a space of 5 feet is left in which flowers and vegetables are grown. The huts as well as the colony are kept very neat. Cattle are kept in a place set apart for the purpose and not in or near the owners' huts. The Corporation has given lights, taps and other conveniences.

The greatest attention is paid to the development of character in the colonists. They are urged to give up drink, to be thrifty, to help each other, to learn new occupations, to be God-fearing and to be missionaries for the uplift of their community. A day school is conducted for the benefit of children. A class is conducted in the afternoons for women in which sewing, songs, care of children, health subjects, a better ideal of life etc., are taught. Grown up boys and young men are given facilities to learn carpentry, weaving, gardening, bee-keeping and spinning. About a dozen young men and an equal number of young women are being trained in social work, there being separate free hostels for them. One day in the week Bhajana and worship are conducted for about two hours. Talks are given on various subjects to the grown up men in the colony. Some of them are coolies, some rickshaw-pullers, some employees in institutions. All of them are leading a much cleaner and more enlightened life now then they did before the colony was started.

Mr. Sankaranarayana Aiyar is deeply religious. He gave up the legal profession years ago and became a devotee of Lord Krishna, seeking inspiration from the Bhagavatam and the Gita. His appeal is always addressed to the religious instinct in the colonists and the response on the whole is remarkable. It is due as much to his example of unselfish service as to his teaching. In this high-souled social work he is assisted by two ladies—Srimatis Bhagirathi Ammal and Visalakshi Ammal and a few educated young men, who have been inspired by his life. He has also obtained the help of influential men and institutions, irrespective of political and other opinions. The Gokulam Colony has been visited by H. E. the Governor of Madras as well as by Mahatma Gandhi and Pandit Jawaharlal Nehru. It gets the greatest support from the Commissioner of Labour. Mr. T. G. Rutherford, when he was Commissioner of Labour, so much appreciated the 'Gokulam method' that, as Mr. Sankaranarayana Aiyar says in his article, he requested him to form the Mangalapuram Colony on behalf of the Labour Department, in spite of the protests of some Adi-Dravida leaders who did not want the scheme to be entrusted to a non-Adi-Dravida. The Provincial Co-operative Bank, the Harijan Sevak Sangh and individuals like the

Rt. Hon. V. S. Srinivasa Sastri, Mr. T. R. Venkatarama Sastri and Mr. T. A. Ramalingam Chettiar are giving Gokulam their moral and material support.

Gokulam was indeed not the first effort of Mr. Sankaranarayana Aiyar in the direction of improving the lives of slum-dwellers in Madras. For about two years he worked among the Oddars, who are employed by the Corporation for cleaning gutters, and in a colony of fishermen. His efforts there ended in failure, but the experience he gained was very valuable for the success of Gokulam. The desire for a better life, self-help, thrift and a co-operative outlook on life—on these principles are based his schemes for the improvement of the slum-dwellers. One may say that what the Rochdale Pioneers were to the store movement in England, that the Gokulam Colony is to the Better Living Societies in our province.

To one activity of Gokulam we should like to draw special attention. Every year on the full moon day of Chaitra which falls in April, Adi-Dravida couples who intend to marry are invited to have their marriages performed at Gokulam at no greater expense than Rs. 15 per couple, everything included. Out of this sum, as much as Rs. 11 is spent on new clothes for the bride and bridegroom, the *tali* for the bride and other requirements, and only Rs. 4 is taken for feeding and other expenses. The relations of the bride and bride-groom, without restriction as to number, are invited to attend the ceremony and take part in the common dinner. This year seven marriages were celebrated of which the parties of only two were connected with the colony and the rest were outsiders, and nearly a thousand persons attended the ceremony and the dinner. In these marriages Mr. Sankaranarayana Aiyar himself officiates as priest. The ceremony has been simplified and refined. In order to popularise these marriages influential persons who do not belong to the Adi-Dravida Community are invited to attend the function. The expenses on it come to about Rs. 200, everything included. The contributions of the couples at the rate of Rs. 4 do not of course suffice; the deficit is made up by donations from sympathisers. What made Mr. Sankaranarayana Aiyar start this co-operative celebration of marriages was the fact discovered by him while organising the Gokulam Colony, that in several cases, man and wife were living together and had borne children without having gone through the marriage ceremony, as it usually costs Rs. 50 to Rs. 100, which they did not have and until which was saved they could not wait. Custom allowed them to marry latter with retrospective social effect. But until the marriage took place the woman did not have the status of a wife, nor the children that of legitimate off-spring. As what stood in the way of the timely celebration of marriage was its expense, he found a way of reducing it to a minimum. At the same time he satisfied the religious sentiments of the parties by himself officiating as priest and by introducing some forms prevalent among the higher castes. These marriages are a good expression of the Gokulam ideal of better living. "Abu Ben Adhem, may his tribe increase!"

Training Classes for Members of Societies.

During this month classes are being held in all the districts of this province for the education of the members and panchayatdars of societies in the elementary principles of co-operation. These classes are held in accordance with a scheme drawn up by the Registrar and approved by the Local Government for utilising the special grant made by the Government of India two years ago for the purpose of providing training and education in co-operation for official and unofficial staffs as well as for the ordinary and committee members of societies. The education of panchayatdars and members was originally intended to be provided through peripatetic Inspectors, but on a representation being made by the Provincial Co-operative Union that education and propaganda were the functions of non-official bodies according to the recommendations of all responsible Committees on Co-operation, the Local Government modified the scheme and entrusted it to the Provincial Co-operative Union for being carried out. The latter has arranged for the conduct of these classes through district committees on which the Deputy Registrars, the representatives of central banks and some distinguished local co-operators serve. In each district twenty classes are to be held with an average attendance of at least 50 members. A syllabus and notes on the syllabus are prepared by the Provincial Co-operative Union in consultation with the Registrar and are made available in English and all the vernaculars of the province for the use of the instructors as well as the members who attend these classes. The Union has also prepared posters and charts for the use of the classes. The Government has made a grant of about Rs. 22,000 for these classes, to which the Provincial Bank and the Central banks have been persuaded to add at least a third of the amount as contribution by non-official organisations. At least Rs. 1,200 will be spent on these classes in each

district, of which the district committees are permitted to spend up to Rs. 1,000 on feeding charges. This expenditure is considered necessary because the classes last from 2 to 3 days and the members cannot be expected to go to a centre some distance from their villages unless food is provided for them. Moreover, for the spirit of co-operation to sprout and develop, the living together of the members for even so short a period as 2 or 3 days is very helpful. The importance of keeping accounts in a manner which will satisfy every requirement of audit has been impressed upon the district committees. We have every reason to hope that these classes will be well conducted and achieve their object. In all education the main thing is to rouse and keep the interest of the instructed. This we expect the classes to achieve, as among the instructors in each district are included a good number of trained teachers and lawyers who should know how to stress the things that matter. These classes are to be held year after year for at least 5 years and by the end of the period we trust that a knowledge of co-operative principles will have permeated every society in our province.

The Admission of Institutions to Membership of Societies.

At the last meeting of the general body of the Triplicane Urban Co-operative Society (Triplicane Stores), the by-law relating to membership was amended so as to permit the admission of not only individuals and co-operative societies as hitherto, but also of "such other associations, institutions or corporate bodies as having their place of business within a radius of 15 miles from Fort St. George." The Co-operative Societies Act of this or any other province in this country contemplates only individuals and co-operative societies as eligible for membership, though there is no specific prohibition of other associations. The admission of 'associations, institutions or corporate bodies' is, however, found to be useful and even necessary for the working of certain non-credit co-operative institutions like stores and printing presses. At present the Triplicane Stores supplies articles to homes and hostels of students, though they are not registered as co-operative societies, the superintendent of the home or hostel in each case being admitted as member. Legally he is member only in his individual capacity, though the purchases are made on behalf of the institution. As often as there is a change of superintendent, the membership has to be changed. There is no principle involved here. The difficulty is purely technical which ought to be got over. The matter is of even greater importance to institutions like the Central Co-operative Printing Works, which in its present condition is obliged to do printing for the general public, including associations and commercial firms which may or may not be registered. In a business like printing a few days' credit has necessarily to be given and it sometimes becomes necessary to recover dues by legal processes. If membership is made easy, and associations as well as individuals who give work are induced to become members, any dues from them could be recovered by the cheap and easy process of arbitration, instead of having recourse to a Court of law. As in the case of a co-operative store selling goods to a hostel or even to a hotel, there is no question of principle involved in the C.C.P. Works doing the printing of associations or companies. The benefits of co-operation can well be extended to them as to individuals. We therefore strongly recommend that the amendment proposed by the T.U.C.S. should be approved by the Registrar, and that if he thinks it necessary, he should obtain the Local Government's permission to do so under sections 59 and 60 of the Madras Act.

An Arrears Bank.

"Sahakari Madhyabharata," the quarterly journal published under the auspices of the Indore Co-operative Central Association, contains an interesting and well considered scheme for an "Arrears Bank" by Rai Ratan A. G. Sherlekar, Manager of the Indore Premier Co-operative Bank. The object of the Arrears Bank is to take over the assets and liabilities of the primary societies in respect of loans issued for long term purposes or which have fallen into arrears, so that they and the central banks which finance them may be enabled to function efficiently as institutions providing short term credit, which is now recognised by all to be their proper function. The share capital of the proposed Bank is to consist of Rs. 2 lakhs of which Rs. 1 lakh is to be contributed by the State, about Rs. 55,000 by the Indore Premier Co-operative Bank and about Rs. 45,000 by individuals. The Bank is to be given for a term of 20 years a loan of Rs. 4 lakhs by the State free of interest and a loan of Rs. 3 lakhs by the Premier Bank of which Rs. 2 lakhs should be without interest and Rs. 1 lakh at 4 per cent. interest. The reserve fund of all the societies whose debts will be taken over and that of the Premier Bank, is to be given over to the Arrears Bank. No dividend is to be paid on the share capital for a period of

20 years, though the Bank may be working at a profit. To meet the working expenses of the Bank a State subsidy of Rs. 4,500 for the first two years and of Rs. 2,250 for the subsequent ten years is to be given.

The need for formulating the present scheme has arisen on account of the inability or unwillingness of the managing committees of primary societies to collect the arrears from their members, some of the committee members being even afraid that their crops, houses or other properties may be set fire to by recalcitrant members. The Central Banks or the Co-operative Department could no doubt obtain decrees and execute them. But the result will be that large areas of land will come into the possession of the central banks, the management of which would become a problem as it has become in Burma; and forced sales would so reduce the values of properties that the members would be ruined, while the creditor societies or central banks would not realise all their dues. Moreover, liquidation, which would become necessary in the case of almost every society, is a demoralising, tedious and costly process, which should not be resorted to as long as some other alternatives can be thought of. It is for similar reasons that Dr. B. Pattabhisitharamayya of Masulipatam suggested some time ago the formation of a Trustee Bank in our province, though his scheme was not confined to members of co-operative societies.

Some alternatives to the formation of a separate special bank would no doubt suggest themselves. They have been considered and rejected by Mr. Sherlekar. One such alternative is the creation of a long term loans section in the central bank. But it would be impossible to separate the long term and short term liabilities of a bank, so far as the claims of its creditors are concerned. Then there is the alternative of forming land mortgage banks to provide long term credit on easy terms to indebted agriculturists. They take time to form and investigation in Madras and elsewhere has shown that it is only a small percentage of the members of co-operative societies, who would be able to satisfy the conditions demanded by land mortgage banks. The formation of Debt Conciliation Boards and the grant of loans by Government for paying off the loans scaled down by them, as in the Central Provinces and in Madras, are another alternative. It is by no means clear that this is a better arrangement than the formation of a semi-Government institution like the Arrears Bank suggested by Mr. Sherlekar. The cost to Government, we believe, will be less in this case, than that involved in liquidations, sales and other alternatives, while at the same time a degree of elasticity is secured by this means which cannot be secured by the others. Most important of all, unless the liability of a society due to its past errors is separated, no sensible man, however helpful to the society he may wish to be, can be expected to join it and work for it. It cannot be resuscitated and made to supply the short term credit which is so necessary for the agriculturist for raising his crops and marketing them.

In a vast country like ours local conditions naturally differ very much and no single method will suit every area equally. Different methods can therefore be tried in different areas with advantage. The Arrears Bank idea seems to us to be quite suitable for the Indore State and we should therefore heartily recommend its trial there. If experience justifies it, other Indian States and British provinces will no doubt follow its example gratefully.

The U. P. Co-operative Union.

In the United Provinces, as in some other provinces, the supervision of societies is left in the hands of the Provincial Co-operative Union. In 1935-36 its staff of supervisors consisted of 251, of whom 6 were ladies, 16 were in charge of societies marketing sugarcane, 8 of societies marketing ghee, 3 textiles and 1 cotton, and 1 each of blanket weaving and dairying societies. The sugarcane marketing societies, of which the number is not given but which should be considerable, earned a commission of Rs. 74,529 and a net profit of Rs. 25,332. They are said to be liked both by the growers and the factory owners, "by the former for sale of their produce at a fixed time without any underhand dealings and by the latter for the regular and guaranteed supply of cane through a well established agency." For the consolidation of holdings the Union could spare the services of only two supervisors, though the experiment made in two districts shows that this activity has a promising future. This was on account of the fact that no grant from the Local Government was forthcoming for the purpose and the Union has no other resources to employ more supervisors for the purpose. What is really surprising is that no provision should have been made for this purpose from the special grant of the Government of India. The report contrasts this attitude of the U. P. Government with that of the Punjab Government which in 1933-34 spent 103 lakhs on the consolidation of holdings.

The number of better living, better farming and thrift societies rose during the year from 371 to 395. In some districts there were more than 50 such societies in each. It is reported that in Pratabgarh district where these societies and the village guides appointed by the Union are active, 56 adult schools and clubs with a membership of 1003 were at work, that there were 5,400 manure pits and 2,200 urine preservation beds, that 100 new pucca wells were sunk and 92 wells bored, that the number of three cane roller mills increased from 166 to 226 and that it had 117 physical culture clubs; in addition to a number of improvements in other directions. The Registrar of Co-operative Societies is the President of the Union. Now that according to the testimony of Mr. M. L. Darling (whose speech at the recent U. P. Provincial Co-operative Conference held at Lucknow we had the pleasure to reproduce in these pages) the Movement in the province has plenty of vitality, having patiently got out of the terrible mess into which it had fallen, we trust the U. P. Government will adopt a far-seeing and liberal policy towards the Union.

The Reserve Bank's Report.

I

By Dr. B. Pattabhi Sitaramayya, Masulipatam.

The Report made by the Reserve Bank of India from its Agricultural Credit Department under the Statute is a comprehensive one, especially in so far as it deals with the agricultural finance and methods for effecting a closer connection between agricultural enterprise and the operations of the Bank. While it visualises, however, the various aspects of agricultural finance in all their comprehensiveness, the report is defective in that the methods for effecting a closer connection between agricultural needs and the Bank are not such as would be of any material help to that great enterprise, although reports are always characterised by the fact that they set out the case for the Indian sufferer in a manner which he himself cannot hope to equal or excel. The special handicaps of Indian agriculture have been correctly portrayed and it is proved to the hilt that the ordinary holdings of the farmer in India are not an economic unit. The perpetual tendency to fragmentation of land, the low fertility, the illiteracy of the cultivators, the absence of agricultural resources, the social and ceremonial customs and the restricted rights of the cultivator in land are rightly described as constituting a vicious circle, making agriculture a mode of living rather than as a source of profit. Added to these, there are the uncertainties of weather, wind and rain, the fall of the market and its prices, and the natural barriers to corporate effort which industry always fosters. These limitations have led to a restriction of credit resources and thrown the ryot on the mercy of the moneylender. Debt, therefore, has become an inseparable attribute of agriculture in India "owing its existence to poverty and its volume to prosperity." The proverbial improvidence of the ryot is a social factor not to be neglected. Having been obliged for ages to contract debt, the ryot contemplates indebtedness as the normal of his being and has no fear of it. Much powder and shot has been spent upon condemning the usury of the moneylender, but the report has a good word for him because the risks that he runs are indeed great while the safeguards that he can command are altogether precarious. When all is said and done, however, the fact must be admitted that if an item of Rs. 200 has developed into a debt the balance due on which is still Rs. 2,100 after repayment of Rs. 1,100, usury is sucking out the life-blood of the ryot. We have illustrated our point by an actual case. It is poor consolation to the Indian ryots that agriculture is profitable anywhere in the world only to the extent that collateral industries and occupations help the ryot. The silk industry in Japan, sericulture in France and Italy, toys in Germany and Russia are cited as examples of these collateral home-crafts or industries. Likewise market-gardening, dairying, stock-breeding come to the rescue of the cultivator elsewhere. It is somewhat refreshing, however, to note that the report admits 10 acres as the minimum unit of agriculture on which the ryot can support himself and family without any other industry to help him. But in India 80 per cent. of the Pattadars are 10 rupee Pattadars. That means their holding is only 2 to 4 or 5 acres. In fact 80 per cent. of the Pattadars who cultivate their lands are unable to support themselves and their families by agriculture. If this admission is once made, whatever may be the jurisdiction of the Reserve Bank, the conclusion is irresistible that the 10 rupee pattadars or even the 20 rupees pattadars must be exempt from taxation on land. This is what the Congress has been contending, and it may be plainly stated that all the remedies that the report may propose or that well-intentioned and well-meaning friends of the farmers may propose in order to ameliorate the condition of the cultivator in India, are bound to be futile or at best temporizing. Incidentally, we may note that as considerable stress is laid upon the importance of side pursuits as an essential part of the outfit of every honest cultivator, the Congress has all along suggested a universal side pursuit namely, spinning. Yet, friends in the country have not been able to see eye to eye with such a suitable and profitable suggestion to meet the situation in India.

Long term credit is the next subject dealt with by the report. This factor on the whole has not been successful in so far as the Co-operative Department has handled it. The Department has been tossed about from long term to short term and short to long and back again form long to short. They had started with 12 year loans and they were cut down to 2 or 3 years, and these were raised to 5 or 6 years. Now, whatever good intentions it may have had, and nobody can question them, the fact is that the long term of 12 years is neither here nor there. More so the less long term of 5 years. The report deals adequately with the double-mastery of the cultivator who has to answer his old moneylender and his new co-operative society. Between the two he scrapes as much money by loans as possible and concludes by showing his empty hands and stretching

his helpless legs and sitting paralysed in his place without being able to pay even a single pie to either. Even in regard to Land Mortgage Banks it has been discovered that the repaying capacity of the borrower has been considerably shaken by the depression that has overtaken the country, and to-day when the scrutiny of officers is ever so strict and the appraisement of land and crop is ever so correct, it turns out that however large the holding may be, the margin of profits available for liquidation even on the basis of a 20 year loan is so slender that few loans have a chance of being favourably considered by the Bank. It is all very well for us to suggest that we should educate the peasant out of his ingrained habit of improvidence. That is an experiment undoubtedly worth making only after having liquidated his indebtedness. One such experiment was contemplated 6 years ago in regard to a village in the Kistna District where a debt survey revealed the debt position as 3½ lakhs, excluding one lakh of debt owed by one single person. It was intended at the time, especially in view of the glut of funds in the Provincial Apex Bank, that these debts of the village should wholly be wiped out except the last item and that a kind of moral policing should be employed by the appointment of one watchman or caretaker for every ten families so as to educate them out of their ingrained habit of improvidence, control their expenditure on social and ceremonial customs and regulate their lives by a strict regimen of thrift. But unfortunately the experiment could not be made owing to other circumstances intervening, which diverted the promoters' activities into other channels. The experiment is worth trying, but it requires a man deeply interested in the subject who would devote his energy and resources to its promotion.

While on the question of debt we are faced naturally with the problem of debt conciliation, the Land Alienation Act has not helped very much because instead of the pure usurer it has only brought into existence the agriculturist money-lender. The problem in regard to the debt conciliation is not so much the settlement of the debts at a particular figure as the problem of finding cash for its repayment at that figure. There is no doubt that, if there is a proposal to-day to wipe out the debts of the ryots by paying to the money-lender 50 to 60 per cent of the accumulated amount, the latter will jump with joy to receive the money; but where is the agency that will find the money? Government stops short of legislation, Banks are interested in the business, the debtor is as helpless as ever before, the creditor is as rapacious as usual. We must ignore the quality of rapacity by meeting it half-way. But when you do not meet it, the creditor at least wants to have the satisfaction of being rapacious and finding the debts swell in his books. It is practically a hopeless proposition to expect by any facilities whatever the debtor will be able to repay his debts. He is drowned in them, and once the limit is passed no amount of help will save him. You can rest your feet in the deep water until you go into the river to the level of your chest, but one pace more and only swimming can save you; otherwise the body floats, the head sinks and death results in three minutes. This to-day is the position of the debtor who does not know swimming and who is simply being drowned. Once it is admitted that even long term rate is not helpful to save the debtor from out of his debts, the C. P. debt conciliation provision making defaulted instalments recoverable through the Collector as arrears of land revenue and also enabling tenancy land ordinarily not transferable to be mortgaged to land mortgage banks, will not go far in helping the farmers out of the situation. They are good in this. They may serve one in a mille of the indebted peasants. But what we should consider is how to save the remaining 999. The co-operative movement has failed because it has touched but an infinitesimal fraction of those whom it might have reached. We cannot blame any one for this result, for these experiences are bound to teach us wisdom in making experiments of a new character. But they will have proved infructuous if we persist in the same process of experimentation in future also. Let us revert to our point. We say that even long term credit cannot save the peasant because there is the annual inescapable burden of taxation to which he is not equal. Fix the limits of the economic unit and free the land from the burden of taxation within those limits and you will save the peasant. Else you cannot save him by any palliative measures such as Debt Conciliation Bills, Tenancy Legislation, Rent-recovery methods of arrears, Land Mortgage Banks and the like. These are good but these are good when the root of the disease is taken away. The root of the disease is taxation on land which is not agriculturally self-sufficient in cultivation. To say that the economic unit is 10 acres is to admit that within that limit land does not bear the burden.

However distressing it may be to one who has taken the most intensive interest in the formation and promotion of Land Mortgage Banks in this Presidency, the fact must be admitted that so far as

human vision can pierce the hope of the Land-Mortgage Banks being potent instruments in the liquidation of rural indebtedness appears to be receding farther and farther. They do not cover the vast majority of the peasants whose lands are below 10 acres. The bigger landlords who may have 20 to 50 acres of land each generally come under its operations and even they as experience has shown are not regular in the repayment of their dues. When that is so, we cannot blame the commercial banks for not having ventured on agricultural loans to peasants. When Provincial Co-operative Banks whose bias in favour of farmers must naturally be more pronounced are hesitating to put their moneys into agricultural operations and are driving out a crore of deposits as in Madras by reducing the rates of interest on deposits, is it any wonder that commercial banks should be timid and tardy in their agricultural operations? There are reasonable aspects in which the commercial banks may well improve in their dealings with the farmers. The growth of the indegenous banks in a large measure in recent times has led to competitive rates on loans secured by the pledging of produce sufficiently low to be really advantageous to the farmers. But unfortunately it is not the farmer that is able to store up the grain. It is the middle man that comes in between. To obviate this difficulty, co-operative loan societies have been organized and their extensive operations are bound to be helpful to the original producer of agricultural wealth. But there is always this difficulty, namely, that the commercial banks insist upon their repayment of the debt before the debtor can take charge of his grain. This implies that besides the grain and the produce the farmer-debtor has hidden resources of credit. If that were so he would not need to have recourse to these banks at all. A method must, therefore, be divised whereby it should be easy for the debtor to sell his produce and repay to the bank to which he has been pledged. The introduction of the Trust Bond or the Trust Receipts between the farmer-debtor and the creditor-bank will go a long way in making the cheap agricultural loans allowed by the commercial banks really profitable to the peasants, as the Trust Receipts or Bonds are in vogue as between an exporter and the banker when goods are shipped. Why not they be extended here as well? Means must be devised to pool the produce of a village and accommodate loans to the producer. We must sympathise with the observations of the report under review that there must be a provision for definitely and easily realisable security for advances, which cannot be ensured unless there is grading or standardization of staples, so that goods can be described in number and certain terms. To this end the construction of licensed warehouses is necessary. But these are developments which require long to mature and the immediate need is not to lay down rules of perfection but contrive practical devices whereby immediate help can be rendered to the man in distress. It is all very well for us to lay down the rule that there may be a law of conscription in regard to swimming, but what shall we do for the man that is neck-deep in water and is fast sinking? It is true that whatever remedies we may adopt, we cannot help every producer to store up his grain for then the market will be dried. Nor are we right in apprehending that such a catastrophe will follow any helpful measures we may adopt to alleviate the condition of the farmer, for the doctrine of averages is still there and according to that doctrine the inflow of grain into the market every month in spite of the temptation and facilities to storing will be as regular as the not-paid letters in a post-office from year to year. The suggestion that a useful link between the individual agriculturist or small dealer and the commercial bank should be searched for and found in the co-operative godown and sales societies prudently managed, is most welcome. We fully endorse the good word that is offered by the report in favour of the indigenous banker subject, however, to the deduction already made earlier in this note. Even the usurer has his place in the economy of the universe when the alternative is downright destruction; but sometimes one wonders whether slow death is happier than a quick end. The stamp duty on bills is sought to be reduced in the report, and it really is a small matter which will help all parties equally.

On the question of short term credit for production, the report has some very pertinent observations to make, but the remedial measures that it suggests are of an unduly harsh character. We are free to admit that the peasant has not always put to legitimate use the short term loans that he has taken from the central banks. Although indents are made and with them estimates for the short term requirements of the peasant for production purposes, yet the fact remains that when the man gets money into his hands there is no knowing on what object he spends the available money, and having spent it on a non-agricultural but urgent purpose he sets about borrowing on the balance of his credit in the open market and is, therefore, driven into the hands of the usurious moneylender. At the same time, to say that the co-operative central banks must first

bring down the debts to a level in which there is a reasonable prospect of repayment out of the profits on agriculture within a reasonable period, say, twenty years is practically impossible. We may even say hopeless. Then, we may be confronted with the question how any Government is to set about the business at all. While there is only one way of dealing with the situation, and that is by viewing the whole problem as one and indivisible and devising remedial measures to meet the situation, we cannot deal with long term credit as long term credit and short term credit as short term credit and go on proposing remedial measures for each of these. It is this compartmental view that has made the Reserve Bank say that "unless co-operative banks can put their long term debts on a business footing and separate them from their other business, the Reserve Bank will not be in a position to be of assistance to them." What is the effect of such a view? In the result it converts the co-operative bank into a commercial bank, only allowing the former to have long term wing in its operation. The Reserve Bank may be theoretically right in saying that long-term finance is not the function of a commercial bank and still less of the Reserve Bank; but when it has laid down the proposition just cited it has virtually worked up conditions to the result that long-term credit is not equally the function of the co-operative bank either. The Reserve Bank has, however, reached the limit or cross-staff when it says that it would be loath to discount paper representing even short-term financing in view of the other long-term commitments of the co-operative banks. This is as much as to say that the Reserve Bank will not deal with any of the co-operative banks as they exist to-day. The rest of the advice given in term of short credit is a counsel of perfection. It is almost a repetition of the copy book maxims to speak of disease-resisting varieties of crops, prudently-run co-operative societies, provision for seasons, margin of profits, building up of reserves; these have always been there, but the question is they are not the work of a day. We must take the results of to-day and the circumstances of to-day as the date on which we have to work. To ask for "more practical bankers" is to ignore the realities of the situation. It is not want of a practical sense that has brought about the overdues or over-financing or unpunctuality or failure to take prompt and strict measures for recovery by the management. It is the inevitability of circumstances that has led to these unfortunate results. Then again to talk of a closer contact with commercial banking savours more of the theoretical than the practical, for when it comes to a matter of getting into grips with the actualities, the Reserve Bank does not really encourage the commercial banks, to have dealings with the farmers. Thirdly, the charge of leniency in the matter of collections is not altogether baseless but at the same time the process of consolidation and rectification that has been going on during the past 10 to 15 years in the co-operative movement must be recognized, and in view of the delicate situations that are bound to arise in regard to matters rural we must on the whole acquit the managers of the rural co-operative credit societies of the charges of either wilful tardiness or deliberate partiality in the matter of collections. If there is any trace of such, it has been overcome by the appointment of direct inspectors by the central bank who have acted with vigour and promptness. The suggestion that a definite restriction on the nature of the business done is a healthy one and must be accepted. The Reserve Bank considers that the initial mistake made by the co-operative movement was to admit liquidation of previous indebtness of its members, but that was inevitable at a stage when the peasant was unwilling to face two masters and when also the master had the peasant wholly in his grip and would not release him unless he received his pound of flesh.

We are, however, amused when in making suggestions as to how the co-operative societies should work in future the Reserve Bank seriously puts forward the proposition that the normal income from the crop and the normal cost of cultivation should be estimated by the Co-operative Department and the central banks with the help of Settlement Reports. Apparently, the drafters of the report are ignorant of the policy and the principles that lie behind the preparation of Settlement Reports. It is a universally known fact that the Agricultural and Revenue Departments have always blostered up the economic resources of the peasant in their preliminary reports and these are accepted by the Board of Revenue as a basis for the Resettlement resulting in increased taxation. We have fought this point for over 40 to 50 years, indeed, but fought in vain. The Settlement Reports are the least reliable in regard to the real capacity of the peasants to make any surpluses and if the co-operatlve movement is going to rest upon these reports it will surely repeat the mistake that the Reserve Bank says has been made in the past in over-assessing assets and over-financing the peasants. We agree that short term loans should not be extended beyond two years and provision should be made for their repayment in equal instalments, but at the same time we find it difficult to reconcile the suggestion with the other

suggestion that short term credit may include loans for the purchase of cattle and the making of carts. It is not to be expected that the sum of Rs. 300 to Rs. 400 invested by a farmer possessing 10 acres of land and having his own cultivation on a pair of bulls and a cart, should be capable of being repaid in two years because the bulls would work for 10 years and the cart may be expected to last equally long and therefore the money can be recoverable only over a period of 10 years. It is because the farmer does not make a provision for the sinking fund necessary in this behalf that he is running into ruin. He maintains no account and he has not got the wisdom or the capacity to see that from out of the resource of his produce every year he has to set apart nearly Rs. 90 towards the sinking fund on this single account only.

The question of prior claim of the co-operative societies over even previous creditors is discussed in paragraph 42. The All India Co-operative Societies Act, it is said, now gives the societies a prior claim over the crop in the case of loans for seed or manure and in the case of loans for the purchase of cattle and implements over the articles so purchased, and the law has made it clear that an outside decree-holder has the right to attach a crop in priority to a society unless the society also obtains a decree in its favour. Having discussed the pros and cons of the issue, the Reserve Bank suggests that the remedy proposed by the Calvert Committee is the right one, according to which the borrower would be allowed to dispose of his produce freely and leave the *bona fide* producer unaffected; but it would be an offence for the borrower to utilise the sale proceeds without first paying off the society's debt subject to the prior claims of land revenue and land rent. This is as it should be. If anybody should suffer, it is the producer and not the purchaser of the produce. The fact that a such a provision exists in the English Agricultural Credit's Act (1928) is a further support to this view. And the Reserve Bank makes a positive suggestion to the Provincial Government to embody this view in a legislation, taking adequate care to see that prosecutions are not lightly launched.

The suggestions with regard to the moneylenders do not really interest us very much; nor are they objectionable, but what really interests us is the concluding portion relating to rural betterment. We wish the Reserve Bank had the vision to see that the question of rural reconstruction is not a thing which merely is dependent upon agricultural finance. It is a reconstruction of the whole life and the reference, therefore, to village sanitation and hygiene, ample medical facilities, roads, wells, irrigation works and the spread of education on practical lines is quite welcome. The report also refers to consolidation of holdings which is an urgent necessity. But these are all collaterals; they are like draping the corpse with rich dresses. The need of the hour is to put life into the dying body. There must be a comprehensive agrarian programme undertaken. We do not know how far it would be relevant for the Reserve Bank to undertake a discussion of this kind; but we feel that it is pertinent for the Bank to deal with the question of rural reconstruction in its comprehensive aspects. There is no reason why it should not address itself to the like question of taxation as well. Two urgent remedies can alone save the situation. The land must be freed from its heavy taxation in its small units; in its larger units it must be subject to a graduated ascending land tax. Finally, there must be a system of taxing income on land rather than land itself. Perhaps these are alternate remedies. Whether alternate or concurrent, the fact remains that the question of indebtedness and relief to the peasant cannot be dealt with unless there is a guarantee for the future, not merely a remedy for the past. The causes at work which are bringing about the mischief must be tackled. It is no use keeping a patient in a endemic area which is the birth-place of disease and yet prescribing remedies for the endemic diseases such as Beri-Beri. The first remedy is remove the patient from the area. Likewise, the root disease is the heavy taxation and so far as you do not deal with that fundamental question, so far all the remedial measures that are adopted are only of a temporizing character and will at best serve as palliatives and not as cures.

[This article is incorporated in the writer's presidential address at the Andhra Provincial Co-operative Conference held at Pasivedla on 2—5—1937].

II

By Mr. T. Audinarayana Chettiar, Bar-at-law,
Director, The Madras Provincial Co-operative Bank, Ltd.

The report is an able, exhaustive and authoritative exposition on the *role* of the Reserve Bank in the all important matter of lightening the debt burden of the Indian ryot. A great deal was, rightly or wrongly, expected at the time of the inauguration of the Bank and the authors of the report are not unaware of it.

But the impression created in the mind of the expectant reader, as he lays down the report after perusal, is one of disappointment.

While it is clever and painstaking and unobjectionable as regards statements of facts, it would look as if the framers of the report have sought to marshal all the possible arguments for withholding active help to the co-operative movement. While the report has spared no efforts to deal not only with the direct question, viz., how far the Reserve Bank can finance the premier Indian industry, viz., agriculture, but with all the aspects that even remotely touch the fringe of the problem, in its commendable zeal for a real and lasting improvement in the condition of the ryot; and while it lays down (in Chapter VI) that "there must be co-ordination of action and that the greater part of the preliminary spade-work will have to be done by the various provincial governments," the conditions precedent and the improvements which it (the report) thinks absolutely necessary before the Reserve Bank can help the co-operative movement financially appear to be almost Himalayan in their magnitude, so that one despairs whether the happy day when the Bank will actively help in the rehabilitation of the ryot will occur within at least the next quarter of a century.

It is not suggested that there has been any want of sympathy on the part of the framers of the report towards the beneficial movement which has worked in this country for a little over thirty years. But the thought or rather the fear that the report has sought to apply to co-operative banking a test too rigid under the circumstances and the idea that the report loses sight of the genuine efforts which are made by the movement to correct many an initial blunder for which the officials as well as the non-officials have been responsible, seem to be irresistible.

What is the existing condition of the co-operative movement in India and what are the numerous ills that ail it and what the recommendations made in this thought-provoking report to remedy the patent defects? To begin with, the report lays downs that it is possible only for the commercial banks to help co-operative institutions, directly, while, at best, the Reserve Bank can help the movement either through these commercial banks or through the provincial banks. But much of one's hope is dashed to the ground at the very outset by the enunciation of the principle that business banks will not look at anything other than short and readily-realisable investments. For long term credit, the land-mortgage institutions are the only ones to be looked to. The only exception made is in the case of marketing of produce; but the report arrives at the conclusion that, at present, the marketing transactions are neither large enough nor organised enough, in our country, to attract the attention of large commercial banks.

Next, the report deals with the defects of existing co-operative institutions, and their number is verily appalling. There is space here to briefly refer to only a few of these defects. (i) Almost all co-operative institutions in the country, with the exception of a few central land mortgage banks, are too much one-sided as regards the composition of the managing bodies, viz., instead of being combinations of the investing as well as of the borrowing elements, are unfortunately merely associations of borrowers with the result that these co-operative institutions do not command the confidence of business banks. (ii) There are no practical bankers at the helm of these institutions. May I add that the recent policy of lending the Departmental hands to manage the central financing institutions is not at all calculated to remedy this defect since most of these have not received the sort of business training contemplated by the framers of this report. (iii) The systematic over-valuation of land; (iv) the slackness in taking steps for recovery of loans and (v) the granting of wholesale extensions whereby short-term loans automatically convert themselves into long-term ones; (vi) failure to take into consideration the repaying capacity of the borrowers when placing facile credit at their disposal; (vii) the absence of representation in the managing bodies of the depositing public and (viii) the large and ever-increasing volume of "overdues" and the over-whelmingly large proportion which long-term loans now occupy in the total loan-transactions of co-operative institutions—these are some of the more important defects which have, in the opinion of the framers of the report, hitherto stood in the way of commercial banks coming to the help of the millions of small and middle-class ryots. The report further animadverts on the fact that many co-operative institutions are at present working on a margin of profit too narrow for safety.

On these premises, the report comes to the inevitable conclusion that the only proper function of co-operative credit institutions is to confine themselves to short-term credit, i. e., loans for the expenses of cultivation and the maintenance of the ryot and family during the cultivation period and to a limited extent, affording facilities for marketing produce, though not now, at least when marketing methods improve, say, by the introduction of grading, standardization of marketing contracts, larger use of bill-marketing and storage facilities. A serious defect with the present marketing institutions is

their non-access to technical skill and the creation of properly-regulated forward markets. The report regrets the absence of a closer touch of co-operative institutions with commercial banks. But years ago, when the Salem District Bank tried to build up such a connection, the then Government came down upon the scheme.

The report next discusses the steps necessary if the ryot, now over-burdened with the millstone of past indebtedness, estimated at Rs. 900 crores (and by Mr. Sathianadhan at 200 for our presidency), should be set on his feet once more. I can refer here only to the more important ones. They are :—

(i) Scaling down existing debts to dimensions possible of redemption, within the borrower's repaying capacity, arrived at after a careful calculation of income from cultivation and of by-industry, if any, and of expenses of cultivation, and revised periodically;

(ii) writing off the irreconcilable portion of the debts;

(iii) sale of a portion of the debtor's property; and

(iv) taking advantage of the present easy money-market to reduce the rate of interest on the debt.

The report next considers the question of transfer of existing long term business of the co-operative credit institutions to the (special) land mortgage banks; but comes to the conclusion that the difficulties in the path are at present well nigh insuperable. (i) The existing debts will prove, even when reduced, too wide-spread and complicated for the existing land mortgage banks to cope with. (ii) Except in Madras, the land mortgage banks are too few and even in Madras now quite insufficient. (iii) The existing co-operative loan amounts are probably far in excess of the safer limit prescribed by the land mortgage banks. Thus, only a very small percentage of the debtors can be helped in this way. (iv) The report favours the creation of an All India Credit Corporation though not as an immediate step. And above everything, (v) there is the ugly fact that in the initial stages, or until the other day, to be more correct, loans were freely disbursed for discharge of prior indebtedness without proper enquiry as to chances of redemption.

Having shown that the business of co-operative institutions as at present carried on cannot appeal to the business-like short-term investment-desiring commercial banks which naturally prefer securities which are readily realisable, the report deals with the part played by the indigenous banker comprising the Multani, the Sahukar, the Chettiars and the agricultural money-lender. Says the report:—

> "What is required is radical reform in their methods of business by the pressure of educated public opinion and suitable legislative action with a view to weeding out the dishonest and more rapacious among them."

Action on the lines and recommendations of the Calvert Committee, safe-guarding the recovery of loans for cultivation, cattle-purchase, taking it out of the power of the money-lender to snatch away the harvested crop, is recommended. The report does not recommend any legislation seeking to restrict alienation, as it may become an instrument that often harms the borrower by curtailing his credit-worthiness. The various methods of debt-conciliation and scaling down are also considered at length and useful suggestions offered. But I must withstand the temptation to deal with this aspect, except to state that legislation creating simpler rural insolvency proceedings is favoured.

The report lays proper stress on the necessity for the adoption of measures seeking to prevent a debtor from relapsing into his original condition, once his debt-burden has been reduced to a redeemable level. It also points out the absolute need for the introduction of subsidiary industries to supplement the meagre and uncertain gains from cultivation and points out that even in advanced European countries such supplementing has been found to be indispensable.

But even greater importance is attached to consolidation of holdings, about which Mr. Darling has dwelt at such length in his address at the recent U.P. Co-operative Conference. The Punjab with its 7 lakhs of acres "consolidated" and the Central Provinces with 5 lakhs (all at a very moderate cost of 4 to 8 annas per acre) and the early example of Baroda—all these prove clearly that, provided proper steps are taken, consolidation is feasible in our province as well. The present Registrar is very keen about the matter and I suggest that a tearing propaganda should be carried on at the time of the panchayatdars' and members' training classes which will be held throughout the province in the course of the next two months under the auspices of the Provincial Co-operative Union, with the help of the generous Government of India grant for the promotion of co-operative education.

I have dwelt at such length on my analysis of the report that I have left little space for the discussion of the remedies for the grave defects in the working of the movement as pointed out by the report. I would suggest (i) an immediate and intensive examination of the existing loans and the securing of all ill-secured ones. The Rectification scheme is an attempt in this direction; but the work to not uniform in all districts. (ii) The transference of long term debts to the special land mortgage institutions should not be delayed. An immediate beginning may be made in selected areas. (iii) The "bad cases" must be systematically "reduced" or "conciliated". (iv) A bold writing off of the really bad debts should be boldly faced now that all central banks are building up bad debt reserves. (v) The loan ledgers should clearly show what are the debts which are really short term and what are the ones "extended", practically converting the short-term into long-term debts—sometimes with the desire to keep down "overdues" on paper. (vi) The addition of representatives of depositors into the managing boards should not be delayed. (vii) The representation to the borrowing element in the management of central financing co-operative institutions (which was strengthened as a result of the recommendations of the Townsend Committee) ought to be curtailed. (vii) I am personally aware of the slip-shod and partisan manner in which loans and extensions are sanctioned by the governing bodies of supervising unions and also of the conniving at delays in taking steps for the recovery of loans. (viii) Some time back, there was a move advocating the abolition of all unions not only with the object of mitigating some of the evils referred to above but also to bring down the cost of working—it being believed that by taking over the primaries under their direct management, the central financing banks can lend moneys to the borrower at least half-a-per-cent cheaper than it is able to do at present. But I fear this is not the place for dealing with this controversial topic.

In conclusion, I would, while thanking the framers of the report for pointing out our defects—for, our best well-wishers are our critics,—I would in all humility appeal to the Reserve Bank to take a more hopeful attitude towards the policy of rendering adequate help to the movement—not in the dim distant future. The report itself admits that in some other countries where similar handicaps had existed, persistent tackling had led to their overcoming. But the present report is, pardon my repeating it, disappointing to our hopes. For concludes, the report:—

> "Until a good deal of preliminary clarification and organization have been effected along these lines, it will not be possible for the Reserve Bank or the money-markets of the country, even though they have at present a plethora of funds, to make any substantial departure from the existing practice"

In para 36, it lays down :—

> "We must also make it clear that unless the co-operative banks can put their long-term debts on a business footing and separate them from their other business, the Reserve Bank will not be in a position to be of assistance to them. For, agricultural paper which represents the renewal of old loans coming through provincial co-operative banks, is not suitable for re-discount by the Reserve Bank.

We co-operators must therefore take immediate steps to set our house in order and appeal to the Reserve Bank not to put off the eagerly looked for help indefinitely, as hope deferred makes the heart sick.

III

BY MR. K. V. RAGHAVACHARIAR, B.A., B.L., NELLORE.

It is a recognised fact that the peasant proprietor is, in India, a chronic debtor and unless his chronic indebtedness is wiped out and he is made economically free, rural India cannot progress. Unless rural India enjoys economic freedom, political freedom cannot be long lasting.

The report of the Agricultural Credit Department of the Reserve Bank of India recognises the limitations under which the Indian agriculturist is placed and comes to the conclusion that unless his indebtedness is reduced to a manageable degree and he is assured timely pecuniary help to carry on his normal agricultural operations, there is no salvation for him. Various causes that led to this chronic indebtedness are pointed out and the report agrees with the views of the various committees that examined the position of agriculturists that unless some bye-occupation is provided for the agriculturists, there is no possibility of improving their economic condition.

To free the peasant proprietor from the clutches of the money lender, steps ought to be taken by the Government to get his indebtedness considerably reduced and to arrange the reduced debt to

be paid by an agency which will not only collect the debt so advanced in a sufficiently long number of years—about 25 to 30 years—at low rates of interest—say 3 to 4 per cent per annum and not more, but also advance the debtor the necessary expenses to carry on his normal agricultural operations and recover the same from out of his net savings. If any agriculturist is not able to meet the annual instalments as well as his normal annual expenses from out of his income of the year, that man is beyond all redemption. Help can be given to those who can by their hard work and diligent agricultural operations save enough to meet the annual instalment and normal expenses from out of the agricultural or other income.

The report says that the Reserve Bank is not in a position to make definite proposals for helping agriculturists unless certain information is gathered and given to it by Provincial Governments; and Provincial Governments should watch and see the results of the working of the legislation passed in aid of the relief of the agriculturist before they furnished any such information. In this Presidency two pieces of legislation have been passed and put into operation only very recently. They are the Debtors' Protection Act VII of 1936 and the Debt Conciliation Boards' Act XI of 1936. The latter is put into force only in certain districts as an experimental measure.

There seems to be much doubt about how far these two pieces of legislation will really bring the required relief to the agriculturists. The former, Act VII of 1936, is no doubt intended to protect small borrowers among agriculturists and lays down certain rules whereby the creditor is bound to keep a certain set of accounts and give copies of the book entries periodically to the debtor on payment of a small fee. The Act further says that if any suit or proceeding relating to a loan advanced is brought, the court may presume the rate to be usurious if it works out to more than 9 per cent per annum in the case of unsecured loans. The provisions of the Act may be made applicable only when parties go to a court. What about a creditor who manages to recover his debt without recourse to law? He can demand and get as high a rate of interest and can refuse to give the debtor any copy of his accounts, with impunity. This Act is only a pious legislation just as the Usurious Loans Act which was passed many years ago has been practically a dead letter all these years. While the benefits accruing from the provisions of the Act are of a doubtful practical utility, it is very likely that the village money lender can find ways and means of circumventing its provisions.

The other Act, the Debt Conciliation Act XI of 1936, is again another piece of legislation which is full of doubtful measures. If it is worked in a very broad-minded spirit and the sum total indebtedness is determind in accordance with the principles of the Act, the indebtedness may be fixed at a reduced figure. But what is to happen after it is so determined ? Somebody must step in and take the burden of advancing this reduced debt, agreeing to recover it in a sufficiently long number of years at a reduced rate of interest.

Moreover, the persons who are made to work the Act must be persons of experience of agricultural population and persons who are likely to do the work for the love of it more than as paid agencies. They must be persons with a broad outlook and must possess a fund of patience and tact so that they may successfully deal with the problems they are to solve. They must act equitably and arrive at a figure with which both the debtor and the creditors may not much quarrel. If the creditor is assured of the payment of the ascertained amount in cash, ten to one he will agree to take it rather than fight with his creditor. To achieve this, either the Government or other suitable agency must step in and undertake this kind of help. In this Presidency, relief is promised by Government to agriculturists up to a limit of Rs. 2,000 or so to wipe off old debts, and thus loans are given only in a few of the districts and even there only in a few localities of that district. There is no use of this halting measure. When once it is conceded that this relief is necessary, it should be broadly and sympathetically spread over the whole Presidency. Unless the debtors' reconciliation measures are combined with the relief now promised under Agriculturists' Loans Act, no good will follow practically to the agriculturist. This relief may well have been given to the agriculturists through the co-operative movement. Long term loans by mortgage of the property of the debtor may be given through land mortgage banks after the total indebtedness is fixed by the Debt Conciliation Boards. Short term loans may be granted by co-operative credit societies for agricultural purposes, having regard to the saving capacity of the debtors. Co-operative societies are the only agencies that can deal sympathetically with the ryot and Revenue officers of the type of even Deputy Collectors lack in sympathy and broad outlook and it is very difficult for them to shake off certain prejudices which they may have formed as tax collectors.

As regards finance, Government can easily raise, or the Reserve Bank can easily raise, loans at a low rate of interest and the amount can be ear-marked for the relief of the indebted rural India, passing it on to the actual borrower at about the same rate of interest as they borrow. As there are agencies already—the Co-operative and Agricultural departments—they can be entrusted with the work of distributing these loans. Of course, it is impracticable that persons who cannot have sufficient surplus income to pay off even 3 to 4 per cent of the total indebtedness per year could be helped. Such persons should seek relief in other directions, and Government and the people interested in rural welfare must find measures to provide additional income to the agriculturists besides the agricultural income. It will not be too much to suggest that the fund available for the relief of the agriculturists should be placed in the hands of the committee for rural welfare started by Mahatma Gandhi, who are wedded to the cause of rural uplift. The bye-industries suggested by the committees and worked out successfully under their supervision and control will bring in a really substantial additional income to the agriculturist. If the Government be unwilling to do so, let them through their various agencies provide the agriculturists with facilities for additional occupation and help them to get a little more income, than his normal agricultural income.

The report says that "it is essential to emphasise that the economic problem of agricultural India is only to a minor extent one of credit facilities." If the agriculturist is to get credit necessary for the proper development of the country, he must first be made credit-worthy and to achieve this, action by Government will be necessary in all directions which are generally described as rural betterment. Nobody can be credit-worthy unless he has reasonable margin in his standard of living and unless he has the reasonable desire to improve his economic condition. This means the earning capacity and the purchasing power of the farmer must be increased."

The Reserve Bank says that unless a good deal of clarification and organisation has been effected on the lines indicated in the report, it will not be possible for the Reserve Bank to make any substantial departure from its existing practice.

The only way to improve agricultural India is to provide for it all facilities whereby its income may be improved and assured. As agricultural income is dependent upon various factors some of which are beyond the control of human agency, the agriculturist must have some bye-occupation or industry whereby he may have an additional income. It may be suggested that in tracts where there are good groves of trees, bee-keeping may be introduced. Where there are palmyra trees, jaggery making, turning the leaf and coir to good purpose, may be introduced. Raising of vegetable gardens in the off season, may be usefully adopted by the former. In the seasons when tanks get dry, certain vegetables such as cucumbers, bitter gourd and the like may be raised and Government should encourage such practices. The lower ranks of the Revenue officials very often lack in imagination and are always in dread of the higher authorities who very often find fault with the officers who are really sympathetic to the agriculturists. This mentality on the part of Government officials must disappear. The Government must help the ryot with legislation if necessary to better his condition and the Reserve Bank must readily come to the rescue of the Government with finance when Government thus undertakes to help the ryot. Measures in these directions are urgent and imperative.

Co-operative Model Credit Societies.

BY RAO BAHADUR A. RAJABADAR MUDALIAR, B.A.,

In my article published on pages 417 to 420 of the "Madras Journal of Co-operation" for February 1937, I tried to explain how the running of co-operative model societies—one at the headquarters of each Union Supervisor—would strengthen the movement by serving the double purpose of (1) ensuring the efficient working of at least one society in the area of each supervisor in a district and (2) improving the knowledge and efficiency of the supervisor to supervise his other societies also much more satisfactorily than hitherto. It is gratifying to know that steps have already been taken or are under contemplation to run such societies in several districts. Co-operative education, which every Government Committee or Commission urged strongly as the panacea for all the evils noticed in the movement, is now attempted to be imparted in every district with the aid of the Government of India grant made for this purpose, and classes will be held all over the province immediately to teach office bearers and members of societies the principles and ideals of the movement. This teaching is to be given in some central places in each district for 2 or 3 days. It is to be hoped that this scheme will produce some good.

What is much more important, however, is the *patient, persistent and systematic* teaching by competent persons in the villages themselves, which the eminent authorities such as the Maclagan Committee and the Linlithgow Commission advised in clear terms. The only staff available to give this permanent teaching is that of our Union Supervisors who are intended for such work. If any of them are not efficient for the work they should be made so or replaced by competent men. The condition of one model society placed in his charge would prove his fitness to be entrusted with the responsible work of supervision. No extraordinary achievement is expected of him. He need only see that every by-law of the model society and the rules in the Co-operative Manual as to the procedure in its management are strictly adhered to. If he finds any panchayat hopelessly indifferent he has to bring the matter to the notice of the Central Bank which with the help of the Deputy Registrar will be able easily to mend matters. All who are familar with the working of societies know well that what has ruined societies in general is the unrestricted freedom given in the past to transgress and violate by-laws. Societies which began well like horses with bridles have gone to wreck and ruin like unbridled horses. What is necessary now in order to revive and revitalise the movement is to restore the bridles which were part of the constitution. This must necessarily be gradual and we may begin with select societies which can be easily looked after by the supervisors. Hence the suggestion to run the society at the head-quarters of each supervisor as a model.

Some readers may desire to know what the bridles are which came to be discarded by societies. They are the restraints in the by-laws against (1) misappropriation of loans, (2) excessive borrowings beyond one's repaying capacity (3) defaults on the part of panchayat members (4) misconduct of members by practising fraud on the society or driving it to court and so forth. If the penal provisions enjoyed in the by-laws as obligatory to check such irregularities had been strictly enforced, the societies would have been saved from the ruin to which they have drifted.

It behoves all central banks and district officers to start the model societies at the earliest possible date and concentrate attention on them to ensure that they are run efficiently in all respects to serve as effective instruments to propagate the ideals and objects of the movement by their exemplary working.

Co-operators have been condemned in the past by responsible authorities—both official and non-official—for bringing the movement to its present plight. In just sympathy for them we have to remember that the co-operators are what we have made them. We overlooked their breaches of by-laws, when the craze came to multiply societies with break-neck speed regardless of all other considerations and we are now paying dearly for our inconsiderate action, the breaches having gradually assumed serious proportions so as to undermine and wreck the whole movement. It is however little use to grieve over the past faults. We have to take urgent measures to revive the movement putting the societies back in their original form with all the wise restrictions and rules strictly enforced. I am quite hopeful that by the mere enforcement of their obligatory by-laws, societies would get restored to useful institutions and fulfil the objects of their existence.

The Mangalapuram Better-living Co-operative Society, Ltd.

BY MR. P. N SANKARANARAYANA AIYAR, B.A., B.L.

1. *Origin*:—The Society was started in November 1935. In February 1935 the Commissioner of Labour requested me to select deserving poor individuals of the depressed classes from over six hundred applicants for house sites, and organise them into a new colony in Spur Tank. Standards for testing the degree of poverty etc., were evolved in consultation with the Commissioner of Labour, and a list of deserving individuals for house sites was submitted to him and approved by him.

2. The experience gained in the working of the Gokulam, Ayodhyakuppam and Mecca-Gokulam colonies showed that the prime needs for the healthy formation and growth of a colony of slum folk were (*a*) a preliminary practical welfare education and training of the slum folk on the 'Gokulam methods', rousing in them the spirit of self-help, self-reform, civic and sanitary responsibility, and co-operative enterprises the whole effort being based on love of and responsibility to God; (*b*) after training and education, to form them into a Better Living Co-operative Society, with by-laws incorporating all the experiences of the Gokulam welfare work and providing for the formation and adminstration of a 'Development Fund' to be utilised for properly developing the life in the colony in all ways; and (*c*) for a stated period to reserve summary powers of dealing with refractory folk, who would not conform to the requirements of better-living and co-operation for common welfare.

3. These matters and the details of experiences and difficulties felt elsewhere were placed in the form of a memorandum before the Commissioner of Labour and Mr. M. Giriappa, (then Deputy Registrar and now Joint Registrar of Co-operative Societies) about April 1935. After much discussion and deliberation, the Commissioner of Labour suggested certain modifications in the memorandum and indicated

the lines on which the by-laws of the proposed Better Living Co-operative Society might be framed. The matter was further discussed with the Deputy Registrar and the by-laws were put into proper form and the Society was registered by the end of October 1935. According to the by-laws the President of the Society is to be nominated by the Labour Commissioner. Being the Honorary Organiser I was so nominated by him and am now the President.

4. *The Society—The Labour Commissioner's help*:—The Labour Commissioner has agreed to assign sites to the persons selected and approved by him after 3 years' probation as members. If during these 3 years they will conform to the conditions of better living etc., he will, after that period, confer Patta on them on suitable conditions on the recommendation of the Board of Management. These matters were printed by him in the form of a notice and served on all the qualified applicants, and only those who accepted these conditions and were approved by the Labour Commissioner, were admitted as members.

5. To facilitate the imparting of education in welfare work to the colonists, the Commissioner of Labour, at the request of the Honorary Organiser, erected a common meeting hall and provided the initial equipment such as lights, pictures, furniture and books, and also a sum of Rs. 25 a month for the pay of the 'teacher-guide' to train the colonists and for correspondence, contingencies and expenses of the organising work. He has also provided fencing for the cattle yard and for the meeting hall compound, and put up two latrines. The roads and drains are now being constructed by him.

6. *The Development Fund*:—The main feature of the by-laws is that they have provided for the constitution and administration by the Board of Management of a 'development fund' for developing life in the colony in all ways. The main source for this fund, depending on the self-help of the colonists, is a monthly contribution of annas 8 by each member who occupies a site, which would in the market cost about Rs. 300 to Rs. 400. The sites will ultimately be assigned free to the residents. The insisting on their paying this contribution was felt by the Government to be fair in the interests of the members themselves. They have also gladly agreed to this. The outside sources of the Development Fund will be drawn on, when the colony has put forth sufficient self-effort and achieved sufficient results to evoke hearty response from the public and from public bodies.

7. Loans of Rs. 20 each were given to the members for the construction of the huts. They were intended to be fully thatched—roof and sides. It was discussed and agreed that Rs. 20 was the limit of the repaying capacity in 15 monthly instalments, that the huts being only thatched, more instalments should not be given and that therefore loans of Rs. 20 each should be given for constructing the huts. Members, however, stated that they were utilising their savings also or gifts from their patrons and putting up mud walls. It is found latterly that the huts so put up cost about Rs. 30 to Rs. 40. There is provision in the colony for 136 sites. Of these 135 have been assigned and built upon and all of them occupied. Repayments have been fair. Unemployment and sickness are more the cause of the delays in payments than unwillingness or lack of desire to pay. The Society has taken loans amounting to Rs. 2,000 from the District Central Co-operative Bank and has not so far fallen into arrears as to instalments. Rs. 1,300 have been repaid till now (April 1937)

7 (*a*). The terms of our loan bonds need some mention. The low repaying capacity of the slum folk necessarily limits the loan to a small amount. If we have to recover them even by arbitration and execution of the decrees, the execution costs fall heavily on the society. Thus in the Mecca Gokulam Co-operative Society, even for recovering small arrears of Rs. 12 or so, we had to spend Rs. 12 to Rs. 15 more as execution costs. To avoid this, we have inserted a provision in our loan bonds, after reference to the Transfer of Property Act, which enables the Board of Management to sell the huts by private sale, in case of default. A few loans were thus recovered and the particular members were wise enough to agree and save the execution costs. We have yet to see whether the members as a whole will see the wisdom of this provision. It will be well if the Department will reduce the execution costs in the case of these small loans. (We understand that the cost of execution of decrees through the departmental staff is now very little. *Ed.*)

8. *General Body Meeting*:—General Body Meetings are held in the meeting hall, every Sunday from about 6 p.m. to 8-30 or 9 p.m. at which all the matters relating to the cleanliness and sanitation of the colony, the allotment of sites to members, giving loans, education of the adult men and women and of the children, the holding of Bhajana processions and the distribution of eatables to members by way of socials are all discussed and planned, budgetted for and passed.

The General Body Meetings aim mostly at an education in the practical aspects of the work. On Thursday evening the President holds or arranges for general educational classes, explaining the need for self-help, self-reform, cleanliness, sanitation and co-operation for the common welfare.

9. *Education and Medical help* :—An after-noon school daily for educating adult women, and a night-school daily for educating adult men and the children are attempted to be conducted in the meeting hall with undulating success. The lighting charges, the cost of slates and of educational needs are met from the Development Fund. A library is being slowly formed and set working. A dispensary is being run by a qualified resident as honorary worker. The Development Fund meets the cost of medicines.

10. *Sanitation and Cleanliness* :—Each hut has been formed according to a layout approved by the Commissioner of Labour. Two joint-huts occupy two adjoining sites. Each occupies 20'×15' space and has two rooms, a veranda and a kitchen. By the side of the joint-huts there must be an open space of 5 feet and in front an open space of 15 feet. In these spaces greens for kitchen needs, and flowers etc., should be grown. The gateway, fence etc., should be located according to given plan. No cattle can be kept in the premises. They must be kept in a separate common cattle yard, provided for the purpose in the layout in a corner of the colony. Members who had cattle felt much financial difficulty for putting up sheds there for their cattle. In view of the need for segregating the cattle there, for the sanitary needs of the colony, loans of Rs. 7 each were given to 7 members for this purpose from the Development Fund. It is insisted that only 'one family' dwells in a hut and there is no sub-letting. A family is defined for this purpose as consisting of an adult member and his wife, unmarried children and aged parents. Members are urged to use water with care and to see that all the water used in the house is absorbed within the precincts by the plants around, and no water is let out to form a street gutter. Many members are carrying out this suggestion and find it paying. The street is thus kept free from gutters. Members are induced to eat plenty of greens and vegetable food grown in their own premises to make up for vitamin deficiencies. The village habit, by which the woman of each house keeps the street portion in front of her house clean and takes the dirt etc., to a rubbish pit in a corner, is insisted on. The Corporation rubbish carts remove the heaped up rubbish.

11. *Future Scheme* :—We intend shortly to distribute seeds for kitchen gardens to all members and induce them to grow vegetables and market the surplus and make a profit. The open spaces of the colony have also to be beautified. (1) The starting of cottage industries to enable the home-staying women folk to utilise their leisure hours to some profit, (2) the starting of a nursery school in the locality for the small children, (3) to call frequent women's gatherings and organise a thrift society, (A woman's thrift society has just been registered; it must be set working), (4) to provide games for boys and girls and women, (5) to educate the people to give up drink, to reform social customs so as to be thrifty and refined (e.g. by group marriages on Gokulam lines) to provide medical relief (a start has been made with a dispensary) (7) to organise monthly social gatherings of representatives from other slum colonies and chalk out lines of reform of the community and their habits and out-look etc., are the future lines of work in contemplation, for which the development fund will be utilised.

A rough statement of the account of the Development Fund (drawn up in the absence of Mr. P. S. Narasimhan, M.A., who is in immediate charge of the colony) shows that the total receipts from December 1935 to the end of March 1937 amounted to Rs. 746-7-0. Out of this a sum of Rs. 162-15-6 was spent on the development, beautification and maintenance of the colony and the welfare hall; a sum of Rs. 152-2-3 was spent on lighting and educational needs; Rs. 54-6-0 on Bhajanas and socials; Rs. 44 on the dispensary; Rs. 33 on a temporary maistry and a watchman; Rs. 42 was advanced as loans to members for cattle sheds; and the balance of Rs. 110 is in deposit with the co-operative society of the colony.

An Important High Court Judgment.

IN THE HIGH COURT OF JUDICATURE AT MADRAS.

PRESENT :— MR. JUSTICE VENKATARAMANA RAO.

R. Ganesa Iyer ... ... *Petitioner* * (*Plaintiff*)

vs.

The Lakshmi Co-operative Building Society by Secretary R. S. Ramachandra Aiyar (*Vide* Order dated 27th 1935 on C. M. P. No. 2843 of 1935) ... ... *Respondent* (*Defendant*).

Co-operative Society—Honorarium—Secretary of a Building Society claiming a share of the net profits under a by-law of the Society—by-laws of the Society—Under what circumstances would he be prevented from claiming it.

Where the Secretary of a Co-operative Building Society, Limited, claimed remuneration of Rs. 200 and odd for services rendered by him to the Society for the year 1928–29 and a portion of the year 1929-30 and the general body refused to sanction the amount, but by the by-law 60 (2) of the Society it was provided that the net profits of the Society as declared by the Registrar, year after year, should be divided of which one-fourth to be paid as honorarium to the Secretary and Treasurer not exceeding Rs. 150.

Held, that the by-law distinctly provided that the profits should be distributed in accordance with that rule. It was not dependent upon the vote of the general body. It would be open to the general body to alter the by-law, but until the by-law 60 was altered, it was not open to the general body to say that and to withhold payment, of one-fourth of the annual profits. So far as the amount due for 1928-29 was concerned, there would be no question that the Secretary was entitled to it. But for the portion claimed for 1929-30 he would be not entitled as by-law 60 only contemplated the payment of an annual lump sum contingent on a person serving as Secretary for the entire period.

Isaacs' case, (1892) 2 Ch. 158 at 164; In re *International Co.*, 66 L. T. 253 and *Moriarty* v. *Regent's Garage Company*, (1921) 1 K.B. 423 at 447, relied on.

The meaning of 'honorarium' discussed.

*C. R. P. No. 1,787 of 1934 17th December 1936.

Petition under S. 25 of Act IX of 1887, praying the High Court to revise the decree of the Court of Small Causes at Trichinopoly in S. C. S. No. 4995 of 1933.

K. V. Seshayyangar for Petitioner.

Respondent not represented.

The Court delivered the following.

Judgment.—The question in this case is whether the petitioner is entitled to recover a sum of Rs. 242-4-0 as and for remuneration for the services rendered by him as Secretary of the defendant, the Lakshmi Co-operative Building Society, Limited, for the year 1928-29 and a portion of the year 1929-30. The learned Subordinate Judge negatived his claim on the ground that the general body has refused sanction for the payment claimed by him and has therefore no right to sue therefor. It is contended before me that this view is wrong. To appreciate the contention, reference to a few by-laws of the Society is necessary. Under by-law 17 the executive management of the affairs of the Society shall vest in a Board of Directors which shall consist of not more than five members. Under by-law 18 the members of the Board of Directors shall be elected by the general body for a period of two years from among the members of the Society. After the Board of Directors is elected they shall elect from among themselves a President and a Secretary and Treasurer. Under by-law 28 the services of the members of the Board of Directors shall be gratuitous. Under by-law 29 the ultimate authority in all matters relating to the administration of the Society shall be the general body of the members who shall meet from time to time and among other matters which may be dealt with by the general body is the amendment or repeal of any existing by-law or the enactment of a new by-law. By-law 60 provides for the distribution of profits thus: the net profits of the society as declared by the Registrar year after year shall be divided as follows: (1) one-fourth to the reserve fund; (2) one-fourth to be paid as honorarium to the secretary and treasurer not exceeding Rs. 150; (3) the remainder subject to a maximum of 9 per cent. per annum on the paid-up share capital may be declared as dividend. The dividend declared shall not be actually distributed as long as any loan is outstanding against them. The amount found due to each member shall be credited to his loan account. By-law 63 provides that no amendment to alteration in or cancellation of a by-law nor the enactment of a new by-law shall be made except at a general meeting of the members or shall take effect until it shall have been approved by the Registrar. It will thus be seen that none but a member can hold the office of the Secretary and he must be one of the Board of Directors and that the services of the Board of Directors shall be gratuitous. This is in accordance with the general principle that the directors of a company cannot claim any remuneration unless the articles expressly provide for it. It is also clear law that if the articles provide for payment of any remuneration the director can sue for it. The question in this case is, what is the right which the Secretary has under by-law 60 for the payment of the honorarium provided therein? With reference to the right of a director to claim remuneration from a company the rule of law is thus stated by Sterling, J., in re *Anglo-Austrian Printing and Publishing Union (Issac's case)* [1]:

"Where a man has accepted the office of director and acted as such, there ought to be inferred an agreement between him and the company, on his part that he will serve the company on the terms as to qualifications and otherwise contained in the articles of association, and on the part of the company that he shall receive the remuneration and all the benefits which those articles provide for directors."

To use the language of the present Master of the Rolls in *Swabey v. Port Darwin Gold Mining Company* [2]:

"The articles do not themselves form a contract, but from them you get the terms upon which the directors are serving."

This principle has been held to be applicable to persons who take office as directors whether members or non-members. See Sterling, J., in *International Cable Company* [3]. It seems to me that the same principle has to be applied in this case also. Though by-law 28 provides that the services of a director are gratuitous it does not prevent the director who holds the office of the secretary from sharing benefits which are provided by the by-laws one of which is the benefit conferred under by-law 60. But two arguments seem to have prevailed with the lower Court, namely, (1) that cl. (2) of by-law 60 says that the amount is to be paid as honorarium, and (2) that such honorarium is dependent upon the will of the general body and it was open to the general body under by-law 29 to withhold or sanction the payment of the honorarium. No doubt honorarium *prima facie* implies a gratuitous payment, but it also means a fee for services rendered. Wharton in his Law Lexicon defines "honorarium" thus:

"A recompense for services rendered; a voluntary fee to one exercising a liberal profession, *e.g.*, a barrister's fee."

In Standard Dictionary 'honorarium' is defined thus:

"A fee or payment to a professional man for services on which the custom requires that no fixed remuneration be placed, as a physician's honorarium and honorarium for literary work."

In Oxford Dictionary it is defined thus:

"Honorary reward, a fee for services rendered."

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1. (1892) 2 Ch. 158 at 164.
2. (1889) 1 Megono 385
3. (1892) 66 L. T. 253.

Thus it will be seen honorarium might according to context connote a purely gratuitous payment or a fee for services rendered. It is called "honorarium" in by-law 60, cl. 2 on account of the character of the services rendered. From the mere use of word "honorarium" it is unsafe to designate it as a gratuitous payment. In dealing with a case where the articles of association provided that a person acting as director shall get £ 150 per annum, McCardie, J., made the following observations in Moriarty v. Regent's Garage Company to which I can usefully refer, viz:

"The question is not whether the word 'salary' is employed. It may or may not be employed. The word 'reward' or 'emolument' or 'remuneration' may be used. In each case the substance rather than the actual word is to be looked at. Here the agreement says by cl. 4 that the fees of the plaintiff for acting as director shall be £ 150 per annum, that is, in my view a fixed yearly remuneration for a substantial office to be held for a substantial period of time."

In this case the Secretary has a right to a yearly payment contingent on profits. Under cl. 2 he is entitled to one-fourth of the profits not exceeding a sum of Rs. 150. The by-law distinctly provides that the profits shall be distributed in accordance with that rule. It is not dependent upon the vote of the general body. The argument based on by-law 29 seems to be fallacious. It is open to the general body to alter the by-law; but until the by-law 60 is altered, it is not open to the general body to vary that by-law and to withhold payment of one-fourth of the annual profits. Thus the secretary *prima facie* will be entitled to claim payment of the profits in accordance with by-law 60 (2). It is not disputed that profits have been earned during the period of his service. In fact the Board of Directors recommended in their report that the petitioner would be entitled to Rs. 120-3-0 as remuneration for 1928-29 and Rs. 56 as remuneration for 1929-30 for the period served by him in that year. The general body, in my opinion, was not competent to withhold the payment. So far as Rs. 120-3-0 due for 1928-29 is concerned, there seems to be no question that the plaintiff is entitled to it. But will he be entitled to claim the remuneration of Rs. 56 for the broken period 1929-30? In my opinion, by-law 60 contemplates the payment of an annual lump sum contingent on a person serving as secretary for the entire period and he is not entitled to claim any portion of the profits for the year 1929-30. The plaintiff is thus entitled only to a decree for Rs. 120-3-0. I therefore reverse the decree of the lower Court and pass a decree in favour of the plaintiff for the sum of Rs. 120-3-0 with interest at 6 [illegible] annum from the date of plaint with costs on the amount decreed bo[illegible]nd in the Court below.

Petition allowed.

Conferences.

THE CENTRAL BANKS' CONFERENCE.

[The Hon'ble Mr. V. Ramadas Pantulu, President, Madras Provincial Co-operative Bank, submitted the following note to the Central Banks' Conference held at Madras on the 17th April 1937, reviewing the general financial position of the Central Banks and of the action taken on the resolutions passed at the last Conference.]

1. Supersession of the Committees of Central Banks. On the representation made to the Registrar by the Conference, reply has been received to the following effect: While he does not propose to take any action on the resolution requiring the concurrence of the Provincial Bank where Committees of Central Banks are superseded, he has agreed that *wherever practicable and desirable* the management of the Central Banks will be entrusted to a small committee appointed by the Registrar.

The Committee of the following three Central Banks were superseded so far: (*1*) Hospet, (*2*) Guntur and (*3*) Vizianagaram. The Provincial Bank expressed its concurrence in the case of (*1*) and (*2*) but not in the case of (*3*). The management of the Hospet Central Bank had to be restored to a Committee constituted under its by-laws on the expiration of four years, the maximum period allowed. In the case of Guntur Dt. Bank, a special Committee of five persons was appointed under section 43 after one year during which period a special officer was in sole charge. The Vizianagaram Bank is managed by a Special Officer since its supersession in September, 1936.

As regards the financing of primary societies affiliated to the Central Banks whose committees have been superseded, the Registrar feels that it will not be desirable for the Madras Provincial Bank to finance directly in view of the difficulties relating to supersession, collection and transfer of liability. I am in agreement with the Registrar's view in this matter. At the same time I am of opinion that the Provincial Bank should not finance the Central Banks, whose committees are superseded, for such supersession is resorted to or ought to be resorted to only when their financial position is definitely bad and co-operative paper of their affiliated societies is of little value as collateral security and the main function of the manager appointed under section 43 is to collect overdues.

With reference to that portion of the resolution relating to the effect of supersession of the general body, the Registrar obtained the opinion of the Advocate General with confirms the view I expressed at the last conference that the supersession of the Committee does not involve the

supersession of the general body also. But the general bodies are not being summoned and the matters that are required by the by-laws to be placed before the general bodies statutorily are not being so placed. Section 43, as it is worded and the model by-laws of Central Banks give power to the Registrar and the general body to control the action of the Manager. The legal position seems to be not quite satisfactory. It is, therefore, necessary that the Registrar should be requested to get the section suitably amended in the light of the opinion expressed by the Conference at its last session.

2. Declaration of Dividend—Appropriation of Bad Debts. The Registrar has adopted the suggestion of the Conference in fixing the rate of dividend payable by the Central Banks at five per cent wherever possible, while diverting an adequate portion of the net profits to bad debt reserve.

3. Help to Loan and Sale Societies. The Government are now granting loans for the construction of godowns to encourage Loan and Sale Societies. There is therefore no need for Central Banks to assume this function.

4. Since the date of the last Conference the Government have granted the following concessions on the representation made by the Conference:

(*a*) Cash credit granted by the Provincial Bank on the security of fixed deposits, debentures of the Central Land Mortgage Bank, and G. P. Notes are now permitted to be reckoned for fluid resources of the Central Banks in respect of outside liabilities. The cash credit given on co-operative paper is available only for inside liabilities and not for other liabilities.

(*b*) Instead of the complicated formulae for the acceptance of local board deposits the Government have permitted the Central Banks to accept deposits to the extent of their paid up share capital. But a representation is still necessary to extend it at least to owned capital of the Central Banks inclusive of share capital and Reserve Fund if not other reserves as well, so as to enable the Central Banks to retain or attract cheap money of the local bodies.

(*c*) Reduction of audit fees: It is found from the administration report that the Registrar has endorsed the views of the Central Banks' Conference in the matter of a further reduction of the Audit Fees payable by the societies This subject is again tabled for discussion at this Conference and the matter will be further pursued.

(*d*) Limitation of awards made by the arbitrators and liquidators for the purpose of execution: The Act has been amended suitably so as to get rid of the effect of the decision of the Madras High Court that Collector not being a Civil Court, pendency of execution proceedings before him will not save limitation, if the proceedings are to be taken again in a Civil Court.

5. *Overdues position of the Central Banks.* Out of a total loan balance of about Rs. 325.776 lakhs from the Societies Rs. 161.67 lakhs is overdue, representing very nearly fifty per cent of the outstandings at the end of February this year. The amount overdue under interest is also appreciable, and is about Rs. 8 lakhs. The position is, however, very much better than what it was on the 30th June last. The overdues on that date were Rs. 169 lakhs against the total loan outstanding of Rs. 303 lakhs.

The following Central Banks are in a comparatively better position, the overdues in them being about 25 per cent:—

Amalapuram, Rajahmundry, Bezwada, Salem, Coimbatore, Trichinopoly.

At the other end the Central Banks of Aska, Hospet, Chittoor, South Arcot and Srivilliputtur are very bad in this respect, the overdues being above 90 per cent. Hospet had the full spell of departmental management under supersession, and Srivilliputtur of about five years under a special committee of management appointed by its general body.

6. *Surpluses in Central Banks.* The question of surpluses in Central Banks has been engaging the attention of the Registrar and the Central Banks for some years now. The rates of interest on deposits were very considerably reduced and the acceptance of fixed deposits had to be suspended for some time. The Registrar fixed a limit to the acceptance of local board money as a result of which a good deal of local board money had to be released by the Central Banks. The position of surplus as in February last is given in the statement attached*. There are only five banks which have surpluses of any magnitude:—Trichinopoly and Nellore with Rs. 8 lakhs and Rs. 6 lakhs, and Coimbatore, Krishna and Madras, with Rs. 4 lakhs each. Some of them have large demand liabilities and as cash credit by the Provincial Co-operative Bank on co-operative paper will not avail as fluid resource for such liability, a certain amount of surplus cash in other Banks is on the whole healthy. Again when the Government Order about borrowing from the local bodies is fully in force, some of the surpluses will go. Moreover, as the demand from societies in this half year seems to have improved, there will be further absorption of surplus and the position is not therefore one of any concern now.

7. *Borrowing rates of Central Banks.* One of the methods by which the Provincial Bank regulated the surpluses of the Central Banks was by fixing a limit to the borrowing rate of the constituent banks. The Central Banks after a good deal of discussion adopted the convention that the

* (Statement omitted—Ed.)

maximum borrowing rate of the Central Banks should be limited to half a per cent less than the lending rate of the Provincial Bank. The lending rate of the Provincial Bank has been reduced to four per cent. It is however a matter for regret to find that after this reduction some Central Banks have been allowing interest at rates beyond the limit fixed by the above convention. The Central Banks of Coimbatore, Malabar and Anantapur are instances to the point. The last two however have agreed to pay 4½ per cent. to the Provincial Bank so long as they paid four per cent on their deposits.

The resolution of the Conference must be respected by the constituent central banks and it will lead to a serious financial complication, if this is not observed in practice. Moreover, a demand for further reduction of the lending rate of the Provincial Bank up to 3 per cent will definitely lead to further violation of the convention, for in that case the Central Banks can offer no more than 2½ per cent. on the deposit. I have always been pleading for some regulation and control over interest rates by mutual agreement and voluntary co-operation between the Provincial Bank and the Central Banks, and without such a plan the rationalisation of co-operative credit and putting our credit organisation on a sounder basis will not be possible.

8. *Departmental Officers in Central Banks.* Eleven Central Banks have now departmental men in their service of whom eight are either Managers or Secretaries and three Executive Officers.

1. Salem	5. Vizianagram
2. Guntur	6. South Arcot.
3. Cocanada	7. Aska.
4. Tanjore	8. Hospet.

The three Executive Officers are in Krishna, Trichinopoly and Madura. The policy of making Central Banks employ departmental officials in such ministerial posts and of exercising official control over the normal work of Central Banks is being steadily pursued and very soon most of the Central Banks may be in charge of departmental officials. It is for the Central Banks to consider how far this policy is desirable in the interests of the movement and is conducive to promote the efficiency and usefulness of the Central Banks.

RESOLUTIONS.

The following resolutions were passed at the Conference:—

(1) *Acceptance of Local Board Deposits.* The Conference requests the Registrar to get the G.O. No. 2142 Ms. dated 27th November, 1936 about the receipt of deposits from Local Bodies suitably modified so as to fix the limit at three times the paid up share capital plus the reserve fund of Central Banks and that the previous sanction of the Registrar be made necessary only when the size of any one deposit exceeds Rs. 15,000.

(2) This Conference views with grave concern and protests against the recent amendment to section 51 of the Co-operative Societies Act (Act VI of 1932) relating to arbitrations and earnestly appeals to the Government to take immediate steps to repeal the said amendment in the interests of the co-operative movement.

(3) The following proposition was referred to the Board of Management of the Provincial Bank for consideration:—

"This conference requests the Executive Committee of the Madras Provincial Co-operative Bank, Ltd., to increase the present scale of subvention to Central Banks at least to Rs. 1000 per year from Rs. 750 at any rate in suitable and deserving cases."

(4) Resolved that the Government be requested to reduce the audit fees payable by societies by 25 per cent and that the Registrars be empowered to reduce the amount still further in deserving cases.

(5) Resolved that the Government be requested to grant encumbrance certificates free of cost to all co-operative societies and exempt them completely from payment of registration fees, or at least continue the present concession of charging half the fees.

(6) Resolved to appeal to the Registrar to permit Central Banks to grant loans on the pledge of gold.

(7) Resolved that this Conference notes with regret how the Department and the Central Banks, instead of finding out ways and means to give effect as far as possible to the resolutions of the Central Banks' Conference, in practice ignore, nullify and even violate the Conference's recommendations; and this Conference further urges that unless the resolutions are respected and given due weight the Conference will cease to serve its purpose as the exponent of accredited non-official co-operative opinion in the Province.

(8) Resolved that the Central Banks do realise the necessity of either the President or the Vice-President of a Bank being a permanent resident at headquarters and that they should suitably amend the by-laws with a view to effectively avoid any violation of such a fundamental principle so very necessary for the efficient working of the constitution.

(9) This Conference views with grave concern the gradual and steady attempt to officialise the co-operative movement in this Presidency and in order to check this tendency adequately as also to increase the scope of non-official initiative and to mark the development of co-operation in credit and non-credit activities, feels that it is high time that the Co-operative Societies Act of 1932 is recast; and therefore appoints a committee of five to examine the above tendencies and to frame a model Act and submit the same to the Provincial Bank by July 1937. The Board of Management of the Provincial Bank is requested to examine

the same and arrange for its introduction in the legislature. The Provincial Bank is also requested to meet the necessary expenditure needed for this.

Resolved further that the question of settling the personnel of the Committee be referred to the Board of Management of the Provincial Bank.

ALL INDIA CO-OPERATIVE INSTITUTES' ASSOCIATION AND THE INDIAN PROVINCIAL CO-OPERATIVE BANKS' ASSOCIATION.

[The following are the resolutions passed at the Joint Meeting of the Standing Committees of the All India Co-operative Institutes' Association and the Indian Provincial Co-operative Banks' Association held at Delhi on 27th and 28th March 1937.]

1 *Condolence.* This joint Meeting of the Standing Committees of the All India Co-operative Institutes' Association and the Indian Provincial Co-operative Banks' Association expresses its deep sorrow at the death of Sir Lallubai Samaldas, the first President of the two Associations, and Sir Frederick Nicholson, Diwan Bahadur R. Ramchandra Rao, Sir Mocherla Ramachandra Rao and Sir Rajendra Mukerjee and places on record its sense of high appreciation of the eminent services rendered by them to the Co-operative Movement.

2. *Reserve Bank.* (*b*) This meeting of the Standing Committees places on record its feelings of disappointment with the preliminary report issued by the Reserve Bank of India under Sec. 55 of the Act.

(*b*) This meeting is of opinion that the intention of the Act in creating the Agricultural Credit Department has not been kept in view by the Bank and urges on the Bank to so work Sec. 54 clause b, of the Act as to help Provincial Co-operative Banks with short term financial accommodation so long as the security offered for the loans is sound and no risk is involved in them, specially for the purpose of developing Sale and Supply Societies (Marketing Societies) on the security of promissory notes executed by the Provincial Banks supported by pledge of goods or documents of title to goods.

(*c*) This meeting resolves to request the Central Board of the Reserve Bank of India to invest in, or lend on, the security of debentures issued by Provincial Co-operative Banks and Land Mortgage Banks where the principal and interest thereof have been guaranteed by the Central or the Provincial Governments.

3. *Recommendations of the Royal Commission on Agriculture.* This meeting invites the attention of the Provincial Governments to the following recommendations of the Royal Commission on Agriculture and requests them to give effect to them.

i. Larger contributions for expenses of the movement in backward tracts.

ii. Liberal assistance in the early stages to the more specialised forms of activity, such as consolidation of holdings, adult education, irrigation, etc.

iii. The desirability of appointing a special officer of the grade of Deputy Director of Agriculture to work under the Registrar.

iv. (*a*) Official and honorary workers should be encouraged to study co-operative developments in other provinces and given every facility in the matter of allowance, etc.

(*b*) Honorary workers willing to take advantage of the offer of training in technique and field work which are provided by the Horace Plunkett Foundation in London and the Irish Agricultural Organisation in Dublin respectively should be encouraged to do so by a grant from the Government towards the expenses incurred in a visit to Great Britain and Ireland.

v. Persons shall not be appointed Registrars unless they have had previous training in co-operation. There should be an officer under training in all Provinces to succeed the Registrar.

vi. Deputation to study the Co-operative Movement in Europe is desirable for the Registrars.

vii. No usufructuary mortgage of agricultural land should be permitted unless provision is made for automatic redemption within a fixed period of years, of which twenty should be the maximum.

viii. Where existing systems of tenure or tenancy laws operate in such a way as to deter landlords from investing capital in the improvement of their lands, the subject should receive careful consideration with a view to the enactment of such amendments as may be calculated to remove the difficulties.

ix. The case for a simple Rural Insolvency Act should be carefully considered in all Provinces.

4. *Legislation to improve the economic condition of farmers.* This joint meeting of the Standing Committees is of opinion that unless Provincial Governments take adequate measures to increase the earning capacity and purchasing power of the agriculturist it will be impossible to improve his economic condition or relieve indebtedness and therefore urges on the Provincial Governments the necessity to adopt the following among other measures.

i. Radical change in the land revenue system in the ryotwari areas so as to reduce the burden of the land tax on small holders of land whose annual income for land is less than Rs. 2,000 by at least 25 per cent and the imposition of a basic low flat rate on all land and of a graduated tax on agricultural income of over Rs. 2,000 per annum.

ii. Revision of Tenancy Acts so to reduce the high rent paid by tenants to a fair and equitable level and to secure to them freedom from eviction by conferring permanent and heritable rights of occupancy in the holdings.

iii. Establishment, by suitable legislation, of efficient self-governing local bodies (Panchayats) in the villages and to setting apart adequate financial resources from the land revenue collection to enable them to administer the affairs of their villages.

iv. Enactment of necessary legislations to efficiently control unlicensed moneylenders, and to protect the agriculturists from the evils of usury.

v. Promotion of schemes for consolidation of agricultural holdings.

5. *Rural Development.* This meeting requests each Provincial Government and the Government of Indian States to formulate and execute a five-year plan of Rural development with special emphasis on the improvement of agriculture and promotion of cottage industries.

6. *Cottage Industries.* This meeting reiterates resolution No. 5 passed at Fyzabad in regard to encouragement of cottage industries through co-operation and urges on the provincial co-operative organisations to draw the attention of the Provincial Governments and the Governments of Indian States and the Registrars to this resolution to take necessary steps for suitable action being taken on it.

7. *Swadeshi.* This meeting exhorts co-operators to use only *swadeshi* articles in order to encourage cottage industries and to give preference as far as possible to such articles manufactured by co-operative industrial organisations.

8. *Seed Societies.* The meeting recommends to the Provincial Co-operative Institutes to take adequate steps to help the Agricultural Departments in regard to the popularisation and distribution of improved seeds, manures and implements.

9. *Sugarcane Societies.* This meeting recommends that the Provincial Co-operative organisations should take steps to organise sugarcane growers' societies in localities where sugarcane is cultivated in order to improve the production of cane and to safeguard the interests of the growers.

10. *Better Living Societies.* This meeting exhorts the Provincial Co-operative organisations to take steps to organise Better Living Societies in their provinces on the model of the Punjab Societies.

11. *Co-operative Education.* This meeting regrets that in some provinces the Co-operative Institutes were not consulted in regard to the schemes of co-operative education formulated by the Provincial Governments in connection with the grant made by the Government of India for the promotion of co-operative education and that the work of such education has not been entrusted to the Provincial Co-operative organisations and once more urges on the Provincial Governments the necessity to entrust co-operative education to the Provincial Co-operative Institutes.

12. *Deofficialisation.* This meeting of the Standing Committees of the Institutes and Banks, reiterating its previous resolutions on the subjects, protests against the policy of officialising the Movement and vesting in the Registrars powers which destroy the popular and democratic character of the Movement and discourage non-official initiative and enterprise.

The meeting condemns in particular the provisions embodied in some of the Provincial Co-operative Societies Acts empowering the Registrar:

(i) to interfere with the normal internal administration of societies;

(ii) to supersede the committees of the co-operative banks without the concurrence of the financing banks.

(iii) to remove officers and members from societies at his discretion;

(iv) to frame or modify the by-laws of societies without the concurrence of the general bodies; and

(v) to surcharge members and past members of committees and officers and past officers of societies for acts done in their official capacity.

This meeting urges on the Provincial Governments and Governments of Indian States to deofficialise the Movement and to suitably amend the present Acts so as to restore to the Movement its co-operative character.

13. *Surplus in Central Banks.* This meeting is of opinion that the surplus funds of Central Banks may be usefully utilised for the following among other purposes.

(*a*) Issue of loans on the security of agricultural produce, proper precautions being taken about the custody of the produce pledged to the Bank.

(*b*) Provincial and Central Banks may take power to lend their constituents (members as well as non-members) on the security of the fixed deposits of such constituents in places where such loans are not now given and also to lend against Government Promissory notes, shares of the Reserve Bank of India and the Imperial Bank of India and such other Trustee securities as may be approved by the Registrar.

(*c*) Financing special type (crop loan societies) societies with limited liability, to be established where local conditions permit, for the special purpose of advancing loans to their members for raising crops.

14. *Long-Term Loans.* (1) In modification of the resolution passed by the Committees at the Fyzabad meeting, in regard to grant of long-term loans by Central Banks and Rural Credit Societies, this meeting resolves that for the special purpose of giving extensions, for sufficiently long periods to members for repayment of arrears, the Central Banks and societies may raise requisite funds by receiving long-term deposits or issue of debentures.

(2) If a separate organisation exists for the collection of arrears such organisation may raise the long-term funds for the purpose, instead of Central Banks and Societies.

(3) This committee is further of opinion that it is inadvisable for Central Banks and Rural Credit Societies to advance fresh long-term loans.

15 *Reference to Associations.* Resolved to request the Central and Local Governments and Governments of Indian States to send for expression of opinion to the All-India Co-operative Institutes' Association and the Indian Provincial Co-operative Banks' Association all such measures before their Legislatures as are calculated to affect the interests of the agriculturists in general and co-operative societies in particular.

16. *Next Conference.* Resolved that the next session of the All India Co-operative Conference of the Institutes and the Provincial Banks be held at Bangalore on the 3rd and 4th July, 1937 and the next meeting of the Standing Committees be held there on the 2nd July 1937.

Review.

Denmark—The Co-operative Way: By Frederic C. Howe (Coward-Mccann, Inc. New York) Price $ 2·50.

A fascinating book 'Denmark: A Co-operative Commonwealth' by Howe was the result of his literary adventure in 1920 of 'The Quest of a Hen's Egg'. The volume under review is a comparative study of the conditions then and in 1935 in this land of true democracy. As one goes through the pages of this valuable book, the conviction is forced on the reader's mind that even in these days when Democracy is on its trial and Fascism, Communism and Capitalism are hailed as proper substitutes for the solution of the evils the world has become heir to, given proper scope and organised on right lines, democracy can still confer untold benefits on humanity. In his inimitable way Mr. Howe unravels the mysteries of this enchanting land, describes how the co-operative movement has slowly but steadily made its progress influencing the life of the community in every aspect and has been the basis of successful democracy employing the State for the common good. Denmark affords a splendid example of a country in which co-operation is highly developed in several directions training the people to think and act together and this accounts for the success of the democratic form of Government. The co-operative agencies have taken over 'the processing, marketing, and distribution of food products, their sale in foreign markets, as well as buying and selling of goods and commodities through stores, wholesalers and factories owned by the people themselves.' Mr. Howe's enthusiasm for Denmark and the wonderful way in which life is organised in that country makes him study and portray the solution of other problems which have baffled solution in other countries. He finds Denmark is an outstanding example where agricultural recovery has been brought about by natural processes. He describes how Denmark recognised years ago the evils of tenancy and has successfully attempted to end it by means of rural settlements. Mr. Howe in the chapter on People's High Schools shows how the 'triumph of co-operative ideas' is due to the cultural and spiritual influences emanating from these centres of learning. The contribution of these High Schools for the success of democracy both in the economic and political spheres is unquestionably the most outstanding feature of Denmark. There appears to be good and logical division of functions, those which can be done best by the State and those that can be left to individuals or voluntary bodies. The most important public utility services are either owned and controlled by the State in the interests of the farmer as in the case of railways, the telegraph and the telephone or by voluntary associations such as co-operative organisations. Private capitalism plays very little part in the economic life of Denmark. There is a well organised social security system which protects those who need support either due to natural causes or causes beyond their control.

In the concluding chapters of his book, Mr. Howe is naturally tempted to compare the conditions prevailing in his country *i.e.* America with those in Denmark and draws lessons for the edification of his countrymen. It is well we in India also take lessons from Denmark. India is primarily an agricultural country and the problems such as those which confronted the farmer of Denmark but which he has been able to solve to his benefit and of his country, face the Indian farmer as well. It is worth while for our statesmen into whose hands the destinies of this country are being committed to examine carefully all the problems facing the farmer and devise methods for their solution. The example of Denmark will offer useful guidance. The vastness of the country, the differing conditions under which the farmer lives and works, the communal differences and such other considerations need not stand in the way of the promotion of economic democracy which alone can be the safe foundation for political democracy. It is a matter of grave doubt if the immediate responsiveness of Government to the will of the people which is such a deciding factor of the political life of Denmark, will ever obtain in this country where democracy is hedged in by all sorts of galling restrictions which indicate distrust of the people. Trust begets trust and unless this lesson is learnt and religiously practised any effort for either economic uplift or political emancipation will not yield real results. People's representatives should be given free scope to solve the problems without the provoking interference of the Governors under the pretext of 'special responsibilities.'

We heartily commend the perusal of this book to every one interested in the solution of social, economic and political problems of India. Whatever may be the form of democracy ultimately established in this country, its safety lies in the proper solution of the social and economic problems calculated to promote the happiness and well-being of the mass of population.

R. S. R.

News and Notes.

The fifth Andhra Provincial Co-operative Conference was held on the 2nd instant at Pasivedala in West Godavari District under the chairmanship of Dr. B. Pattabhisitharamayya of Masulipatam. Owing to the sudden demise of Mr. V. Suryanarayana Rao who had been chosen Chairman of the Reception Committee, Mr. K. Narasimham welcomed the delegates. The Hon'ble Mr. V. Ramadas Pantulu opened the Conference. A summary of its proceedings will be published in the next issue of this Journal.

* * *

The seventh session of the West Godavari District Co-operative Conference also was held at Pasivedala at the same time, Mr. N. Satyanarayana of Alamuru presiding. Mr. D. Venkatakrishna Rao welcomed the delegates. We hope to publish the proceedings of this conference also in the next issue.

* * *

The membership of the Madura *cum* Ramnad District Public Servants Co-operative Society was 601 at the end of the last co-operative year as against 561 at the end of the previous year, and the share capital was Rs. 18,135-0-0 as against Rs. 17,375-12-0 at the end of the previous year. Loans to the extent of Rs. 61,126 were disbursed to the members and a sum of Rs. 55,097 was collected. The overdues under principal and interest were 7.7 and 4.5 respectively. The Society made a net profit of Rs. 1,950-0-0.

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The Silver Jubilee of the Pallikonda Co-operative Urban Bank in North Arcot District was celebrated on the 4th April last under the chairmanship of Diwan Bahadur K. Deivasikhamani Mudaliar, M.L.C. Prominent co-operators of the district also attended the function. In the course of his speech Mr. Mudaliar observed that the urban banks in this presidency were the most successfully worked institutions in the whole of India and that the Pallikonda Bank was one of those which enabled this presidency to earn the fair name. He congratulated the Bank authorities on being able to work entirely on local deposits.

* * *

The third Business Conference of the Supervisors of the Tinnevelly District Co-operative Central Bank was held at Tinnevelly on the 6th and 7th March 1937 under the presidency of Mr. M. D. Kumaraswami Mudaliar, President of the Central Bank. He explained to the supervisors their duties and responsibilities and exhorted them to take up their work in a missionary spirit. The Secretary of the Central Bank, the local Deputy Registrar and the Sub-Deputy Registrar gave some valuable advice to the supervisors. The Conference discussed various subjects such as the organization of new societies, scrutiny of loan applications, collection work etc. At the suggestion of one of the supervisors a resolution was adopted recommending the formation of model societies which would tend to improve the condition of other societies near by.

* * *

Under the auspices of the Meenakshiammanpet Co-operative Society, Royapuram, Madras, a free public library was opened on the 8th instant by Mr. M. Giriappa, Joint Registrar of Co-operative Societies. The Hon'ble Rao Bahadur M. C. Rajah, Development Minister, presided. Mr. Giriappa in opening the library said that the co-operative movement could progress only through the spread of proper education, for which free public libraries were of great importance. Mr. Rajah observed that public libraries were community schools which could be taken advantage of by the poor and that efforts should be made to liquidate illiteracy through circulating libraries in the villages.

* * *

The Foundation Day of the Triplicane Urban Co-operative Society was celebrated on the 9th April last in the T. U. C. S. Jubilee Hall under the chairmanship of Mr. C. R. Sinivasan, Editor of the *Swadesamitran*. Many co-operators and members of the Society attended the function. Mr. M. Giriappa, Joint Registrar of Co-operative Societies, was also present. The chairman observed that even though the total membership of the Society was about 6,000 it formed only one per cent of the total population of the city of Madras and that a membership campaign like that of the Y. M. C. A. should be undertaken to enlist more members. He suggested that the Society might try to produce goods like the store societies in foreign countries. Mr. K. C. Ramakrishnan, one of the Directors of the Society, in the course of a short review of the work done by the Society during the last year, said that it would be better to legalise sales to non-members so as enable them to become members. He regretted that about 50 per cent. of the members were purchasing little or nothing from the Society. A little more loyalty and co-operation on the part of the members, he said, would go a long away to increase the turnover of the Society. Mr. T. V. Kalyanasundara Mudaliar observed that the co-operative movement bridged the gulf between capitalism and socialism and in the West it made many countries become self-sufficient and self-reliant. The celebrations concluded with a dinner party.

* * *

On the recommendation of the Director of Public Health, the Government of Madras have sanctioned the continuance of the Poonamalle Health Unit for a further period of 3½ years from 1st April 1937. The cost of the scheme is met from the Government of India grant for rural development sanctioned in 1935-36 and from the contribution of the Rockefeller Foundation.

Mr. K. Tirumalapad of Wandur Village in Malabar District has given to the Devadhar Malabar Reconstruction Trust two acres of land and a newly constructed house situated at Wandur. Under the auspices of the Trust a Rural Reconstruction Centre was opened there in last April by the 'Senior Raja' of Nilambur. Mr. V. R. Nayanar, member of the Servants of India Society, who is in charge of the Trust explained on the occasion the plan of work proposed to be done at the centre, such as adult education, basket making, weaving, fruit culture and propaganda for the preservation of health.

* * *

The Government of Cochin have recently guaranteed the principal and interest of the debentures issued by the Cochin Co-operative Land Mortgage Bank to the extent of Rs. 20 lakhs.

* * *

Sir C. P. Ramaswami Aiyar, Dewan of Travancore, paid a visit to the Marthandam rural reconstruction centre in April last where a rural service exhibition was held. Replying to the address presented to him on the occasion, he stressed the necessity of subsidiary occupations to ryots who could not depend on agriculture alone. He also paid a glowing tribute to the good work done by Dr. Spencer Hatch and Mrs. Hatch.

* * *

As a result of the debt redemption scheme undertaken by the local Co-operative Society at Lalitadripur in the Mysore State, debts to the extent of Rs. 30,000 were scaled down to Rs. 18,000. The members of the Society were able to secure a remission of Rs. 6,500. The necessary amount to meet the obligations of the creditors was advanced from the private purse of His Highness the Maharaja.

* * *

The Central Provinces and Berar Provincial Co-operative Bank has issued ten year Silver Jubilee bonds on the occasion of its Silver Jubilee which took place on the 13th March last. The bonds are issued in the shape of fixed deposit receipts for Rs. 100 and multiples of Rs. 100 not exceeding Rs. 1,000. The issue price is Rs. 70-8-0 per cent.

* * *

During the last co-operative year (of Travancore State) the Brahmanajana Co-operative Society of Trivandrum had 1783 members of whom 340 were women, a fact upon which the Society should be congratulated. The deposits increased from Rs. 57.000 to Rs. 73.000. The rate of interest charged on borrowings is 7$\frac{1}{8}$ per cent. but on regular repayments a rebate of $\frac{7}{8}$ per cent. is allowed. The society claims that its rate of interest is the lowest in the State. The overdues of principal were 21 per cent. and of interest 35 per cent, though the society earned a net profit of nearly Rs. 4,500 on a share capital of about Rs. 32,000. The Travancore State is full of communal societies. Their existence could be justified only by their promoting thrift and other better living objects, for which the Brahmanajana Society with its high proportion of women members would appear to be specially fitted. Though the Society has existed for over 13 years, its latest report does not give any indication of such objects being promoted. Let us hope their promotion will be taken up hereafter at least.

We congratulate the authorities of the Jaffnese Co-operative Society, Kuala Lumpur, Federated Malay States, in bringing out the first issue of "The Pathfinder" the official organ of the Society. Explaining the objects the 'Journal' it is stated that its aim is to 'consolidate its activities, make the members and others alive and sensible to the potentialities of the co-operative movement.' The issue contains a message from the President of the Society and some articles of general interest relating to social, educational and economic improvements. The annual subscription of the Journal is $ 2 and the cost of the single copy is 20 cts. We wish all success to this new venture.

* * *

Mr. Colin Clark, Lecturer in Statistics, University of Cambridge, stated in a recent broadcast talk that although co-operative stores in England paid higher wages than private traders, the cost of distribution in them amounted to 10 per cent. of the turnover whereas it was 15 per cent in private trade. The difference was due, he said, to size of the societies and to the wholesale organisation which was assisting them.

* * *

From 1933 there has been a very large increase in the output of gold in Russia. This is contributed to not only by large organisations which employ machinery but also by co-operative groups of diggers who take up the deposits which cannot be economically worked by machinery. Thus, like the labour societies of Italy which reclaimed marshy land, the co-operators of Russia are doing valuable service to the State.

* * *

Co-operative Directors ought not to do any of the following things:—

1. Expect to seek special concessions for themselves.
2. Act contrary to the co-operative rules necessary for success.
3. Personally interfere with the manager or staff in the conduct of the business.
4. Criticise fellow-directors or the management before customers.
5. Criticise at street corners what is done at board meetings.
6. Talk co-operation and act disruption.

The Board Meeting is the place to express directors' views as to where and how wrong things are being done, and to make suggestions for better working.—(*New Zealand Co-operator.*)

* * *

Sales of the Royal Arsenal Society, London, for the year ended 2nd January, 1937, reached a record total of £9,122,080, an increase of £802,290 or 9.64 per cent on 1935 and of £2 million on 1933. Purchases from co-operative sources represented 71.3 per cent of the Society's total purchases. A recently introduced scheme of interim dividend vouchers has been a marked success, and has resulted in new trade during the year to a total of £57,000. The amount of members' capital is now £5,102,807, an increase of nearly £300,000 on the previous year. The Society's investments, chiefly in the C. W. S., total £3,967,344. Reserve funds stand at £800,000. The amount allocated for members' interest and dividend out of the year's surplus was £765,000. Membership is now 361,614 and the number of employees is 8,601.

(*Co-operative News Service*).

List of Societies Registered in March 1937.

Serial No.	Names of the Societies.	District.
1.	Pedarayaveram Field Labourers' Co-operative Society.	E. Godavari.
2.	Bhujabalapatnam Co-operative Society ...	Kistna.
3.	Dekiparru Co-operative Society	,,
4.	Bezwada Co-operative Land Mortgage Bank ...	,,
5.	The Allur Co-operative Loan and Sale Society, Ltd.	Nellore.
6.	The Kotavuru Co-operative Credit Society ...	Chittoor.
7.	The Iyengarkulam Sri Selva Vinayakar Weavers' Co-operative Purchase and Sale Society, Ltd. ...	Chingleput.
8.	The Saidapet Co-operative Land Mortgage Bank, Ltd.	,,
9.	The Tirukadayur Co-operative Sale Society, Ltd. ...	Tanjore.
10.	The Arantangi Taluk Co-operative Sale Society, Ltd.	,,
11.	The Kumbakonam Taluk Co-operative Sale Society, Ltd.	,,
12.	The Sikkil Mat Weavers' Co-operative Purchase and Sale Society, Ltd.	,,
13.	The Krishnarayapuram Viswa Brahmins Co-operative Better Living Society ...	Trichinopoly.
14.	The Nilgiris Co-operative Land Mortgage Bank, Ltd.	Nilgiris.
15.	The Siluvampatti Co-operative Credit Society ...	Salem.
16.	The Ottapalam Co-operative Urban Bank, Ltd. ...	Malabar.

List of Societies Cancelled in March 1937.

Serial No.	Names of the Societies.	District.
1.	Mannur Nagaripuram Co-operative Society ...	Malabar.
2.	Puthucode Co-operative Society	,,
3.	Poovathakudy F. L. C. S.	Tanjore.
4.	Maganipattu Co-operative Society	North Arcot.
5.	Devamachupalli Co-operative Society ...	Cuddapah.
6.	Vallaramapuram Co-operative Society ...	Tinnevelly.
7.	Tiruvothiyur Co-operative Building Society ...	Chingleput.

Registrar's Circulars.

OFFICE OF THE
REGISTRAR OF CO-OPERATIVE SOCIETIES,
Madras, dated 2nd May 1937.

T. AUSTIN ESQ., I.C.S.,
Registrar of Co-operative Societies.

CIRCULAR.

Subject:—Land Mortgage Banks—Loan applications—Rejection for failure to produce relevent records—Restoration on payment penalty—Amendment to model by-law 45.

The notes of inspection of the Deputy Registrars for Land Mortgage Banks, reveal the existence of a large number of loan applications in land mortgage banks pending production of necessary records by the members concerned within a reasonable time. It should not ordinarily take more than three months for an applicant to produce the relevent records. For the expeditious disposal of loan applications it is suggested that applications in respect of which the documents are not produced within three months of the date of requisition, should be rejected and that they may be restored on payment of a penalty. All banks are advised to adopt the following amendment to by-law 45:—

Add the following as a new sub-para:—

"Every applicant for a loan shall produce the documents required by the bank within three months from the date of requisition and on failure to do so without satisfactory reasons, the loan application shall stand rejected. It is, however, open to the bank to restore the application on payment of a penalty of Rs. 3 by the member".

By Order
A. SINGARA RAJU,
Manager.

ACKNOWLEDGMENTS.

Agricultural Statistics 1936 (*Published by the United States Department of Agriculture.*)
Condition of Weights and Measures in the Punjab (*Published by the Board of Economic Enquiry, Punjab.*)
An Economic Survey of Suner (*Published by the Board of Economic Enquiry, Punjab.*)
The Path Finder (*Journal of the Jaffnese Co-operative Society, Kuala Lumpur F. M. S.*)
Indian Co-operative Review (*January,—March 37.*)
Bombay Co-operative Quarterly (*March '37.*)
Indian Journal of Economics (*Published by the Indian Economic Association.*)
The Mysore Economic Journal.
The Madras Agricultural Journal.
The B. and O. Co-operative Journal.
The Bengal Co-operative Journal.
The Co-operative Review, Manchester.
Consumers' Co-operation, U. S. A.
The Co-operative Review (*Manchester Co-operative Union, Ltd.*)
The Co-operative Official.
Millgate.