and where they will have reasonable opportunity of self-determination, within the framework of any system of *State* or *planned economy* that may be set up.

* * *

The International Co-operative Alliance, in launching this declaration before the world, is convinced that the general body of the people who are not yet Co-operators will recognise the idealism and the economic justice which are inherent in its principles, and also the reasonableness of its demands for the free and independent development of the co-operative system throughout the world, not only for the immediate benefits that it confers upon such a large majority of the human race but also in order that its efficacy as a new and better system of world economy may be given full opportunity to prove itself.

The International Co-operative Alliance calls upon all its affiliated members and the National co-operative organisation in every land to pursue with energy the extension and strengthening of their respective movements; to Concentrate upon the great task of building up their societies on the genuine principles of co-operation; and to use all their powers to secure from the state and all public authorities the full recognition of the claims set out in this declaration of the significance of co-operative economy.

II

GERMANY—POSITION OF THE CO-OPERATIVE MOVEMENT AT THE BEGINNING OF 1936.

As in previous years, the following information about the German co-operative movement is from a report by Mr. Otto Ipscher. The main groups to which the societies belong are shown in the following table :

Type of Society.	Number at 1st Jan. 1935.	Changes in 1935.		Number at 1st Jan. 1936.
		Societies founded.	Societies dis-solved.	
Credit societies (town & country) ...	20,866	78	392 (2)	20,552
Handicraftsmen's societies (raw materials, storage, service and sale) ...	1,751	212	73 (2)	1,890
Industrial producing societies ...	554	...	4 (1)	550
Workers' productive and labour societies ...	147	...	3 (–)	144
Dealers' purchasing societies ...	1,315	24	55 (1)	1,284
Consumers' societies ...	1,634	22	74 (2)	1,582
Housing societies ...	3,598	19	110 (3)	3,507
Agricultural societies (without loan funds) ...	22,001	1,808	881 (8)	22,429

This table does not cover the group known as 'sundry' co-operative societies, which number less than 1,500 in all. Thus, the grand total of German co-operative societies of every type from 1st January 1936 was 53,499 (as against 5,3631 in 1935).

The fall in the number of co-operative societies is explained partly by the Act of 9th October 1934, which declared void certain societies which till then existed only on paper, and by the Act of 31st December 1935, which prohibited the formation of saving funds with special objects, and partly also by the amalgamations which took place among some of the co-operative societies.

As in the previous year, the *credit societies* dropped in number; 78 co-operative societies were newly formed, but 390 were dissolved, of

which 107 were urban credit and 283 rural credit societies. Among those which were dissolved were a number of saving funds with special objects, purchasing power savings funds, and building societies. The number of *handi-craftsmen's societies* increased by 139 during the year, most of the newly founded ones being service and sales societies. There are now 249 co-operative societies in this category.

The *dealers' purchasing societies* also showed an increase of 31 during the year.

Housing societies suffered a further sharp setback in 1935, due to the fact that many new ways of building were employed. The same can be said of the *land settlement societies*.

The *distributive* (consumers') societies in the strict sense seemed to be declaining in number. To utilise subsidies put at their disposal by the Government by the Act of 21st May 1935, a number of societies decided to go into liquidation before the end of the year 1935. In that year only 22 organisations were created in this category, nearly all of which were for the purchase of coal. Seventy-two consumers' societies were dissolved, and two were liquidated.

The increase in the number of agricultural co-operative societies due to the creation of a number of co operative dairies was not as rapid as in 1934. Only 560 co-operative dairies were formed in 1935, whereas in 1934, 2,385 societies were formed, and 170 co-operative dairies were dissolved last year. On the other hand, a good number of agricultural co-operative service societies and co-operative fruit marketing societies were founded during 1935, and 1,309 agricultural co-operative societies were formed, 873 were dissolved, and 8 were bankrupt.

The 'sundry' societies that cannot be said to belong to any of the above groups declined in number. They decreased from 2,000 to 1,500. The creation of co-operative societies without a definite aim has been rendered difficult. —(*International Co-operative Alliance*).

News and Notes.

Srimathi Mahalakshmi Ammal of the Salem District Urban Bank is the first lady to be elected as a director of any central bank in South India.

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Profits of Lever Brothers rose last year from £ 6,302,875 to the record total of £ 6,951,187. The ordinary dividend is maintained at 15 per cent.

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The Maharaja of Darbangha has sanctioned a sum of five lakhs of rupees for the improvement of the villages in his estate and has ordered his officials to submit schemes for its utilization. It is to be hoped that his enlightend example will be followed by other zamindars.

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The Executive Committee of the Andhra Sahakara Sammelanam met at Ellore on the 29th of April last and resolved to revive its monthly journal and to do propaganda about the Sammelanam in the Andhra Districts and to collect funds for carrying on its work. For this purpose it appointed a sub-committee.

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In many of the districts the staff sanctioned by Government for the execution of decrees obtained by co-operative societies has been doubled and therefore the Registrar expects that in the current and succeeding quarters the number of applications disposed of and the amount collected will also double themselves.

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The Salem City Co-operative Stores, Ltd., Salem, invites suggestions from the interested public for the formation of a Union of co-operative stores, with a view to arrange for the joint purchase of the major articles of consumption. We hope there will be a good response to the invitation.

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We understand that Mr. V. Suryanarayana Rao Pantulu, Secretary of the Kovvur Supervising Union, West Godavari, has suggested to the Registrar that in the place of the ten unions now working in the district, the formation of five unions with more than one supervisor for each union would result in greater efficiency.

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The Jakkasamudram co-operative society which celebrated its Silver Jubilee in March 1936 has had a creditable regard of uniform progress. Starting in 1909 with 34 members and a deposit capital of Rs. 92, to-day it has on its rolls 215 members and a deposit capital of Rs. 12,580 from

both members and non-members. An amount of Rs. 2,563 is outstanding by it to the Salem Central Bank. Its reserve fund is Rs. 4,090. In 1934-35, it earned a net profit of Rs. 623-6.

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The 23rd half-yearly report ending 31st December 1935 of the South Indian Co-operative Consumer's Society, Ltd., Matunga, Bombay, shows another six months of steady and satisfactory progress. The sales at the branches were very encouraging and the total sales during the half-year under review were Rs. 42,770-9-3. The reserve fund stands at Rs. 3,047-9-11, the building fund at Rs. 2,287-3-2 and the net profit for the period is Rs. 1,849-14-9.

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One of the recommendations made by Mr. Sathianathan in his report, which was supported by the Board of Revenue was that as far as possible loans to agriculturists should be given in kind. Government point out that this cannot be done unless additional depots are opened or the equipment of the existing ones increased—which the Government are not at present prepared to undertake. They consider that stimulating private trade in implements, seeds, fertilizers etc., as the Agricultural Department is trying to do, is quite sufficient.

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An exhibition of village industries, conducted under the auspices of various Christian Missions working in Central and South India, is held annually at Kodaikanal, the hill station of the Missionaries. At this year's exhibition which was opened on the 14th May as many as thirty Missions were represented. The exhibits which were mainly the work of village women on village resources, ranged from metal work and textiles to eggs and fruits. It is reported to have attracted a large number of visitors and to have resulted in good sales.

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We have received a communication from the Registrar of Co-operative Societies, Madras, recommending the purchase by co-operators and co-operative institutions of the 1936 annual, published by the Government Brennen College Co-operative Union, Tellicherry. We have already brought it to the notice of the public in an editorial note in the March issue of this Journal. It is a very informing and useful publication, priced only eight annas.

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The Government of Mysore have recently sanctioned a scheme for the intensive development of selected villages throughout the state. The development of these villages has been made a special responsibility of the deputy commissioners, subject to instructions from the revenue commissioner and advice from the heads of the development departments concerned. In each revenue sub-division 8 or 10 villages are to be selected where the panchayats are working satisfactorily and where they have enough income to carry out the programme. The items attempted will be the raising of the standard of the village panchayat administration, the provision of good drinking water and of drainage, weekly tidying of the village, increasing attendance in schools, adult education, maternity and child welfare, provision of grazing grounds, supply of credit and good seeds, marketing of commercial crops etc. The progress of this work will undoubtedly be watched by the public with the utmost interest.

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Leave was granted recently to Mr. V. N. Patil by the Bombay Legislative Council to introduce a bill to establish Debt Concilation Boards. The following is its statement of objects and reasons :—

The object of the Bill is to relieve the Agriculturists of some of the burden of the debt which unfortunately bears very heavily upon them at present. There are three possible ways in which debt conciliation can be effected. The first is the voluntary method, the second is the compulsory method and the third which is embodied in this Bill is the method of compromise. The first method is not possible. The second method if adopted will meet with various objections, the main objection being that it will shake the foundation of credit. The third method is therefore the only method which can be usefully adopted. The basis of the Bill is voluntary settlement. The Board which is to be nominated by Government has no power to give an award. It is charged with the duty of endeavouring to bring about a fair and reasonable agreement between the debtor and his creditors. While it is made incumbent on all creditors to appear and make a true statement of their claims and produce all the documents in support thereof on pain of losing all their rights against the debtor, they are not compelled to agree to composition. There is however an inducement to the acceptance of a fair offer in that the claims of those that agree have priority of execution except over secured creditors. This provision is also calculated to discourage future borrowings. There are also provisions to discourage intransigence which deprive others who refuse a fair and reasonable offer in subsequent civil court proceedings of costs as well as of interest on debts exceeding 6 per cent from the date of the certificate issued by the Board.

A summary procedure has been provided for the recovery of amounts under agreement as arrears of land revenue in the event of default by the debtor. Either a qualified debtor or a creditor can apply but the board can for sufficient reasons dismiss the application. This will enable it to refuse its help to those who are not *bona fide* agriculturists or whose application for relief is not a genuine one. No appeal or revision is allowed, but the Board can review its order. Parties are allowed to appear by agents authorised in writing but not by legal practitioners.

List of Societies Registered in April 1936.

Serial No.	Name of the Society.	Date Registered.	District.
1	Vallipuram Agricultural Improvement Co-op. Society, Ltd.		Chingleput.
2	The Guntur District Non-Official Co-op. Subordinates' Co-op. Society, Ltd., Tenali P. O.	27-4-36	Guntur.
3	Swadapuram Co-op. Society, Swadapuram.	15-4-36	Salem.
4	Panja Seeme Harik Brahmins Co-op. Better Living Society, Bellare P. O., Puttur Taluk.		S. Kanara.
5	Villipuram Co-op. Land Mortgage Bank, Ltd.		S. Arcot.
6	South Arcot District Sugar-cane Growers Agricultural Demonstration and Research Co-op. Society.		"
7	The Koorainadu Weaver's Co-op. Society, Ltd.		Tanjore.
8	Thulukampatti Co-op. Credit Society.	25-4-36	Trichy.
9	Mettur Co-op. Credit Society ...	28-4-36	"
10	Pambaransuthi Sri Lakshmi Co-op. Credit Society.	30-4-36	"
11	The Polur Board High School Employee's Co-op. Society.	22-4-36	N. Arcot.
12	Chetpat R. C. Christians Employee's Co-op. Society.	28-4-36	"
13	Dimili Co-op. Agricultural Demonstration Society, Ltd.	18-4-36	Vizagapatam.

List of Societies Cancelled in April 1936.

Serial No.	Name of the Society.	Date Cancelled.	District.
1	Chodavaram Co-op. Society ...	7-4-36	W. Godavari.
2	Mandagoppadi Co-op. Society ...	7-4-36	S. Arcot.
3	Eurooipatnam Co-op. Society ...	7-4-36	"
4	Kanai Co-op. Society ...	15-4-36	"
5	Kudligi Sree Kotha Ladaya Swami Co-op. Society.	15-4-36	Bellary.
6	Mallinayanapalli Co-op. Society ...	15-4-36	Salem.
7	Marupetti Adi Dravida Co-op. Society.	30-4-36	"
8	The Palghat Municipal Middle School Student's Stores.	9-4-36	Malabar.

Books Acknowledged.

Union of South Africa—Department of agriculture and forestry.

Bulletin No.

148	South African pasture grasses together with a survey of the work on Prinshof pasture Experiment Station.
152	Mechanical and animal draught power on grain farms.
154	Fruit production in the Union.
155	The Rising of fat in milk in the course of delivery.
156	Seasonal variations in the freezing point of South African milk.
157	Influence of period of lactation on the freezing point of South African milk.

University of Missouri—Agricultural experiment station.

227	Some economic aspects of the farm poultry enterprise.
228	Growth and development.
229	Factors affecting farm land values in Missouri.
230	Hypophysectomy of the Goat.
231	A Study of factors influenzing chromosomal segregation in translocations of Drosophila Melanogaster.
232	Relation of the degree of base saturation of a Colloidal Clay by Calcium to the growth, nodulation and composition of Soybeans.
358	Work of the Agricultural experiment station.
359	Growing good crops of oats in Missouri.
360	Korean Lespedeza in rotations of crops and pastures.

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