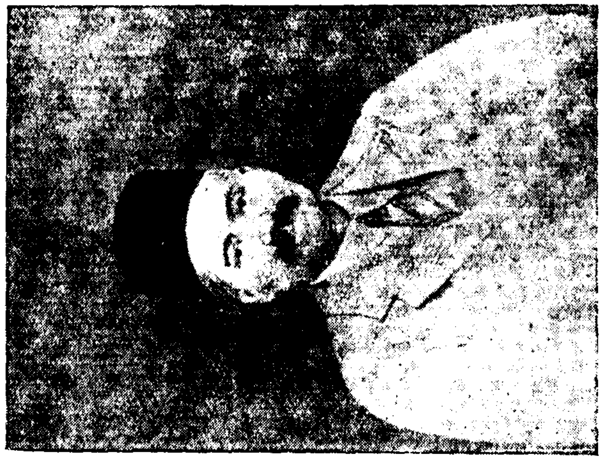

Mr. K. C. RAMAKRISHNAN (left) of the Madras University and Mr. A. G. SHERLEKAR (right), Manager of the Indore Premier Co-operative Bank, Ltd., who attended as delegates from India the International Co-operative Congress held at Paris in September last.

THE

Madras Journal of Co-operation

VOL. XXIX.] OCTOBER 1937. [No. 4

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Editorial Notes.

Audit Fees.

We have published in this number more opinions on audit fees from representative co-operators and from co-operative institutions. We have also published the brief memorandum on the subject issued recently by the Government. For some inexplicable reason it reached us late and after most of the matter included in this number was printed. We have not therefore been able to comment on it. If it had been issued one or two months earlier, it would have focussed discussion on the points raised therein. We are very glad that it contains an invitation to societies to express their views on the points raised in it and that they are allowed a period of two months for sending their views. We trust the opportunity will be fully availed of by the societies. In the meantime we shall attempt a review of the opinions expressed so far and indicate our own preferences.

Should Audit Be Free?

The question whether audit fees should at all be levied and whether audit, being a statutory function of the Registrar, should not be free, is raised by Rao Saheb M. S. Seshachala Aiyar. He points out that Rs. 13 lakhs (it is really less than Rs. 11 lakhs) of the tax-payer's money is being spent on the co-operative movement in this province apart from certain concessions shown by the State, because of the manifold benefits it confers upon the people. In conferring those benefits, the institutions on which audit fees are levied play as good a part as those which are exempted. Then, why should only some institutions be required to pay the audit fee, he asks. While we may admit that there is logic in this contention, we have, however, to recognise that we have no absolute claim to the tax-payer's money, that we may ask for it only when it is quite necessary, and that as soon as possible the movement should become self-supporting. That audit is a statutory function of the Registrar does not necessarily make it free. Most co-operators and societies have tacitly agreed to the levy, though they have objected to the scale, agency and other details. Therefore the question of making audit free to all societies need not be considered now.

Exemptions.

At present under rule XI all credit societies of unlimited liability and those of limited liability which have a working capital of less than Rs. 20,000; all purchase, sale or production societies the value of whose purchases, sales or production respectively is less than Rs. 10,000; and other societies whose gross income is less than Rs. 50,000, are exempted from the payment of audit fees. Unlimited liability societies, whatever their working capital, have been exempted obviously in order that their reserve fund may grow, because the more their reserve fund, the less is the danger to their members from unlimited liability. In other cases the exemption is due to the smallness of the societies and their consequent inability to pay. In addition, the Registrar is given discretion to remit the whole or any part of the audit fee payable by a particular society or class of societies for any year or other specified period. This power is no doubt frequently exercised by the Registrar, but not to the satisfaction of either the societies or himself. In the first place, there is the pressure of the Finance Department exerted against him, which makes it impossible, or at any rate very difficult, for him to give exemptions in all deserving cases. One cannot well blame the Finance Department for doing its duty; but it is not a Department which can be expected to sympathise with the needs of co-operative societies. Its eye naturally will be only on the revenue aspect of the levy. Then, again, there is a large and inevitable

personal factor which comes into play in the use of this discretion. The recommendations of the Deputy Registrars, who cannot all of them be expected to take the same view of a question, nor all of whom have the same degree of influence with the Registrar, the personnel of the management of the societies applying for remission and a certain amount of luck, influence the Registrar's decision, with the result that some deserving societies do not get remission and some undeserving ones get it. From the list of societies, kindly supplied by the Registrar, from which audit fees were collected for the year 1935-36, we find that in several districts no remissions we allowed, in some they were allowed sparingly, while in one or two districts quite liberally—even central banks getting the remission. Where remission has been given, it has ranged from 100 per cent to 12 per cent without any discernable principle. While one industrial society gets full remission, another gets 50 per cent and a third none at all, though all of them worked at a loss. Therefore the scope for this discretion should be narrowed down as far as possible by more exemptions being provided in the rules.

Loss Societies should be Exempted.

We should recommend that all societies working at a loss in any year should be exempted from the payment of audit fees for that year. It would perhaps be argued that audit is a necessary service and should be paid for like rent and other charges, whether a society works at a profit or loss. If this argument were accepted, the audit fee would have to be collected from every society and not only from some. As a matter of fact, it is only some three hundred societies out of nearly 13,000 which pay the audit fee. Therefore the argument of service does not hold. Moreover, one year's loss is carried forward to another year and until it is fully wiped out there can be no addition to the reserve fund and no payment of dividend to share holders. The regular levy of audit fee would add to the loss and retard the growth of the reserve fund and damp the enthusiasm of the management. From the Vuyyur sugar factory which is causing considerable anxiety to the Provincial Bank, the Industries Department, and the Co-operative Department, a sum of Rs. 1,457-0-0 was collected as audit fee and no remission was allowed. There are many other loss societies whose recovery everybody wishes but which is retarded by the levy of audit fees. Therefore it is good policy to exempt loss societies from the payment of audit fees.

Next, we should recommend that all loan and sale societies, land mortgage banks and special types of societies should be exempted. At present land mortgage banks are exempted for the first three years. It is true that the scale applied to them after three years is a low one. But they are working with only 1 per cent margin, out of which the smaller societies may not be able to meet even working expenses. It is not desirable that they should be asked to increase their margin, because the rate of interest at which they lend to their members besides being economically beneficial to the members, keeps down the general rate of interest in the area of their operations, and thus benefits the population at large. The case of loan and sale societies is harder. They too work on 1 per cent margin. They are not exempted even during the first three years, though every one is as anxious about their taking root in the country as about the land mortgage banks. In this connection we should like to draw the special attention of the authorities to Rao Saheb A Sethurama Aiyar's note, which shows not only the hardship caused to his infant loan and sale society by the levy of audit fee but also the uncertainity of the result of an appeal for remission to the Registrar. The necessity for exempting special types of societies will be readily admitted by all. The point is that as far as possible the exemptions should be provided for in rules rather than be left to the discretion of the Registrar.

Basis for Levy.

The basis for the levy of audit fees is the working capital of societies in respect of all credit societies—central, urban and land mortgage banks and building societies—though the scale is different in each case. For purchase, sale and production societies it is the value of goods sold, and for printing presses, hostel societies and other miscellaneous classes of societies it is the gross income. The present basis is widely felt to be unsatisfactory. The alternatives suggested are the time basis, that is, the number of days actually taken or approximately considered necessary for audit for each society, the gross profit and the net profit. The time basis was discussed at the informal conference of representatives of urban banks and distinguished co-operators called by Mr. Giriappa last year, when he was Acting Registrar, and rejected; because some auditors do their work quickly while others do it slowly, no check over an auditor's work is possible by the society whose accounts he audits, and any complaint to the Department against an auditor will lead to friction between the society

and the Depatment. The time basis is therefore out of the question. If the net profit be taken as the basis of the levy, loss societies would be automatically exempted—which, we believe, is the chief reason for the suggestion being made—and societies working at a profit would be sharing their profit with Government. The better managed societies would then grumble and the worse managed societies would be pleased. If loss societies are exempted, we do not think there will be any reason left for adopting the basis of net profit. Gross profit is in our opinion a better basis than working capital; but these alternatives have been urged really because the present scale is very heavy in respect of the most numerous class of societies which pay the audit fee, *viz.*, the urban banks. If the scale for them is made reasonable, then the alternatives will lose their importance. There is much force in the contention that if the working capital is retained as the basis, the reserve fund and deposits with other societies should be excluded from the working capital. These get counted twice, once in the working capital of the primary society and again in that of the central bank, and really put no work on the auditor. Therefore they should be excluded from the calculation of the working capital of the primary societies where they are not employed. If it is contended that even they earn some interest and therefore should not be excluded, it would be better to make the gross profit the basis of levy instead of the working capital.

In this connection it may be noted that the district audit unions of Coimbatore and Madura have altered the basis. Coimbatore has adopted gross profit with a sliding scale as the basis, though it began with working capital, Madura takes into account only the amounts that are due by members as loans, and levies 0-8-0 per Rs. 100 on them. Yet it has been able to build up a decent reserve fund. The Department does not seem to be dissatisfied with the audit conducted by these Unions, while the constituent societies feel they are better off than they would be under Government audit. It is therefore that some co-operators advocate the formation of more audit unions. Four years ago there was a strong agitation for their formation, but the Government of the day decided against them. A revival of the agitation is now urged by some, but it would be unnecessary if the present scale of audit fees is suitably revised.

The Scale.

The scale in force at present has been criticised as excessive and arbitrary. It is said on behalf of the Government that the audit fee is not made a source of profit to Government and that the fee levied is intended just to cover the expenses incurred by Government on the auditing staff—presumably the staff auditing the fee-paying societies. The latter, however, are unable to reconcile this statement with their experience and therefore remain unconvinced. The Mangalore Catholic Co-operative Bank, on which was levied a fee of Rs. 770 in 1935-36, points out that its audit—monthly concurrent and final—occupied only about 70 days in all and should have cost the Government only about Rs. 200. The audit of the Kurnool Urban Bank took 56 days and should have cost the Government less than Rs. 200, but the Bank paid Rs. 562. The urban banks generally seem to be paying about three times the cost. They would naturally want to know whether they are paying for the audit of other classes of societies whose fees are inadequate; or whether the audit staff is also used for purposes other than audit. Whatever that be, there is no gainsaying the fact that the scale for urban banks is excessive.

To compare the scales for different kinds of societies. Urban Banks are required to pay 0-8-0 per Rs. 100 upto Rs. 50,000, 0-6-0 per Rs. 100 for the next Rs. 50,000 and 0-4-0, 0-3-0, 0-2-0, and 0-1-0 respectively per Rs. 100 thereafter for every succeeding lakh. Central Banks pay 0-12-0 per Rs. 1,000 upto Rs. 5 lakhs, 0-6-0 per Rs. 1,000 from Rs. 5 to Rs. 15 lakhs, 0-3-0 per Rs. 1,000 from Rs. 15 lakhs to Rs. 30 lakhs and 0-2-0 per Rs. 1,000 over Rs. 30 lakhs. While all urban banks have complained against their scale, among central banks only the smaller ones have so complained. It should be very irritating to an urban bank to have to pay a higher sum than that paid by its central bank, though the working capital and profits of the latter are several times greater than those of the former and the number of days taken (usually by the same auditor) for audit also larger. Land mortgage banks are levied the same scale as central banks, while building societies are charged a flat rate of 0-2-0 per Rs. 100. These inequalities in incidence are certainly arbitrary and should be set right if possible. At the informal conference already referred to, a reduction of 35 per cent all round in the audit fees was recommended. But it would appear to be inadequate so far as urban banks are concerned. A good many of them have suggested a reduction of 50 per cent, which appears to us to be quite reasonable. In the case of central banks 35 per cent should suffice. In the case of building, purchase, sale and production societies no change would seem to be called for. But the scale imposed on printing

presses, hostels etc.—5 per cent of the gross income—is simply absurd. In fact, this class of societies should be exempted altogether. If they cannot be exempted the scale applicable to them should be the same as for purchase and sale societies.

Maximum Necessary.

Then it is imperative that there should be a maximum for the audit fee for any class of society. The audit of no ordinary urban or central bank should take more than 80 days—concurrent and final included—if the auditor be fairly efficient, and therefore Rs. 300 may well be put as the maximum fee for an urban bank and Rs. 500 for a central bank. These were the maximum fees paid by the biggest urban and central banks respectively to professional auditors, before Government made audit its monopoly. Quite a number of urban banks with working capital ranging from Rs. 1½ lakhs to Rs. 4 lakhs have paid audit fees above Rs. 500 going upto Rs. 900. From the list of societies already referred to we find that the following societies paid the highest audit fees.

		Rs.	A.
S. I. Ry. Employees C. S. Trichinopoly	...	1,841	11
Vuyyur Industrial and Credit Society	...	1,457	0
The Central Land Mortgage Bank, Madras	...	1,352	11
City Co-operative Bank, Madras	...	1,330	4
Coimbatore District Urban Bank	...	1,032	9

It is possible that one or two societies require the full time services of an auditor. Such societies may be treated as special cases and they need not come in the list, like so many other societies whose audit is done by special arrangement. But ordinarily there should be a maximum for the fee chargeable to each class of society.

Staff.

It is rightly pointed out by several co-operators and societies that while the audit fee charged by Government is twice or thrice that charged by professional auditors, the qualifications of the Government staff are lower than those of qualified auditors. This defect can be rectified by the Department creating a special staff of auditors with recognised qualifications, as has been done in Bombay, and entrusting them with the audit of the central and the bigger urban banks. This staff may be recruited either on a permanent or temporary basis. Such special staff would be more efficient than the present staff and should not cost more on the whole. But even if it did, the societies would be willing to pay an enhanced fee.

The amount collected by Government as audit fees now amounts to about Rs. 75,000 a year. If the suggestions we have made be given effect to, it will no doubt fall to some extent. But that should not be objected to even by the Finance Department. This fall compared to the total amount spent from the provincial revenues on the Co-operative Department will be very little. But it will remove the sense of injustice and injury which is now present in the minds of co-operators. Audit fees are not to be jealously looked upon as a source of revenue to Government, but as payment for service by those societies which are in a position to pay. They need not exceed the cost actually incurred in the service. And if the suggestions made by co-operators are accepted by Government, the service will be more efficiently rendered and pleasantly received.

Moratorium Bill.

The Government of Madras have published recently a Bill called "The Madras Agriculturists' Moratorium Bill" the main object of which is to prevent indebted agriculturists from being harassed by hard creditors for a period of one or two years from the time it comes into force. It is expected that the Government will in the meantime be able to formulate a comprehensive scheme for dealing with agricultural indebtedness. The benefit of the Bill is confined to agriculturists who pay Rs. 400 or less by way of land revenue, rent and cess and the major portion of whose income is from land. It is not applicable to borrowings from co-operative societies or joint stock banks. The Government, when it published this Bill, had the idea of introducing it in the Legislative Assembly in its last session. But from the time it was published there has been a good deal of criticism that it is framed defectively, that it is too limited or too wide in scope and that sufficient time is not allowed to the public to express their views on such an important piece of legislation. The Premier on behalf of the Government made a statement in the Legislative Assembly that the Bill would be published once again with such changes as are considered necessary in view of public criticism but that it would be taken up for consideration at the earliest opportunity. We await with interest the new Bill. Meanwhile, we are glad to note that the Premier refused the request made by some villagers in Salem District for the inclusion of debts due to co-operative societies in the scope of the Moratorium Bill.

Increase of guarantee for the debentures of C. L. M. B.

At the recent session of the Madras Legislative Council the Hon'ble Mr. V. V. Giri, Minister in charge of Co-operation, moved that under sub-section (2) of section 6 of the Madras Land Mortgage Bank Act 1934, the Council do recommend to the Provincial Government that the maximum amount of the guarantee given by them in respect of the debentures of the Central Land Mortgage Bank, Ltd. might be increased to a total face value of Rs. 150 lakhs, provided this increase would not be given effect to, unless and until the suggestions made by the Reserve Bank with regard to the increase in the rate of interest charged to borrowers and the constituting of a sinking fund were accepted by the Bank. The Hon'ble Dr. P. Subbaroyan seconded the resolution. Mr. T. A. Ramalingam Chettiar then moved that the proviso be deleted and in its place it be provided that the additional guarantee might be given after deciding upon the scheme to be adopted for ensuring repayment of the debentures. The mover of the resolution accepted the amendment and the resolution as amended was put to vote and carried without any discussion. We heartily congratulate the Government on accepting Mr. Chettiar's amendment, which makes possible the exploration of means of ensuring the repayment of debentures without increasing the rate of interest to the borrowers.

C. C. P. Works.

From the report of the Central Co-operative Printing Works for the period February 1936 to the end of June 1937, during which time it was under the management of the Special Committee appointed by the Registrar, it is gathered that the liquidation order which was suspended in the first instance was later withdrawn altogether; that the Special Committee has managed the Society satisfactorily, resulting in a profit of Rs. 681 during the co-operative year 1936-37; that it has made certain recommendations to the general body for amending the by-laws; and that from November next the Special Committee will cease to exist. While appointing the Committee the Registrar also lent to the press the services of a Senior Inspector. His services were undoubtedly valuable, but they were at the same time very costly. The salary of the manager, when the Special Committee took over the management, was Rs. 75 per month; but the Senior Inspector manager cost the press about Rs. 120 what with deputation allowance, city allowance, pensionary contribution etc. No press of the size of the C.C.P. Works can employ a manager at a cost of Rs. 120 a month. That in spite of this burden the press worked at a profit is to its credit. But it is absurd that when the Registrar lends the services of a member of his staff to a society in order to save it from death, he should not be able to do so without burdening that society with the salary, allowances and even pensionary contribution of that member of the staff. If it is some hide-bound rule which is the cause of this absurdity, we hope the Registrar will take steps to get it ended or mended. If the Senior Inspector's services had been given free, as the press had every moral right to get them, the Special Committee would have been in a position to hand over the management of the press to its successor with the accumulated losses all wiped out. The press does not yet get enough work from its members to do without working for the general public. Some more loyalty on the part of its members would place it in the same satisfactory financial condition which it enjoyed some years ago.

Audit of Co-operative Societies.

AUDITORS AND AUDIT FEES.

BY THE HON'BLE V. RAMADAS PANTULU,

President, Madras Provincial Co-operative Union.

History of the Question (1927-37)

Questions relating to the agency most suitable for auditing limited liability co-operative societies, like central and urban banks, and the fees to be levied for their audit were examined by the Madras Committee on Co-operation, known as the Townsend Committee, in 1927. That Committee unanimously recommended that the audit of central and urban banks should be entrusted to a more technically qualified agency than that which can handle the (rural credit) unlimited liability societies. They say: "It (the audit of central and urban banks) is less personal and more technical. The auditors employed should hold certificates from the local Government and be approved by the Registrar." The Committee further recommended the formation of a *central audit organisation*, to which central and urban banks should be affiliated for audit purposes. The auditors are to be employed by this central audit organisation, of course, with the Registrar's approval and subject to his control. As for the *modus operandi* the Committee recommended the following scheme: "The Presidency should be divided into suitable sections, with an auditor in charge of each, any reserve men being posted to assist in the heavy districts or placed on work in headquarters. The cost should be allocated to the affiliated banks." Under such a scheme, the final audit is left with the Registrar who "at his discretion may, from time to time, also entrust the organisation with the final audit" and "take appropriate steps to satisfy himself that this organisation discharges its duties efficiently." This recommendation of the Townsend Committee had the concurrence of the then Registrar of Co-operative Societies. The matter did not however engage the serious attention of the Government till the beginning of 1932 when the Government issued G. O. No. 154, Development, dated 2-2-1932. It was followed by three other notifications by the Government on the 9th July 1932, 2nd August 1932 and 18th August 1932. Opinions were invited thereon before final orders were issued. The substance of the tentative proposals embodied in G. O. No. 1124 dated 18-8-1932 (published at page 1407 of Part 1 of the Fort St. George Gazette) dated 23-8-32 so far as it relates to central and urban banks and other limited liability societies, is this :

1. All limited liability societies, that is to say, those with a membership of more than 500 or with a working capital of Rs.20,000 or more, are liable to pay to the Local Government audit fees according to a prescribed scale.

2. But such limited liability societies with more than 500 members or a working capital of Rs. 20,000, or more may, at their option, have their accounts audited at their own expense either by the staff of an audit union in existence on the 9th July 1932, or by a person authorised by the Registrar. In such cases, the societies concerned need not pay any audit fee to the Local Government.

The matter was thereafter taken up by the non-official organisations at some of their conferences. The Madras Provincial Co-operative Bank formulated a scheme more or less in consonance with the draft notification of the Government. The three essential features of the Provincial Bank's scheme were :—

1. the formation of a central organisation for audit of central and urban banks;

2. employment of the auditors on a provincial cadre by the central organisation; and

3. fixing of the audit fees at a lower level than that proposed by the Government.

The scheme was circulated to all the central and bigger urban banks in the province to elicit their opinion. 30 central banks and 70 urban banks sent up their views to the Provincial Bank. A large number of central and urban banks generally favoured the scheme of audit by a central organisation of the kind proposed. But a substantial proportion of the central banks and urban banks did not support the scheme. At the same time a number of individual non-official co-operators expressed themselves strongly in favour of audit by the Government directly through the Registrar and did not favour the intervention of any non-official organisation. In view of this definite cleavage of opinion, the Government abandoned the proposals about the central or local audit organisations, embodied in the G. O. of the 18th August 1932 and decided to place the entire audit in the hands of the Department and prescribed a scale of fees. Some discretion

was vested in the Registrar to give partial relief to societies, which in his opinion, deserved to get a concession.

The way in which the scale was drawn up and its effects have already been fully discussed both in the editorial and correspondence columns of the *Madras Journal of Co-operation* in the last 2 or 3 months, and I do not propose to cover that ground once over. The societies however never reconciled themselves to the fees prescribed and 1932 to 1937 has been a period of perpetual discontent and agitation for reducing the fees.

Need for Reorganisation of the Registrar's Audit Staff.

I do not wish to re-open the question of Government audit *versus* audit by a non-official organisation. In view of the substantial volume of opinion expressed in 1932 in favour of direct Government audit, and in the absence of any evidence that that opinion has undergone any change in the interval, I am bound to accept the position that the decision then arrived at in favour of Government audit stands good for the time being.

But it does not mean that the departmental agency now employed by the Government for audit of central and urban banks is either suitable or efficient. The unanimous opinion of the Townsend Committee in regard to the need for the agency to audit central and urban banks being better and more technically qualified than that which handles rural credit societies, which I have already quoted, justifies a demand for the reorganization of the Registrar's audit staff. There are two definite suggestions which I wish to put forward in this connection. *Firstly*, the audit branch of the Registrar's department should be separated from the administrative branch of his department. The staff which is responsible for the administrative control of the central and urban banks and which is vested with the duty of looking after their proper working should have nothing to do with their audit—concurrent, final or test audit. I know it will be said that at present the audit inspectors are actually whole timed auditors and are not discharging administrative duties. It may be so. But that will not satisfy my criterion. The inspectors doing audit work are subject to the control of the Deputy Registrars and Sub-Deputy Registrars, and whatever may be the actual duties discharged by them at a particular time, they are part of the administrative staff of the department.

This is a wholly unsatisfactory position. The staff to whom the audit of central and urban banks is entrusted should be an entirely distinct branch of the department. That staff must work under the direct control of the Registrar and not of his administrative subordinates. The Registrar, for this purpose and in relation to the audit branch of the work, should occupy the position of a chota Auditor-General. The Inspector of local Boards and Municipalities for instance, I am informed, keeps his functions of administrative control and audit separate. There can be no difficulty in adopting a similar course in regard to administration and audit in co operation. *Secondly*, the personnei of such separate audit branch should not be drawn from the present departmental inspectoral staff. Their qualifications and equipment are generally speaking not adequate for the audit of central and urban banks. The senior grade auditors at least must be recruited from the ranks of technically qualified men holding Government certificates which entitle them to audit commercial banks. The profession of public accountant and auditor is a growing one at present. In this province, that profession has among its ranks a sufficient number of capable and trustworthy young men who are available for employment for the audit of co-operative central and urban banks. The Government should, as far as possible, recruit the senior audit staff of Registrar from the ranks of such men. It will be a deplorable blunder if co-operative banks are deprived of their services by an insistence on the existing monopoly of audit by departmental inspectors alone. Such monopoly has naturally put a premium on inefficient service, and twice the fee payable for efficient audit conducted by a fully qualified auditor is in some cases being levied for indifferent work done by men who are not half so qualified. I do not wish to go into further details of the scheme of reorganisation of the audit staff of the Registrar. But it must be a self-contained one, with a set of senior and junior grade auditors, independent of the administrative branch of the department.

An Alternative Suggestion.

If this idea of a self-contained and better qualified audit staff does not commend itself to the central and urban banks or the Government, an alternative scheme which I suggest is this. Let the central and the bigger urban banks, from which audit fees are levied, submit a panel of five or six technically qualified auditors to the Registrar out of the approved list of auditors maintained by the Registrar, the

Registrar may then select one from the panel and fix his fees, on some such basis as I shall discuss later. Any apprehension that such a scheme will involve an unhealthy canvassing by auditors and an exercise of unwholesome patronage by the organisations concerned is, in my opinion, not well founded. One of the defects of vesting in the organisations themselves the option of appointing their auditors, at their general body meetings, consists in the scope that it gives for under selling of the profession by the auditors and in the auditors, who agreeing to do the work for an unduly low fee, naturally neglecting to render adequate service, which ought to be properly paid for, if it is to be really efficient. But in the panel system coupled with the rule that it will be for the Registrar to fix the auditor's fee according to some definite principle and scale and not for the organisation concerned, any possible objections to societies themselves suggesting a panel of auditors, will disappear.

The Question of revision of Fees.

The Government have evidently been re-examining the question of revision of the existing scale of audit fees for sometime past in view of the numerous protests from the societies concerned. They have wisely decided to elicit the opinion of the co-operative organisations concerned before passing final orders on the subject. An official memo No. 2714-II/36-6 dated 18th September 1937, sets out the defects in the present system of fixing audit fees and recognises the anomalies that have resulted therefrom ever since the fees were prescribed in 1932. The present suggestion of the Registrar appears to be that a better alternative to the existing system would be to equate the fees to the actual cost of audit and the method suggested for so equating the fees is to charge a flat rate based on the actual time taken for audit. It is further suggested that a flat rate of Rs. 6 per day will be suitable. This is evidently arrived at on a provincial average of the time taken by the auditors and the distribution of the emoluments (pay and allowance of the auditors) over that time, may be after making certain adjustments. It is not possible for me to express any definite opinion on the correctness of this figure. A day is not defined. I have often seen departmental auditors working only for a couple of hours in a day in a society and taking a number of days to finish an audit, which if done on the basis of a full time job in the usual office hours of the day, say 11 a.m. to 5 p.m. with an interval of one hour for lunch, could have been finished much sooner. If a day is not so defined it may be more equitable to fix the charge at so much per hour, an accurate register of hours spent being maintained in each society which is audited. I presume that the figure, whatever it may be and whether it is per hour or day, will be calculated on the basis that the Government will not make any profit but merely equate the fees to the actual cost.

The central and urban banks will have two months time to express their opinions. Subject to what these institutions might say about the proposal, I wish to state my personal opinion in regard thereto.

In the first place, the proposal to abandon the system of the levy of audit fees on the basis of the working capital, turnover, profits or other similar fiscal standards is certainly a welcome change. The audit fee is not in the nature of income-tax, or company tax or profession tax, having any ascertainable fixed relation to the size of the business, in terms of money invested or rotated, or the profits earned by the institution to be audited. In the next place, the idea of equating the audit fees to the actual cost of the audit and basing it on the time and energy spent on audit is on principle quite sound. But this process of equating the fees to the actual cost of the audit by means of adoption of such a mechanical formula of charging so many rupees per day, may not be necessarily the best way of reforming the present system. Ultimately the cost of the service for each hour or day will enter into our calculation in distributing the cost of the audit among the societies concerned ; but that does not mean that the fees should be levied on that too mechanical a basis and by the blind application of the rule of three. It is possible to suggest more than one method of equating the fees to the cost of audit. The representatives of the central banks and urban banks and the non-credit societies affected by the scheme will have to sit down and evolve concrete plans.

One such scheme was formulated in 1932. Without vouching to the accuracy of the details thereof or claiming for it any special virtues, it may be set out here as a basis for further discussion. Suppose there are about 300 or 400 societies spread over the whole province which are liable to contribute the fees equated to the cost incurred for their audit. By the division of the Province into a suitable number of zones, say ten, so as to ensure that the number of central and urban banks in each zone is nearly equal and careful distribution of the work between the auditors to be employed in each zone, we

may require about 12 senior grade auditors and about 40 junior grade auditors possessing necessary qualifications and equipment. The senior grade auditors may be put on the concurrent and final audit of central banks. They may also conduct the test audit of a prescribed percentage of the urban banks audited by the junior grade auditors. If the pay of the senior auditor is fixed say at Rs. 100—5—150 plus a consolidated monthly T. A. of Rs. 50, the 12 senior auditors will cost Rs. 21,600 in the first year rising by Rs. 720 per year, working up to Rs. 28,800 at the end of 10 years. If the junior auditors can be had on a pay of Rs. 50-3-80 plus a consolidated travelling allowance of Rs.25 per mensem, the cost of 40 junior auditors will come to Rs. 36,000 in the first year, rising by Rs. 1,440 per year, working up to Rs. 50,400 at the end of ten years. Thus the total cost of the scheme will be Rs. 57,600 to begin with and Rs. 79,200 at the end of ten years. If there is an increase in the number of societies to be audited the number of auditors will be correspondingly increased. The cost as detailed above may be distributed between the societies in each zone liable to contribute and served by the auditors; and we may thus equate the fees paid by them with the cost of audit. It will be now difficult to say how the cost worked out on this basis will compare with the fees now levied by the Government. But if we accept the position that the cost of audit should be entirely borne by the societies concerned and no portion of it is to be charged to the general tax-payer, while assuring at the same time that the Government would not make any profit over this audit, then we have no alternative but to arrive at the cost on some rational basis, mainly on the footing of the time and energy employed and equating the fees paid by the concerned societies to such cost. This is in substance another but less mechanical way of arriving at the cost, on the day or hour basis. I do not forget that the question of distribution of the cost *inter se* between the societies in each zone, so served by a senior auditor and his staff of junior auditors employed in the particular zone still remains. In such a scheme it is more easy to ascertain the time and energy spent on each of these societies in the particular group. The allocation may even be arranged for by mutual agreement between the societies in the zone. If for instance an auditor is alloted by the Registrar to two or three central banks and another for four or five urban banks in a certain zone the cost of such auditor may be apportioned by agreement between the concerned central or urban banks on a more equitable basis than Rs. 6 per day. This will be a better method of ascertaining the cost and distributing it, than working out the average on a provincial basis of total cost and total time involved in auditing the societies all over the province and dividing the cost by the number of days mechanically. The relative financial capacity of each of the contributing societies may also legitimately enter into the allocation in a zone arrangement of the kind suggested above, and a prosperous society may pay more than what it ought to on the day or hour basis. There will be better scope for a co-operative adjustment

In any such scheme there must be of course provision for exceptional cases. Some societies like large industrial concerns or big consumers stores or leading urban banks with large membership and numerous transactions may each require an auditor to be working all the year round. They will bear his cost in toto and it will be worthwhile doing so. Special concession may have also to be shown in some deserving cases and a portion of the cost of audit may have to be remitted.

I have through out assumed that the concession of free audit which now exists in favour of unlimited liability societies and limited liability societies with a working capital of less than Rs. 20,000 and certain other kinds of societies will continue to be enjoyed by them.

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Co-operative Marketing of Milk in India

BY MR. M. KARUPPANNAN.

After the advent of our present Viceroy, the problem of supply of pure milk is assuming greater importance day by day. Recently there appeared a report that the Advisory Board of the Imperial Council of Agricultural Research, which is to meet at Delhi from October 25 to 30, is going to discuss the steps to be taken to encourage milk supplies in cities. A proposal to start a co-operative society for milk supply in Madura was brought before the Madura District Economic Council last June and the Council has referred the matter to the Madura Municipality, expressing its willingness to help in making the enterprise every success. This reminds me of the example of the Rangoon Corporation which has started a 'pure milk' campaign involving an expenditure of Rs. 38,000. The report states that the Public Health Committee of the Corporation have decided to start a milk depot where all the milk vendors should get their milk tested before selling it to the public. The other day, I read in papers that, at an informal meeting of co-operators and officials of the Co-operative Department, held at Nellore on 10-9-37, it was decided to start a co-operative society for supply of pure milk in Nellore. And now at Coimbatore, thanks to the efforts of the non-officials and the Co-operative Department, a Co-operative Milk Supply Union has been working since August. The progress so far made by this institution is encouraging. There are at present five sales depots and three milk producing units (societies). Daily 500 measures of milk are sold to the public. There are about 90 regular customers at whose doors the Union supplies milk both in the morning and evening. It is a pleasant sight to see the Union milk vendor carrying milk in corked bottles, just like soda water, which bear the Union's seal for purety of contents. This is no mean achievement within a short span. What is more interesting is, that several milkmen and customers, who at first hesitated to join, being afraid that their interests were at stake, have now realised the advantages of joint action, and are flocking to the union.

In his budget speech, the Hon. Mr. Govind Ballabh Pant, Premier of the U.P., announced a provision of Rs. 20,000 for promoting schemes for the supply of pure milk in the larger towns. It is high time therefore for the Congress Ministry to consider if this co-operative method cannot be introduced with advantage in each and every town. The Cochin Committee on Co-operation, for example, have recommended this enterprise. They say, "A concerted 'drink more milk' campaign should be organised by the Department of Public Health and Panchayats, Agriculture and Municipality. Milk supply societies should be organised in Trichur, Ernakulam and Mattancheri with the co-operation of the respective municipalities". We have before us the noble example of the Madras Milk Supply Co-operative Union which is making much headway. The past experiences of this pioneer organisation will be of great help to us in guiding us in the right direction. The co-operative history of Denmark and England may also be read with inteiest in this connection. In the year 1935 the co-operative dairies in Denmark handled 91 per cent of the total milk supplies. The fact that individual enterprise cannot withstand co-operative action here, only explains how perfect the system is. Similarly in the City of London 50 per cent out of the total population of eight millions get their milk requirements through co-operative means. The Milk Supply Society near London employs 6000 men and it is one of the finest organisations in the City. Last year, during his European tour, Mr. T. Austin, I.C.S., the Registrar of Co-operative Societies, Madras, visited Vienna. He says about the Vienna City Milk Supply Union as follows: "I visited the Vienna Milk Supply Union. The members are co-operative societies which send in milk in their own cans *by train nightly*. The union cleans, pasteurises, bottles and distributes the milk to its many branches in the City and returns the can thoroughly cleaned. *Pasteurisation is required by law. The filling and stopping of the bottle is entirely done by machinery.........Special milk is prepared for children who all get a small bottle daily at school*". (Italics mine). Just look at the marked progress of co-operative action in these countries.

In India, as elsewhere, the question of milk supply presents itself as a twofold problem. Most of the middle class people who form the majority do not possess cows or buffaloes of their own; they get their milk requirements from professional milkmen. It is only the rich that maintain milch cattle for their own use. Thus on the one hand there is the consumer who desires to get pure milk, and on the other hand the milkman who wants to obtain better price. The latter, in his eagerness to obtain more price, often does not fail to add water and increase the quantity. The middleman also sometimes

plays his own part between the two, with the result that neither the producer nor the consumer is benefited. It is only through co-operative action that we can make both ends meet.

There are distinct advantages for the producer and consumer in this method. Pure supply of milk is assured to the consumer. As good milk is of much nutritious value, it will add to the improvement of public health. The producer gets a fair price besides the certainty of collecting his dues regularly. The problem of increasing the milk yield of cattle can also be tackled by these institutions. In a paper read at the Indian Science Congress, Mr. F. Ware and Dr. K. C. Sen of the Imperial Veterinary Research Institute have stated, that, in the course of twenty years, by careful selection and breeding, the average milk yield per cow of a herd of Indian pure breed Sahiwal cows in a military dairy farm in North India, has been raised from 5.5 lbs. to 17 lbs. a day. This must put heart into everybody. The village agriculturist who rears milch animal as a subsidiary occupation can therefore get much benefit from this co-operative enterprise. As observed by Mr. N. H. Comish in his book, *Co-operative Marketing of Agricultural Products*, the increasing of milk prices, the cutting down of the cost of distribution, fighting the tuberculin test, standardising the bases of buying milk and more efficient advertisement of the food value of milk are some of the other advantages in favour of co-operative milk supply.

After much has been said and done, it will not be out of place to utter a note of warning, Mr. Harris says, (in his book, "Co-operation, the Hope of the Consumer"), "of the many doors to disaster (of a co-operative society) disloyalty is the key which unlocks them all." And so, disloyalty on the part of either the producer or consumer will embark the society in troubled waters. Both must unite to have a smooth sailing. Hence remarked Holyoke:

"Learn to unite--all other graces
Will follow in their wished for places."

Our people must therefore realise the importance of unity which is so often stressed by the leaders and act accordingly to ensure the successful working of this noble enterprise which is an important problem in our country.

The Coimbatore Co-operative Milk Supply Union

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

The progress made by this Union so far appears to be encouraging. The operations of the Union are limited to a suburb known as R. S. Puram extension in Coimbatore Town. It was registered a short time ago and started work in July last. Three Milk Supply Societies at (1) Coimbatore, (2) Kunnamuthur (3½ miles from Coimbatore), and (3) Thelungupalayam (1½ miles from Coimbatore) have been registered for the milkmen who supply milk to the Union. The administrative Inspector of the Department exercises a general supervision over the working of the Union, helping it in a general way and visiting the societies to see to the efficiency of the arrangements made for a supply of pure milk. The members of the milk supply society at Coimbatore bring their animals to a common place arranged near the new market, Coimbatore, and milk them in the presence of the Assistant Secretary of the Union. The purchasing public are said to be thoroughly satisfied with the quality of the milk which is in great demand. The Union is able at present to supply about 340 local measures per day including the house supply which is about 40 measures and the supply is being increased gradually. There are six depots opened in the town for sales to the public. The Union has arrangements also to convert any surplus milk into curd, butter-milk, butter and ghee. The demand for these by-products and especially butter is said to be growing.

I am told that attempts are being made to start similar co-operative milk supply unions in other important towns in the province. It is hoped that with the efforts of our energetic Joint Registrar, Rao Bahadur M. Giriappa, similar unions will soon be organised in as many towns as possible to improve rapidly the milk supply in the country to the great benefit of both the producers and the consumers as explained in my article on this subject, published in the July (1937) issue of this *Journal*.

A Note on Rural Uplift

BY MR. K UNNIKRISHNA MENON,

Deputy Director of Agriculture.

The trouble in the village against which the rural uplift worker has to contend is mostly economic. Unless we are able to advance the economic position of the farmer, we cannot expect to raise the standard of his living nor to enable him to provide himself with better amenities of life in the rural area.

The question of rural uplift can thus resolve itself into the economic advancement as the main point and other things subsidiary to it.

The best means to bring about economic advance is to prevent waste. Different kinds of preventable waste are discussed below :—

(1) Waste of manure impoverishes the villager. To prevent this there is no additional expenditure needed. The ryot has only to pay a little more attention to the collection and conservation of the waste material from his household, cattle-shed and farm-yard. We should prevent the loss due to burning cattle manure and other stuff to produce ashes, as the ryot wrongly considers it to be a concentrated form of manure. It is a real waste to make ashes out of cattle manure or other manures.

It is incumbent on the farmer to conserve all solid and liquid excreta of his animals, and if possible of the household, for use as manure mixed with other refuses. The dry earth system of conserving urine may be adopted. The details will be explained by the local agricultural demonstrator.

By such conservation of manure the farmer does two things at the same time: he prevents loss and he makes the surroundings and even well-water sanitary. The manure heap will be increased, with the result that he will be able to use it for all his crops. This must necessarily increase the yield of his crops without any additional expenditure.

(2) Waste by way of using poor seed can be prevented by the use of improved strains in all varieties of crops which the Department can supply.

Improved strains are expected to yield 10 to 20 per cent higher than the ordinary crop. Any villager can help to increase the supply of good seed for distribution. When good seed is used the quantity can be reduced. This is a direct gain.

(3) Waste of time can be prevented by devoting his attention to side lines of farming according to the facilities available, *e.g.*

(*a*) Cow-keeping, production of milk and work cattle, (*b*) poultry and eggs, (*c*) sheep and goat, (*d*) agriculture, (*e*) pisciculture, (*f*) fruit growing, (*g*) vegetable and flower growing in spare time, (*h*) growing of crops for fodder purpose and also making silage or hay of hill grass for future use and (*i*) tree planting both for fruits and leaf manure in all available areas. This must improve fuel and timber supply.

(4) Prevent waste of energy by use of more efficient implements and tools.

(5) Waste of income by grading produce properly and selling it to the greatest advantage through a co-operative loan and sale society.

(6) Prevent loss of animal and man power by protecting them with preventive inoculations.

(7) Prevent waste of crops by insect pests and diseases by timely action.

(8) Education of masses through co-operative organisations.

(9) Improve cattle, their value and usefulness in particular by castrating inferior bulls and maintaining only good ones for breeding purposes. This requires capital. Government pays premium of Rs. 80 to Rs. 90 per year.

(10) Provision of funds for awarding prizes for good work done in any direction.

The villagers must form themselves into an organisation on a co-operative basis with limited liability. The prevention of waste and the use of improved seed should be made a condition of membership. A member of the organisation may maintain a good breeding bull and get premium. The organisation may induce the villagers to castrate all the poor bulls of the village to avoid them producing poor progenies. It may stock improved implements, tools, manures, and such other articles that the members or the villagers want for their cultivation or daily use. The articles may be purchased in large quantities at wholesale rates when such sell cheap and can be made available to the villager at a cheaper rate than at the ordinary retail shops. The stock may include medicines and materials used for controlling pests and diseases of frequent occurrence among crops, animals and even men for distribution to the villagers just at the time they are needed. Thus the organisation can maintain a good depot for the use of the villagers. It may also serve as a godown for the produce of the farmers to be held up for sale till prices become favourable. It may serve as a satisfactory loan and sale society by advancing cheap money on the security of produce and help the farmer to reduce his losses through middle men and bad marketing. The organisation can serve as a bureau of information on all subjects that concern the villagers and as a centre of adult education under a trained worker if one is available.

Roads, water supply, lighting, etc., are items which require large sums of money. These may receive our attention later on when common good funds get accumulated and profits from sales, etc. may give large surpluses to meet such money demands for common good.

A Serious Want in the Co-operative Movement

BY MR. E. S. GANAPATHI AIYAR, B.A., B.L.

Our thanks are due to the Hon'ble Mr. Ramadas Pantulu for having placed before the public very boldly and lucidly the difficulties that are ahead of the co-operative land mortgage banks movement. The net result of all that is said by him is that there is no provision for forming a sinking fund within the movement except by investment in the gilt edged securities; and that the same cannot be expected to be done except by raising the lending rate to the primaries and the ultimate borrowers proportionately. The movement has no doubt to get into the wide open market to find its capital; but should it not likewise be free to go into the market for a prudent investment of the capital released from the movement and due to be paid to the investors sometime later? If this is undesirable, is there no way for utilising this released capital in the movement itself without resorting to gilt edged securities? It is well known that there are several kinds of earmarked funds in the movement such as the statutory reserve fund, the dividend equalisation fund, the bad debts reserve fund, sinking fund for buildings, sinking fund for debt redemption etc. Provision has been made for preserving the huge statutory reserve fund within the movement itself on as safe and profitable terms of investment as possible; but so far, nothing has been known as to whether the attention of the department was ever drawn or not, to the absence of facility for investment of the other kinds of funds referred to above on safe, efficient and profitable basis within the movement itself. It is indeed necessary that these special funds have to be treated on a basis different from the other kinds of investments by the societies. The co-operative organisations are forbidden from having anything to do with any one outside the movement, by way of investment except in the gilt edged securities; which by reason of their instability and speculative nature should least be resorted to by them. There is on the other hand the rule of prohibition against interlending even within the movement that prevents the regulation of the flow of the capital into channels and directions other than those earmarked in the movement. The result of all these positive and negative hardships is that societies of special types, that require funds on terms specially different from the ordinary run of societies in the movement, have to grope in darkness as to what to do for a sinking fund knocking its head at every possible solution it can think of. If there should be this difficulty felt for forming a sinking fund for the land mortgage banks movement that has been taken special care of, one can easily estimate the hardships that will entail on societies like building societies etc., who have yet to shift for themselves in the movement, and whose organisations have not yet been either standardised or consolidated.

Sections 20, 46 and 51 of Act VI of 1932

By Mr. P. K. Srinivasaraghava Acharya, B.A.

A question of considerable importance that does not appear to have engaged the attention of co-operators in general and of the officers of the department in particular is this :—' Whether after the liquidation of a society the liquidator can sue members or past members of such a society before courts constituted under section 51, or whether the liquidator has to institute such suits in ordinary civil courts.' This question is not simply academical. It is to be noted that reference is being made by the liquidator to the Registrar for the recovery of dues and awards are being passed. If the tribunals constituted under section 51 are not competent to try such disputes, the awards granted by them can be treated as mere nullities.

Section 20 of the Act says that the registration of a society shall render it a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with powers to hold property, to enter into contracts, *to institute and defend suits and other legal proceedings* and to do all things necessary for the purpose for which it was constituted. In other words, registration makes a society a legal entity. Section 46 says that when the registration of a society is cancelled, the society shall cease to exist as a corporate body. It ceases to be a legal entity and is deprived of all the benefits that it had by having been registered. Section 51 (*b*) and (*c*) contemplates disputes between a society and others It does not contemplate a dispute to which a past society is a party, just as it has contemplated cases to which past members may be parties. In fact the term 'past society' is a contradiction in terms. Either a society exists or has ceased to exist. It cannot be a body corporate after its registration has been cancelled.

It is an elementary principle of law that where a tribunal has been constituted for a special purpose its jurisdiction cannot be extended beyond those limits fixed by the statute creating it. It is exactly this principle that was laid down in the decision of the Madras High Court which necessitated the amendment to section 51 by Act V of 1937. Applying the principle it can be said that a liquidator cannot make a reference under section 51 and that awards made by arbitrators on reference by liquidators are mere nullities.

It is therefore better that the legislature interferes before it is late and appends an explanation to section 51 to the following effect :—

'The term 'Society' for the purpose of this section shall include and shall be deemed to have always included a society whose registration has been cancelled.'

Scale of Audit Fees.

OPINIONS OF CO-OPERATORS AND CO-OPERATIVE INSTITUTIONS.

I

By Mr. J. Krishnamurthi Rao, B.A., B.L.

The scales of audit fees levied as per G. O. No. 1792 (Development) dated 27-1-'36 have not been equitable but on the other hand have been burdensome. There is a good deal of agitation in this matter. Though the Registrar has power to remit wholly or in part the audit fees levied in particular cases, since his discretion depends on the recommendations of his subordinates on the spot, the results may not be satisfactory. For 1935-36 the audit fees were reduced by 12½ per cent. It will be better if a more satisfactory method is evolved.

Government is spending lakhs of rupees over the co-operative movement and the necessity for levying audit fees is not clear. It may be that co-operative institutions that come within the operation of the Rule are looked upon more as business concerns than as co-operative concerns. While the Provincial Co-operative Bank generally pays its auditor about Rs. 1000, some Central Banks whose working capital is much less have to pay more according to the scale fixed. Many Central Banks have been paying fees out of all proportion to their working capitals. The same applies to Urban Bank also. The scales for purchase and purchase and sale societies, printing presses etc., are such that the audit fees may absorb a good percentage of profits of these struggling concerns.

It will be better if the fees is fixed in such a way that they will not be a burden on any institution and that only to the extent necessary to cover the actual cost of audit. Taking the case of Central Banks and Urban Banks, the audit is entrusted to Senior and Junior Inspectors. The Senior Inspectors audit Central Banks and some big Urban Banks. The audit of other urban societies is done by Junior Inspectors. These Inspectors attend to other work than pure audit. They are both audit Inspectors as well as administrative Inspectors. As such nothing that is done in the Banks escapes their notice. It is even felt that there is too much interference by the Department even with the actions of the Boards and Committees. The democratic nature of these institutions is being reduced to a nullity. The audit of the accounts of the liquidated societies is also entrusted to them. Under these circumstances it is not proper to burden the institutions with the whole cost of the audit staff. Even taking the case of the Senior Inspector drawing the maximum pay of Rs. 100 per mensem, the annual cost comes to Rs. 1,200. At least 1/3 may be deducted for his other work and Rs. 800 may be taken as the remuneration for his work as auditor, and this amount has to be distributed among the societies entrusted to him. It may be that a Senior Inspector may have to devote his whole time for certain big Central Banks. Even then the maximum payable may not exceed Rs. 800. It is therefore necessary that a maximum should be fixed whatever may be the working capital of the Bank. If the working capital is to be the basis then the scales have to be revised consistently with this maximum. If the auditor is entrusted with more than one society, the cost arrived at on the above method should be equitably distributed over the societies. Then the audit fees payable will be much less than what they are at present.

The working capital basis is not a satisfactory one. The better way will be to ascertain the time involved in audit. As matters at present stand it is not easy to ascertain exactly the time taken. But it is not difficult to do so for getting the information. The auditor does not work like other members of the staff and there is no control as to the hours of work every day. An auditor may sit up for a few hours one day and more hours another day. It all depends on the personal inclinations of the auditor and other work he has to attend to. What is expected of him is that he should finish the concurrent audit of the institutions before the close of the month. When and how he does it is not of much concern. But it is not difficult to issue instructions to obtain necessary information as to the time required for a monthly audit of any institution for a month or two, so that it may be the basis for fixing the days' remuneration. If the audit of any institution on the above experiment for one month can be finished say in a week of 6 working days it comes to 72 days for the year. The number of days for all institutions may be added together and the cost for a day may be easily be ascertained for each institution and worked out for the year on maximum basis, as pointed out above.

If the basis is to be the working capital there is no justification to include reserve fund in the working capital. It is always invested outside the institution. Either of the above methods may be considered, the time taken for audit pure and simple being the better method.

II

MR. D. S. HANUMANTHA RAO, B.A., B.L.

The scale of audit fees is extremely exorbitant: It works up to Rs. 250 for the 1st Rs. 50,000 of working capital: I have seen many nidhis and fund-offices in the Presidency whose working capital is many times more but pay much less towards audit fee and the qualifications of the auditors appointed by such nidhis and fund-offices is generally never below that of a G. D. A. The qualifications of a Co-operative Inspector who is generally appointed for audit purposes, are very much lower and often times the audit is nothing more than mere routine work. Until such times as better qualified persons are entertained as auditors the present scale would be rather too high.

The idea of grading the scale of audit fees and gradually lowering the rate as the working capital increases is certainly good in its way, but with a view to enable a spirit of emulation and enthusiasm in the societies and tempt them to widen their field of activities, I suggest that the new rate should be charged for the whole of the working capital. Thus for example a society with Rs. 100,000 working capital would now pay 8 as. per Rs. 100 on the 1st Rs. 50,000 and at 6 as. per Rs. 100 on the next Rs. 50,000. I would suggest 6 as. per hundred should be collected on the full Rs. 100,000.

The idea of including the reserve fund in the working capital and charging audit fees on that does not seem proper to me. The reserve fund is a compulsory fund created by the Department as a provision for bad times and the society has no voice either, in the method of investment. The rate of investment is often about ½ the usual rate of interest which the society collects from its own members. Hence I would suggest that only the interest accruing in any year should be treated as the basis for the levy of the audit fee. If however the present basis cannot be changed I would suggest that half the rate of audit fee should be charged for this sum.

III

MR. N. SATYANARAYANA,

President, Alamuru Co-operative Land Mortgage Bank.

We have paid an amount of Rs. 281-4-0 towards audit fees for the year 1935-36 and we have to pay an amount of Rs. 278-9-0 towards audit fees for the year 1936-37. The working capital of the Bank as on 30th June 1937 ending is, Rs. 5,04,975. In the previous years, *i.e.*, from the year 1929-30 to 1932-33 our bank was audited by private auditors and we paid Rs. 100 only as audit fees, when our working capital was nearly 3 lakhs. The present scale is too heavy for the primary banks at present which are working at 1 per cent margin. The primary banks are not fairly getting even this 1 per cent margin. The Bank has to forego interest during transmission of money from the primary bank to the Central Land Mortgage Bank and from the Central Land Mortgage Bank to the primary Bank. Since big amounts are being transmitted by cheque or otherwise the loss incurred under this head will not be a negligible one. The present system of working of the primary banks requires a heavy staff and besides this, the banks are asked to bear the salaries of the Sub-Deputy Registrars, which is a fresh indent on the primary banks, working at a poor margin. We fully agree with the view that the primary banks can be more efficiently audited by the more qualified private auditors approved by the Department, at a less cost, than the present costly system. Last year we applied for remission, but the Registrar was not pleased to grant any remission.

IV

Rao Sahib A. Sethurama Iyer,

Nidamangalam Loan and Sale Society.

Loan and sale societies are of recent growth. There is no justification for penalising these societies by the heavy levy of audit fees. The levy of audit fees is based on the working capital of the society at the end of the co-operative year. This is unjust and inequitable. The Nidamangalam loan and sale society started its work on 13-2-35. Loans are given on the pledge of paddy about the beginning of March every year. The time for the discharge of the loans is only 6 months. Naturally, there will be heavy outstandings at the end of the co-operative year. In the Nidamangalam loan and sale society, the loans outstanding on 30-6-36 were Rs. 37,715. The levy of audit fees for that year was Rs. 193-4-0. For 1935-36 the outstanding was Rs. 22,165. The levy for that year was Rs. 100-3-0. For the year 1936-37 the outstanding was Rs. 41,879. The amount levied is Rs. 187-11-0. The margin between the borrowing and lending rate is only 1 per cent. It is hardly sufficient for working expenses. If the audit fees are taken into account in the profit and loss statement, all societies should work under loss. If these societies are discouraged in the initial stages by heavy levy, no decent reserve fund can be built-up.

Let me now work out the actual cost to the Government :—

Year.		Audit.		Time taken by the Inspector.
1934-35	...	Interim Audit	...	1 day.
,,	...	Final Audit	...	2 days.
1935-36	...	Interim Audit	...	2 days.
,,	...	Final Audit	...	3 days.
1936-37	...	Interim Audit	...	4 days.
	...	Final Audit	...	4 days.

Let us assume that the Inspector's salary is Rs. 60 per month plus a daily batta of Re. 1 (it is more than what is actual). For 1934-35, 3 days, the fees comes to Rs. 9, whereas the levy was reduced from Rs. 194 to Rs. 25 as a result of an appeal. For 1935-36, 5 days, it comes to Rs. 15 whereas the levy was Rs. 100-3-0. Ultimately it was reduced to Rs. 87-11-0. For 1936-37, 8 days, it comes to Rs. 24, whereas the levy is Rs. 187-11-0. An appeal has been made to the Registrar for remitting this amount in full, pointing out the following reasons :

The working capital should not be the basis for levy to loan and sale societies. The present levy is unjust and inequitable when compared with the actual cost. Thirdly there is only 1 per cent margin between the borrowing and the lending rate which is hardly sufficient for working expenses. Under such circumstances, no fees should be levied till a decent reserve is built up. If fees are levied in the initial stages like this, no loan and sale society will thrive.

V

Mr. V. Ramamurthi Pantulu, B.A., B.L.

President, Razole Co-operative Land Mortgage Bank.

That the levy and collection of audit fees for doing the work of audit of co-operative societies are unjust and unreasonable and are operating as a heavy strain on the slender resources of some societies cannot be easily disputed. The co-operative societies in this country were brought into being on the initiative of the State and were designed to perform functions that primarily belong to the State, *viz.*, those intended to ameliorate the economic condition of the needy ryot. As year after year a large grant of several lakhs of rupees is being appropriated from the State revenues for the up-keep of the co-operative department, the Government cannot justly claim any return for the services of audit rendered to societies which are called upon to discharge of their own functions. As the co-operative movement was inaugurated with a view to benefiting the helpless ryot, an army of social workers have voluntarily undertaken to run the movement without any remuneration with the simple motive of serving their people to the extent they can. As the government and non-official co-operators have agreed to serve the people on this common plank the demand for any contribution by the government for their part of the services is both unreasonable and unsound. Now that a popular government is in power whose avowed object is to effect an all round improvement in the economic position of the sinking ryot, there is the greater reason why they should render free audit to all co-operative societies.

Neither public opinion nor the opinion of the co-operative societies affected was consulted before the present scales of audit fees were put into force and as I understand that there is now a proposal before the Government to revise those scales I hope every facility will be afforded to concerned co-operative societies and the general public to give a full and frank expression of their opinions, to which a popular government is bound to react favourably. The scales of fees are pitched too high and have no relation either to the nature or quantity of work turned out by departmental auditors. It cannot for a moment be contended that the training and equipment of the present day audit inspector fits him properly to discharge the onerous duties involved in the audit of big urban, central and land mortgage banks, nor can it be seriously asserted that he can by any means be compared favourably with an R. A. or an articled G. D. A. But the scales of audit fees fixed by the Registrar of Co-operative Societies far exceed the reasonable remuneration charged by the qualified auditors. In spite of the assurances of the Registrar to the contrary, the scales of fees prescribed were calculated not only to cover the pay and allowances of the audit inspectors but a good deal more. Can it be supposed that the government intend to make a profit out of this exorbitant levy? Surely this is a thing which cannot be permitted and the government will, it is expected, see the justice of the demand for the reduction and direct deduction of the scales by at least 50 per cent.

The present scale is surely oppressive and burdensome and has the effect of crippling the beneficent life of a budding society. The working capital on which the levy was based is not properly defined

and does not give a right indication of the financial prosperity of the society. All borrowings may not be on good securities and the increasing amount of overdue loans is not taken into account. Funds are required to build up a stable reserve,—ordinary and bad debt—, for payment of decent dividends and for other amenities required of growing institutions. None of these things will be possible if the Government continue to make demands on their slender resources. In my own Bank, for instance, a levy of Rs. 165-13-0 was made for the year 1935-36 when the net profit earned for the year was only Rs. 831-8-0. The amount of profit that remained after payment of audit fees was barely sufficient to pay a dividend of 3¾ per cent on the paid up share capital which cannot reasonably be called decent if we remember that the share capital subscribed was compulsory and was met by borrowings.

A great amount of controversy raged at one time over the question of the departmental audit versus private audit and I have no desire to revive the same at this stage. I will be content to repeat what I always held that a qualified auditor out of a panel of auditors approved by the Registrar may be entrusted with the audit work of co-operative societies, if the results of annual audit are intended to reveal the true financial position of a big society with complicated business transactions.

It is accordingly hoped that the Congress Government will prove to its traditions and in any revision that it may undertake, due weight will be given to co-operative opinion and that all facilities are created for a full and frank expression of the same before any decision is taken.

VI

MR. H. F. KAPADIA, B.A.,

Secretary, The M. & S. M. Railway Employees' Co-operative Urban Bank, Ltd.

Whereas I strongly support the present practice of the audit of all co-operative societies being done by the departmental inspectors, I believe that the personnel is not upto the required standard. Whereas I do accept the differentiation made between ordinary audit as carried out in joint stock companies and audit of co-operative societies, I feel that a part of the work can be safely left to be checked by the staff of the respective societies. If the inspectors take upon themselves to see that the accounts are maintained in the right manner and the books are regularly balanced and an internal daily check maintained, final audit should prove quicker and easier. Each inspector is supposed to be a friend and guide of the society to which he is attached and if he is expected to fulfil his obligations he should have a fairly good knowledge of Higher Accounts, Auditing, Banking and Economics. Training in Commercial Geography should prove useful to those attached to producers and consumers societies. Inspectors attached to rural societies should be encouraged to spread co-operation amongst the ryots in various ways. He should carry sufficient weight by his demeanour, so as to promptly stop any irregular or inefficient methods and should always understand his responsibility not to permit matters to drift.

The audit the departmental inspectors are supposed to give, is concurrent and such audit should not be in arrears for more than a week if it is to be really effective.

As regards fees, no fair minded person can expect the Government to make a profit out of the business. At the same time it is quite fair if the Government makes a charge to cover the actual cost of audit incurred by them. To my mind the cadre of people entrusted with audit work should be divided as

(*a*) Audit Apprentices, (*b*) Audit Clerks, (*c*) Junior Inspectors. (*d*) Senior Inspectors and (*e*) Sub-Deputy Registrars.

Much work at present done by the Junior Inspectors can safely be entrusted to Audit Clerks and Apprentices. This will result in quicker audit at cheaper cost.

The audit fee cannot be based on the profit-earning capacity of a society. In fact co-operative societies are not expected to earn profits. The fee should rightly be based on the work to be turned out and the number of audit Inspectors employed. It cannot be based on the value of the turnover but can well be based on the number of accounts running with a society.

CENTRAL BANKS.

The Trichinopoly District Co-operative Central Bank, Ltd.

A sum of Rs. 987-12-0 was levied and paid by us for the co-operative year 1935-36. We did not apply for any remission last year.

The District Co-operative Central Bank, Ltd., Cocanada.

A fee of Rs. 370-1-0 was levied for auditing the accounts of the Bank in respect of the co-operative year 1935-36 and the same was duly paid.

The Guntur District Co-operative Central Bank, Ltd.

A sum of Rs. 617 was paid towards audit fees for 1935-36. This Bank did not apply for any remission of fees.

The North-Arcot District Co-operative Central Banks, Ltd.

This Bank paid Rs. 813-2-0 towards audit fees for 1935-36. The Bank considers that the levy is reasonable and hence it did not apply for any remission.

The Anantapur District Co-operative Central Bank, Ltd.

The Committee of this Bank is of opinion that the present audit fee is very heavy and it may be reduced by 33⅓ per cent. The audit may be done by the Government staff as at present.

The Kumbakonam Co-operative Central Bank, Ltd.

The audit fees should be considerably reduced if not entirely abolished. The audit fees levied for the year 1935-36 was Rs. 629-5-0. There was no remission, nor did we apply for it.

The Malabar District Co-operative Bank, Ltd.

The scale of audit fees levied at present is, no doubt, excessive. We are of opinion that it should bear some proportion to the net profits with due regard to the work involved in auditing. The audit fee charged on this Bank for the year 1935-36 was Rs. 505 which, it was stated, was calculated according to the rules less 12½ per cent remission allowed in G. O. No. 1792 dated 27-1-36. We applied for a further remission but it was not granted.

The Conjeevaram Co-operative Central Bank, Ltd.

Our Executive Committee is of opinion that the scale of audit fees as now fixed is very high and that a reduction of 50 per cent is called for. The audit fees paid by our bank for the year 1935-36 was Rs. 856-12-0 which was levied according to the usual scale less 12½ per cent. We did not apply for special remission.

The Nellore District Co-operative Banking Union, Ltd.

The fees levied for this Bank for 1935-36 was Rs. 760 and this was paid in full as no remission was granted inspite of our request to grant remission. In the year 1933-34 we had the opportunity of engaging a private auditor. The fee paid to him was Rs. 500 *only*. The Government audit besides costing us Rs. 760 as noted above in the shape of cash payment, cost us something more in the shape of services of one or two Bank employees for help to be given to the auditor to push through his work.

The Madura-Ramnad Central Co-operative Bank, Ltd.

We have paid Rs. 816-13-0 for the year 1935-36 as audit fees to the Government. The charge was considered high and we made an appeal to the Registrar requesting remission, but it was not sanctioned. For 1936-37 we expect that the charge will be in the neighbourhood of Rs. 800 at any rate not less than that figure. The present scale of fees, we consider, to be too high. We think it is possible to have the accounts audited by professional auditors for one half of the fees payable to Government. The scale needs revision at least to correspond with the fees charged by professional men.

The Hospet Co-operative Central Bank, Ltd.,

This Bank is in entire agreement with the views expressed by you in your editorial notes on "Audit Fees" contained in the *Journal* for August 37.

Our Bank was levied audit fees of Rs. 439 for the year 35-36, for the audit of its accounts by a Departmental Senior Inspector. The audit was concurrent.

Probably you are aware that the head-quarters of the District Bank is Hospet and it has a Branch at Bellary. The head-quarters of the Senior Inspector is Bellary. He conducts the concurrent audit of the Branch first and then takes up the audit of the Head-Office accounts. On an average the time taken by him for the audit is 6 days. For the whole year the time occupied is 72 days. About a fortnight is occupied over and above this period for conducting the final audit of the Bank (*i.e.*) 87 days in a year.

The starting pay of a Senior Inspector in the new scale is Rs. 75 (*i.e.*) Rs. 2-8-0 per day. Rs. 218 therefore represent the pay of the auditor. The auditor travels from Bellary to Hospet to and fro and makes a halt at Hospet. His travelling allowance has also to be taken into account. The Senior Inspector is entrusted with the concurrent audit of other institutions also at Hospet which contribute towards audit fees. In view of this the amount that could be reasonably admitted by this Bank towards T. A. of the Senior Inspector

for the whole year including the days of halt for final audit is Rs. 82. So therefore a levy of Rs. 300 for the audit of our accounts will be quite just and equitable. The levy for 35-36 as said above was Rs. 439. 35 per cent of this amount on the lines of your editorial note works to Rs. 285. Our figures are Rs. 300. There is no great disparity. By adopting your suggestion the Government will not make a profit out of the levy as it has done in the case of this Bank as indicated by the above figures.

We are glad that you have taken up this question and given us an opportunity to look into the matter in great detail. We applied for remission in the previous year, and the Registrar did not agree to it.

URBAN BANKS.

The Bodinayakanur Co-operative Urban Bank, Ltd.

We find that the scale of audit fees at present in force is too heavy.

The Ramachandrapuram Co-operative Urban Bank, Ltd.

The Board of Management of our Bank is of opinion that the scale of audit fees may be reduced by at least 35 per cent.

The Co-operative Urban Bank, Ltd., Pattukkottai.

Resolved to request the Registrar to reduce the audit fees, as the present rate is very excessive.

The Little Conjeevaram Urban Bank, Ltd.

We are of opinion that the audit fee levied is oppressively high and it may be reduced by 35 per cent as suggested in the Urban Banks' Conference, held in August 1936.

The Palani Co-operative Urban Bank, Ltd.

We have paid Rs. 267-13-0 towards the audit fees for the year 1935-36 and we have not applied for any remission. No doubt the fees levied is high and so it will be better if the fees is reduced to a little extent.

The Shiyali Co-operative Urban Bank, Ltd.

The scale fixed by the Government is very heavy and arbitrary. This Bank is wholeheartedly in agreement about exacting nature of the fees and the necessity for bringing it down to a reasonable amount.

The Paramakudi Co-operative Society, Ltd.

It is needless to say that the levy of the audit fees at present is really a burden; and it is necessary that steps should be taken to reduce the scale of audit fees to the extent that individual societies could bear the burden.

The Palamcottah Co-operative Bank, Ltd.

The excessive levy of audit fees under the existing rules is felt by all co-operative institutions alike. It is hoped that the Government would pay the much needed attention to effect a substantial reduction in the matter of levy of audit fees early.

The Kurnool Urban Co-operative Credit Bank, Ltd.

The Board of management of the Kurnool Urban Co-operative Credit Bank, Ltd., resolved on 12th September, 1937, to request the Government to reduce the rate of audit fees levied on the Urban Banks by fifty per cent as it is unduly heavy in comparison with the rate fixed for Central Banks and with the time taken by the Inspectors for the audit of the accounts.

The Lalgudi Urban Bank, Ltd.

The Board is of opinion that it would be fair to charge nothing at all in order to enable the Bank to give the public all sorts of facilities and to encourage the public to become Bank minded, and if that is not possible to charge four annas per cent up to rupees one lakh and two annas per cent for one lakh and fifty thousands and one anna per cent for sums above one lakh and fifty thousands. A sum of Rs. 329-5-0 was levied as audit fees for 1935-36 which was actually paid.

The Madura Sourashtra Co-operative Bank, Ltd.

The Bank stands affiliated to the Madura Co-operative District Audit Union, which carries on the concurrent and final audit of our Bank every year. The fees they charge are less than the levy by the Government. However, we feel, that the fees levied by the Audit Union, too, are heavy. Our audit fees for the last three years are as follows: 1933-34, Rs. 541; 1934-35, Rs. 662-14-0; and 1935-36, Rs. 540-8-0. The fee for the year 1935-36 was reduced from 712-2-0 to Rs. 540-8-0 by the Union after a good deal of correspondence. We think that urban banks should have a maximum fee fixed for their audit say Rs. 300 per annum. We shall certainly feel happy if you will do your best to reduce the fees now levied.

Vizianagaram Co-operative Bank, Ltd.

This Bank paid Rs. 805-8-0 towards audit fees for 1935-36. There was no appeal from the Bank for any remission, as similar appeals in previous years had not been fruitful.

We hold that the scale of audit fees now in force for urban banks is an undeserved burden for them when compared with the levy for central banks and the Provincial Bank. We further hold that the reserve fund need not be included in the working capital leviable, as there will not be more than one transaction relating to the said fund to be audited in any year. The audit now done by the Department is not as efficient as the banks can obtain for the same payment of fees or even less to any professional auditors.

The present scale appears to be extravagant from the view point not only of the quality of audit but also of the time devoted for it. Concurrent audit is done in three or four days every month and final audit takes at best a week.

Not only is the audit staff underqualified but its inefficiency is strenuously defended by the Department, apparently on no other grounds than of official prestige.

We would therefore suggest that concurrent audit may be done by the Department and the final audit by a certified auditor approved and selected by the Registrar, from a panel of auditors. The Registrar may settle the fees to be paid to him by the society. In such a case we believe there would be a super check on the Departmental audit, and a more responsible statement of affairs presented to the share holders of the Bank.

As regards the fees, it cannot be more than the present, even under the aforesaid arrangement. No Bank would grudge to pay as much or even a bit higher, when it can be sure that the audit is perfect and responsible.

The Co-operative Bank, Ltd., Chodavaram.

Separate representations from individual societies, that cry under the burden of high audit fees, do not seem to have adequately impressed the Government. If the rules for the computation of court-fees are knocking on the head of a litigant in the judicial field of the province, the existing rules and scale of audit fees stagger very many societies in the co-operative field. This must become patent to any one, who even casually peruses the innumerable resolutions at various conferences. But the non-official view seems invariably, to the official eye, as one emanating from the wrong end of a telescope. The hardship and inconvenience experienced by the co-operative societies in actual payment of the audit fees cannot be better evidenced than by the various individual representations by societies and collective resolutions at conferences. Should it remain a useless cry in the wilderness?

The urban bank, as a primary society, has to pay a supervision fund to the financing bank. As an institution, carrying on different types of banking business, it has to entertain an adequate trained staff with at least a starving maintenance. The penal interest is generally done away with. The margin between the lending and the borrowing rate is lessened and has to be further lessened within safe limits. There are other items of expenditure to be unavoidably met by the society. After all, an institution whose working capital ranges between Rs. 20,000 and Rs. 50,000 can, if at all, be called a bank in name. One or the other of the various suggestions made at the Registrar's informal gathering in August last year may be tried with advantage to the societies and no loss to the Government.

In 1935-36, this bank had earned a net profit of Rs. 581-6-0 and a gross profit of Rs. 1,384-2-0. The audit fee fixed was Rs. 169. On a representation made by the bank, it was asked to remit Rs. 100 only into the treasury. After a time, the waived sum of Rs. 69 also was asked to be remitted with a promise of refund of the sum on receipt of final orders from the Registrar. At last, the bank was briefly told that the Registrar refused to waive any part of the audit fee levied. The working capital of this bank, as it stood on 30-6-36, was Rs. 35,696-14-0.

The Sivaganga Co-operative Urban Bank, Ltd.

It need not be said that the present rate of levy of audit fees is very exorbitant and requires modifications.

The working capital which is taken as the basis for calculation of audit fees can be classified under two heads *viz* 'earning capital' (which is utilised for loans to members) and 'idle funds'. The main function of an urban bank is to borrow funds to be utilised for loans to members and this alone contributes towards a major portion of the profits of the Bank.

The latter includes among other items, reserve fund and provident fund deposits which under the bye-laws should be separately

invested in Central Bank. The interest earned on such investments is sometimes much less than what is actually paid on them. Further, some of the big urban banks which give current account facilities to 'their customers, have to keep large sums of money in a liquid form as cover against possible withdrawals and such sums are earning little or no interest. These items do form a large percentage of the working capital as will be evident from the statement appended. Whatever is earned by way of interest on this portion of the capital is payable in turn to the depositors and as such it is but reasonable that it should be exempted from the levy of audit fees. The fact that these sums are taxed once again as deposits in central and provincial banks, is itself a reasonable argument for their exclusion. Moreover these sums do not exact much labour from the auditor.

Excluding the idle capital, the portion left is the amount lent out to members and no bank can have any grievance to pay audit fees calculated on the loan outstandings. The local audit union which is levying Rs. 0-8-0 per cent on the loan outstandings is not only able to maintain the necessary staff, but to lay by a portion for future. What is possible for a private agency should certainly be possible for the Local Government. With the facilities of having a number of trained men at their service it will not be impossible for them to carry out this work in a more economic way. The banks too will not grudge to pay a uniform contribution of Rs. 0-6-0 per cent on loan outstanding and the figures shown below do bear a proper relation to the time taken by the audit staff.

Year.	Working capital.	Loans outstanding.	Net profit.	Audit fees as per scale.	as proposed at 6 as. p. c.
	Rs.	Rs.	Rs.	Rs.	Rs.
1932–33 ...	1,00,048	46,079	1,295	377	172
1933–34 ...	1,27,041	53,893	1,729	437	202
1934–35 ...	1,43,472	65,524	1,963	546	247
1935–36 ...	1,64,501	87,849	2,318	524	330

The Mangalore Catholic Co-operative Bank, Ltd.

The thanks of the urban banks are due to the *Madras Journal of Co-operation* for bringing the question of audit fees once more to the fore. For some years past, the big urban banks have been subjected to an 'iniquitous impost' in the shape of heavy audit fees. Our own Bank, the Mangalore Catholic Co-operative Bank (formerly the Mangalore Catholic Co-operative Society) paid for 1934-'35 under the old scale Rs. 845, after a paltry remission of 12½ per cent given by the Registrar. Against this order of remission, an appeal was preferred to the Government and a memorandum praying for an equitable revision of the scale of audit fees was also submitted to the Government. Though more than sixteen months have elapsed, despite reminders and personal representations to the Minister for Co-operation during his tour in this district, the appeal as well as the memorandum are still pending disposal before the Government. For 1935-'36 the Bank paid under the present scale Rs. 770, no remission whatever having been given. For the year just ended the Bank has to pay Rs. 785-12-0.

Though agitation has been carried on in the press, in Co-operative Conferences and in the Legislative Council itself, though the Registrar of Co-operative Societies would appear from the latest Administration Report to have submitted fresh proposals to Government for the revision of the scale of audit fees and though the Minister for Development himself stated on the floor of the Legislative Council that the hardship is real and the matter is under consideration, nothing has materialised so far. The cry of urban banks has veritably proved a cry in the wilderness. We trust the advocacy of their cause by this *Journal* will help to bring about a speedy solution of the problem. It is well known that, though the Registrar was willing and the Minister sympathetic, the Finance Member was adamant. Now that Provincial Autonomy is an accomplished fact and we have a Ministry responsible to the Assembly and responsive to the popular cry, we trust the matter will not be delayed any longer and that justice will at long last be done.

The extent of the hardship caused to the big urban banks by the levy of heavy audit fees and the other issues* which are involved, can best be realised by a comparative statement showing the audit fees paid by our Bank, by the South Canara Central Co-operative Bank, and by the Madras Provincial Co-operative Bank for the year 1935-36. The accounts of the first two are audited by Government and of the third by a private firm of auditors.

* For Statement see page 219.

Name of the Bank.	Working Capital.	Audit fees paid.
	Rs.	Rs. A.
The Mang. Cath. Co-op. Bank ...	3,85,949	770 2
The S. Canara Central Co-op. Bank...	11,05,923	527 0
The Madras Prov. Co-op. Bank ...	195,64,979	1,000 0

Comment is hardly necessary. An ordinary urban bank, with a working capital of nearly Rs. 4 lakhs, pays for the Government audit about Rs. 800, while the Provincial Bank, with a working capital of nearly Rs. 2 crores, pays for its private audit only Rs. 1,000. Secondly, the same urban bank with a working capital of about one third of that of the District Central Bank pays to the Government 1½ times the amount paid by the Central Bank to the same Government. It can therefore be taken as proved beyond doubt (1) that Government audit is out and out more costly than private audit and (2) that the Government scale of audit fees applicable to urban banks is much more exorbitant than that applicable to central banks, as a result of which more is charged for less work and less is charged for more work.

The first question that naturally arises is this: Why does Government insist on its own audit, when private audit is so much cheaper? In the answer to this question lies the crux of the whole problem. The Government in their order No. 224 dated 21-2-1933 have laid down that in future Government audit should be the rule, because non-official audit is not efficient enough to satisfy their statutory obligations. This is a mere assumption. Our own Bank was for seven years audited by a certified auditor to the entire satisfaction of the share-holders and the Department alike. We have the unsolicited written testimony of the Deputy Registrar to that effect. We have therefore no hesitation in affirming that private audit under proper control and supervision can be as efficient as Government audit. If authority were wanted in support of our statement, we would invite the attention of the Government to the following extract from the presidential address at the 20th Madras Provincial Conference held in June 1933. "Far bigger banks on joint-stock basis, bigger than the biggest co-operative bank, are being audited by private auditors. The most ideal type of Government audit has not been able to perceive in time the affairs in Guntur and Calicut Banks. The imprimatur of official audit for several years has not saved Guntur co-operators. . . . I am told that the Government in Madras has given a quietus to this question by stating that they are against it (private audit). But I am confident that the time is not far distant, when the Government will revise their views and come round to the non-official view-point." We await with interest what the views of the Congress Government are on this vexed question.

Even if this is not convincing we would refer to the Government's own action. If non-official audit be so effete, how can Government permit the Madras Provincial Co-operative Bank, the Apex Bank of the Province, and the Triplicane Urban Co-operative Stores, the biggest co-operative stores in India, to be audited by certified auditors? If the two biggest co-operative institutions in the Presidency can be handed over by Government to private audit without compromising their statutory obligations, how can Government object to smaller institutions being audited by a similar agency? If the depositors of nearly one crore of rupees in the Madras Provincial Co-operative Bank are not scared away by the absence of Government audit, with what grace can it be urged, as is sometimes done, that depositors of co-operative societies want Government audit? Government's own action therefore lends support to our proposition that private audit can be as efficient as Government audit.

But from what we have said, let it not be understood that we are opposed to Government audit per se. Our objection to it is only on the score of its unconscionable cost, that is, on account of the audit fees being out of all proportion to the actual cost to Government. But the contention of the Government is that the income from audit fees is just sufficient to meet the expenses of the audit and that the Government is not making any profit out of it. However it may be for the presidency, in the case of our Bank at least, the Government is making nearly 300 per cent profit even after the reduction of 12½ per cent. Here are facts and figures in support of our statement. The concurrent audit of our Bank does not take more than five days in a month. At this rate, the total number of days spent on audit for the year cannot be more than 70 (inclusive of another 10 days for final audit). Taking the average pay of a Senior Inspector at about Rs. 85, the total cost to Government is roughly Rs. 200, and yet the bank is charged nearly Rs. 800. Further, taking the South Canara district as a whole, we may confidently state, that the Government is making at least cent per cent profit. If this is so, as far as our Bank and our district are concerned, we cannot understand why it should be otherwise elsewhere. There must be some economic wastage somewhere. It may well be, as was stated in the course of the discussions

during the Urban Banks' Conference convened by the Registrar last year, "Under the present 'monopoly' system of audit, the out turn of work was poor, and that in the nature of things it was not possible for Deputy Registrars to know if the auditors were taking things easy or wasting time." It is for the Government to find it out, apply the remedy and avoid the wastage. If the machinery of audit works out at a deficit elsewhere, we are not responsible for it and cannot be made to pay for it—we who have no hand either in determining the staff or controlling it. Is it right that this Bank and this district should be penalised for the sins of auditors in other districts, or to adopt the homely phrase, that 'Peter should be robbed to pay Paul'? The Government must make up the deficit by adopting other ways and means and not by penalising other Banks.

We would go further and say that when Government compulsorily imposes its own audit upon us, it is under a moral obligation not to levy fees higher than those obtaining in the commercial world. In other words, audit fees are only a remuneration for service rendered and should not be affected by the cost of a Presidency-wide staff as stated by Government. To illustrate: It is well known that the cost to Government per pupil in its own schools and colleges is at least 3 or 4 times as much as that in an aided institution. And yet the Government does not charge a higher rate of fees because of the higher cost. If this reasonable principle can hold good in one Government department, there is no reason to depart from it in another equally nation-building department. We do not object to pay for services rendered, but we do object to pay fees out of all proportion to the services rendered.

We shall next examine the incidence of the Government scale of audit fees on different classes of societies and suggest some ways of lightening the burden. The scale applicable to Central Banks is a comparatively moderate one and makes the fees more or less approximate to the actual cost of audit, though no doubt private audit can be had cheaper. Again, in the case of small urban banks with a working capital of less than Rs. 30,000 the fees paid by them do not cause them much heart-burning. Even under the old scale the fees levied from them were less than what they formerly paid to the District Federations or Central Banks in the shape of supervision fees, and as such they were better off than before. Hence the recent reduction of 12½ per cent was really an unexpected windfall for them. It is mainly in the case of the big urban banks that the burden of audit fees is felt to be so oppressive and the recent reduction has hardly touched the fringe of the problem. Our first suggestion, therefore, is that an entirely new scale of audit fees be devised for societies with a working capital of Rs. 50,000, making the fees commensurate with the cost of audit and approximate to those obtaining in the commercial world. There is no use tinkering with the old scale on percentage basis.

We have a second suggestion to make. The time required for audit is not directly proportional to the working capital involved. A certain minimum of time has to be spent on all societies, irrespective of size. Having regard to this fact, we would suggest that in any scale of audit fees that may be prescribed, a minimum fee of Rs. 100 or thereabouts should be fixed. If this were done, the Government would not be losers in the matter of the audit of smaller Banks, as, we are afraid, they are at present. Further if the Madras Provincial Co-operative Bank can get its audit done for Rs. 1,000, there is no reason why the biggest urban bank should not get its own done for Rs. 300 or thereabouts. In fact, when our Bank had its own private audit, the auditor was paid between Rs. 250 and Rs. 300. Our second suggestion, therefore, is that in any scale to be prescribed, a minimum and a maximum should be fixed.

If however both the above suggestions are not acceptable to Government, there is no other alternative but to permit urban banks to adopt private audit subject to departmental control. We would endorse the suggestion made at the recent Urban Banks' Conference presided over by the Registrar, namely, that for purposes of audit the department might appoint a panel of certified auditors from among whom the urban banks may select their auditor and settle the fees with him. Let it be remembered that these are persons with far higher qualifications and more thorough training in the intricacies of audit and also subject to the discipline and control of the Governor General in Council. If this is not enough, the Deputy Registrar might satisfy himself before the issue of the audit certificate that the audit has been conducted in accordance with the statutory requirements and with any further specific instructions that might be issued to the auditor in this behalf. This arrangement would at once insure the statutory control and protect the urban banks from the exorbitant charges now levied.

Co-operative Town Bank, Ltd., Punganur.

I am definitely of opinion that departmental audit is preferable to private audit as the departmental auditors are Government officials and are liable to be checked again and any mistakes committed by them during audit will be severely dealt with by their superiors. The audit work when entrusted to a private auditor even though such an auditor is elected from the panel of auditors approved by the Registrar, such an auditor who is appointed at the pleasure of the Bank can in my opinion never point out the defects for at least the fear of being not selected in succeeding year.

As for calculating the working capital of a society, reserve fund should be excluded as it is seldom used for the business of the society. The same amount in deposit in the central bank is twice taxed as this amount is treated as *deposit* in the *central bank* and as an *investment* made by the urban bank in its accounts.

Taking into consideration the reduction in the lending rate and the consequent fall in the profits of societies, the present scale of audit fees is exorbitant and reduction to an extent of 50 per cent is necessary, if not its total abolition, to enable the societies to improve their other funds such as bad debts reserve, building fund etc.

It is also very regretable that while Central Banks are charged Rs. 0-12-0 per thousand the urban banks are taxed Rs. 5-0-0 per thousand. Such inequities should be set right.

NON-CREDIT SOCIETIES.

The Central Co-operative Printing Works, Ltd.

The audit fees levied for 1935-36 was Rs. 224 while that collected for 1934-35 was only Rs. 88-8. By a resolution of the Special Committee it was considered that Rs. 60 would be a fair fee and the Deputy Registrar of Co-operative Societies was accordingly requested to reduce it to Rs. 60. The Deputy Registrar of Co-operative Societies, Madras, in his letter No. A. 276/36 dated 7-6-37 intimated that the society was included in the city audit scheme and demanded an immediate payment of Rs. 80 which was accordingly paid as audit fee for 1935-36.

The Kandapillai Chavady Co-operative Building Society, Ltd.

I would like that Building Societies which are financed by Government may be exempt altogether from the levy as it is more in the interests of the financer that audits are conducted.

The Madras Co-operative Milk Supply Union, Ltd.

The fee levied for the year 1935-36 is Rs. 372-5-0 and we have paid in full as no remission was allowed, although an application was made to this effect.

The Tirupur Co-operative Trading Society, Ltd.,

I perused pages 63-64 and 112-113 of the August issue of the *Madras Journal of Co-operation* wherein an editorial note on audit fees, and the rule relating the levy of audit fees together with the scale of audit fees now in force respectively are published. This society has been levied Rs. 793-6-0 as audit fees for the year 1936-37. It seems that this sum has been calculated at Rs. 0-4-0 per Rs. 100 worth of goods sold less 12½ per cent. This society has sold Rs. 3,62,683 worth of goods during the year under reference. This society deals mainly in cotton on commission basis and the rate of commission is charged on the basis of quantity sold, sale value of which will range between Rs. 250 and Rs. 300 per candy of 784 lbs. The commission is not charged on the value of goods sold just like in the case of cereal crops.

The commission earned by the society is about Rs. 0-6-0 per Rs. 100 worth of goods. The levy charged by the department is Rs. 0-4-0 per Rs. 100 worth of goods and a net commission of Rs. 0-2-0 per Rs. 100 worth of goods only is left to the Society. Establishment and other contingencies should be met from the difference of Rs. 0-2-0 per cent on sales.

The above figures clearly show the small margin left to the society and the appalling percentage taken over by the department in the shape of audit fees.

Considering the scale of levy of the department, it is worthwhile affiliating the society with Audit Union whose scale of levy is considerably low. For instance, the Coimbatore District Co-operative Audit Union charges audit fees on the gross profit earned by the society *viz.* 3½ per cent up to Rs. 10,000 and 2 per cent above Rs. 10,000 and up to Rs. 30,000. According to this, this society would be required to pay Rs. 551 only as audit fees since its gross profit amounted to Rs. 20,055. As per departmental scale, this society is required to pay Rs. 793-6-0, there is a difference of Rs. 242-6-0 over and above required by the Audit Union.

In the interest of the society, such a heavy levy should be stopped once for all and the scale of levy on sale societies should be

revised. A sum of annas 0-2-0 per Rs. 100 worth of goods sold for sale societies and annas 0-4-0 per Rs. 100 for stores etc., may be adopted as a suitable scale.

LAND MORTGAGE BANKS

Gudlavalleru Co-operative Land Mortgage Bank, Ltd.

The Board of Directors have discussed the subject and have come to the conclusion that the audit fees should be fixed with reference to the scale and allowances of the auditor and to the time spent in audit.

The question of audit fees was raised by this Bank in the year 1931 and the then Registrar, Mr. D. N. Strathie, agreed to levy the fees only with reference to the time spent in audit and has even left a remark to that effect in our visitor's book.

The promise was never acted upto, for an arbitrary amount of Rs. 150 was levied as audit fees in that year itself even after an application for remission. 25 per cent remission was given in the years 1933-34 and 34-35 and the full amount of Rs. 259-6-0 was collected as audit fees for 1935-36 in spite of an application for remission. The audit of this Bank is entrusted to a Junior or Senior Inspector of Co-operative Societies and he takes at the most one month for all the 3 concurrent audits and the final audit. The maximum amount of his pay and allowance will I guess never exceed Rs 100, whereas we are charged thrice that amount as audit fee.

The fees calculated according to a scale fixed with reference to the working capital of a society will put either the society or the Government to loss. If the scale is fixed at a high rate the society will loose and if it is fixed at a low rate the Government will loose. If the nature of the business turned out by a society involves petty items, the audit will have to be conducted for a longer period than that in the case of a society with equal working capital but with big items. So the only right measurement which incurs no loss either to the Government or to the society is the time taken for auditing.

Official Memorandum on Audit Fees.

O. M.—No. 2714-II/36-6, Development, dated 18th September 1937.

The scale of fees for the audit of the accounts of co-operative societies as now fixed with reference to rule XI of the rules issued under the Madras Co-operative Societies Act, 1932, is based on the working capital of societies except in the case of certain types of societies. On a representation that the audit fees 'charged were too high, the Government in G. O. No. 1792, Development, dated 18th December 1935, reduced with effect from the co-operative year 1935—36 onwards the then scale of fees by 12½ per cent and gave power to the Registrar of Co-operative Societies to grant remission not exceeding 2½ per cent at his discretion in deserving cases. It is now represented that this reduction has not afforded adequate relief especially to primary credit societies, *viz.*, urban banks and other societies on the limited liability basis and that the fees should be further reduced. The main objections raised to the present scale of fees are—

(1) working capital as defined for the purpose of audit fees is not a suitable basis in that it includes outside investments and reserve fund ;

(2) the rate charged for primary societies for the fist one lakh of rupees of their working capital is out of all proportion to the actual cost of the audit and no relief by way of a percentage reduction can be adequate ; and

(3) there is a wide disparity in the scale of fees fixed as between primary societies and central banks.

2. With a view to placing the scale of audit fees on a more equitable and satisfactory basis, the Registrar of Co-operative Societies originally proposed that the reserve fund invested outside should be excluded from the working capital for the purpose of levying audit fees. He also proposed a reduction in the scale of fees in respect of urban banks and primary credit societies and an increase in the scale of fees for central banks, the scale of fees in respect of other types of societies being left unaltered. The Registrar was asked to work out an estimate of the cost of audit to each society on the basis of the time spent on audit taking into account the cost of the staff, increase of expenditure or fall in receipts and remission of fees in deserving cases and to compare it with the fees recoverable on the basis of working capital according to the revised scales suggested by him. On a re-examination of the question, the Registrar has suggested an alternative scale combining the principle of charging fees on the basis of the time taken for audit with that of charging them on the basis of the working capital. The societies are to

be classified into a number of well defined groups according as their working capital falls between any two specified limits. The time taken usually for the audit of societies with a particular working capital is to be computed approximately and a lump-sum fee fixed for each group at a specified rate per day.

3. The working capital of a society is not always commensurate with the volume of its transactions and if the fees are based on working capital, there will always be complaints about disproportion in the rates charged between different types of societies. Nor do primary societies as a class stand to gain by the adoption of the alternative proposal of the Registrar of Co-operative Societies. It has been suggested that the best arrangements would be to equate the fees to the actual cost of audit as the system of charging a flat rate based on the actual time taken for audit has simplicity and equity in its favour. It is also stated that it would, on the one hand, induce societies to maintain their books with greater care and to afford all necessary facilities to auditors to complete the audit with expedition. On the other hand, constant vigilance on the part of these societies and the department would eventually lead to marked improvement in the work of auditors. It may no doubt be observed that all auditors in the department are not of equal capacity and that the time taken for the audit of the accounts of a society will vary with different auditors. As against this, it may be pointed out that such inequalities in capacity exist even amongst registered accountants and auditors. And this fact is reflected in the different rates of fees quoted by them for the audit of the accounts of the same society.

4. On the basis of the total cost of the staff employed on the audit of societies liable to pay audit fees, including leave and pensionary contribution, travelling allowance and contingencies and allowing a margin to cover any fall in receipts or increase in expenditure and a sum of Rs. 2,500 per annum for remission by the Registrar of Co-operative Societies in deserving cases, it is proposed to levy audit fees at the rate of Rs. 6 a day in respect of all classes of societies.

5. Before passing final orders on the question, the Government would like to have the views of central and urban banks and other societies liable to pay audit fees. These institutions are invited to communicate their views to the Government within two months from the date of this order through the Registrar of Co-operative Societies who will consolidate them and offer his comments on them.

Working of Land Mortgage Banks in India.

[The statement given below was placed at the table of the Council of State at its recent session in reply to a question put by the Hon. Mr. Kumarsankar Roy Chowdhury.]

Madras.

In Madras it was stated the number of banks or societies was 81, with a working capital of Rs. 1,08,28,131.

The Government assisted the primary land mortgage banks in the initial stages in the flotation of their debentures by undertaking to purchase them up to an amount equal to that issued to the public, subject to a maximum of Rs. 50,000 from any one bank, and to a further maximum of Rs. 2½ lakhs for the whole Presidency. The Government assisted the Central Land Mortgage Bank with a subsidy of Rs. 20,000 for its administrative expenses during the first two years of its working.

In the first instance, the Government appointed for a period of three years a special staff of two Deputy Registrars and ten Sub-Deputy Registrars to inspect the primary land mortgage banks and to enquire into every loan application and appraise all lands tendered as mortgages. The special staff continues and with the increase in the number of banks, it was been strengthened from time to time. There are at present two Deputy Registrars and twenty-six Sub-Deputy Registrars. Up to 31st March, '37 the Government undertook to meet that part of the cost of the staff employed for the benefit of the Central Land Mortgage Bank which it was not possible for the bank to meet after setting apart 25 per cent of its profits to the reserve fund and paying a dividend of 6 per cent to the shareholders. As regards the staff employed for the benefit of both Central Land Mortgage Bank and the primary land mortgage banks, the Government undertook till 31st March, 1937 to meet the entire cost involved on condition that after paying a dividend not exceeding five per cent to the share-holders, the primary land mortgage banks would put the entire balance of their profits into the reserve fund.

The Government guaranteed the interest not exceeding six per cent on all debentures issued by the Central Land Mortgage Bank to an extent of Rs. 50 lakhs during the first five years of its existence until they were paid off or redeemed by the bank. Subsequenlty they also guaranteed a maximum interest of 6½ per cent on debentures issued by the bank up to an extent of Rs. 30 lakhs out of the total Rs. 50 lakhs mentioned in the previous guarantee.

After passing the Madras Land Mortgage Banks Act, Government have fully and unconditionally guaranteed both the interest on and the principal of the debentures issued prior to the commencement of the Act and also the principal of and interest on the debentures issued thereafter redeemable within a period not exceeding 25 years from the date of issue and bearing a rate of interest not exceeding 5 per cent. The latter guarantee at present extends to debentures up to a maximum of Rs. 100 lakhs exclusive of the value of the debentures as may have been redeemed by the bank from time to time. The debentures have, by an amendment of the Indian Trust Act, been placed on the list of trustee securities.

The Government have permitted the Madras Provincial Co-operative Bank and the district central banks to grant loans to non-members on the security of debentures up to 80 per cent of the face value of the debentures, the period of loans being restricted to a maximum of one year.

The local bodies have been premitted to invest in the debentures of bank one-fourth of their provident funds and one-sixth of their railway-cess funds. The central banks have been permitted to reckon the debentures of the Central Land Mortgage Bank they hold for the purpose of fluid resources up to a limit of one-third of the standard required to be maintained by them, the debentures being taken at 80 per cent of their market value. The central banks have been permitted to invest in the debentures of the bank reserve funds up to a limit not exceeding one-half of the amount to the credit of the funds.

The Government have exempted all co-operative land mortgage banks from the payment of fees for the audit of their accounts in the first three co-operative years from the date of starting. The Government have exempted the Central Land Mortgage Bank and the primary land mortgage banks up to the end of April 1937 from the payment of fees for the registration of documents and the obtaining of encumbrance certificates. Facilities have been provided by Government for the transaction of the business of the banks, such as the free supply of copies of District Gazette sheets, village maps and the supply of information regarding the property of the members of the banks.

In addition there are certain facilities such as those for the speedy recovery of arrears from defaulters and execution of documents which the banks enjoy under the provisions of the Land Mortgage Banks Act.

Bombay.

In Bombay the number of banks or societies is 14 with a total working capital of Rs. 6,47,174.

All land mortgage banks in the Bombay Presidency are registered under the Bombay Co-operative Societies Act, 1925. The bye-laws provide for the nomination of the Board of Directors by the Registrar or the first three years and for his sanction to all loans in the initial stages. Apart from the privileges which the banks receive as co operative societies, ten primary banks have been given, between them, a cash subsidy of Rs. 5,000 a year for three years towards the cost of their land valuation officers who are permanent Government officers and exempted from the payment of leave and pension contributions in respect of them. The Government have guaranteed the principal and interest of the debentures of the Provincial Land Mortgage Bank to the extent of Rs. 10 lakhs, and have promised to make good any deficit in the working of the bank up to a total of Rs. 10,000 for the first year, Rs. 7,500 for the second year and Rs. 5,000 for the third year.

Bengal.

In Bengal, where there are five banks or societies with a working capital of Rs. 2,02,113, the Local Government undertook to meet the entire cost of management of the banks in the first year of their existence and in the second and third years to make good any difference between the gross profits and the management charges in the event of the latter being greater than the former.

For the efficient management of the banks the Government agreed to lend the services of Sub-Deputy Collector with settlement experience to be managers of these banks for the first three years of their existence. During the first year the pay of these managers was entirely borne by the Government, and during the second and third years Rs. 200 per mensem was payable to Government by each bank for the services of these managers. To assist the Registrar in the control and supervision of these banks the creation of the post of a Deputy Registrar for a period of five years with effect from the beginning of March 1934 was sanctioned and Government also accorded sanction to the appointment of a small staff under him.

In order to provide adequate capital for the banks, Government sanctioned the issue of debentures of a total face value of Rs. 12½ lakhs by the financing bank on the following conditions.

(*a*) The issue shall be at par and shall be current for a period not exceeding 30 years from the date of issue;

(*b*) the Government will guarantee the interest for the entire period of currency of the debentures;

(*c*) the rate of interest will be fixed annually by Government;

(*d*) the rate of interest on the debentures to be issued during the first 12 months shall be not more than 4¾ per cent;

(*e*) the rate of interest to be charged by the land mortgage banks on loans to individuals shall not, until further orders, exceed 9⅜ per cent.

In order to give the banks a start, the Bengal Provincial Co-operative Bank was approached and the Directors of that bank accommodated the land mortgage banks with short term cash credit advances on condition of repayment of the loan as soon as the debentures are floated. The Bengal Provincial Co-operative Bank has decided to charge 1¼ per cent interest over and above the rate of interest payable on the debentures for meeting its working expenses. The land mortgage banks have decided to charge an extra 3⅜ per cent over their borrowing rates from individual borrowers in order to meet establishment charges.

The banks are managed by Board of Directors who have been nominated in accordance with the bye-laws of each bank with the District Magistrate as the ex-officio Chairman.

United Provinces.

The number of banks or societies in the United Provinces is 5 with a working capital of Rs. 98,230. They are registered co-operative societies under the general supervision of the co-operative department. The Managing Committee of a society usually consists of nominated officials with the Collector as the ex-officio chairman.

The Punjab.

In the Punjab, where the number of banks is 12 (working capital, Rs. 18,30,609), the banks are co-operative bodies financed by the Punjab Provincial Co-operative Bank, which received loans from Government for the purpose and also issued Rs. 5 lakhs debentures the interest on which was guaranteed by the Government. One bank has a direct loan from the Government.

Central Provinces.

The Central Provinces has 10 banks with a working capital of Rs. 1,74,543. The Government has guaranteed the principal and interest on debentures to be floated for raising the capital of the banks up to Rs. 50 lakhs. The Registrar is ex-officio trustee of the debenture holders. He and the Financial Secretary to the local Government are ex-officio members of the Board of Directors and the Managing Committee of the Provincial Bank. Every loan to be granted by a primary bank requires the sanction of the Registrar The working of the banks is governed by the Central Provinces Land Mortgage Banks Act.

Assam.

Assam has 5 banks with a working capital of Rs. 5,57,162. The banks are registered under the Co-operative Societies Act II of 1912. The Registrar and his subordinate staff inspect and audit them. Four banks have received loans from the Government amounting to totals of Rs. 51,000, Rs. 33,000, Rs. 10,000 and Rs. 2,000.

Ajmer-Merwara has 22 banks and their total working capital amounts to Rs. 1,04,031. The banks work under the close supervision of Inspectors of Co-operative Societies who are Government servants and are the ex-officio Presidents of the banks. The societies are under the general control of the Co-operative Department.

There are no land mortgage banks or societies in Bihar, Orissa, North West Frontier Province, Sind, Delhi and Coorg. The question of establishing two land mortgage banks in Burma is under consideration.

Mr. Giri's Speech on Co-operation.

The following was the speech made by the Hon. Mr. V. V. Giri, Minister for Co-operation, on the 16th Sep. last at a meeting held under the auspices of the Cultural Association of the Central Co-operative Training Institute, Madras.

Analysis of the Movement.

Co-operation as is understood in a literal sense is joint operation or joint endeavour by the people engaged in a common concern with a set purpose. It is the best way to help oneself and his fellow-beings. Isolated and powerless individuals can, by association with others and by mutual support, obtain for themselves material advantages which powerful and wealthy persons possess. The Danish axiom is 'one plus one is more than the arithmetical sum of two,' while the Indian says 'one and one become eleven'. Thus, co-operation is one of the highest forms of organised working. The management of the house is impossible without the co-operation of the members. Similarly, for the efficient management of a village, town, or city, the co-operation of the persons living in the area is absolutely necessary. Thus what is true of an individual family is equally true of the wider circle, that is, the nation.

Problem of Rural Indebtedness.

It is generally admitted that the agricultural class in the greater part of India is heavily involved in debt. It is estimated that the rural indebtedness in this presidency alone amounts to a sum of two hundred crores of rupees. We have to find, therefore, an effective means of reducing the burden of agricultural debt, and we hear day after day suggestions from every quarter in this respect. It is agreed on all hands, that unless this burden is removed from the heads of the poor ryots, no lasting good can be effected. Several provinces are, no doubt, trying in every possible way to ameliorate the condition of the borrower, by controlling the money-lender and by regulating the rates of interest by law. Conciliation boards are set up to adjust the claims of debtor and creditor. There is an attempt everywhere; and especially in this Presidency a beginning has been made by the establishment of land mortgage banks for the repayment of old debts in certain areas. Ways and means, therefore, must be found to clear the previous indebtedness of the poor peasant by radical measures even by declaring a moratorium for a time if it became indispensable and set the ryot on his feet once again to open a fresh page in life. I can assure you that the Madras Government are considering all these matters from every point of view, and very soon may come to decisions which would result in giving a new lease of life to the poor agriculturist. I do not desire, at this stage, to anticipate since the question of how the Government are going to tackle this problem is under their consideration.

Some of the chief causes of agricultural indebtedness in India may with certain qualifications be put down as under: the failure of the monsoon; the high rates of interest paid on loans; the ignorance and illiteracy of the people which may be attributed to (*a*) absence of scientific methods and of good implements for agriculture, (*b*) improvidence and extravagance on marriages, death, ceremonies and drinks, (*c*) litigation, and (*d*) losses due to sale of some of the agricultural produce at less than cost price or at low rates. All these problems have to be tackled in a practical manner if the Indian agriculturist is to be placed above want.

Overdues.

Within the last two months, I have visited some districts of the presidency and met some co-operators. Everywhere, I heard the tale of our credit societies being clogged with overdues and this will certainly hamper the progress of the movement. The problem of these overdues can only be remedied by the reconstruction of rural life on sounder lines, and by education, in the proper sense, of the poor peasant. On the one hand, as I have already stated co-operators must educate them not to spend money on unnecessary extravagances. On the other hand, they must be made to learn what is thrift and according to Mr. Darling 'thrift and credit should always go hand in hand for the success of this great undertaking.'

The organisation of co-operative marketing is essential if the co-operative credit societies are to succeed. It appears Sir Daniel Hamilton has organised several hundreds of tenants on his estate in the Sunderbans to form credit and marketing societies. The marketing society is authorised to repay the credit society whenever members owe money to it, deducting the amount from the sale proceeds of their produce. The result is excellent recoveries and few overdues. There are, however, difficulties in organising effective co-operative marketing, but if well developed it will undoubtedly be of the greatest assistance to co-operative credit.

Just at the present moment, the Central Land Mortgage Bank has approached the Government with a request for a further guarantee of fifty lakhs of rupees. The Government are also faced with certain other questions of a difficult nature, such as the raising of the lending rate and the creation of sinking funds on scientific lines to ensure the repayment of the debentures on maturity. Of course, there is a growing protest from all quarters in this presidency against an increase in the rate of interest. It is held by them that if it is necessary to do so, the sole consideration should however be to see how the ryot will be able to pay. With this question is closely allied the question of the safety of the bank. Men like Mr. Ramalingam Chettiar and the Hon'ble Mr. Ramadas Pantulu hold the view that if the Government are concerting measures to help the agriculturist to liquidate his prior indebtedness and lift from his shoulders the oppressive burden of interest charges, it must look odd to raise the lending rate of land mortgage banks, which was once considered to be high and burdensome and so was deliberately brought down, and that the condition of the present money market does not justify such a course. I do not wish to say anything about the view of the Government on these matters except that these questions are engaging the immediate attention of the Government with a view to arriving at a final decision.

Causes of Failure.

If some of the co-operative institutions in this presidency failed to achieve their purpose, it was due to bad management, local factions, want of education on the part of the members, borrowing for unproductive purposes and in some cases, the absence rigorous control by the officials of the co-operative department. Some consider that the chief reason for such a state of affairs was that sufficient propaganda of the right type did not precede the formation of such societies. When it was decided to push up the movement sometime ago directions were in all probability issued for the formation of societies in large numbers and the work was judged not with reference to quality, but with regard to the number of societies formed. Owing to want of foresight and deligence on the part of audit officers, prosecutions of an otherwise avoidable nature have now to be resorted to, thereby bringing the whole movement into disrepute. If the auditors had all been careful in doing their duty with reference to the periodical audits they had to make of the various societies, we should have had a different tale to tell. It should be the duty of every co-operative official including the Deputy Registrar, whenever he visits a rural society, to send for the members who have borrowed according to the books of the bank and verify the loan amount and get the borrowers' confirmation by getting his signature or thumb impression in the register maintained for the purpose and thereby try to put an end to benami transactions.

An attempt should also be made to develop in a greater degree the industrial and labour societies in order to raise the standard of living of the poor workers. If the various Government departments get their contract work done departmentally with the aid of these labour societies instead of contractors, it will indeed help the poor workers in raising their standard of lving.

Three Lines of Development.

India is a land of villages, it is admitted on all hands that India is pre-eminently an agricultural country and the basis for any improvement is the village. It needs no argument therefore to state that unless the spirit of organisation and discipline permeates the whole village, there is

no hope of salvation. A subsidiary occupation has to be found in rural areas. Cottage industries of a profitable nature should therefore be organised, if necessary with State aid and generally on a co operative basis, if possible in addition to private enterprise. As Mr. Giriappa, the Joint Registrar of co-operative societies, remarked at the conference of members of the co-operative loan and sale Societies in the Tanjore district, the three main lines of development which would give the agriculturist immediate relief are controlled credit, development of subsidiary occupations and organisation of marketing societies on a co-operative basis.

The future of the co-operative movement depends entirely on the scientific organisation and discipline that we can bring about amongst the co-operators in the country. Personalities and personal gains should be subordinated in order that the institution may thrive and live. It augurs well for the future that you have an institution of the kind which I am addressing to-day and which will be in a position to train proper men to run the movement. The staff of this department must have high ideals to guide them in their task. They should not consider they are more wage earners. They must feel also that they are doing great a social service by organising and developing the movement on sound lines with sincerity of purpose. This movement of ours has a great future. The responsibility for the failure or success of the movement depends on the leaders, the workers and the organisers who believe in its advancement. I trust co-operators will consider the idea of developing cottage industries on a co-operative basis. The Madras Government will be glad to receive any suggestions from co-operators on this matter and give their best consideration for them.

I wish this institute every success, for the success of the movement depends on its organisers, and this institution is intended to produce such able organisers and propogandists.

Syllabus for the training of Junior Inspectors of Co-operative Societies.

FIRST PERIOD.

Preliminary training—four months :

1. *Training under an experienced Supervisor*: During the first month, the Junior Inspector will be attached to an experienced Supervisor of a Co-operative Union. First, he should study the economic condition of two or three villages. This study will comprise of :

(1) People in the village, the various castes and occupations.

(2) The lands in the village, their extent, and their classification into dry, wet and garden lands, and the average holding per ryot.

(3) The ryotwari system and the zamindari system.

(4) Agriculture : wet crops, dry crops, food grains, commercial crops, ploughing, sowing, manuring, weeding, and harvesting.

(5) Irrigation ; channels, tanks, wells and rains.

(6) Subsidiary occupation : Weaving, trade, carting, cattle-rearing, sheep-farming, poultry-rearing and butter-making.

(7) Marketing: Sales at the threshing floor, sales to the village dealers, sales at a neighbouring shandy.

(8) Village organisation : Village officials, village panchayat and village common funds.

(9) Village communications : roads and their maintenance.

(10) Public health and Sanitation : Rural dispensaries, village sweeping and lighting.

(11) Education : Aided Schools and Boards' schools.

The Inspector should next study the by-laws of a rural co-operative credit society. He should inspect at least ten such societies with the Supervisor, and scrutinise how the by-laws are worked in these societies. He will also attend the organisation and starting of two such societies. He should inspect at least three bad societies and see how they are rectified. Then he should inspect at least two dormant societies and see how they are revived. During this period, he should study the model by-laws of a Co-operative Supervising Union and study the working of at least one Supervising Union. This period will also be devoted to a study of the by-laws of a Central Bank. The Supervisor should show him the practical working of a Central Bank for two or three days.

II. *Training under an Audit Inspector :* During the second month the Junior Inspector will be attached to an experienced Audit Inspector

of the Department. He will watch and assist the auditor in the audit of a primary agricultural society, an urban bank and a stores society.

III. *Training under an Administrative Inspector for 3 weeks*: The Junior Inspector will undergo training for 3 weeks under a departmental Administrative Inspector. He should study the Act and the Rules framed under the Act during this period. He will inspect at least two urban banks with the Administrative Inspector. He should attend at least two enquiries under Section 38 of the Act conducted by the Administrative Inspector and also attend the other investigations and enquiries made by the Inspector in petitions and allegations etc.

IV. *Training under a Liquidation Inspector for 2 weeks*: The Junior Inspector's study will comprise the following :

Taking charge of records, scrutiny of the assets and liabilities, passing of contribution orders, collection work, preparation of returns, essentials for final closing and publications of notifications.

Note : Two select societies for each are sufficient.

V. *Training under a Non-Credit Senior Inspector for 2 weeks*: The Junior Inspector will be attached to a Non-Credit Senior Inspector for 2 weeks. He will study the by-laws of a co-operative stores, of a loan and sale society and a co-operative building society during this period. At least two of each of these societies should be inspected by him with the Non-Credit Senior Inspector. He will study, in particular, the co-ordination of the activities of a loan and sale society with those of rural credit societies and the Central Bank (Controlled Credit).

VI. During the last week, the Junior Inspector will accompany the Deputy Registrar in his tour ; the Deputy Registrar will review his work. The Junior Inspector will go through his notes, which each candidate should record in a bound note book, of the several items of work attended to by him in his tours. Sufficient margin may be left at each page and points of doubts or matters on which elucidation is required should be distinctly shown and these discussed and cleared.

SECOND PERIOD.

Theoretical Training in the Co-operative Central Institute—four months.

I. *Co-operation.*—(a) Co-operative Credit in foreign countries (Short term.)

1. Germany: The Raiffeisen societies—chief characteristics—the Haas societies—the Schulze—Delitzch society—chief characteristics—central organisations for finance—propaganda, and audit for rural societies—central organizations—for non-business purposes—for urban societies.

2. Italy:—The Wollenburg societies and the Luzzatti Banks—How different from German models.

3. Credit Societies in France, Belgium, Ireland and United States:

(*b*) Co-operative credit in India (short term).

1. Agricultural indebtedness in India—legislation against usury—Takkavi loans—Sir Frederick Nicholson's report—Dupernex's Peoples' Banks—Co-operative Credit Societies Act of 1904—Co-operative Societies Act of 1912—The Maclagan Committee's Report—Reports of Provincial Committees on Co-operation since the Great War—the report of the Royal Commission on Agriculture—The Madras Co-operative Societies Act of 1932 and Rules—detailed study.

2. Rural credit societies—limited area of operation and unlimited liability—how funds are raised—how funds are employed—profits and how they are divided—short-term loan—long-term and intermediate loans—why long-term loans are discouraged—productive loans verses unproductive loans—why unproductive loans are discouraged—security movables, immovables and personal—repaying capacity—promotion of thrift.

3. The Central Banks—constitution—three types—functions—composition of capital—how it is employed—how credit is fixed for societies—how societies are controlled and supervised—fluid resources.

4. The Provincial Bank constitution and functions—relations with Central Banks—commercial Banks and the money market.

5. Supervising Union—constitution and functions—income and expenditure—contrast with Banking Union and Guarangeeing Union.

(*c*) Co-operative credit (Long term).

Long term credit in Germany—land mortgage banks in India—The Madras Central Land Mortgage Bank, Ltd.—its construction and functions—debentures—trustees—state aid in shape of officers, guarantees and funds—primary land mortgage banks—their constitution—area of operations—purposes for which they give loans—scrutiny of loan applications—method of recovery—the Madras Co-operative Land Mortgage Bank's Act 1934.

(*d*) Co-operative Stores—the Rochdale Pioneers—system of sale (for cash, at market price, to members)—Bonus on purchases—the Tripilicane Urban Co-operative Stores—the British and Scotch wholesale societies—Development of the stores movement in India, its prospects and difficulties.

(*e*) Co-operative sale societies—their advantages—fair weights and measurements, correct prices, competitive prices, elimination of middlemen and their exactions—co-ordinating the activities of rural credit societies and land mortgage banks with sale societies—"controlled credit Provincial Marketing Society.

(*f*) Co-operative education and training—system in vogue—need for the training of panchayatdars and members.

(*g*) Arbitration and Execution (Chapters XIX and XX of the Manual).

(*h*) Liquidation—reasons for liquidating societies—procedure in details.

(*i*) Miscellaneous societies: Weavers' societies and the Central Handloom Weavers Society—Labourers' societies—Better Living Societies—Agricultural demonstration societies—Agricultural improvement societies—Thrift societies—Irrigation societies.

(*j*) General: The Madras Land Mortgage Banks Act—Debt Conciliation Act—Agricultural Loans' Act—District Economic Councils.

II. Auditing: The Syllabus for the Higher Grade Government Technical Examinations should be adopted.

III. Book-keeping: The Syllabus for the Lower grade Government Technical Examination should be adopted.

IV. Banking: The Syllabus for the Lower grade Government Technical Examination should be adopted.

THIRD PERIOD

Practical Training—Four months.

1. *Training under an Auditor*: During the first month, the Inspector will be attached to an experienced auditor of the department. He will watch how the auditor audits five rural credit societies and fills up the final audit report forms. Then, he will audit five societies by himself, fills up the audit report forms himself, and submit them to the Deputy Registrar after they are checked and countersigned by the auditor. He should organise and start three village societies by himself.

2. *Training under a Senior Auditor*: During the second month, he will be attached to a Senior auditor of an Urban Bank and Non-Credit societies. He will do the audit of one urban bank, one stores, one sale society and the concurrent audit of the Central Bank for one month, and submit their reports after they are checked and countersigned by the Senior Auditor.

3. *Training under Sub-Deputy Registrar and Sale Officer*: In the third month, will be attached to a Sub-Deputy Registrar for the first fortnight. He should attend the disposal of at least six arbitration references by the Sub-Deputy Registrar and dispose of six arbitration references himself. He should learn how the Sub-Deputy Registrar decrees debts due to a liquidated society and passes contribution orders enforcing unlimited liability. During the second fortnight, he will be attached to a sale officer who will train him in the attachment and sale of moveables and immoveables. He should study rule XXII of the rules framed under the Co-operative Societies Act of 1932 with particular care.

4. *During the fourth month*: He will be attached to the office of the Deputy Registrar. For the first three weeks, he will work in each Section of the Office and pick up office routine. He should also read the District Office Manual. During the last one week, he will accompany the Deputy Registrar in his tours and the Deputy Registrar will give a final polish to his training.

News and Notes.

We are sorry a small misprint has occurred on page 119 of the August issue of this Journal. In para 3 of the page for rule XXVIII there should be rule XXVII.

* * *

At a meeting of the Madras Nurses' Association held in August last under the chairmanship of Rao Bahadur A. Rajabadar Mudaliar, it was resolved to form a co-operative society for the benefit of the nurses. It is surprising to what extent the nurses are indebted and what high rates of interest they pay. They stand to derive much benefit from the society.

* * *

At a meeting of the Ladies Recreation Club, Thyagarayanagar, held in August last, Mr. R. Suryanarayana Rao of the Servants of India Society said that every Indian lady should make it a point to understand the principles of co-operation and purchase her requirements only from co-operative concerns even though at times the rates might be a bit high.

* * *

In a letter addressed to the Registrar of Co-operative Societies, Madras, Mr. A. Siva Ramakrishna Iyer, Deputy Registrar of Co-operative Societies, Cuddalore, has outlined proposals for the formation of a network of women's co-operative spinning societies in and around Kallakurichi and Chinna Salem. Arrangements are made to start six such societies in the area.

* * *

The new building of the Sri Kamalambika Co-operative Urban Bank was opened at Tiruvarur by Mr. A. Palaniappa Mudaliar, Deputy Registrar of Co-operative Societies, Tanjore, on the 31st August last. A reading room attached to the Bank was also opened on that occasion by Rao Bahadur N. R. Samiappa Mudaliar.

* * *

The Vizianagaram Co-operative Central Bank which was under supersession for the last one year has recently been handed over to the Board of Management constituted as per its by-laws. In restoring the management the Government has insisted on the appointment of Sub-Deputy Registrar as the paid Secretary of the Bank for a period of one year, to which condition the authorities of the Bank have agreed.

* * *

At a meeting of the citizens of Nellore held on the 10th August under the presidency of Mr. R. Pattabhirami Reddy, it was resolved to form a co-operative milk society with consumers and suppliers as members. Mr. K. Krishna Rao, Secretary of the local Central Bank, was requested to frame suitable by-laws for the society before the next meeting. An appeal was also made to the public to enlist themselves as members of the society.

The Committee, which was appointed sometime back consisting of Messrs T. A. Ramalingam Chettiar, U. Rama Rao and A. Srinivasa Pai to enquire into and report on the question of starting land mortgage banks in the South Kanara District, published their report recently. They have recommended that one bank at Mangalore with jurisdiction over Mangalore and Udipi taluks and another at Puttur with jurisdiction over Puttur and Kasaragode taluks might be started; failing which at least one might be started at Manglore with jurisdiction over the Mangalore and Puttur taluks.

* * *

When the Hon'ble Mr. V. V. Giri moved that a sum of Rs. 13,61,500 be granted under demand 'Co-operative Credit' in the recent budget session of the Madras Legislative Assembly, Mr. Schamnad, who invariably moved 'cut' motions on all other similar occasions, is reported to have said:

"It was a wrong policy to allow societies to be managed by non-officials agencies."

When there is a good deal of agitation among co-operators for de-officialisation of the movement, it is quite interesting to find even a solitary individual craving for more officialisation. There is no fear of anybody taking him seriously.

* * *

The Hon'ble Pandit Govind Ballabh Pant, Premier and Finance Minister of the U. P., has made in the Budget for 37-38 a provision of Rs. 26.5 lakhs for beneficent departments. Of this amount Rs. 10 lakhs is for rural development, Rs. 20,000 for rural libraries, Rs. 20,000 for promoting schemes for the supply of pure milk in large towns, Rs. 12,500 for improving production and sale of pure ghee, Rs. 2 lakhs for the supply of fertilisers, and Rs. 37,500 for the development of animal husbandry and stud bulls, etc.,

* * *

At a meeting of the Peasants Group of the members Central Legislative Assembly held on the 2nd September last at Simla under the presidency of Syed Murtaza Sahib, M.L.A. (Central) it was resolved (1) that the various Provincial Ministers should give the necessary assurance to the Central Government on the same lines as the Madras Government so as to persuade them to restore the right of free manufacture of salt obtained through the Gandhi-Irwin Pact, (2) that the Provincial Government should lose no time in declaring a moratorium on agricultural debts, (3) that the Reserve Bank should place adequate and cheap credit at the disposal of the Provincial Bank and Central Land Mortgage Banks so as to enable them to provide cheap credit to the agriculturists, (4) that the Government of India should give the benefit of budget surplus that is likely to occur next year mostly to peasants and workers and (5) that the Government should establish an All India Crop Planning Committee with sufficient funds.

* * *

A Press Communique, dated September 7, of the Madras Government (Revenue Department) gives the following details regarding the progress made in the working of the Agriculturists' Loans Act during Fasli 1345 and in Fasli 1346.

	Description of items.	Fasli. 1345.	Fasli. 1346.
1.	Number of applications received	2,089	13,827
2.	Number rejected on preliminary enquiry	708	1,456
3.	Number in which enquiry under Rule VI has been completed	1,098	11,720
4.	Amount legally due in the case of applications in item 3	Rs. 5,22,876	Rs. 40,06,867
5.	Amount as scaled down	4,18,158	28,05,937
6.	Reduction by scaling down and its percentage to the amount due	1,04,718 (20 per cent.)	12,00,930 (29.9 per cent.)
7.	Amount disbursed	1,68,035	16,86.580
8.	Total extent of indebetedness relieved the percentage of the total amount disbursed in full settlement of the debts to the total amount due	2,22,234 (76 per cent.)	24,23,359 (69.6 per cent.)

* * *

Mr. A. V. Thakkar, General Secretary of the All-India Harijan Sevak Sangh, in the course of a statement to the press dealing with the plight of sweepers and the necessity for forming Thrift Societies for them, says:

It should be laid down either by statute or by executive orders that the Municipality should organise a Co-operative Thrift Society for the benefit of sweepers along with other employees of the municipality and should afford all facilities for recovering instalments of loan, taken from the society, by recovery from salary direct. It should also be laid down that no employee of the municipality, nor a member of the municipal board, should have any money dealing with the sweepers employed by that municipality. The organisation of such a society and its smooth running after the first start is a very easy matter, as has been proved in numerous cases and has led to very beneficient results and in many cases has altogether changed the lives of the sweepers concerned.

* * *

The All-Cochin Co-operative Conference which was held on the 18th and 19th September last at Nemmara was presided over by Rao Bahadur M. Giriappa, Joint Registrar of Co-operative Societies, Madras. Sir R. K. Shunmukham Chetty, the Dewan, opened the Conference and Mr. N. S. Rama Aiyar as Chairman of the Reception Committee welcomed the delegates. Mr. Rama Aiyar said that unlike in Denmark, Ireland and Germany co-operation had not been given a fair trial in India, for neither the Government

nor the people had interested themselves in it. The Dewan in opening the conference said that literacy was not culture and that if the movement was to make rapid progress it should have men with the real spirit of co-operation to work it up on proper lines. Mr. Giriappa dealt with the progress of he movement in the State and made suggestions for its improvement from his wide experience in this presidency.

* * *

Dr. N. C. Wright, who was appointed along with Sir John Russell to report on the activities of the Imperial Council of Agricultural Research, has submitted to the Government of India an interesting report containing a detailed survey of Indian animal husbandary. He mentions in the report that the dairy products of India are worth nearly Rs. 300 crores a year, which is as much the value of Indian's total output of rice. He draws attention to the estimated value of cattle labour, namely, from about Rs. 300 to 500 crores, and the great value of cattle manure which is placed at about Rs. 270 crores. On the whole he estimates the total value of animal products of all kinds to be over Rs. 1,000 crores. That, in spite of all these resources, our per capita consumption of dairy products is much lower than in other countries, is another fact made clear to us by the present enquiry. Dr. Wright therefore suggests that the production of milk should be increased to at least twice the present output and that could be done by establishing new departments of animal husbandry in the Provinces and the starting of a Central Diary Institute.

* * *

The members of the Campbelltown Society in a remote district of Scotland and their dependents, are enabled by the society to have the benefit of an air ambulance service at a cost of only one penny a week! This wonderful co-operative service is said to be the only one of its kind in the world.

Campbelltown has only a small cottage hospital. Some time ago the doctor attending on a patient recommended his immediate removal by aeroplane to Glasgow. The Town Council was approached but it turned down the request. The Co-operative Society then took up the subject and adopted a scheme whereby for the payment of a shilling per quarter, deducted from the dividend, a member of the society could have the services of an aeroplane, with a motor ambulance or private motor car if necessary, to take him to a Glasgow infirmary. The fare for an aeroplane return journey from Campballtown to Glasgow is £ 13 with an additional £ 6 each way for night journey. The society undertakes to pay these and all other charges. The benefit is conditional upon the member making purchases worth £ 5 in a quarter, which the poorest family is able to fulfil.

* * *

An American whose profession is writing advertisements for capitalistic concerns has written a telling article in "Printers Ink" on Co-operatives and Quality. The article is reproduced in "Consumers' Co-operation" from which the following paragraph is extracted:

"While we are glad to save a couple of dollars or more a week (that is n't a trifling economy in any woman's budget; it is $ 100 a year, which is the income on an investment of $ 2,000 at 5 per cent.) —what delights us with our Co-operative is the fact that we are getting better quality. We are not only getting better quality in one particular item, such as soap, but we are getting better quality in corn flakes, breads, jams, string beans in and out of cans, preserves, canned soups, canned fruits—in everything. Because of the Co-op. we no longer shop around at various different stores—going to Jones because he has good this and then down the block to Smith because his that is the best in town. At the Co-operative establishment we get 100 per cent. quality no matter what we purchase."

Registrar's Circulars.

I

No. D. Dis. B. 6920 35.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES, *Madras, dated 6th Sept., 37.*

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

CIRCULARS.

Sub: Co-operative Societies—Urban Banks—Election of Board of Directors—Rules.

Complaints regarding the validity of the election of directors in urban banks are frequently received from members' of urban banks. Arbitration references many a time follow Directors' election. Enquiries into such complaints and arbitration references take away much of the time of the Deputy Registrars who are already busy with their normal work. As it is, the urban banks have no definite rules for the conduct of election of the directors. The question how best to regulate the election with a view to minimise election disputes has been under the consideration of the Registrar for sometime now. Opinions and suggestions were called for from the Deputy Registrars and some big urban banks, in the matter and examined. The Registrar considers that the following two suggestions, if adopted by urban banks, will reduce Election disputes in the banks:—

(1) The area of operations of a bank may be divided into several wards, so that each ward might send a representative to the Board of Directors and

(2) subsidiary rules may be framed for the conduct of elections.

The Deputy Registrars are requested to commend these recommendations to all the urban banks in their districts.

II

R. Dis. B. 6697 37. *Dated the 16th September 1937.*

Sub: Land Mortgage Banks—Model by-law No. 43—partial alienation of mortgaged properties—amendment to by law.

One of the subjects considered at the conference of the representatives of primary land mortgage banks held in October last was the partial alienation of mortgaged properties in primary land mortgage banks. The conference was in favour of permitting it. The Registrar in consultation with the President, Central Land Mortgage Bank, therefore suggests the following amendment to model by law 43 of primary land mortgage Bank for adoption.

"Add as New Sub-Para under by-law No. 43.

"Any member who desires to alienate any portion of his mortgaged property shall obtain the previous permission of the Board of the Primary Land Mortgage Bank, of the Madras Co-operative Central Land Mortgage Bank and of the Registrar of Co-operative Societies, Madras. It shall be competent for the said Board, the Madras Co-operative Central Land Mortgage Bank, Limited or the Registrar of Co-operative Societies to grant or refuse permission on such terms and conditions as they may deem fit. In the event of failure by the member to comply with the terms and conditions aforesaid, the said Board may recover the whole loan amount without reference to the period for which the loan was originally granted."

Market News.

[The following statement was supplied to us for publication by the Madras Provincial Co-operative Marketing Society, Ltd.]

Madras Market price as on 1-10-37.

No.	Article	Quality	Rs.	A.		Rs.	A.	P.
1	Chillies (Pettai) per candy of 500 lbs.					120	12	0
	" (Pari) "					112	0	0
2	Garlic (Tiruppur-Calcutta) "					55	0	0
3	Onions (Bellary) "					17	0	0
4	Potato (Ooty) "	Kidney-big round				22	0	0
	" "	Round uru				20	0	0
	" "	Podi	16	0	to	18	0	0
5	Jaggery (Ambur and Vellore) 'A' 500 lbs.		22	12	to	24	8	0
	" " " 'B' "		15	12	to	19	4	0
6	Sathugudi (Kodur) per 105 fruits	Big	3	8	to	5	8	0
	" " "	Medium	1	12	to	2	8	0
7	Plantains (Bangala) per 6 bunches	Big			...	7	0	0
	" " "	Medium			...	6	0	0
	" " "	Small			...	5	0	0
	" " per 1000 fruits				...	6	8	0
8	Ghee per tin of 12 visses—Rasipuram				...	24	8	0
9	Butter-Tenali special per tin of 12 visses				...	20	12	0
	" -Gudivada special "				...	19	12	0
10	Lime fruits per 1050	Big	6	0	to	7	0	0
	" "	Small	3	0	to	4	8	0
11	Soapnuts per candy of 500 lbs.				...	42	0	0
12	Ginger green per maund of 25 lbs.				...	2	0	0
13	Pepper (Office 1 maund of 25 lbs.)				...	4	12	0
14	Yam (1 maund of 25 lbs.)				...	1	0	0
15	Tamarind (Chittoor, Punganoor and Palamaner per candy of 500 lbs.)		22	12	to	26	4	0
16	Brown sugar (per candy of 500 lbs.)		20	0	to	24	0	0
17	Sapotas per 105 fruits	Big			...	2	0	0
	" "	Medium			...	1	4	0
	" "	Small			...	0	12	0
18	Coriander seeds (Rajahmundry) per candy of 500 lbs.					40	4	0
	" (Guntur) "					33	4	0
	" (Cuddapah) "					47	4	0
19	Green Chillies per maund of 25 lbs.	Big			...	1	0	0
	" "	Small			...	0	14	0
20	Tomatoes (Vaniambadi) per maund of 25 lbs.	Big				0	14	0
	" "	Medium				0	10	0
	" "	Small				0	8	0
21	Hand pound raw rice (Molakulukulu) per bag of 32 Madras measures				...	7	2	0
22	Milled raw rice (Molakulukulu) per bag of 32 Madras measures				...	6	6	6
23	Honey from Kalyandrug Co-operative Loan and Sale Society per lb.				...	0	9	0
24	Tinnevelly puttu jaggery per packet weighing 1 lb.				...	0	2	9
25	Hair oil manufactured by the Viziavada Kalavantula Co-operative Better-living Society, Ltd. Bezwada per bottle				...	0	9	0
26	Gingelly oil produced by the Alamuru Co-operative Crop Loan and Sale Society per viss				...	1	2	0