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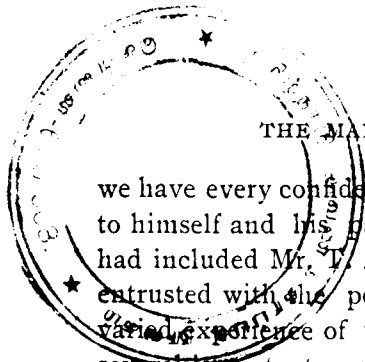
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Editorial Notes.

The New Ministry.

The co-operative movement being a great democratic movement, we rejoice that in this and five other important provinces the Congress party, which secured an overwhelming majority in the last general elections, has at last been able to accept office, as it was its right and duty to do. To serve the masses, the poor and the under-privileged and to treat all Indians equally without considerations of caste, creed or community, is the principle of the Congress party, as it is of the co-operative movement. In carrying out its constructive programme for the benefit of the country, the new Ministry may therefore count upon the hearty co-operation of all co-operators. The decision of the Ministers to accept a salary of only Rs. 500 a month in the place of what was several times that amount in previous regimes is one that is particularly acceptable to co-operators, as it shifts the emphasis of office from gain to opportunity for service and creates in the whole field of public service an atmosphere of economy. In our province the portfolio of co-operation is entrusted by the Chief Minister to the Hon. Mr. V. V. Giri, who has won for himself a national and even international reputation as a labour leader. While



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we have every confidence that he will discharge his duties with credit to himself and his party, we cannot help wishing that the Cabinet had included Mr. T. A. Ramalingam Chettiar and that he had been entrusted with the portfolio of co-operation. With his long and varied experience of the co-operative movement in this province, in several important capacities, with his experience of public life and of the legislature, and with his knowledge of financial matters generally, he would have been a great source of strength to the Ministry and an admirable custodian of the portfolio of co-operation. At his instance the last Legislative Council passed the Debt Conciliation Act, but it has not yet been put in active operation. If he had been entrusted with office he would have seen to the best way of working the Act.

All-India Co-operative Conference.

The fourth All-India Co-operative Conference, which met at Bangalore in the first week of this month and the proceedings of which are published in this number, had a very successful session. In recognition of its importance the Maharajah of Mysore and the Viceroy of India sent kindly messages to it. The State and the public of Mysore showed every kind of hospitality to the delegates and to the presidents of the conference. The discussions were lively and informing, especially those on resolutions relating to the report of Agricultural Credit Department of the Reserve Bank of India. A large number of delegates had opportunities to study the co-operative institutions, the State industrial concerns and the natural beauties of what is generally considered to be the model State of India.

Reserve Bank Report.

It was perhaps inevitable that a good part of the addresses of Messrs. Mehta and Ramadas Pantulu, the dual presidents of the conference, and more than half of its time should have been devoted to a discussion of the opinions contained in the report of the Agricultural Credit Department of the Reserve Bank of India. The officer in-charge of that Department, Mr. K. G. Ambegaoker, I.C.S., was present at the conference and tried to explain and justify the opinions contained in the report. His explanations made the proceedings lively but cannot be said to have succeeded to any extent in changing the views of the conference regarding the report. One statement

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made by him, however, was very welcome. He admitted that the report under discussion, being a preliminary one, contained no constructive suggestions and that such suggestions would form the subject matter of another publication which was under preparation. The Reserve Bank being a State-aided institution and being also the highest banking authority of India, it is not to be wondered at that the opinions expressed with the weight of its authority should have been discussed at great length and in detail by the most important conference of co-operators held after the publication of its report, especially as some of the opinions, with whatever good intention they may have been expressed, are calculated to injure the interests of the co-operative movement. Mr. T. A. Ramalingam Chettiar, President of the Madras Central Land Mortgage Bank, gave an illustration of the manner in which the report was creating difficulties for land mortgage banks in Madras. While all co-operators in the province, including the Registrar, were doing their best to reduce the rates of interest for borrowers—of course, consistently with business requirements—the opinion found in the report that margins in co-operative lending were inadequate was noted by the Finance Department of the Government of Madras and pressure was being put by it upon the Central Land Mortgage Bank to raise its rate of interest. And this was the experience of what was admittedly the most successful land mortgage banking system in India.

Even Mr. N. R. Mehta, who in his address strongly criticised some of the opinions expressed in the report, came under its spell to some extent, as when he imagined that there was a notion lurking in the minds of some co-operators that the Provincial Banks were philanthropic institutions and should not be governed as business concerns or that 'the Apex Banks had always to give and never to receive back'. We can only say that we had never heard of such co-operators before; and if any such exist, we need take no more notice of them than of the inmates of lunatic asylums. Under the spell of the report Mr. Mehta had believed that the credit of the Provincial Banks had suffered or would suffer on account of their being composed predominantly of representatives of borrowing societies, and that in order to improve their working it was necessary to provide seats on their Boards of Management for practical bankers and representatives of depositors though they may not be share-holders. These opinions, taken over by Mr. Mehta from the report, were among those which were disapproved by the conference,

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and as the resolutions concerning them were passed without a division, it is clear that Mr. Mehta was able to shake off the spell at the conference.

The conference therefore did the right thing in discussing the main opinions of the report relating to the co-operative movement and in expressing its dissent from those opinions in clearly worded resolutions. The conference was profoundly disappointed with the report for its failure to appreciate the purpose and spirit of the co-operative movement, for its hasty generalisations and 'empty banking advice.' The conference suggested to the Reserve Bank in what ways it could help the co-operative movement within the provisions of the Act which governs the Bank. Mr. Ambegaoker, its representative, welcomed these suggestions and assured the conference that the Bank never meant to content itself with merely giving advice, and that its own constructive proposals would be published before long. Criticism has been frank on both sides and it is to be hoped that both will benefit by it.

Mr. Mehta's Suggestions.

One or two suggestions made by Mr. Mehta in his address may be discussed here, though they were not taken up by the conference. One was that a special All-India Act should be passed to govern the Provincial Banks, so that they may be removed from the jurisdiction of the Provincial Governments. The reason given was this: "The Provincial Co-operative Banks have huge financial resources and we should be very careful to see that these resources do not become instruments in the hands of Ministers or any political group or party to be used through the Co-operative Department, which has widespread wings of influence and power distributed extensively, specially in the mofussil, in all parts, howsoever remote." We do not see the least justification for his entertaining this sort of fear or expressing it at a serious conference. We are still governed by law; no dictatorships have been established, nor are likely to be in our country. Our Ministers, whatever political party they may belong to, are not likely to be robbers or to be allowed to become so either by the people or the British Parliament. The mere existence of the Co-operative Department does not make such a difference between co-operative and other banks that the funds of the former could be disposed of by Ministers for political purposes. Mr. Mehta was on better ground when he pleaded for a clear statutory definition of the functions of the Registrar, pointing out that the

Registrar was gradually assuming, with the active support of the Provincial Governments, more and more control over the co-operative banks. If as a result of his control and direction the banks should suffer losses or get into other difficulties, Mr. Mehta rightly urged, it was the duty of Government to come to their relief—as the Government had to do in the case of Burma. It is best both for the Government and the movement that the powers of the Registrar are limited as far as possible to the prevention of abuse and do not extend to directing to issue of loans and such matters.

Another interesting suggestion made by Mr. Mehta was that each Provincial Bank should open a Department of rural welfare and upliftment, the staff of which 'should have no other work but to continually visit the rural areas, make enquiries of the circumstances of the members of the co-operative societies, of the small industries and work such as dairying, bee-hiving, poultry-farming etc., which they can do outside agriculture during their leisure hours, induce them to collect their crops or collect the milk, honey, eggs, poultry and such other saleable articles which they can produce or make and get them sold through this Department of the Provincial Banks.' He further suggested that small loans should be advanced to the agriculturists for such purposes and all encouragement should be given them to improve their agricultural produce and to turn their minds to cottage industries. The principle of this suggestion was accepted by the conference which requested the Standing Committee of the Institutes to frame a scheme and circulate it. Mr. Mehta suggested another important work for this Department of rural welfare—to enquire into grievances of the members of societies relating to matters not connected with the co-operative movement, and where it found them to be substantial, to represent them to the proper authorities. The members of societies would then look upon the banks as their real friends, the membership of societies would naturally increase and the representations made by the Department also would be heeded by the authorities, as they would be made in proper form and be backed up by the influence of the bank. There is much to commend this idea in a country where nearly 90 per cent of the people are illiterate. We earnestly hope that some of our central banks will give a trial to the idea.

A third useful suggestion made by Mr. Mehta was that the rural welfare Departments of the Provincial Banks should start and

aid one or more Folk Schools of the Danish type. The Danish Folk Schools are world famous. We have all of us admired them, but it must be confessed that no genuine attempt at starting them has yet been made in any part of our country. The chief feature of the Danish Schools is the personality of the head masters. It is they that have made the schools there a success. With adequate previous propaganda in a good sense and sufficient encouragement given to teachers who have patriotism and personality, our Provincial Banks and some of our Central banks also ought to be able to start some successful Folk Schools in our country.

Mr. Ramadas Pantulu's Address.

In the course of a thoughtful address Mr. Ramadas Pantulu dwelt on the limitations of the co-operative movement in India and on the inherent difficulties of the agriculturist whom the movement is intended to benefit in a special degree. He pointed out that agriculture in our country was not an occupation of profit but of subsistence and that at a low level, that the holdings were uneconomic, the revenue assessment was too heavy, and in the zamindari tracts the rents were too heavy and tenure was very unsatisfactory. In these circumstances it was not surprising that the co-operative movement had not fulfilled even a part of what was expected of it. He then outlined a programme of economic reform which should prove very useful to the popular Ministers now in charge of affairs of the provinces, the first item in it being the adoption of a graduated scale of tax on agricultural incomes, whereby those with lower incomes would be given relief and those with higher incomes including zamindars would be required to contribute a higher share of revenue than at present. It is noteworthy that this was about the only point of importance on which Sir K. P. Puttanna Chetty chose to dwell in his brief welcome address. We believe the psychological benefit accruing from this reform will be even greater than the material relief it gives to the poor agriculturist.

Mr. Ramadas Pantulu also pointed out how too much was being expected of the co-operative movement in the wide field of what is now known as rural reconstruction and in the matter of relieving rural indebtedness, and specified the limits within which only it could be really helpful. A reminder like this now and then is a useful corrective to blind enthusiasts who, expecting too much and not realising their expectations, may become unduly depressed.

Among other things he entered a strong protest against the increasing tendency to officialise the movement. 'In the last ten years, the co-operative law has almost been rewritten in many provinces with the Registrar as the centre of the picture and not the society..... The Registrar who is conceived by the All India Acts of 1904 and 1912 as the friend, philosopher and guide of the movement, has been metamorphosed by the Provincial Acts into an inquisitor and dictator.' He did not object to 'the vesting of sufficient and effective powers of ultimate control and supervision over societies in the Registrar and his staff,' but he did object to the kind of control that involved interference in the day to day work of the societies. Provincial organisations and the Provincial Co-operative Institutes' Association have been condemning this tendency for some time. We join Mr. Pantulu in his 'earnest appeal to the autonomous Provincial Governments of undo all this and to place co-operation once more on its proper pedestal as a popular movement based on self-help, self-reliance and self-government.'

Resolutions.

The resolutions passed at the conference do not call for comment or elucidation. They are self-explanatory and such as to command the approval of co-operators generally. One or two draft resolutions on which there was considerable difference of opinion were dropped. A good many of the resolutions either approved or disapproved in clear terms the opinions expressed in the report of the Rural Credit Department of the Reserve Bank of India or its Bulletin regarding the Banking Union at Kodinar in Baroda State. One of those resolutions stated that the conference was unable to agree with the view that central banks operating over small areas were preferable to larger banks. The experience of Kodinar is exceptional. In Mysore and Travancore States, where a number of small central banks were started, they have been a thorough failure unable to attract deposits to any considerable extent and unable to bear the cost of efficient administration. The idea of the Reserve Bank is that money needed for efficient administration should be got by raising the rate of interest on lendings to members. But co-operators, having the ideal of service before them, prefer to supply credit to members as cheaply as possible, and this is better done by large central banks than by small ones. Another resolution dealt with the

suggestion made in the report of the Reserve Bank that a statutory charge should be created on the crop raised with the help of a loan from a society and in case the sale proceeds of the crop were not used for clearing the loan of the society, it should be made a penal offence involving imprisonment, as the English Agricultural Act of 1928 had made it in England. While the conference favoured the first part of the resolution, it was opposed to a special provision being inserted in the co-operative law making the violation of the charge a penal offence, if it was not so under the ordinary law. One of the resolutions contained a request to every province and State to give liberal and substantial help to its Provincial Co-operative Institute out of its revenues to enable the Institute to function efficiently. This resolution is very necessary, for in some provinces and States no aid at all is given to the Institutes which are expected to do for the movement a good deal of service by means of education and propaganda, if not supervision also. In some provinces there has been a reduction of grants in recent years in the name of financial stringency. To starve the Institutes which draw so much of honorary work is not a wise policy. Especially now when everybody from the Government of India downwards recognises the supreme need for educating the ordinary member of a society in the principles of co-operation, it is not too much to hope that the Provincial and State Governments will treat the Institutes liberally.

Reserve Funds in Credit Societies

BY RATILAL N. TRIVEDI, B.A., G.D.C.A.

Agricultural credit societies in the Bombay Presidency are formed on a basis of unlimited liability. Some of these have share capital, while others have not. Those societies which have share capital are prohibited from distributing their profits until ten years from the date of registration have elapsed. After the expiry of this period of ten years, these societies are required to carry at least 50 per cent of their net profits to the reserve fund every year. Those societies that have no share capital are permanently prohibited from distributing their profits. These societies have to carry all their net profits to the reserve fund, subject of course to the contributions to be made for charitable purposes.

What are the objects underlying the statutory obligation for the creation and maintenance of reserve fund in these societies? An agricultural credit society like all other co-operative societies is a business undertaking. There is no business which is entirely free from risks of some kind. In the life of a business undertaking there are periods of prosperity as well as adversity. At one time the undertaking makes profits; at another time it labours under losses. With all care and caution on the part of the management such losses are inevitable. The success of a business undertaking largely depends on the ability and foresight of its management to provide against such losses. The creation of a reserve fund out of profits is a device which enables a society to meet unforeseen losses without prejudice to the safety of its business. In the absence of the reserve fund, the losses would fall on the share capital, or if there is no share capital, would have to be made good by the members. In the interests of the members of the society, therefore, the creation of the reserve fund is absolutely necessary. The reserve fund mitigates the rigours of unlimited liability in as much as it represents a provision for meeting unforeseen losses.

Provision for meeting unforeseen losses, however, is not the sole object underlying the creation of the reserve fund in agricultural credit societies. These societies are combinations of agriculturists, who, while they possess some property in the form of land, cattle and implements, have little monetary capital. The cash resources of this class are scanty and the capital which they can bring to their society is limited. In a business enterprise the share capital subscribed or

paid up by the members represents a guarantee fund, on the basis of which, or on the security of which, further capital is raised by that concern. In an agricultural credit society there is either no guarantee fund in the form of share capital or a small one, which cannot adequately serve as security for the funds to be raised by the society. The entire absence of an unwithdrawable guarantee fund or the inadequacy of the same is sought to be off set by the acceptance, on the part of the members, of unlimited liability. The security, however, afforded to the creditors by such liability is indefinite and the need for the rapid creation of a tangible guarantee fund is very real. This explains why the whole of the profit or a very large portion of the profit of these societies is required to be annually carried to the reserve fund. The reserve fund in these societies serves as a tangible guarantee fund. It strengthens the credit of the society and enables it to obtain capital at moderate rates of interest.

Financial independence is the ideal to be steadily kept in view by every agricultural credit society. Dependence on outside agencies for supply of capital is a weakness which every society has to attempt to remedy. So long as a society borrows capital, it has to pay a price for the use of such capital in the form of interest. Such payment of interest enhances the cost of credit to the members. If the object of the society is to cheapen credit for its members, that object can be achieved only by the creation of the reserve fund which is the collective property of the members, and of which the society has a free use.

Thus there are three main objects underlying the creation of the reserve fund in an agricultural co-operative credit society. In the first place it enables the society to meet unforeseen losses. As the losses are met from the reserve fund, the members are protected from the rigorous operation of unlimited liability. Secondly it serves as a tangible guarantee fund for the society. In furthering this object the reserve fund benefits not only the members, but the non-members who deposit their funds with the society. Thirdly, it conduces to the financial independence of a society, and cheapens the cost of credit to the members.

Once the objects underlying the creation of the reserve fund are grasped, it will not be difficult to understand the principles governing the investment of the reserve fund. Some people are of opinion that the reserve fund should be allowed to be employed in loans to members of the society. Others sincerely hold that the reserve fund

should, on no account, be allowed to be used in the business of the society and that it should be invested outside the business of the society. In Bombay, agricultural credit societies are permitted to use their reserve funds in their business. In Madras, on the other hand, the reserve funds of credit societies are invested in central banks. The diversity of opinion on the subject of the investment of the reserve fund is largely due to the varied emphasis laid on one or the other objects of the reserve fund by different people.

If the reserve fund is intended to meet unforeseen losses, it is advisable to invest it outside the business of the society. If the reserve fund represents a provision which is intended to enable a concern to successfully meet the risks and losses of the business, there is obviously little sense in investing the reserve fund in the business of that concern and exposing it to the same risks. The risks of the business may destroy the reserve fund itself, unless it is invested outside. Those who strongly insist on the reserve fund being invested outside the business of the society are influenced, in their decision, by the first object of the reserve fund.

Those who favour the employment of the reserve fund in the business of the society are guided in their decision by the second and third objects of the reserve fund. If the reserve fund is a guarantee fund intended to strengthen the credit of the society, or if it is a communal fund intended to scrap the society's dependence on outside capital, there is obviously no meaning in asking a society to invest its reserve fund outside its business, and to continue its dependence on outside agencies for supply of capital. The Mac-lagan Committee was definitely of opinion that the agricultural credit society should be allowed to employ its reserve fund in loans to its members. If the society were to invest its reserve fund in Government Securities, the return obtained by it would be much smaller than what it would be if the reserve fund were invested in loans to members. If the society were to invest its reserve fund in the central bank, the return would be lower than that obtained by the employment of the reserve fund in the business of the society. Again, if the reserve fund were invested with the central banks, the latter would earn some profit on such investments and as all profits of central banks in excess of 25 per cent are liable to be distributed amongst the share-holders, the movement will not derive much strength from such investment. In order to earn the largest return on the reserve fund and to permit such return to rapidly increase the reserve

fund, the investment of the reserve fund in the business of the society appeared to the committee to be the most desirable course. A rapid increase of the reserve fund was aimed at by the committee, for the reserve fund could not achieve any of its subjects unless it was of an appreciable size. The committee pointed out :—"The object should be to free the primary societies as far as possible from recourse to their central banks and this can only be done by enabling them to build up their own capital sufficient for their needs. This can best be achieved by allowing primary societies to use their accumulated net profits or surplus assets in loans to members on which they get high rates of interest compared to the rates received on Government Paper."

The urban credit societies are usually formed on the basis of limited liability. The people in the towns are in a better position to raise substantial share capital and on the security of this capital, the society is enabled to borrow funds. In an agricultural credit society in which members hold no shares, the creation of reserve fund provides a tangible guarantee fund on the security of which the society can easily borrow. The rapid building up of the reserve fund is a necessity in this type of society and that is the reason why all the net profits are carried to the reserve fund. In all agricultural credit societies formed on a share basis there exists a slender guarantee fund in the form of share capital. This guarantee fund, however, is not commensurate with the borrowing needs of the society. The society is therefore required to carry at least 50 per cent of its net profits every year to the reserve fund, the object being to rapidly increase the existing small guarantee fund. In the urban credit society the guarantee fund is comparatively substantial to start with, and the borrowings are limited to eight times the guarantee fund. Here the object underlying the creation of the reserve fund is not so much to increase the existing guarantee fund as to preserve, in tact, the share capital. The creation of the reserve fund does add to the size of the guarantee fund and to the borrowing capacity of the society. This, however, is not the primary object of the reserve fund. The primary object of the reserve fund in this society is to furnish a provision out of which unforeseen losses can be met without reducing the share capital. This object is achieved by carrying 25 per cent of the net profits to the reserve fund every year.

Of the three main objects underlying the creation of the reserve fund the most important in an urban credit society is the provision

for meeting contingent losses. The share capital of the society represents the basic guarantee fund on the security on which the society is enabled to raise funds. To preserve this fund in tact is the duty of the management, for the credit of the society is closely bound up with the safety of this fund. The creation of the reserve fund is a device to preserve the share capital in tact. If there are any unexpected losses, these would be set off against the reserve fund and the share capital would escape a reduction. To increase the guarantee fund of the society or to conduce to the financial independence of the society are not the main objects underlying the creation of the reserve fund in this class of societies. The main object of the reserve fund is to provide a line of defence for the safety of the share-holders. The reserve fund does perform other functions in the society to some extent, but its main function is to enable the society to meet unforeseen losses without detriment to the share capital.

The contributions to be made to the reserve fund out of annual net profits and the investment of the reserve fund are and ought to be governed by the comparative importance of the various objects underlying the creation of the reserve fund in each class of societies. In an urban credit society and bank, the chief object of the reserve fund is to enable the society or the bank to meet unforeseen losses. This necessitates the investment of the reserve fund outside the business of the society. A fund which is intended to provide against losses in a certain business ought to be invested outside that business. It is imprudent to employ that fund in the same business and to expose it to the same risks. The investment of the reserve fund for this class of societies should be governed, not by the consideration of rapidly building up the collective capital of the society so as to make the society independent of all outside borrowings—this is not the main or chief object here—nor by the consideration of rapidly increasing the guarantee fund of the society by earning greater returns on the reserve fund, but by the consideration of providing a safe fund which can be available at any time to meet unforeseen losses. This object can best be achieved by investing the reserve fund in first class securities. Such investment also helps to reduce the cost incidental to the maintenance of fluid resource. An urban credit society accepts deposits and has to maintain adequate fluid resources to meet promptly the demands of depositors. If a portion of these deposits were invested outside the business of the

society, it is not unlikely that the return obtained may be insufficient to cover the interest charges payable on such portion of the deposits. The reserve fund, on the other hand, is a fund which is collectively owned by the share-holders and bears no interest. The investment of this fund outside the businesses of the society at smaller rates causes no actual loss to the bank, as in the case of deposits. It is therefore advisable for credit societies with limited liability to invest their reserve funds outside their own business.

Salary-earners' credit societies with limited liability are allowed, if they are well-managed, to carry only 10 per cent of their net profits to the reserve fund every year. The members of these societies have a stable income and the societies command the facilities of deducting the instalments of loans directly from the salaries. The possibility of doubtful and bad debts in these societies is remote and if only 10 per cent of the net profits are carried to the reserve fund every year, the provision would be sufficient for meeting contingent losses. The main object of the reserve fund in this class of societies is the same as that in other credit societies with limited liability, but in view of the peculiar conditions of this class of society, the losses are expected to be of small dimensions and contributions to the reserve fund at a smaller percentage answer the need for meeting bad debts. Here also the investment of the reserve fund should be governed by the main object underlying its creation. As the reserve fund is intended mainly to serve as a provision for meeting unforeseen losses, it should be invested outside the business of the society.

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Agents for Societies

BY RAO SAHEB M. S. SESHACHALAM AIYAR.

By-law 62 of the primary societies contemplates the appointment of an agent to exercise the functions of the Panchayat of the society, in cases where the panchayats are not working properly and where a re-constitution is not possible. The by-law authorises the general body to suspend the panchayats and request the Central Bank of the district to appoint an agent in consultation with the Registrar. This agent can now exercise his functions only in regard to the collection of existing loans, for which he will be paid a commission on the collections made by him. In some districts, the Central Bank appoints its supervisors as agents over a number of societies and the commission, calculated on the amount of collection, is taken away by the Bank while the Supervisor or agents are paid fixed salaries.

The system of this agency over rural societies requires detailed investigation and various improvements are to be made in the light of experience gained in working the same for the last three or four years.

First of all, the agent is appointed by the Central Bank, though at the request of the general body of the society. Who is responsible for any loss in the society by way of misappropriation, time barred loans, unnecessary expenditure and litigations and loss of properties by the inadvertant, wilful or negligent actions of this agent? How can the unlimited liability of the members be enforced in regard to these losses, since the general body has entrusted the appointment and control of the agent to the Central Bank? These agents are asked to give security of a certain sum in cash or immovable properties or fidelity bonds. These securities are very small, when compared to the outstanding dues from members entrusted to them for collection. They file suits for recovery of these loans, execute decrees, purchase properties in auction and sell them. Even in ordinary societies, these things are done on the resolutions of the general body; and still instances are not wanting, where properties are purchased for unduly large amounts by interested office bearers, only to wipe off the debts, and bought-in properties are neither taken possession of nor sold, but left with judgment debtor himself in his undisturbed possession, though the society accounts may show they

were purchased by the society. Sometimes these lands are sold for very small amounts, the writing off of the balance in loan being recommended. To leave these works in charge of an agent, seems to be very dangerous and requires sufficient safeguards. These supervisor agents are appointed for a group of societies numbering about ten and having a total transaction of about Rs. 25,000; they give as security only fidelity bonds and pay a premium for the same. As they are supposed to be under the direct control of the Central Banks, the Unions exercise no supervision over them practically. Left to themselves some of them commit very high-handed actions detrimental to the interests of the society and its members and handle the collections in their own way. Union supervisors have been strictly ordered not even to accept the societies' funds for remittances, but to see that they are remitted by the society itself without delay; but, the same supervisor when appointed as the agent of the society on the security of fidelity bonds is allowed to handle the collections in societies as he may deem fit for discharging his duties.

The analogy of a local body being superseded and a special officer appointed will not hold good in the case of a co-operative society where there is a standing general body with a heavy undertaking of unlimited liability. Unlimited liability can be enforced only so far as the general body of members had absolute control over the transactions of the society; but if an agent is appointed by an outside body and kept under their control, I do not know whether the liability undertaken by the members is not tampered with and is kept in tact. Cases have come to our notice of loans and decrees having been allowed to become time barred by some agents, collections and sale amounts of properties being misappropriated, properties being sold for under values, and agents colluding with members of property and relieving them from unlimited liability by refunding their shares. It is high time the working of the agency in societies is thoroughly investigated by the authorities concerned. Anyhow the present system of agency should be discontinued. The paid clerk is preferable to an agent, since he will be doing everything in consultation with the panchayat and the general body, and in case a better panchayat is not elected, the Registrar may be given power to appoint a committee from the members of the society.

Co-operative Milk Supply Societies

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

In the present campaign inaugurated by H. E. the Viceroy to produce more and better milk for consumption by the people of the country, co-operative milk supply societies can play a very helpful part. The well-to-do people who form an insignificant percentage of the population either maintain their own milch animals or get their milk drawn by vendors in their presence at their own places. The problem therefore of supply of pure milk is important as affecting the middle and lower classes who are compelled under existing conditions to purchase their milk from the milkmen who carry it from house to house or sell at some central places. This milk as so well known is largely adulterated. Steps are therefore necessary to ensure the purity of the milk consumed by the majority section. The chief aim of the Madras Milk Supply Union is to achieve this great object. In carrying out this object the Union had a long and strenuous fight against vested interests and, thanks to Providence, it is now having comparatively smooth sailing and even some of the milkmen in the city and the neighbourhood have begun to appreciate the value to themselves as to the consumers of the good services rendered by the Union. Encouraged by the example set by the Madras Milk Supply Union, Coimbatore town has started a similar society, though within humbler limits, confining the operations of the society to a suburb or new extension known as R. S. Puram which is inhabited mainly by a decent body of pensioners and others. The Deputy Registrar, Mr. A. D. Balasundara Mudaliar, who recently joined the Coimbatore District has been evincing a keen interest in the organisation of this useful society which it is hoped will soon start on its work. An important feature of this society is that it will get its supply of milk from almost the same sources as the people of its area have depended on hitherto, with the difference that the supply in future will be under the control of the society which will see to the purity of the milk and the correctness of the measures used, and in course of time it can also control the nature of the fodder supplied to the milch animals. In the long run therefore the producers of milk will be benefited by the society no less than the consumers. Their

labour of carrying milk from door to door will be saved by the society undertaking to purchase their entire quantity from them, possibly also for a better price than many of them got hitherto as anticipated by this new society.

It is suggested that the other districts of the province may also take up this co-operative service in such of their towns as offer prospects of success, after studying the working of the Madras Society, which has the good fortune of being presided over by the retired Joint Registrar Dewan Bahadur K. Deivasikhamani Mudaliar who may be said to be the father of this scheme in this province. The present Joint Registrar Rao Bahadur M. Giriappa who is entrusted with the promotion of non-credit activities is so enthusiastic to push forward this very beneficial activity to the utmost possible extent that it is sure to receive his best support and encouragement wherever it may be attempted. In Mr. T. Austin we have a Registrar who would give ungrudging support to any venture on co-operative basis which will help to improve the economic condition of our people. The District Economic Councils may also very profitably interest themselves in and encourage the starting of milk supply societies by such aids as are at their disposal in areas where facilities exist for their successful working.

The importance of this matter is sure to appeal to the Hon. Minister in charge of Co-operation in the Madras Government to whom a respectful submission is made that he may kindly stimulate the spread of this type of co-operative activity as largely and as quickly as possible, with a view to help the rapid achievement of the great beneficent object of H. E. the Viceroy.

Arbitrators under section 51 of Act VI of 1932.

By P. K. SRINIVASA RAGHAVA ACHARYA, B.A.,

Pleader, Tindivanam.

Section 51 of Act VI of 1932 lays down the procedure to be followed in deciding certain classes of disputes. The scope of section 51, as it at present stands, is very wide. Disputes relating to the elections to the committees of societies have been held to come within its scope. In fact, every kind of dispute (other than a dispute regarding disciplinary action taken by the society or its committee against a paid servant of the society) comes within the purview of this section. The pecuniary jurisdiction of the courts constituted under this section is unlimited. Disputes, the decisions of which involve the thorough understanding of complicated questions of law, do often crop up and the courts under section 51 are invested with the exclusive jurisdiction to decide those disputes.

The Registrar is empowered to refer the dispute to an arbitrator or arbitrators. The practice that seems to be prevailing at present is to ask each supervising union to send in a list of persons who are competent to serve as arbitrators. It is also well-known that elections to the committee are not the result of calm and mature thinking on the part of the electorate. Persons who are willing to spend or who are able to exercise influence on the electorate are returned to the committee of societies and to the general body and then to the governing body of the supervising unions. Persons anxious to come into the limelight, irrespective of their capacity to discharge the duties that may be subsequently cast upon them, cannot but be expected to strive for getting their names included in the list of arbitrators sent in by the supervising unions. Out of this the Registrars are to choose persons who have to sit in judgment over their brethren.

It is well known even to persons remotely acquainted with the conduct of cases in civil courts that in mortgage cases most complicated questions of law do often arise. To take a very simple case, a member A mortgages two items of property to another member B. Then he mortgages one of those items and another one, not covered by the mortgage to B, to the society of which both of them are members. Then the item covered by both the mortgages is sold to C, another member for discharging the first mortgage. The

society has to institute proceedings for the recovery of its dues. Since all the persons interested in the hypotheca are members, it is only courts constituted under section 51 that have got exclusive jurisdiction to entertain and decide the dispute. What is the relief to which C is entitled?

Cases of a more complicated nature do often arise. It has to be admitted that the majority of the persons whose names are at present to be found in the list of arbitrators are utterly unfit to handle such cases. It cannot be said that there is a scarcity of competent lawyers who are willing to help the movement by accepting the posts of honorary arbitrators. The statement that the department is unable to find from among lawyers persons who are willing to accept such work can only mean that the gentlemen who are entrusted with the well-being of the movement do not think that they should entrust lawyers with work that they are eminently fitted by their training to undertake.

Instances may be given where a trained arbitrator is sure not to adopt the course that is at present being adopted by persons acting as courts under section 51. It seems to be a prevailing notion that it is necessary to take down the 'statements' of witnesses verbatim and have them signed by the deponents. It also seems that the arbitrators think that summonses should be issued to the defendant for each hearing. The rules do not contemplate any such course. The arbitrator is expected to make a note of the evidence of witnesses either in English or in the vernacular. On the evidence so recorded and on the documentary evidence placed before him he is expected to give an award or decision. It is not uncommon to find arbitrators who do not make any note of evidence at all, or those that take down verbatim what each witness states and insist on the witness signing the 'statement' he has so made. The procedure laid down is one that is being adopted by courts of law when they try cases summarily. The spirit of the rules is not at present being understood and hence the difference in procedure that is at present being found.

It is better in this connection to state the procedure that has to be adopted by the arbitrators after taking on their file the cases sent to them for decision. The Registrar after receiving the reference has to determine as to whether he should decide the dispute himself or refer it to an arbitrator or arbitrators. If he decides to take it on his own file he is to issue summonses to the parties. If the case is

referred to an arbitrator or arbitrators, the arbitrator, or the chairman of the arbitrators issues summonses. Rule XVI (1) relates to the mode in which summonses are to be served. It is to be noted that the practice of summoning the defendant for each and every hearing is not sanctioned by the rules. If after the service of summons the defendant turns up, he may be informed in person of the date to which the case is adjourned. If he remains absent and if the arbitrator is satisfied that summons has been duly served on him in one of the ways contemplated by the rules, he has simply to declare the defendant *exparte* and proceed with the trial of the dispute. It is the look out of the defendant to see that he is present in court and represent his case if he thinks that the claim has to be disputed. The practice of taking *muchalika* from the parties to be present at the adjourned hearing has also no legal sanction since the parties cannot be fined for being absent on the adjourned date.

It is gratifying to note that this year the Government have recognised the necessity of imparting instructions to the Inspectors, Supervisors, and the Panchayatdars of Societies through persons who may be expected to know of co-operation. The usefulness of the classes may vary according to the persons who have been chosen and the persons who have attended those lectures. I may be permitted to suggest that classes for aspirants for the posts of arbitrators and for those persons whose position necessitate their taking up and deciding cases may be of more practical use to the movement than lectures on auditing and co-operation. It may also be useful to make persons undergo training under some lawyer or lawyers before they are entrusted with the trial of cases.

To conclude, I candidly hope that I shall not be mistaken if I point out that the practice of asking supervising unions to send in a list of persons who can act as arbitrators should be put an end to, that the Registrars should feel the desirability of securing the services of trained persons to act as arbitrators, that the Department at any rate can from among the junior members of the bar entertain persons as Inspectors for the sole purpose of disposing of cases that may be referred to them under section 52, and lastly persons who are to be entrusted with the task of sitting in judgment over their fellowmen may be made to undergo some legal training so as to make them fit for the task that they are expected to take up.

Liquidation and Limitation.

By P. K. SRINIVASA RAGHAVA ACHARYA, B.A.,

Pleader, Tindivanam.

(Hansraj Gupta vs. Asthana, 63 M.L.J. 859

and

Hansraj Gupta vs. Dehradun and Mussourie

Electric Tramway Company, Limited, 64 M.L.J. 403.)

The opinion that seems to prevail at present among many of the gentlemen connected with the administration of co-operative societies is that limitation ceases to run against societies under liquidation with respect to debts that were not time barred on the date of the winding up. The decision of the Privy Council in Hansraj Gupta vs. Asthana (63 M.L.J. 859) is relied on in support of this opinion.

The facts that gave rise to the dispute that was ultimately settled by Their Lordships are as follows:—One L entered into a contract with a company of which he was a share-holder. Certain sums of money had been paid by the company to L as advance in respect of the contract. After the company was wound up the Liquidator applied under section 186 of the Indian Companies Act for the summary recovery of the sums advanced to L. The petition was filed against the executors of L since by that time L was dead. The claim was not barred on the date of liquidation but got barred before the Liquidator made the application. The executors moved the High Court to have their names removed from the list of contributories with regard to the shares held by L on some technical grounds and for the repayment of the sums paid by L as application and allotment moneys with interest at 12 per cent per annum. The High Court of Allahabad allowed the claim of the liquidator and disallowed the application by the executors. From these decisions two appeals were preferred to the Privy Council by the executors of L. The appeal from the order allowing the application of the liquidator was Privy Council Appeal 86 of 1930 and is reported in 64 M.L.J. 404 and that from the order dismissing the application by the executors was Privy Council appeal 127 of 1930 and the judgment in that appeal is reported in 63 M.L.J. 859. Both the appeals were heard and decided by the same judges except in 64 M.L.J. 404 one of the Learned Lords that heard 63 M.L.J. 859 did not take part.

The judgment in 63 M.L.J. 859 does not lay down the law with respect to the applicability of the Limitation Act to debts due to the company under liquidation. It was urged that the contract to take shares was void and hence the executors were under no liability in respect of the shares but were entitled to have their names removed from the list of contributories and to have the application and allotment moneys repaid. At page 866 Their Lordships are pleased to observe, 'Whatever may have been the right and liabilities of the testator before the winding up intervened, the position was altered by the happening of that event. At the commencement of the winding up he was and had for three years been entered on the register of share-holders as the holder of shares now in question, with his full knowledge and assent. On the winding up, section 156 of the Indian Companies Act came into play. His liability under that section in respect of the *shares* was absolute and flowed from the fact of his being on the register in respect of *these shares*. The original contract may supply the reason for his name having been placed on the register in respect of the *shares*, but after the winding up his liability in respect of the shares arose *ex lege* and not *ex contractu*.' It may thus be seen that in 63 M.L.J. 859 Their Lordships have not dealt with the question as to whether limitation ceases to run with respect to debts due to the company under liquidation. In 64 M.L.J. 404 Their Lordships had to decide the question. At page 412 they say, 'The learned judges, in the present case, took the *erroneous* view that once the winding up commenced there could be no further application of the rule of limitation in regard to any debt due to the company and not then already time barred. Their Lordships know of no justification for this view. In this respect there is no analogy between the position of a debtor to and a creditor of a company in Liquidation'. As regards debts due by the societies under liquidation it has been held that debts barred by the statute of limitation on the date of liquidation are not provable but time ceases to run after the date of winding up. But where the debt is not time barred on the date of adjudication, the debt is not afterwards affected by lapse of time and can be proved in the bankruptcy, even though the statute of limitation may have run out on the date when such proof is made.

It can thus be seen that the decision under consideration far from supporting the view in question is clearly against it.

A Reason for Overdues in Berar

BY S. P. CHANDEKAR, M.A., LL.B., F.R. ECON. S.

Honorary Secretary, The Akola Central Bank, Limited, Akola.

In the report submitted by the Reserve Bank of India, Agricultural Credit Department, the Co-operative Movement comes in for a good deal of criticism. The gist of the criticism is that large amounts of overdues have been allowed to accumulate. This is also made a ground for refusal to give assistance by the Reserve Bank of India to the Co-operative Banks. The reasons given for accumulation of overdues are over-financing and failure to take prompt steps in case of defaulters.

The problem of overdues is acute in Berar.

No doubt these reasons might hold good in some cases, but I think, a closer examination of figures will show that these are not the real reasons.

Since about 1929 there has been a continuous failure of crops in Berar. Before that the price of land was certainly higher and the financing was made on that basis.

Even after 1929 when repayments began to fall down, many Banks took immediate steps to bring the defaulters to book and proceedings were started against the defaulters. But unfortunately the Government which helped Co-operative Movement in one department could not do so in the other. The Co-operative Department was prompt in giving awards or in liquidating societies. But when the cases went for execution, they were allowed deliberately to pend for years, especially with the Collector.

Had the property been promptly sold off it would have fetched a comparatively better price; it would not have added the burden on the member by way of interest and also it would not have added to the liability of the other members. The executive officers, as in the case of debtors, hoped for better days to come. Certainly, there is nothing wrong in hoping. But they failed to note the essential thing mentioned by the report, that the Bank's advances were based on short-term borrowings.

Once the Registrar is satisfied that a member cannot pay the amount, then there should be no further delay on the part of the other executive officers in realising the amount; in fact special steps should be taken to see that the amount is realised soon. This would avoid the problem of overdues to a great extent.

The executive officers failed to differentiate between the Co-operative Bank and individual creditor and thought that it would be undesirable to give the Bank any facility for quick disposal.

If any further investigation is being made, then I would suggest that this aspect of the case be also looked into. This would solve the problem of overdues to a great extent.

Conferences

THE FOURTH ALL INDIA CO-OPERATIVE CONFERENCE.

The Fourth All-India Co-operative Conference, consisting mainly of delegates elected by Provincial Co-operative Banks and Provincial Co-operative Institutes, met at Bangalore City on the 3rd and 4th July, 1937. Distinguished non-official co-operators from various provinces and States, the Registrars of Co-operative Societies of the Punjab, Madras, Coorg, Gwalior, Mysore and Cochin, and the officer of the Reserve Bank of India in charge of its Rural Credit Department, were among those who attended the conference. The opening session was held on the morning of the 3rd at the Puttanna Chetty Town Hall and the subsequent meetings of the conference took place in the hall of the Mysore Apex Bank. Rajasabhabushana Dewan Bahadur Sir K. P. Puttanna Chetty, Kt., C.I.E., LL.D., the veteran publicist of the Mysore State, welcomed the delegates. Mr. Jemshed N. R. Mehta of Karachi, as President of the Provincial Banks' Association, and the Hon. Mr. V. Ramadas Pantulu, as President of the Provincial Institutes' Association, jointly presided over the conference. Sir Mirza Ismail, the Dewan, the Executive Councillors, the heads of Departments and prominent non-officials of the State and a large number of others attended the opening session.

Message from His Highness the Maharajah.

As soon as the proceedings commenced, Sir K. P. Puttanna Chetty read the following message from H. H. the Maharaja of Mysore.

I am very glad to welcome to Mysore this Conference of people who have distinguished themselves for their services to the Co-operative Movement in India.

I wish you the best of all possible results from your deliberations and trust that they may be fraught with benefit to the raiyats of India.

Krishnaraja Wadiyar.

In the course of his brief address Sir Puttanna Chetty spoke of the close co-operation that existed in Mysore between the Agricultural and Co-operative Departments and of the efforts that were being made to provide amenities of life in the villages of the State in the shape of good drinking water, roads and electric lights; but pointed out that 'the problem of problems in India' was that of land revenue. If this was not properly tackled, the other remedies applied, however good in themselves, would prove ineffective. He said:

"Those of you who have followed the recent trend of discussions in this country, especially the programmes of work of the various Provincial Ministries now functioning, including the so-called Interim Ministries,

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will have noted the desire to tackle the Land Revenue problem with earnestness and zeal, with a view to solve it in a manner that might prove beneficial to the cultivator. What the remedy may be which these Ministries or their successors may adopt, we, of course, cannot anticipate. But there can be no question that this is, perhaps, the problem of problems in India and it is just possible that in the long run it will be solved on lines in consonance with what has occurred elsewhere in connection with the Land Question. With the growth in "direct" taxation, the idea of taxing Land by itself has nearly ceased to exist in Europe. Tax contributions have taken the place of the revenue from land and fees. There is no reason why a similar parallel rule may not successfully operate in our own land. Nay, more than that, it would seem that taxes on commodities are likely to be replaced or at least exceeded by the imposts levied on income as such, in the shape of either of income-taxes proper or of charges on accumulated wealth. The recent history of the several financial systems of the civilized world is almost decisive on this point. A clear perception of the conditions under which the effective attainment of revenue is possible is now recognised as one of the principal outcomes of financial developments. Security and the absence, in particular, of arbitrary imposition—which latter has rightly or wrongly been associated with the revision of revenue associated with the periodical Land Revenue Settlement operations—combined with convenient modes of collection have come to be recognised as indispensable helps in financial administration, whose primary aim is the selection of really productive forms of charge. I do not think I can pursue this complex yet all-important matter further here, but would leave it for discussion by you, specialists in Co-operation and Finance."

The Viceroy's Message.

After the welcome address was delivered, Khan Bahadur Basheer Ahmed Khan of Lahore, Secretary of the Provincial Institutes' Association, read the following Message from His Excellency the Viceroy:

"It gives me great pleasure to send my good wishes for the success of the Fourth All-India Co-operative Conference which is being held at Bangalore. Keenly interested as I am in all that can make for improvement in the conditions of life of the cultivators of the Indian countryside, I appreciate fully the value and importance of the co-operative movement. I trust that this Conference will lead to further extension of the scope for the service of the movement, to the true and lasting benefit of the rural population of India."

Mr. Mehta's Address.

Mr. Jemshed Mehta appropriately confined his address to matters relating to the functions of the Provincial Banks. He considered it

necessary that an All-India Provincial Co-operative Banks Act should be passed by the central legislature in order that these Banks may be kept absolutely free from party or political influences in the provinces. "The Provincial Co-operative Banks have huge financial resources" said he, "and we should be very careful to see that these resources do not become instruments in the hands of Ministers or any political group or party to be used through the Co-operative Department, which has widespread wings of influence and power distributed extensively, especially in the mofussil in all parts, however remote. The influence of the Co-operative Movement should be retained entirely for the welfare of the people and should not be utilised for the purposes of any party, group or political ends." Until such an All-India Act was enacted, he said, it was of vital importance that the nature and extent of Government control over the Co-operative movement should be clearly defined in the provincial Acts; because the Registrars had appropriated for themselves powers which were not assigned to them by the statutes and had become directors without responsibility. As Mr. Darling had said at Patna, Registrars without financial advisers could be dangerous to the movement. "If it is the intention of the Provincial Governments to give the controlling authority to the Registrars," said Mr. Mehta, "it is but fair that along with the control the corresponding responsibility of the Government should also be made clear. The various Provincial Governments should give statutory undertaking that they will come to the help of the Central and Provincial Banks as soon as it is found necessary." Mr. Mehta also advocated that the auditors of co-operative societies who are now under the Registrar should be placed under the control of the Accountant-General of each province.

Reserve Bank Report.

Dealing with the report issued some time ago by the Agricultural Credit Department of the Reserve Bank, Mr. Mehta said:

"Now, friends, permit me to deal at some length with the recent report of the Agricultural Credit Department of the Reserve Bank of India. At the joint meeting of the Standing Committee of the Provincial Co-operative Banks' Association and of the All-India Co-operative Institutes' Association, which took place in Delhi during last Easter, disappointment has been already expressed regarding the report. Be it, however, said to the credit of the framers of the Report that they have analysed the problems relating to agricultural finance in a very thorough manner. They have diagnosed and located the disease, correctly dissected the body, but have left it on the operation table for others to stitch up the wounds and find out medicine to cure it. They have comprehensively considered the credit facilities of various kinds required by the agriculturists

in India and as this is the report from one of the highest banking authorities in India it ought to be carefully considered. So far as the question of providing long term credit through the agency of Land Mortgage Banks is concerned, I think it would be out of place if I dwelt on this problem in detail because ordinarily it is not the function of the Provincial Co-operative Banks to provide long term credit to agriculturists. It is the business of Land Mortgage Banks which have at their disposal long term finances. As we are not considering here the question of Land Mortgage Banks, I can only say this much that the Provincial Co-operative Banks will not be able to do much in the way of accepting advice of the framers of this report, until and unless the Land Mortgage Banks are established on sound basis with sufficient funds at their disposal, and I regret to say that the agricultural credit department of the Reserve Bank give very little hope to the Land Mortgage Banks so far as finances are concerned. The report embodies many useful suggestions to the Land Mortgage Banks. It suggests measures for restricting unproductive credit; it suggests scaling down of debts by means of Debt Conciliation Boards; it has suggested principles of sound constitution for Land Mortgage Banks. But it is ridiculous that so far as any active financial help is concerned, the report states:

With regard to the question of direct financial assistance by the Reserve Bank of India to the existing Co-operative Land Mortgage Banks by investing in or giving money on the security of their debentures, we reserve our opinion until we have gained more experience of their working..... We shall make it one of the principal tasks of the Agricultural Credit Department of the Reserve Bank of India to keep in touch with the Co-operative Land Mortgage Banks, study their constitution and working and give the benefit of banking advice.

In short, the Agricultural Credit Department of the Reserve Bank of India, which came into existence after long struggle of the leaders of the country, who held high hopes that the main industry of the country, financing of which was formerly one of the main functions of the Government, would now be seriously taken into hand by the State Bank, states in plain terms that they would give nothing substantial except empty "banking advice." The Reserve Bank proposes to maintain absolute "fluidity of its resources" and therefore cannot afford to lock up its funds in debentures, etc. of these banks. If the Reserve Bank of India, which is practically a State Bank having enormous resources of the Government at its disposal, is afraid to lock up its funds in debentures of banks which are out to finance the staple industry of the country, I wonder which other sources the Land Mortgage Banks would tap for their working."

Mr. Mehta then proceeded to suggest the creation of a department of rural welfare and upliftment in every Provincial Co-operative Bank. He said:

Rural Welfare.

"As far as the Co-operative Movement is concerned, within the Movement, we have gone so far as co-operative sale and supply societies, housing societies, seed societies and some non-credit societies of other types, but we have not yet touched even the fringe of the welfare work which we, as Provincial Banks, should undertake. My suggestion, therefore, is that each Provincial Bank should have a separate department of village welfare and rural upliftment. The officers and staff appointed for this purpose should have no other work but to continually visit the rural areas, make enquiries of the circumstances of the members of the co-operative societies, of the small industries and work such as dairying, bee-hiving, poultry-farming, etc., which they can do outside the agriculture during their leisure hours, induce them to collect their crops or collect the milk, honey, eggs, poultry and such other saleable articles which they can produce or make and get them sold through this department of the Provincial Banks. Small loans should be allowed to them for such purposes and all possible encouragement should be given to them in improving their agricultural produce and inducing them to turn their minds to cottage industries. I know for certain that much can be done in this direction, and if the Provincial Banks with their wide influence all throughout the mofussil area would undertake this type of work, the result would soon be realised in material development.

"There is another way in which this Department could help. It is to inquire about the grievances of the members of the co-operative societies and if they are found to be substantial, to represent them, through the Bank, to the authorities concerned and thus get their grievances redressed so that their lot may be somewhat easier. At present it is very difficult for them to get themselves heard. They have no money even to pay for applications which are at many places charged for highly. The fear that they have of representing matters is such that they remain silent. Generally the rural areas have corrupt subordinates and their lot becomes still harder. If the Provincial Banks can institute such a department as may represent the cases of members of co-operative societies to higher authorities, it will help them greatly and it will be an additional consideration for them to become members of co-operative societies. Unfortunately at present the whole idea of the co-operative movement is to borrow or lend and then struggle over it. This department also can make a link with the various Government departments such as Agriculture, P. W. D., Irrigation, Marketing, that of the Director of Industries and the Director of Information and can thus add considerably to the happiness of the members of co-operative societies. It can

also help in the work of reconciliation. Wherever there is some agricultural difficulty or irrigation difficulty, the officers and staff of this department can get them the help required and even the knowledge or information for that particular work. A little difficulty here in fruit growing or in the growth of the crop, a little difficulty there when the water should be taken from the canals, information about the market prices, information about the weather conditions—all this could be supplied to the advantage of members of co-operative societies by this Welfare Department. The social work means co-operation in the right sense, and will eventually become a strong economic back-ground."

Finally he pleaded for the starting of Folk High Schools on the Danish model by the Government and the Provincial Banks in co-operation with each other and for the recognition by Government of the Co-operative Movement as an important factor in the nation building programme.

Mr. Ramadas Pantulu's Address.

In the course of an interesting address Hon'ble Mr. V. Ramadas Pantulu said :

"I am constrained to think that the Movement has to some extent, lost its moorings in India to-day, by its being charged with tasks too onerous for it to discharge and by a very inadequate appreciation of its limitations and handicaps. The failure of the co-operative credit movement to achieve even a fraction of what was expected of it for the economic rehabilitation of the village and the liquidation of rural indebtedness, has set people thinking not merely about the causes of that failure, but also about the actual potentialities of the movement to remove poverty and indebtedness among the people, even if we are able to eradicate the many and the serious defects which are to a large extent responsible for the present unsatisfactory working of the organisation. As a result of this investigation we have arrived at the conclusion that Co-operation alone cannot remove the economic debility of the Indian peasant or liquidate his debt. The outstanding feature of our rural economy is that agriculture, which is the mainstay of the bulk of the rural population, is not to-day an occupation of profit, but of subsistence, a bare and precarious subsistence. A large number of holdings of the members of our societies are un-economic. By "*economic holding*" I mean a holding which allows a man a chance of producing sufficient to support himself and the family in reasonable comfort, after paying the necessary expenses of farming and his rent or revenue. If a holding is not "*economic*" in that sense, no question of a margin of profit, out of which he can repay his debt, arises at all. Indeed "*profits of cultivation*" in regard to 90 per cent of the holdings of our members is a term of art, coined by the Settlement officers and such "*profits*" do not spring from those holdings,

but from the fertile soil of the Settlement officer's technique. Unless agriculture is itself a secondary occupation or, if a primary occupation, it is supplemented by some remunerative subsidiary occupation, the vast majority of the members of our credit societies, do not possess what is popularly called "*repaying capacity*." The catastrophic fall in prices of land as well as its products, during the present prolonged period of economic depression has destroyed what little margin which even a few big agriculturists, with economic holdings, used to have at one time.

"It is not merely the uneconomic character of the bulk of our holdings that the peasants suffer from, but also a *repressive system* of land tenure, with its evils of absentee landlordism, infeudations and subinfeudations, and an oppressive system of land revenue which presses too hard on the man with small holdings and cripples him economically. The age-long dependence of the agriculturist on the usurious money-lender, who keeps his victim in a state of perpetual subservience, has practically broken the economic backbone of the indebted peasant. The closing of the overseas markets to many of our commercial crops, mainly due to the emergence of a new phase of economic nationalism of our old customers, an unfavourable exchange ratio (an over-valued rupee) and other complicated factors have substantially increased the load of the agriculturist's debt and the burden of his taxes. The depressing environment, which envelopes rural life, and the low economic vitality of the peasant are thus the results of many complicated social, political and economic factors. Attempts to increase production and induce the cultivator to adopt improved methods of agriculture are blocked by economic circumstances.

Reform of Land Revenue System.

"The demand of the people of the British Provinces in India to apply to land revenue sound principles of taxation and to place it on a statutory basis is a very old one. The vast disproportion of the incidence of land revenue, compared with that of other taxes, and the necessity of removing a part of that burden from those who are unable to bear it, and laying a more equitable share of it on other classes and interests, who are able to bear it, cannot be disputed. The Marquess of Salisbury, speaking in the sixties of the last century, when he was the Secretary of State for India, said: 'So far as it is possible to change the Indian Fiscal system, it is desirable that the cultivator should pay a smaller proportion of the national charge. It is not in itself a thrifty policy to draw the mass of revenue from the rural districts where capital is scarce. This injury is aggravated in the case of India where so much of revenue is extracted without a direct equivalent.'

"It is now conceded that the settlements based on the price level during the war period and the post-war period must be scrapped, and

that in any case we must go back to 1912 or 1914, as the basis of future reform. It is further conceded that substantial reduction should be made, even in the rates of land revenue even as they stood in 1912, in order to give just and adequate relief specially to those whose holdings are small and uneconomic. On the question of how the loss of revenue caused thereby should be made up, at least partially, there is as yet no consensus of opinion. Speaking for myself and with special reference to the province of Madras, I advocate the imposition of a graduated tax on agricultural incomes, above a certain prescribed minimum, of holders of land in the ryotwari areas as well as holders of permanently or temporarily settled estates. There will of course be local rates in addition. The Taxation Enquiry Committee put up a reasoned case in defence of a levy of tax on agricultural incomes with an element of progression in it. It is now fairly clear that "political objections" and "administrative difficulties" which have so far been persistently urged against such a reform, both by the Central and by the Provincial Governments, can no longer be urged by the Provincial Governors who have given clear assurances that they will not interfere with the constitutional activities of their Ministers; and no one will deny that land revenue reform on these lines is a constitutional activity. I believe that, under such a scheme of reform, the relief that the small agriculturists in the province of Madras, whose incomes from land are below Rs. 1,000 per annum would be a reduction of about 25 to 50 per cent in the amount of land revenue now paid by them according to the varying conditions of the different tracts of the Province.

"Relief to agriculturists in the permanently and temporarily settled estates by reduction of the exorbitant rents now charged on their holdings and in provinces where the tenants do not possess rights of occupancy, by giving fixity of tenure, by making holdings heritable if not alienable, is equally important, in other words, the tenants of estates require adequate protection from rackrenting and freedom from eviction.

Other Measures of Economic Relief.

To mention only a few of the other measures of rural economic relief, which deserve the attention of the Government and the people, the following may be seriously considered:—(1) Relieving pressure on land, by promoting schemes for reclamation of fresh land; (2) removing some of the existing impediments to efficient production, such as excessive fragmentation and sub-division of holdings; (3) development of minor irrigation works, in order to increase the area under crop and its yield; (4) fiscal assistance to agriculture by a system of tariffs and subsidies, according to the needs and conditions of the several areas; (5) organising the transport system of the country with due regard to the special interests of agricultural industry; (6) establishing for the benefit

of the rural masses a system of sound general education with special provision for agricultural education and embodying the results of agricultural research within the practice of agriculturists; (7) revival and preservation of village crafts and home industries and protecting them from foreign competition; (8) provision of power and other assistance to rural industries subsidiary to agriculture; and (9) ensuring to the peasant fair treatment in the determination and recovery of debts, by the modification of processual and contractual laws, so as to protect him from the more serious consequences of indebtedness, such as the loss of land or the permanent impairment of his capital.

Rural Reconstruction.

While I am in full agreement with the idea that the spirit of co-operation is vital to organise rural reconstruction programmes, I am not quite satisfied that the whole range of the economic needs of the villager can ever be comprehended in the Co-operative Movement, having regard to the present position of our village economy and the well-known limitations of Co-operation. I entertain serious doubts whether the present day rural economy in India will lend itself to reconstruction on a co-operative basis. It was nowhere attempted in the west. It might have been perhaps possible under the old system of village community life. But the community life of the village has been definitely replaced by the individual economy. Mutual co-operation has given place to competition. The villager no longer feels that he is an integral unit of a simple social structure, which is knit by mutual self-interest.

After giving my close thought to several programmes of rural reconstruction, I feel that there are several items in them, which either do not rightly pertain to the sphere of co-operation, or which cannot be successfully carried out by the co-operative organisations. In these programmes, there are such items as the education of the villagers' children, the construction of village roads, maintenance of rural dispensaries, village conservancy, construction and repair of drinking water sources like wells and tanks and maternity welfare schemes. I cannot really understand why such services to the village community, which under the modern systems of administration, rightly pertain either to the Provincial Governments or Local Bodies like District Boards and Village Boards, should be thrown on the shoulders of "Co-operation." Those shoulders are certainly not broad enough or strong enough to bear such heavy burdens. It must be patent to every one who has the faintest acquaintance with problems of administration, that it is impossible to accomplish such a programme without the statutory right to tax the villagers and the legal power to enforce the obligations which are involved in the carrying out of such a programme.

My solution for the socio-economic reconstruction of our rural life is the creation of statutory village panchayats with powers of taxation and administration. These panchayats are the only organisations, which can effectively carry out schemes of rural reconstruction. I am aware that there are village panchayats and Village Panchayats Acts in many provinces. They are a mere farce and a sham. No Provincial Government ever took kindly to these village self-governing bodies. In a scheme of centralised government, devolution of power on the lowest administrative unit like a village, by a process of thorough-going and genuine decentralisation, is most difficult to accomplish. Neither the Provincial Government nor the Local District Board nor the heads of departments like Revenue, Irrigation, Forest, or Sanitation etc. were willing to part with any of their effective powers to the village administrative unit. On the financial side, these panchayats were treated so niggardly as to make it impossible for them to run their administration on any decent standards of efficiency. The entire land revenue collected in the village is carried to the Provincial Revenues and an additional cess called the local cess is collected to spoonfeed the local self-governing bodies; and in the process of doling out fractions of that cess to several local bodies, no more than a tiny drop reaches the village panchayat. All this must change if the Provincial Governments really believe in rural reconstruction and seriously mean to carry it out. Unless an adequate portion of the land revenue collected in each village is left in the village itself for administration of the village panchayat, to be supplemented by local taxation, village self-government will continue to be illusory.

When effective statutory village panchayats are set up in the villages, and the village self government is based on a satisfactory financial and administrative basis, the co-operative organisations can and will function as useful auxiliaries to rural reconstruction. Indeed, the village credit society can be made to comprehend a wider range of the villager's economic life than it now does and can be turned into an agency to draw the villagers together for many common purposes.

The True Role of Co-operative Credit.

Great as the economic potentialities of co-operative credit are, it is a mistake to believe that a credit society can or ought to cater to the needs of everyone and for all purposes. The position is well put up by Mr. R. F. Bergengren thus: "The Credit Union is a sane business-like device for creating credit, not for every applicant, but for every applicant eligible to and worthy of credit; not for all purposes, but for purposes which hold forth a real probability of ultimate value to the borrowers." I feel that this truth has been often over-looked in the past, much to our cost. Co-operative opinion, official and non-official, has, however, now

veered round to the view that the main function of the co-operative credit society is to supply efficiently, promptly and adequately the normal seasonal credit needs of the agriculturists. Nevertheless, the ground hitherto covered by co-operative banks in financing productive operations of agricultural industry is insignificant, while that left uncovered is vast. Short term credit comprehends not merely credit for operations of actual production, but also for purchases of goods or services required for farm operations, as well as domestic consumption of the farmer and also credit for marketing his produce. This itself is indeed a vast range of the villager's economic life to cover.

The preliminary report recently issued by the Reserve Bank of India, under section 55 of the Act, has a great deal to say about co-operative credit. Co-operators, I believe, will be in general agreement with the emphasis laid in the Report on the need for the loans from central banks and societies being largely limited to cultivation finance and to so control credit as to prevent over-financing. I do not however know what will be the reaction on co-operators of the report as a whole. Speaking for myself, I regret I am unable to agree with much of what is contained in the report on the Co-operative Credit Movement. The report is written in text-book style, setting out the main principles of agricultural credit and the canons of sound banking, with special emphasis on the limitations imposed by the very nature of agriculture in respect of credit facilities, and hardly does justice to the particular subject on which it is required to report under section 55 of the Act, namely, "the improvement of the machinery for dealing with agricultural finance and methods for effecting a closer connection between agricultural enterprise and the operations of the Bank." The report is extremely disappointing and has largely misunderstood the principles of Co-operation.

The report, starting with the idea that it is difficult to finance small scale agricultural production and that it is needless to finance the producer in respect of marketing of his crops, as these are invariably sold or pledged to the dealers in the village or market centre, an elaborate defence is set up of the attitude of the commercial banks towards financing of the agriculturists—"these banks are neither conservative nor indifferent. It is the market conditions, with their diversification and vagueness, that hinder their helping the farmer." I do not know how market conditions improve when advances are made to merchants on the pledge of produce which is still ungraded or unstandardised. The authors of the report have frankly no faith in co-operative marketing, even in the holding up of produce for a better price after the harvest, as too much risk and expense are involved in storage, outweighing any possible rise in price. It is assumed throughout that co-operators at the helm of affairs are lacking in the knowledge of markets and technical skill and presumably

could not acquire those qualities even by study and experience—qualities in which uneducated merchants excel. They go on to argue “if they employ experts it will almost amount to the same thing in the end as going for the services of middlemen.” They, however, approve of loan and sale societies, with warehouses, as useful *links between dealers and commercial banks*. What an enviable role for Co-operation!

The climax of ignorant criticism of the Co-operative Movement is reached when they deal with the Provincial Co-operative Banks. They say, “If these institutions appear to be too one-sidedly representative of the debtor, they will not carry confidence when they wish to borrow.” Again, “A bill issued by a primary and discounted by an apex bank, will have very little added to its value by the intervention of the apex bank, if the latter is merely a combination of the various primaries and is in the same boat with them.” It is high time that the Reserve Bank knew something of the resources of the Co-operative Provincial, Central and even Urban Banks, which are all embarrassed by the plethora of funds the public have been depositing with them, in spite of the low rates of interest offered and the so-called dominance of the borrowing elements. Have the authorities of the Reserve Bank investigated the possibilities of providing Provincial Banks with finance to aid the movement and marketing of agricultural products, at specially low rates of interest on the backing of documents of title to goods which satisfy the standard prescribed by the Reserve Bank?

The portion of the Report dealing with long term credit is equally disappointing. Reading the report carefully, the very need for long term credit seems to be questioned, not to speak of the soundness of meeting it by any bank. If all long term credit is a deviation from the straight path, the control of it by borrowers and not lenders—as it strikes them to be the case in India—is vicious. I do not know on what authority it is stated that “the theoretical pre-requisite of co-operation is that some in the group (in land mortgage banks) should be lenders and others borrowers.” They are however gratified that the existing central land mortgage banks are mostly of a quasi-co-operative character, without any predominance of voice to the borrowers in their management. What a travesty, I ask, of Co-operation all this is! While the Reserve Bank are pleased to recommend the debentures of the Central Land Mortgage Banks to insurance companies, they do not promise any financial aid themselves by way of investment in, or advances on, such debentures. The special efforts made by almost all countries abroad to deviate from the beaten track of joint stock banks, with a view to go to the rescue of the distressed agriculturists, specially after the depression, receive little or no attention, and no significance is attached to the way in which the State and the central banks in other countries help the agriculturists

organised in co-operative societies. I feel no hesitation in saying that schemes for the economic development of rural India will be incomplete and are not likely to yield beneficial results, unless the benefits of the country's banking system are extended to the agriculturists. The report of the Reserve Bank shatters the high hopes entertained by legislators and co-operators in this behalf.

*The Problem of Agricultural Indebtedness and its
Co-operative Solution.*

Closely associated with co-operative credit, is the problem of rural indebtedness. Indeed, the co-operative credit movement owes its origin to a desire to find a solution for the redemption of agricultural indebtedness. The problem of indebtedness has far-reaching implications, which pervade the whole range of our rural economics. The chronic indebtedness of the ryot is certainly responsible for our low agricultural production, and low agricultural production, in its turn, leads to increased indebtedness. I have often expressed the view that, in the majority of cases, indebtedness is the result and not the cause of poverty in India. The average agriculturist borrows not because he *can*, but because he *must*, though in some cases borrowing may be improvident. The more carefully I investigate into this problem, the more confirmed I become in this view. So, to my mind, the real solution to the problem of indebtedness lies in the removal of the factors which account for the chronic poverty of the masses, which, in its turn, leads to ever-growing indebtedness.

Before I proceed to state what co-operation can do to reduce indebtedness, let me guard myself against two possible misapprehensions. In the first place, it must be remembered that indebtedness is, in itself, not a cause for anxiety. Debt, when productive, is as useful to an agriculturist as capital advanced to an industrialist. Such debt is really necessary credit and not debt. In normal agricultural pursuit, the economic background of seasonal credit is the harvest out of which it comes. It will be wrong to assume that there are no agriculturists, in whose case such credit is productive and is being repaid from the year's harvest. I have reason to believe that about one half of the agricultural debt of India is floating debt, borrowed and repaid annually. It is in this sphere really that co-operative credit can do a great deal, both by way of substantial reduction of interest paid on it and of so controlling it as to prevent over-financing, which will lead to a portion of the so-called seasonal credit becoming a chronic debt. In the second place, I do not deny that the agricultural population of the country have had their share of the economic benefits which have accrued from improved communications, opening up of trade, improved systems of survey and land-records and maintenance of law and order. It may then be asked why indebtedness has not

decreased in spite of the elements of prosperity. The answer is that some part of the increase in the debt is indeed due to these very factors which have contributed to impart an enhanced value, to the land as well as its products, thereby making land a coveted security, and enhancing the borrowing power of the ryot. There should have been no occasion for regret if these facilities were availed of by the ryot to improve his economic position and to strengthen his ability to produce more and add to the agricultural wealth of the country. But, the number of agriculturists who could have taken advantage of these factors was never very great, for the bulk of our holdings were tiny and un-economic; and they were not touched appreciably by these factors.

It is now for me to express my opinion on the question, "Have co-operators any solution to the problem of indebtedness?" In regard to debt borrowed for agricultural operations and repaid out of the harvest annually, yes, co-operators have a solution. Controlled credit carefully dispensed through co-operative credit societies, at rates of interest substantially lower than those charged by money-lenders, provide a real and effective remedy for the problem. Such credit fructifies in the pockets of the borrowers, gives them a larger margin by the reduced interest charges they have to pay otherwise, and rescues them from the grip of the sowcar or the village money-lender, who, in addition to charging interest on the loan, oftentimes binds his debtor to part with his produce to himself for low prices, thus frustrating schemes for the co-operative marketing of the produce. Every endeavour should therefore be made to expand co-operative credit along these lines. Such expansion will not only benefit the members of our societies who directly come under the scheme, but will also bring about a substantial reduction in the prevailing rates of interest and considerably lessen the influence and power of the money-lender. There is no reason why we should not succeed in this endeavour, if we set about the task earnestly and make our plans well.

Then comes the accumulated unproductive debt. My study of the problem of this debt has convinced me that a large proportion of those who are involved in such debt are incapable of being saved through co-operative remedy or any other remedy for the matter of that except the cancellation of the debts by State action. The time has now come for the State taking drastic measures to wipe out such debt. In the interests of national economy, the legal rights of the creditors have to be sacrificed. But there are some classes of debtors who can be assisted by less drastic measures.

- (1) In cases where the liabilities exceed the assets, a speedy and inexpensive machinery should be set up to release the debtor from the consequences of his debt by placing all his assets at

the disposal of his creditors, with the exception of his dwelling house and other indispensable assets which the law even now makes unavailable to the creditors. For this purpose, a simple rural insolvency law, somewhat on the lines suggested by the Royal Commission on Agriculture, the Civil Justice Committee and the Central Banking Enquiry Committee, should be enacted in each province without delay.

- (2) In cases where the debtor can be saved by scaling down his debts, to a certain extent, the machinery of debt conciliation should be set up. The existing measures for debt conciliation are, in my opinion, wholly inadequate to produce any effective results. The conciliation boards must have wide powers to settle the debts at levels, which the debtor can pay; and they must have statutory powers to enforce their decisions against any individual creditor, in whose case they pass an award. A certain percentage of debtors can be saved by such a process.
- (3) In the case of debtors, the volume of whose original debt or the conciliated debt, in relation to his assets, is such that it can be repaid say, in a period of 20 or 25 years with a small interest, the co-operators have a remedy to suggest. It is the scheme of liquidation of prior debt through co-operative land mortgage banks. It is gratifying to be able to say in this connection that Madras has done better than other provinces in regard to the land mortgage banks. The report of the Reserve Bank clearly shows that the commercial banks are unable to afford any relief to agriculturists by way of long term credit. So, in this field, co-operative credit can play a useful part.

Our programme for the reform of the co-operative credit movement must, however, be broadbased on the steady and continued education of our members in the principles and practice of co-operation and on the creation of the right kind of rural leadership. The importance of the such leadership cannot be exaggerated. In an instructive article, which Mr. F. B. Wace, I.C.S., the Registrar of Co-operative Societies in the Punjab, has sent me for the current issue of the *Indian Co-operative Review*, he describes the working of two credit societies, situated in two villages whose agricultural and general economic conditions are practically the same. They are both situated in secure and well-established canal colonies. The degree of education in the two villages is not materially different. The departmental audit and supervision over the two societies is exercised in the same degree. While one society has substantially benefited its members, by co-operative credit, the other has

virtually ruined them. How is this to be accounted for? I may give the answer in the words of Mr. Wace himself: He says: "Answer can only be the difference in character and leadership. Whereas in the one society there has been a president who, without possessing any marked material or social advantages, has steadily taken the lead by force of character and has himself set an example of thrift, hard work and better living resulting in a material improvement in the position of the villagers even through years of depression; in the other society, the leader of the village, with all the advantages of tribal leadership and the prestige conferred by Government favours, has led his village and fellow tribesmen down the road to ruin." We must learn two lessons from this. One is that the success of Co-operation on its material and business side wholly depends on the strength and soundness of its moral side. The other is that we should not waste excessive sympathy on the type of the bad society, described by Mr. Wace; and if we mean to succeed, we must operate only through the good societies of the first type in the story of Mr. Wace.

The Proceedings of the Fourth All-India Co-operative Conference.

The business session of the Conference was held on the afternoon of 3rd July at the Apex Bank hall, Bangalore City, the Hon. Mr. V. Ramadas Pantulu presiding. He said that the deliberations of the All-India Co-operative Institutes' Association and the Indian Provincial Co-operative Banks' Association would be held jointly then. On the previous day the subjects committee had met and drafted the resolutions which it was for the Conference to deal with. He was very glad to see that the Registrars of Co-operative Societies from Madras, the Punjab and Mysore were present. In Madras there was always complete co-operation between the Department and the Societies and he hoped that the presence of the official members on occasions like that would further the spirit of co-operation. Mr. Ramadas was glad to note that the representatives of the Reserve Bank of India also were present. The Conference would greatly appreciate any suggestions which the Registrars and the representatives of the Reserve Bank might offer.

The Conference then took up the draft resolutions for consideration.

Mr. V. M. Thakore moved:

"This Conference resolves to request the Government of India to so amend the Indian Income-Tax Act as to exempt from income-tax and supertax the incomes derived by co-operative societies from (a) investment of their own reserve funds in Government securities; and (b) investment in Government securities for purposes of fluid resource to be maintained on a prescribed scale, under statutory obligation, in force in each province."

Mr. Hasham Khan seconded the resolution which was then unanimously adopted without any discussion.

Rights of Institutions in States.

Mr. V. M. Thakore then moved:

2. "This Conference recommends to the Government of India to amend the Reserve Bank of India Act so as to secure to Provincial Banks and Co-operative Societies in Indian States the same rights and privileges as are available to such banks and societies in British India, under the Act."

Mr. A.G. Sherlekar (Indore), in seconding the resolution, said there was no need to elaborate on a resolution which spoke for itself. Mr. K. Bhashyam (Madras) wanted to know what the attitude of the Reserve Bank of India was on that matter. Mr. K. G. Ambegaokar, on behalf of the Reserve Bank, said that it was obviously a matter for the Government of India. The Reserve Bank had nothing to do with an amendment of the Reserve Bank of India Act. Mr. K. Bhashyam observed that if the resolution was sent to the Government of India they were sure to refer the matter to the Reserve Bank for the latter's opinion. It would help the Conference to know what the Reserve Bank thought about it. Mr. Ambegaokar could not say anything on that subject on behalf of the Reserve Bank.

Mr. M.A. Gopalaswamy Ayyangar (Mysore) said that a similar resolution had previously been forwarded to the Government of India who declined to accede to the request made in the resolution. Though individuals in Indian States could hold shares in the Reserve Bank of India, co-operative societies and co-operative banks doing business in Indian States were prohibited from holding shares in the Reserve Bank.

Mr. Ambegaokar said that it was a matter which could only be dealt with by the Government of India. It could be discussed only in the Central Legislative Assembly. It was not at all a question for the Reserve Bank of India to consider at that stage.

Mr. V. Ramadas Pantulu stated that at the time the Reserve Bank of India Act was before the Select Committee of the Central Legislature he pressed the view that co-operative societies and banks in Indian States should be allowed to own shares in the Reserve Bank. Of course, at that time the Reserve Bank had not come into existence. His view did not prevail with the Select Committee of the Central Legislature and the then Finance Member, Sir George Schuster, also opposed that view.

Mr. Ramadas Pantulu believed that the Government of India would not now object to what the resolution desired. It was time that an agitation was set up in support of the resolution. At a time when the question of an All-India Federation was in sight, Mr. Ramadas Pantulu

thought, the Government of India would not refuse such a reasonable and simple request. (Laughter).

The resolution was unanimously passed.

Reserve Bank Report.

Mr. V. M. Thakore moved:

3. (a) "This Conference places on record its feelings of disappointment at the preliminary report issued by the Reserve Bank of India under section 55 of the Act and requests the Central Board of the Bank to give effect to the provisions of Section 17 of the Act, so as to provide through the Provincial Co-operative Banks agricultural finance on the security of co-operative paper of the standards and eligibility laid down by the Reserve Bank;
- (b) "This Conference further requests the Reserve Bank of India to provide provincial co-operative banks short credit at special concession rates for purposes of developing sale and supply societies (marketing societies) on the security of promissory notes bearing the signature of provincial banks, supported by documents of title to goods."

Mr. V. L. Mehta (Bombay) in seconding the resolution, said that though it was divided into two parts only yet it was really composed of three parts. The first part referred to the Preliminary Report on Agricultural Credit issued by the Reserve Bank of India as required by Section 55 of the Act. The Conference was decidedly disappointed at that report. That disappointment on the part of co-operators in India had found expression on numerous occasions all over the country, both on public platforms and in the Press. He did not therefore, think that any useful purpose would be served by recapitulating at that stage the causes for the disappointment.

The second part of the resolution, continued Mr. Mehta, was the most important one and contained their request to the Reserve Bank, if not to declare their policy towards provincial co-operative banks, at least to indicate on what conditions and to what extent they would be prepared to give financial accommodation to those banks for agricultural loan purposes.

The Report prepared by the Bank made no reference whatever to the differences among the various provincial co-operative banks in the country and treated them all as being quite similar to one another. Further the Report did not make any attempt to examine—as the Act contemplated the Report should do—how far it would be possible for the Reserve Bank to extend financial assistance to the provincial co-operative banks in the latter's agricultural credit operations. They had received a great

deal of advice as to what they should do and should not do; that was all the Report had given them! (Laughter). The co-operative banks were all very grateful to the Reserve Bank for that advice and the banks were themselves bent upon improving their standards. But along with such advice the Report should also have given an indication of the lines on which, and the extent to which, the Reserve Bank was prepared to afford financial accommodation to co-operative banks which followed that advice. It was unfortunate that the Report did not say anything about that. He would not be revealing any secret if he said that when Mr. Darling consulted the co-operative banks prior to the drawing up his own Report, Mr. Darling referred to the financing of the banks by the Reserve Bank and to the conditions on which that should or could be done. But as Mr. Darling's report to the Reserve Bank was not published they did not know what conclusions he reached on that matter.

At the exclusive preliminary Conference of Registrars of Co-operative Societies held in Delhi, Mr. Mehta continued, which was unassisted by any non-official, the deliberations resulted in the drawing up of a number of recommendations "in a string" referring to the lines on which Registrars could request the Reserve Bank to give financial accommodation to different provincial co-operative banks in the country. It was unfortunate that those recommendations would not come up before the general conference to which non-officials also were invited though they were on the agenda that day. He did not know in what pigeon-hole of the Secretariat those recommendations of the Registrars had found their final rest! (Laughter). Those recommendations had been conceived on very laudable lines and referred to such matters as the extension of credit to co-operative banks, the class of documents to be taken as security, etc.

The provincial co-operative banks now wanted to know definitely where they stood in that matter and on what lines they could secure financial accommodation from the Reserve Bank. It was true that at the present time no provincial co-operative bank needed any financial accommodation, as all of them had more money on their hands than they knew what to do with. But they might not always be in that position and therefore, they wished to get an assurance and a definite statement of policy from the Reserve Bank of India on that question.

The third part of the resolution, Mr. Mehta went on to say, was merely a continuation of the second part. It suggested that, in addition to the discounting of ordinary agricultural paper, the Reserve Bank should make available to provincial co-operative banks facilities to extend their business of financing the marketing of agricultural produce.

They cannot have it both ways. On the one hand we are criticised by the Special Marketing Officer of the Government of India who says that we are not taking sufficient interest in financing marketing efforts,

On the other hand the Report of the Reserve Bank of India on Agricultural Credit throws cold water on co-operative banks undertaking that work, which, they said, fell within the scope of capitalistic banks.

Mr. Mehta added, he would state with all the emphasis he could command, that no such monopoly could be given to capitalistic banks. He did not see why co-operative banks, which were in close touch with agricultural operations, should be debarred from financing marketing activities. In a small way co-operative banks had been doing that work for long and efficiently, and it was the duty of the Reserve Bank to encourage them in that work.

Sir M.G. Deshpande said they had all expected that the inquiry made by Mr. Darling prior to the drafting of the Report would have helped the banks in that respect. Previous to the inauguration of the Reserve Bank the co-operative banks used to get from the Imperial Bank of India funds for financing marketing operations, but since the Reserve Bank came into existence even the Imperial Bank of India was not willing to give them that accommodation. (Laughter). It was, therefore, quite essential that they should press that matter on the attention of the Reserve Bank of India.

Mr. K. G. Ambegaokar (Reserve Bank of India) said he would reply in turn to the three parts of the resolution referred to by Mr. Mehta.

In spite of the severe condemnation of the Reserve Bank's preliminary report on agricultural credit in which they had indulged, the members, he thought, should feel grateful to that report which had provided so much matter for their discussions and filled up their agenda! (Laughter).

Speaking seriously, he said, he wanted to show how much precious ammunition they had wasted, mistaking a friend for an enemy! When first the condemnations of the Report were published soon after the release of the Report, Mr. Ambegaokar had thought that it was the result of the exigencies of journalism which made imperative a quick review of an important report. But the condemnation still continued, long after the publication of the Report, and his hopes, of second thoughts obliterating first impressions, vanished. Somehow he found that their first impressions exercised such a fascination even upon the most advanced intellects to such an extent that they found themselves unable to shake such impressions off. He exhorted them not to be led away by prejudice and a desire not to find sense in anything which the Reserve Bank did.

Mr. Noor Mahomed: I wish that sense had been shown in the Report! (Laughter).

Mr. Ambegaokar said that the condemnation of the Report was due to misquotations from and misreading of the report. He could cite

several instances to support that point. He requested them all to read the report first-hand themselves and not to be misled by others' opinions of the report. If they did so they would find that the Reserve Bank only desired to help co-operative banks to the fullest extent possible. They had to remember that the report was only a preliminary report and that it had been issued to elicit interested opinion on it. It was not in any sense a final report. Nor was it a recent report. Though it was published only six months ago it was drafted a year ago! (Laughter). He did not feel there was any justification for the severe condemnation which the report had met with.

Referring to the second part of the resolution Mr. Ambegaokar said that resolution took the "wind out of his sail." Some such scheme as was contemplated in the resolution was absolutely essential and the Reserve Bank were already examining that point. They had not been secretive about it but had discussed it openly.

The Reserve Bank were working out a scheme on the lines suggested in the resolution, mentioning the lines and the extent to which the Reserve Bank would be prepared to afford financial accommodation to provincial co-operative banks to enable the latter to finance agricultural operations. He did not think there was any desperate hurry for them to publish that scheme. The Reserve Bank wanted to wait and see which bank required such accommodation. They wished to wait also because they wanted to secure that as large a number of banks as possible were benefited by the scheme, their affairs being brought to a position enabling them to take advantage of the scheme. But he found that the Reserve Bank's expectations had not worked out in that direction but had only resulted in the co-operative banks having taken umbrage under the report! (Laughter). That was not the spirit in which the co-operative banks should have received the report.

A Circular, stating the lines on which the Reserve Bank would afford financial accommodation to provincial co-operative banks for financing agricultural operations and detailing the scheme to which he had referred would be published shortly. There was, therefore, no question of co-operative banks receiving anything but sympathetic consideration from the Reserve Bank. (Cheers).

Referring to that part of the resolution which referred to financing marketing operations, Mr. Ambegaokar said that it was only as a result of a misreading of the Report that the criticism had been made that the Reserve Bank was opposed to co-operative banks financing marketing operations. If such operations were properly organised and the Reserve Bank was approached by the provincial co-operative banks for help, he was certain that such help would be forthcoming subject to the conditions to be laid down by the Reserve Bank.

The resolution asked for "special concession rates." He did not know what was thereby intended. If that meant, however, interest charges below the bank rate, he did not think the Reserve Bank would be able to give that concession. The bank rate was very low as it was and he did not think that the co-operative banks could with justification, ask for any lower rates. He was sure that along with the other scheme (which would be issued in the form of a Circular as he had assured) the scheme regarding the encouragement to be given to provincial co-operative banks for the extension of marketing operations would also be detailed.

Concluding, Mr. Ambegaokar appealed to co-operators to take a more dispassionate view of the report of the Reserve Bank on Agricultural Credit than they had done. There was no cause for them to feel insulted by that Report. He had heard at many gatherings of co-operators vehement criticism of the movement made. They took that in good spirit. Only when someone from outside said the same things they felt insulted! (Laughter.)

Mr. Noor Mahomed said that the resolution only stated that they were disappointed at the report and "disappointment" was a very mild word and not "severe condemnation"! (Laughter.) Nor had they mistaken a friend for an enemy! They could be "disappointed" only with a friend and not with an enemy! (Renewed laughter.) There was not much point in saying that the Reserve Bank would allow financial accommodation only to those provincial co-operative banks which were in the most sound financial condition. Such banks would not want any accommodation at all. Only a sick person went to the doctor! (Laughter.) All they could stipulate was that the sick person should be able to pay the doctor at the conclusion of the treatment—if he still lived! (Laughter.) The co-operative banks did not deny that there were defects in themselves. But they did not admit all the defects which were alleged against them by the Reserve Bank in the report. He hoped that the Reserve Bank would also understand the co-operative banks' point of view and that they would be able to work together as confirmed friends in the future! (Cheers.)

The Hon. Mr. Ramadas Pantulu thanked Mr. Ambegaokar for the explanation on behalf of the Reserve Bank. They did not criticise the Reserve Bank's report on account of any preconceived hostility. There could not be two opinions about the fact that the report was extremely disappointing. Mr. Ambegaokar had said that hostile criticisms of the report were ungrounded. But could Mr. Ambegaokar point out to a single line in the report which referred to any concrete suggestion for the helping of provincial co-operative banks by the Reserve Bank? Was that not the very object of the section of the Act under which the Report had been drawn up?

Mr. Ambegaokar: But this is not the final Report.

Mr. Ramadas Pantulu: We are criticising only the report which has been published and it does not contain anything about what we ask. If another Report is published we will judge it on its merits. The report which has been published does not even refer to the matter which it should have made it its duty to deal with extensively, according to the Section of the Reserve Bank of India Act under which the Report is supposed to be published!

The resolution was then put to vote and carried unanimously.

The meeting then adopted the following resolution:

4. This Conference after due consideration of the recommendations contained in the report issued under Section 55 of the Reserve Bank of India Act, resolves to express its view on the matters stated below as follows:—

(a) "This Conference does not favour the organisation of Apex Land Mortgage Banks on joint stock basis. In provinces where there are no Co-operative Apex Land Mortgage Banks, steps should be taken to form such Apex Banks on a co-operative basis on an adequate scale.

(b) "This Conference does not agree with the view that the Provincial Banks do not command the confidence of the investing public, by their Boards being largely composed of borrowers. The constitution of Apex Banks is in accordance with sound principles of co-operation and they do command in abundance the confidence of the public."

At this stage the Conference rose for the day and reassembled on the 4th July 1937, to proceed with the remaining items on the agenda.

Mr. V. M. Thakore moved the following resolution:

(c) "This Conference does not agree with the view that the lending rates of co-operative societies and banks are low and should be raised. The aim of the banks and societies should be to make co-operative credit still cheaper, if possible, for high rates of interest are a serious handicap to agricultural industry. The conference is of opinion that the margin between the borrowing and lending rates is adequate."

The discussion on this resolution revealed the existence of a preponderance of opinion against the findings of the Reserve Bank.

Mr. V. Ramadas Pantulu said it was a very important resolution. In Madras the borrowing rate of the Provincial Co-operative Bank was 2 to 3 per cent. It lent at 4 per cent to the central banks; the societies borrowed from these at 5 per cent and to the ultimate borrower the charge was 6 or 6½ per cent. Whether one per cent of margin for each

institution was sufficient or not to cover its working expenses and build up a safe reserve was a question for it to decide; but the experience of Madras showed that that margin was more than sufficient. In that respect Madras had given a lead to all other Provinces and States. In regard to land mortgage banks, the Madras Central Land Mortgage Bank now raises money at 3 per cent and lends to the primary banks at 4 per cent, which in their turn lend to their members at 5 per cent. It should be the aim of the co-operative movement to keep the rate of interest to the ultimate borrower as low as possible without involving the institutions in unnecessary risk.

Mr. T. A. Ramalingam Chettiar said that on account of the remarks contained in the Reserve Bank's report on agricultural credit some trouble had been created to them in Madras! (Laughter.)

The Registrar of Co-operative Societies in Madras had before the publication of the report considered the question of rates of interest and recommended that the land mortgage banks in the Presidency should lower their rates. That recommendation was made after deep consideration and with full confidence in the banks' ability to lower their rates of interest and still meet the legitimate demands with regard to staff, reserves, etc. But, unfortunately, two months after they had arrived at that decision the report of the Reserve Bank was published. It was a pity that the Finance Department of the Government of Madras had a lot more faith in the Reserve Bank and its pronouncements than in the leaders of co-operative movement in the Presidency and their own Registrar. (Laughter). That question would shortly have to be placed before the Board of the Madras Land Mortgage Bank.

He did not quarrel with the Reserve Bank on the matter. After all they looked at things from a banker's point of view while the conference looked at them from the co-operator's point of view. So far as a bank was concerned, it was all to the good to raise the rate of interest to as high a figure as would be paid and to build up ample reserves and to pay the largest possible dividends to share-holders! That was not the object or aim of co-operative banks or of the movement. Co-operative banks could not become commercial banks. The co-operative movement was only an alternative to the two extremes of capitalism and communism. If they agreed with that view, they could not test their procedure by commercial standards.

The real point was whether they were going to deal with members as men or merely as objects on which they should exercise their commercial acumen. Co-operation in the real sense dealt with men and all their economic activities and social needs. Co-operation was an attitude of mind and an organisation to deal with the economic aspect of human society on a humane basis.

Continuing, Mr. Ramalingam Chettiar said that the Punjab was the only province in India which tried to deal with the agriculturist as a human entity. They thought not only of providing cheap credit but also of dealing with the agriculturist as a man. In Madras they prided themselves on having advanced greatly in the direction of providing cheap credit. But was it all that the co-operative movement had to do. They all realised that mere provision of cheap credit was not an unmixed blessing. Perhaps the provision of cheap credit had even resulted in increasing total indebtedness.

He could not conscientiously say that beyond providing very cheap credit the movement had done anything in Madras towards the betterment of the ryot. He knew of some instances in which the cheap credit provided had really made the situation worse by encouraging unnecessary and extravagant borrowing. The movement should not only provide cheap credit, but should also follow it up by the organisation of production and distribution to the best advantage of the ryot, and the provision of social and civic amenities, etc.

The Reserve Bank's report in favour of higher rates was quite correct from a banker's point. But in the best interests of the co-operative movement they had to see that the rates were the lowest consistent with the safe working of the co-operative banking system.

Mr. Ramadas Pantulu said that the Madras Land Mortgage Bank was fortunate in that at the initial stages its expenses were borne by the Government and that at present it contributed only a share towards the working cost. It was the pride of co-operative societies that they lent money at the lowest possible rates and that was their justification also. As co-operators they must make a definite stand against all attempts to raise the rates of interest.

Prof. W. G. Urdwarshe said that they must not entirely disagree with the Reserve Bank's report. Though they were co-operators they must also be good business men! (Laughter.) In Indore they had found it impossible to lend to the ultimate borrower at anything less than 12 per cent. (Renewed Laughter).

Mr. Ramadas Pantulu: Then there is something radically wrong with your management expenses! If there is need for a margin of $9\frac{1}{2}$ per cent between the rates at which you first borrow and ultimately lend the only thing left for us is to ask the rest of India not to copy your management. (Laughter).

Khan Bahadur Noor Mahomed said that the agriculturist had to depend on co-operative credit. To say that they should increase their rates of interest was to deny their own existence as co-operators. If the Reserve Bank were the real friends of the movement it was their duty to

help co-operators to reduce the rates of interest further. While the average rate of interest in the Punjab was 6 per cent to the ultimate borrower, there were some societies which had built up sufficient reserves to enable them to lend at nominal rates. It was not the idea of co-operators that they should compete with money-lenders to secure maximum rates. If their rates were only slightly lower than those charged by the money-lender the agriculturist would go only to the money-lender, who was nearer to him and whose terms of recovery might seem more favourable. (Laughter.)

Prof. Kale said that while it might be possible for the Punjab and Madras, which received Government help in the shape of contributions towards the cost of the staff, to have very small margins between lending and borrowing rates it might not be possible for other provinces to work on such a small margin.

Mr. K. Bashyam said that the resolution sought to disapprove the suggestion in the Reserve Bank's report that the margin between borrowing and lending rates should be raised. There can be no two opinions about the need to keep their lending rates at the lowest possible figure consistent with the safe working of the banks. The Reserve Bank's report tended to create the wrong impression that co-operative banks were at present working in an unsound manner and that it would be unsafe to invest in them.

M. J. Nusserwanji Mehta (Karachi) pointed out that they should be very careful in the wording of their resolutions. No room should be given for misunderstanding. All provinces might not be in the same position as Madras or Punjab. Conditions varied in several places.

In the light of the discussion, the resolution was amended as follows :—

Amended Resolution C.

Rates of Interest.

"This conference is of opinion that the view of the Reserve Bank that the margin between the lending rates of co-operative banks and societies is low and should be raised is not correct as a general statement. The adequacy of the margin depends mainly upon the difference between the borrowing and lending rates, costs of management and requirements of reserves for bad debts. While conceding that these factors depend upon local conditions and circumstances, this conference places on record its considered opinion that the aim of the co-operative banks and societies should be to make credit to the borrowing members as cheap as possible and the existing lending rates should not be raised except where local conditions make it absolutely necessary."

The following clauses of resolution number 4 relating to Reserve Bank were then moved by Mr. V. M. Thakore and adopted by the conference without much discussion :—

- (d) "This conference considers it undesirable to provide any representation to depositors, *as such*, on boards of Provincial Banks, whether by nomination or other means."

Mr. V. L. Mehta asked whether there was any provision in the constitution of joint stock banks or co-operative banks elsewhere for representation of depositors as such. The answer was in the negative.

- (e) "This conference while agreeing with the view that the long term credit should be provided only through Land Mortgage Banks is not in favour of the recommendation that loans from Central Banks and societies should be strictly confined to cultivation finance only."

Other necessary forms of short and intermediate credit required by members should also be found in order to prevent them from resorting to money-lenders; provided however that the deposits and borrowings of the banks should be so regulated as to permit such loans being granted from those sources."

- (f) "This conference, while recognising the necessity of bringing down the level of the debts of members where there is no reasonable prospect of their recovery in full even if long extensions are given, does not consider it desirable that any hard and fast rules should be laid down for all banks and in all areas. With the rise in prices and other favourable conditions the position may change as it has done already in certain areas; and it must be left to the banks and societies to deal with the problem according to local conditions."

- (g) "This conference, while agreeing with the proposal that a statutory fixed or agricultural charge upon produce should be created, does not favour any special provision apart from ordinary penal law for the sending to prison of members who dispose of their produce without repaying the societies' dues."

- (h) "This conference recognises that multiple purpose societies have proved beneficial in certain areas and possess some advantages where they can be successfully set up and while it is not prepared to recommend them for general adoption is in favour such societies wherever conditions permit."

- (i) "This conference is unable to agree with the view that Central Banks operating over small areas are preferable to larger banks or that large district banks, must be split up into small banks."

- (j) "This conference, while it recognises that a pure type of central banking union composed entirely of primary societies and with no individual shareholders has much to commend in it, from a co-operative point of view, is of opinion that such unions are not capable of being developed and efficiently worked in many areas. They were tried and abandoned in some areas. The matter must be left to local co-operative enterprise according to local conditions."
5. "This conference agrees with the view that the practice of making debentures of land mortgage banks redeemable at any time is unsound and that a period should be fixed for the redemption of those debentures; a fund into which collections of principal are pooled should be formed for redeeming debentures and provision should also be made for retiring them by purchase in open market whenever possible."
6. "This conference requests the Central Board of the Reserve Bank of India to invest in, and lend on, the security of debentures issued by the Land Mortgage Banks at least where the principal and interest thereof have been guaranteed by the Central or Provincial Governments."
7. (a) "The conference while it emphasises the need for strengthening and expanding the co-operative movement so as to serve the banking needs of agriculture and the small industries of the country, feels that in the present conditions the Reserve Bank of India can regulate the credit system successfully only if it is able to bring within its purview indigenous bankers in various parts of India."
- "This conference is of opinion that the difficulties, if any, in the way of bringing the indigenous bankers within the purview of the Bank are not insurmountable and requests the Central Board of the Bank to make every endeavour to do so."
- (b) "This conference favours the compulsory licensing and registration of all money-lenders without charging fees, requiring them to maintain regular and standardised accounts. The conference also urges the necessity of fixing the maximum rates of interest allowable on agricultural loans."

Prof. Kale said that the conference was not in any way concerned with the indigenous bankers.

Mr. Ramadas Pantulu: Anything that is connected with rural credit is our concern. On your argument we have nothing to do with questions relating to money-lenders as well. But as co-operators it is our duty to see that all rural credit activities, even those unconnected

with the co-operative societies, are well regulated. When you consider that as against a total of Rs. 200 crores which joint stock banks handle mostly for urban credit, indigenous bankers handle about Rs. 1,200 crores mostly for rural credit, you will realise the immense need for regulating the operations of indigenous bankers in some suitable manner to help agriculturists.

Mr. K. Bashyam: Why should we wish the indigenous bankers to be controlled by the Reserve Bank? The indigenous bankers should not be placed under the control of the Reserve Bank unless the latter can help the banks. . . .

Mr. Ramadas Pantulu: That is the idea. The Reserve Bank should provide facilities for the working of the indigenous bankers and then control their operations.

After a long discussion on that part of the resolution referring to the licensing of money-lenders and the fixing of a maximum rate of interest the whole resolution was adopted.

Khan Mohammad Bashir Ahmad Khan, Secretary of the All-India Institutes' Association then moved the following resolutions appearing on the Association agenda:

Rural Reconstruction.

8. "This conference considers that the co-operative movement should be used to extend the rural reconstruction programme to the fullest possible extent, compatible with its principles."

Mr. F. B. Wace, I.C.S., The Registrar of Co-operative Societies, Punjab said it was a very important question. Neither the co-operative movement nor the rural reconstruction programme could succeed in any great measure without a genuine effort, on the part of non-official workers. If there was a genuine conviction about the need for intensive rural reconstruction efforts there was no organisation better suited to achieve that end than the co-operative movement. It was up to co-operators to exploit—he used that word very guardedly and in its best sense (Laughter)—and make the fullest use of the scope offered by the rural reconstruction programme to achieve the fundamental objects of co-operation. There was no need for a widespread inculcation of mere abstract ideas. What was wanted was that they should take hold of concrete programmes within their capacities and work them out in a systematic manner.

Mr. Wace next referred to the co-operative "better living societies" in the Punjab and the useful work turned out by them. He mentioned also the progress made in consolidation of holdings. In the Punjab he said, they had established confidence among the public in the permanence and spontaneity of the co-operative organisation. It was his

definite opinion that the movement could play a very useful role in rural reconstruction (Cheers).

The following rider was then added to the resolution.

"The standing committee of the All India Institutes' Association will prepare a scheme and circulate it among members and also take steps to see that programmes are carried out."

The resolution with the addition was adopted.

9. "Societies for members of Depressed Classes who are employed in municipalities and in trades like skins and hides be encouraged and strengthened.
10. "This conference requests the co-operative institutions to popularise the movement among women and enlist them as members in large numbers in all types of societies.
11. "The Governments of the Provinces and States are requested to give liberal and substantial financial help to the Provincial Co-operative Institutes out of the provincial or state revenues.
12. "This conference is of opinion that co-operative societies holding shares in the Reserve Bank of India should be permitted to nominate, by a duly authenticated resolution of a committee, any member of the society as a representative to attend and vote at general body meetings of the Reserve Bank.
13. "This conference is of opinion that it is essential that the officer selected for the post of the Registrar should first have undergone special training and have shown by experience his fitness for the work. He should be allowed to visit other provinces of India as well as Europe to study the co-operative movement there. There should be an officer under training to succeed the Registrar.
14. "This conference requests the Governments to make statutory provision for notice, in writing of not less than thirty days, being given to a co-operative society before any suit is filed against it.
15. "This conference is of opinion that the recommendation of the Mysore Committee prohibiting grant of loans to non-member depositors on the security of their deposits is unsound. The bank must have discretion in granting such loans."
16. "This conference resolves that the publication of the *Indian Co-operative Review* be continued and that it be published under the joint auspices of the All-India Co-operative Institutes' Association and the Indian Provincial Co-operative Banks' Association. The conference requests the Hon' Mr. V. Ramadas Pantulu to continue to be the Editor of the Review.

CONFERENCES

17. "This conference appoints the Hon. Mr. V. Ramadas Pantulu, (ex-officio as member of the Central Committee of the International Co-operative Alliance) and Prof. K. C. Ramakrishnan and Rai Ratan A. G. Sherlekar as delegates to the Fifteenth International Co-operative Conference to be held at Paris on 6th, 7th, 8th and 9th September, 1937.

18. The following office-bearers of the All-India Co-operative Conference were elected for 1937-39:

President:—The Hon. Mr. V. Ramadas Pantulu.

Vice-Presidents:—Mr. S.K. Lahiri and Dewan Bahadur K.V. Brahma.

Secy. & Treasurer:—Khan Mohammad Bashir Ahmad Khan.

Joint Secretary:—Prof. W. G. Urdhwarsh.

The Conference was invited to hold its next session in Indore in 1939. Sind also extended its invitation.

Winding up the proceedings, the Hon. Mr. V. Ramadas Pantulu said that he quite agreed with Mr. Wace about need for the co-operative movement furthering to the best of its capacity rural reconstruction work. In his anxiety to emphasise the need for village panchayats being made more effective he had perhaps given the impression that the co-operative movement played a less important part in that sphere of work. That was unfortunate because he never meant anything of that kind.

The Conference was very grateful to the Reception Committee for the splendid arrangements made for the reception of the delegates and visitors (Cheers). They were very grateful to the Registrars of Co-operative Societies and the representatives of the Reserve Bank for their contribution to the success of the Conference.

The representatives of the Reserve Bank and co-operators had perhaps troublesome time (Laughter), one espousing the cause of banking and the other that of co-operation. He was sure that the discussions between them had left no personal sting. The fight between capitalism, represented by the Reserve Bank, and co-operation, represented by the co-operative bodies, would however continue with unabated vigour (Laughter). He thought that discussions such as those they had at the conference would tend to bring them closer together as friends (Cheers.) He always appreciated those who were frank and free in their expression of views and was, therefore, quite pleased that they had Mr. Ambegaokar in their midst.

Votes of thanks to the reception committee, to the Scouts who acted as volunteers and to the chairman were then passed.

Mr. T. Austin (Registrar of Co-operative Societies, Madras) said that "as a mere Registrar (Laughter) he wished to say how pleased the officials were to have been able to attend that conference. He felt that the more officials and non-officials came together as they had done at that conference the better it would be for the great movement the interests of which they all had at heart (Cheers).

The Conference then dispersed.

News and Notes.

At the meeting of the Executive Committee of the Provincial Co-operative Bank held at Ootacamund on the 28th May last, it was resolved to request Dewan Bahadur V. Swaminatha Aiyar, retired Chief Engineer for Irrigation, to investigate the prospect of expanding the cultivation of sugarcane in the neighbourhood of the Vuyyur Co-operative Sugar Factory, as the output of cane at present in the area is not sufficient to meet the needs of the Factory.

Under the supervision of the welfare department of the Buckingham and Carnatic Mills, Madras, three co-operative societies are being conducted for the benefit of the workers of the two mills—a store, a credit society and a building society. The total sales in the store amounted in 1936 to Rs. 9,91,000, whereas in the previous year they amounted to Rs. 10,70,000. The credit society issued loans amounting to Rs. 1,16,000 and had a membership of 2,171 with 11,847 shares in 1936 against 2,347 with 12,458 shares in the previous year. The fall in the sales of the store and in the membership and transactions of the credit society was mainly due to the reduction of employees in the mills owing to retrenchment. Both the store and the credit society worked at a profit. The profits of the former were set off by the management against previous losses, but a dividend of 7 per cent was declared on the share capital of the latter. The building society was not able to do any appreciable amount of work for want of suitable sites.

By the end of June, 1937, the Nellore District Bank had completed the examination of outstanding loans in 299 societies. The total amount involved including interest was Rs. 8,61,835, of which Rs. 6,12,329 was adequately secured and Rs. 2,49,506 was not. The amount of estimated bad debts in those societies was Rs. 1,18,634, of which what would affect the District Bank, after setting off the reserve fund and share capital of the societies concerned, was estimated at Rs. 31,226.

The third Karur Taluk co-operative conference was held at Karur on the 27th May, Mr. L. N. Paramasivam Pillai, Vice-President of the Trichinopoly Central Bank, presiding. He exhorted the agriculturists to purchase seeds, manures and other requirements and to sell their produce through co-operative purchase and sale societies, and to adopt secondary occupations such bee-keeping and poultry-farming for increasing their income. One of the resolutions passed at the conference requested the Railway authorities to reduce freight on plantains booked from stations in Karur and Kulitalai taluks.

While declaring open the new building of a co-operative bank at Salem, Mr. S. V. Ramamurti, I.C.S., whose independence of thought is always refreshing, observed that there was nothing wrong in co-operative societies giving loans for marriages, funerals etc., which are not strictly productive purposes. Man's life, he said, had for its objective not only the saving of money and its production, but also the securing of social and family happiness. Poor men had always to borrow on such occasions and to repay the loans from future savings. It was quite proper for co-operative societies to give loans for such purposes.

The Bellary District Board and District Economic Council have resolved upon digging 26 bore-wells in different parts of the district at a cost of Rs. 25,000 for supplying good drinking water to the villages concerned. The first of them was opened by the District Collector on the 17th of June at a small hamlet called Sankarabanda. The well took no more than four days to be completed. It is expected to supply 250 gallons of water per hour. We hope the other wells will prove as successful as this one and that other districts will benefit by the example of Bellary.

Dewan Bahadur K. Deivasikhamani Mudaliar unveiled recently in the premises of the North Arcot District Co-operative Bank, Vellore, the portraits of Rao Bahadur V. A. Arunachala Mudaliar, President, and Rao Saheb K. M. Singaravelu Mudaliar, Executive Committee member of the Bank, both well known leaders of the co-operative movement in the district.

While opening the second Andhra Handloom Weavers' conference at Nandyal in Kurnool District on the 19th June, the Hon. Mr. V. Ramadas Pantulu observed that Indian mills were making yarn unduly dear to handlooms with a view to kill the handloom weaving industry and that even the Madras Provincial Co-operative Handloom Weavers' Society, which is financed from Government of India's subvention, was dominated by mill-owners. He pleaded for the grant of representation in the Assembly for handloom weavers, as they are far more numerous than the employees of the textile mills who are now given two seats in the Assembly. To eliminate competition between the mills and the handlooms in this country he favoured the restriction of mill cloth to certain varieties only.

At the West Godavari district co-operative conference held recently at Pasivedala under the presidency of Mr. N. Satyanarayana of Alamuru, a resolution was passed requesting the Government to so amend the law relating to limitation and to insolvency as to make it inapplicable to co-operative societies. It also recommended that the present unlimited

liability society with jurisdiction over a single village should be replaced by a sort of a people's bank with reserve liability serving four or five villages.

Unlike Madras, the Travancore State has not allowed much delay to occur in establishing Debt Conciliation Boards after passing the necessary legislation. From the 15th of June five Boards are at work in different parts of the State with jurisdiction upto Rs. 5,000 and they are co-ordinated and supervised by a Chief Conciliation Officer whose jurisdiction extends upto Rs. 10,000.

The Agricultural Marketing Adviser to the Government of India, Major Livingstone, it appears, controls and co-ordinates a staff of over 300 officers working in different provinces and States of India. They are at present chiefly engaged in making surveys of various commodities, but some stations have also been established for experimenting in grading and marking, based on the qualities of certain goods. Without being impatient, the public in general and co-operators in particular are looking forward to some substantial good resulting from the labours of so numerous a staff.

The Provincial Committee of the U. P. Co-operative Union has recommended to Government the amendment of section 19 of the Co-operative Societies Act of 1912 to the following effect:

"Subject to any prior claim of the Government in respect of land revenue or any money recoverable as land revenue, or of a landlord in respect of rent or any money recoverable as rent, the property of a member or a past member of a co-operative society entered in the haisiyat register will be deemed to have been hypothecated to the society."

An arresting fact is brought to light in a paper read at the last session of the Indian Science Congress by Mr. F. Ware and Dr. K. C. Sen of the Imperial Veterinary Research Institute. In the course of 20 years, by careful selection and breeding, the average milk yield per cow of a herd of Indian pure-bred Sahiwal cows in a military dairy farm in North India has been raised from 5.5 lbs. to 17 lbs. per day, with a butter content of 4.6 per cent. Comparing this with the 3.7 butter content of English shorthorns, the writers of the paper say, "The best Indian cows, therefore, already compare very favourably with the average English dairy cattle, while the possibilities of further improving them by selective breeding still remain." The improvement mentioned above in the yield of an indigenous breed must put heart into everyone interested in increasing the milk supply of India.

The writers of the paper further point out that for a population of 352 millions we have 200 million cows and buffaloes, an excessive number, and the land cultivated per head of population is less than two acres, and therefore sufficient food is not produced either for man or animal under the present system of cultivation. The consumption of dairy products per head of population in India in all its forms is much less than in other countries and should be increased to two or three times what it is at present, if the population which is mainly vegetarian in diet should be maintained in a state of health. What is required is to improve the breed of cattle by careful selection and to improve their feeding by adopting a scientific standard and the cultivation of suitable fodder crops.

At the end of June 1936, there were 15,106 co-operative societies of all kinds in Japan with a membership of nearly 6 millions and a paid up share capital of Yen 262,712,000. The loans granted during the year amounted to Yen 1,057,028,000 while the savings deposits held at the end of the year amounted to Yen 1,428,258,000 and reserves to Yen 153,928,000. The National Young Men's Co-operative Guild had a membership of 370,000 against 25,000 in 1933 when it was started. About half its members are under the age of 25 and most of the remainder under 35. It comprises 5,000 small district federations and conducts two journals, a monthly and a fortnightly, with circulations respectively of 20,000 and 50,000. In what vigour to these figures show the movement to be in Japan contrasted with its state in our country!

The employees of co-operative societies in England enjoy decidedly better conditions than employees of private trade. The wages of the former are 10 shillings to two pounds a week higher than those of the latter; the hours of work are 46 to 47 hours against 52 to 60 in private profit trade; and 95 per cent of the co-operative employees are members of trade unions, while not even 5 per cent of the employees in private distributive trade are members of trade unions. At the Shilbottle mine, owned and operated by the C.W.S., the miners get two weeks vacation each year with pay—which the workers in no other mine do.

The amount subscribed in aid of the Spanish co-operators in response to the appeal of the International Co-operative Alliance by some of its affiliated organisations till the beginning of May last, was a little more than £ 10,000. Apart from this, French Co-operative Organisations are running children's homes, were 2000 child victims of the war are being looked after. In Spain itself the membership of all co-operative societies, especially of those in Madrid, has enormously increased, because they distribute food stuffs equitably to their members, whereas in private trade, while some get more than they need, others are unable to get what they need. The International Co-operative Alliance has issued a fresh appeal for helping the Co-operators of Spain.

List of Societies Registered in May 1937.

Serial No.	Names of the Societies.	District.
1.	Gandala Co-operative Society	Ganjam
2.	Bandarlanka Devangi Weavers' Purchase and Sale Society, Ltd.	E. Godavari.
3.	Muramanda Weavers' Purchase and Sale Society, Ltd.	"
4.	West Kristna Fruit Growers' Co-operative Society ...	Kistna.
5.	Ellamanda Co-operative Credit Society ...	Guntur.
6.	Madras Snuff Merchants' Co-operative Credit Society, Ltd.	Madras.
7.	Pillaipalayam Sri Anandarudreswarar Weavers' Co-operative Purchase and Sale Society, Ltd. ...	Chingleput.
8.	Aladikumalai Co-operative Sale Society, Ltd. ...	Tanjore.
9.	Vellore Municipal Women Superior Employees' Co-operative Society, Ltd.	N. Arcot.
10.	Pannaikadu Co-operative Society	Madura.
11.	Annanchi Co-operative Society	"
12.	Kondayampatti Co-operative Society	"
13.	Kasipalayam Co-operative Society	"
14.	Nallochampatti Kallar Co-operative Society	"
15.	Dombucheri Co-operative Society	"
16.	Odaipatty Co-operative Society	"
17.	Madura South (Police) District Kallar Co-operative Labour Society, Ltd.	"
18.	Aruppukottah Co-operative Sale Society, Ltd. ...	Ramnad Dt.
19.	Kembaksadupalayam Co-operative Society ...	Coimbatore.
20.	Nazerth Co-operative Stores, Ltd. ...	Tinnevely.
21.	Pudur Co-operative Credit Society	"
22.	Thailapuram Roman Catholic Co-operative Credit Society, Ltd.	"
23.	Puthadi Co-operative Society	Malabar.
24.	Palghat Women's Co-operative Stores, Ltd. ...	"

List of Societies Cancelled in May 1937.

Serial No.	Names of the Societies.	District.
1.	Thammanampatti C. S.	Salem
2.	Asanur F. L. C. S.	South Arcot
3.	Kanjankollai C. S.	"
4.	Kaludur	"
5.	Munugapattu C. S.	North Arcot
6.	Kovilur C. S.	"
7.	Vilanellore	"
8.	Korathi	"
9.	Peravurani Kazhanivasal C. S.	Tanjore
10.	Orthanad Chattram Anaikara St., Rajakaliamman C. S.	"
11.	Vadiakkadu Meyakkavinayakar	"
12.	Nadupalayam C. S.	Coimbatore
13.	Rebaka C. S.	Vizagapatam
14.	Quilandy	Malabar
15.	Sathiram Kodikulam	Ramnad
16.	Jamalapalli	East Godavary
17.	Thevaram Co-op. Audit Union	Madura

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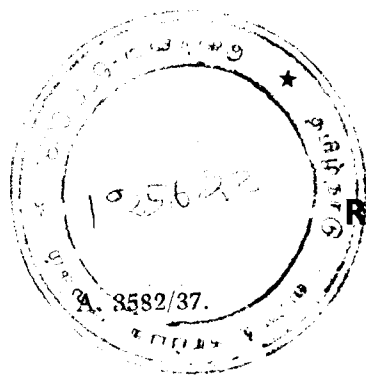
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Registrar's Circular.

OFFICE OF THE
REGISTRAR OF CO-OPERATIVE SOCIETIES,
Madras, dated 27th May 1937.

T. AUSTIN ESQ., I.C.S.,
Registrar.

CIRCULAR.

Sub: Central Banks—Control of expenditure relating to surplus funds of liquidated societies—amendments to model by-laws—suggested.

Rule XIV (3) (a) (i) of the rules framed under the Madras Co-operative Societies Act VI of 1932 as recently amended lays down that the surplus funds of a liquidated society (other than a financing bank or a supervising Union) which are intended to be applied to any local object of public utility, shall until they are disbursed for such object be kept invested in a financing bank and that it shall be the duty of the Committee of such bank to see that any amount withdrawn is spent properly and to allow withdrawal of funds in instalments as the work for which they are intended progresses to its satisfaction. In order to carry out the provisions of this rule, the following by-law is suggested to all Central Banks for incorporation under their miscellaneous by-laws.

“The Central Bank shall receive the surplus funds of cancelled societies within its area, which are intended to be applied to any local object of public utility under the provisions of rule XIV (3) (a) (i) under the Madras Co-operative Societies Act VI of 1932 and shall keep such investments until they are disbursed for such object. It shall be the duty of the Board of Management of the Central Bank to see that any amount withdrawn is spent properly and to allow withdrawal of funds in instalments as the work for which they are intended progresses to its satisfaction”.

A provision is also necessary in the by-law dealing with the objects of the Central Bank and the following is therefore suggested for adoption by all Central Banks;

“to control the expenditure relating to the surplus funds of liquidated societies”.

2. All Central Banks are advised to adopt the amendments suggested above. The Deputy Registrars are hereby permitted to register the amendments.

By Order

A. SINGARA RAJU,
Manager.

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