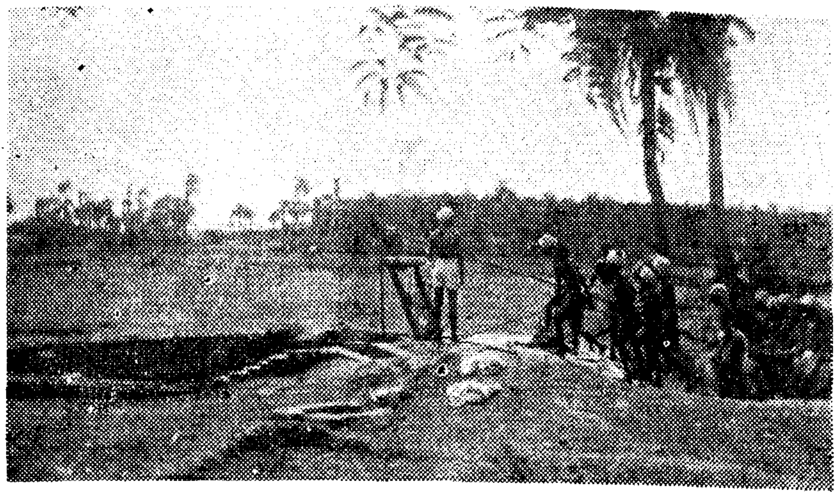
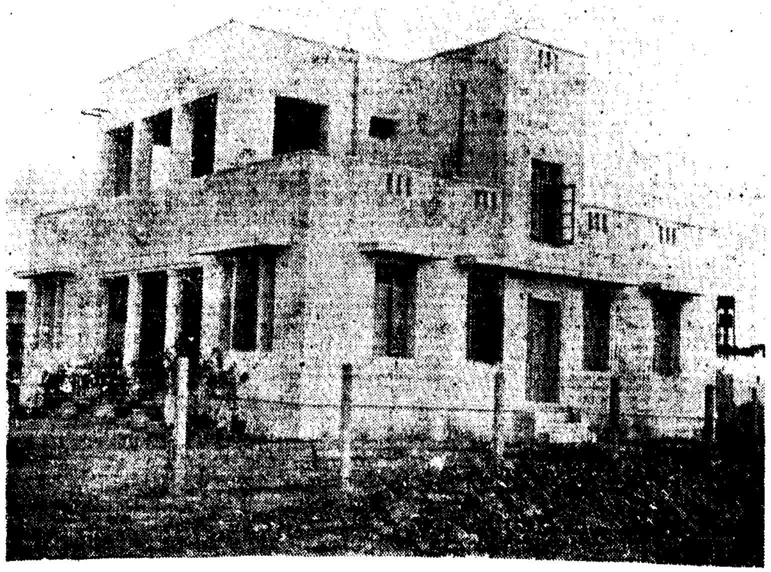


HERE IS AN INSTANCE OF CO-OPERATIVE IRRIGATION

Batches of men yoking themselves to the mhote like bullocks and baling out water.

(By courtesy of "The Hindu."



House built by the Madras Labour Co-operative Society for Rao Bahadur M. GIRIAPPA,

Joint Registrar of Co-operative Societies, Madras.

THE

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Editorial Notes.

Audit Fees.

For more than a year urban banks and some other societies have been complaining about the burdensomeness of the scale of fees levied by Government for the audit of societies. When in August last Rao Bahadur M. Giriappa, who was then Acting Registrar, called an informal conference of the representatives of urban banks for the discussion of problems relating to them, on no other question was so much feeling manifested by the representatives of the banks than upon the scale of audit fees now in force. At that conference the Registrar stated that it was not the object of Government to make a profit out of audit fees and that he was examining alternative scales with a view to put them before Government. The representatives of the banks urged that audit had been made a 'monopoly' of the Department, that the Departmental auditors were less qualified but more costly than professional auditors and that in any revision of the scales an attempt should be made to reduce the fees by at least 35 per cent. It was further suggested that an auditor might be allotted to three or four urban banks and his salary divided among them; that instead of the ordinary staff, a special staff of auditors certified by the Government of India might be employed on a temporary or permanent basis for the audit of the central and the bigger urban banks; and that in the alternative the Government may appoint a panel of qualified auditors from among whom the banks may select their auditors settling the fees with them. The conference discussed also whether the fee may be fixed on the time taken for audit, at so many rupees per day. It was pointed out that this was not suitable because some auditors were quick while others were slow, that the banks had no control over the auditors and that complaints made by them would result in the relations between the banks and the auditors and the Deputy Registrars becoming strained. The suggestion was therefore rejected.

We are anxious that before adopting a new scale the Government should take into consideration the opinions of the concerned banks and of the Provincial Co-operative Union on which every class of society is represented and the object of which is to expound the non-official view. For the convenience of societies we give elsewhere the rule relating to the levy of audit fees and the scale now in force. We shall be very glad to publish the views of societies and co-operators on the subject, if they are briefly stated. We do not wish to enter into details here, but may nevertheless point out how absurd it is to levy an audit fee of 5 per cent on gross receipts of printing presses, hostel societies and other miscellaneous classes of societies! The Central Co-operative Printing Works, for instance, would be barely able to keep its head above water on a business of Rs. 20,000 a year. But on that amount of business, on the present scale, it would be required to pay an audit fee of Rs. 1000—the amount which the Provincial Bank with over a crore of working capital is paying to professional auditors. Such absurdities should be made impossible. The Government which has been considering the subject for such a length of time may well take a little more time and consider the views of those who have to pay the fees. This surely is not an extravagant demand. If the Government have under consideration any tentative proposals they may be referred to the societies affected by them for ascertaining their views before passing final orders.

Vice-Chancellor's Advice.

Dewan Bahadur S. E. Ranganadhan, Vice-Chancellor of the Madras University, who presided over the Coimbatore Agricultural College Day Celebrations this year and gave some sound advice to the students, made the flattering claim for Madras that 'it had not

only led the way in the matter of agricultural education in India but had done probably more than many other provinces for the improvement of agricultural methods and the social and economic betterment of the rural population.' In support of the latter part of the claim he instanced the establishment of the land mortgage banks, debt conciliation boards, the District Economic Councils, the remission of a part of land revenue and the stoppage of resettlement operations. Except in the matter of land mortgage banks, we did not think that our province had really done anything worth mentioning, and Mr. Ranganadhan practically admitted it to be the case when, immediately after making the above claim, he said, 'the measures adopted so far have not materially improved agricultural conditions nor have they advanced the well-being of the rural population to any appreciable extent.'

He was gratified that the Congress Ministry had made Agriculture and Rural Development the main charge of a Minister. He urged that a decided rural bias should be given to our village schools and said :

> "While the instruction given in all primary schools may be the same, the village school should relate that instruction to the conditions of rural life. There should be a small farm attached to these schools where the boys could work under the guidance of the teacher. Improved methods of agriculture should be used in these farms, so that the parents of the children could witness the beneficial effects of such methods. Further, the general subject of Rural Science dealing with sanitation, health, village administration, cottage industries, gardening, co-operation and so on, would provide a suitable correlating agency, and the aims and ideals of rural reconstruction should be made to permeate the whole curriculum. The primary school should be made the centre of village life, the inspiration for adult education and the chief motive power of rural progress."

We heartily endorse this weighty recommendation. In the Higher Elementary School conducted by the Servants of India Society at Mayanur, which is grateful for the support given to it by several co-operative institutions, the agricultural bias recommended by the Vice-Chancellor is definitely given, the subjects mentioned by him are taught and 'the aims and ideals of rural reconstruction' are made to permeate the curriculum. The example of Mayanur may with advantage be followed by many Board and private schools.

But that would not be possible unless the Government adopted a liberal policy of helping such schools by adequate grants for lands and equipment. We are sure that if the schools put forward suitable schemes they will be considered with sympathy by the authorities.

Mr. Ranganadhan then advised the Agricultural Demonstrators, who are all ex-students of the College, to form ryots' and young men's associations, on the lines of the young farmers' clubs of England and the boys' and girls' clubs of America, and through them to disseminate the latest knowledge regarding crops and markets. He appealed to the well-to-do landed classes to live on their lands and demonstrate to the ryots round about them the advantages of adopting improved methods of cultivation and of engaging in subsidiary industries. "And we need a large body of educated young men and women who will go and settle and work in the villages for the benefit of the agriculturists, regarding the amelioration of the condition of these people as the greatest service they could render to the country." Let us hope that this advice will fructify in some minds at least.

Co-operation in Pudukottah State.

Reviewing the administration report of the Co-operative Department of the Pudukottah State for the fasli year 1345, the Durbar observes that the importance and utility of the co-operative movement do not appear to be understood or appreciated by any large section of the people, and appeals to all those who are engaged in the movement to be more loyal to the societies with which they are connected and to induce others to join the societies and derive full benefit from them. The number of societies in the State remained stationary during the year at 123, no new society being registered and none being liquidated. But there was a large decrease in membership from 14,727 in the previous year to 11,625. There was however a silver lining to the cloud, narrow though it was, in that the number of Adi Dravida members increased from 657 to 784. This decrease in membership is the more regrettable, since the year was on the whole more favourable in rainfall and other respects than the preceding one, and it was expected that these general favourable conditions would be reflected in an improvement in the condition of the societies. As in other parts of India non-agricultural societies seem to have fared better than the agricultural societies, due partly to their management being in more capable hands and partly to the fact that the economic depression has hit the agricultural classes all

over the world harder than the non-agricultural classes. The fact that Pudukottah is a small State does not necessarily make it easier to pull the movement from the bog into which it has got; but education and propaganda are bound to be helpful as their object is to strengthen the will of the people to overcome their difficulties. The appeal of the Durbar is therefore welcome and we hope that in this work of education and propaganda, non-officials and officials will co-operate with each other earnestly, as otherwise it will not be effective.

Mr. G. Sundaresa Aiyar, in our view the most experienced and well-known co-operator in the State, published some time ago a weighty note on the condition of the co-operative movement in the Pudukottah State, giving in appendices laboriously collected detailed information regarding the working of societies and making several suggestions for the consideration of the authorities. We hope these suggestions will receive the attention they deserve. Though it should not be necessary for any one to remind small States of the limited nature of their resources, a tendency is observable in them to imitate the paraphernalia of the much larger British Provinces near them. This tendency has to be guarded against. For this reason we are unable to approve Mr. Sundaresa Aiyar's suggestion regarding the appointment of a formal Committee on Co-operation like the Committees of Mysore, Travancore and some British Provinces. But his other suggestions, such as those regarding audit, the appointment of Honorary Assistant Registrars, group clerks etc., are well conceived. In view of the keen dissatisfaction caused in this province by the appointment of departmental men as executive officers and secretaries of central banks, Mr. Sundaresa Aiyar's observations on that point are interesting. He says:—

> "If the Central Bank decides to appoint an executive officer, let it do so by all means and appoint any man of the required qualifications. But the moment it asks, or is driven indirectly to the necessity of asking, for the loan of an officer of the Government, I feel strongly that the death-knell of the little Co-operation that exists is sounded. The Central Bank will practically be a department of Government."

Without recource to the elaborate process of an enquiry by a formal committee, it should be possible for an informal conference of the Registrar and a few experienced co-operators of the State to agree upon the steps necessary for improving the condition of the societies and for creating practical idealism in the members.

Indigenous forms of Co-operation.

An interesting article by Mr. G. Gopala Rao appeared recently in the *Hindu* regarding some indigenous forms of co-operation which are prevalent in South India but which unfortunately are dying out. The writer refers to the system of *Kudimaramath* by which tanks and irrigation channels are cleaned and kept in repair, to the digging of canals in river-beds when the rivers go dry and to the joint raising of paddy seedlings by poor ryots. Perhaps the most interesting form of such co-operation for irrigation is what is described below:

> "Agricultural labourers belonging to the depressed classes cultivating tiny plots of land, who are too poor to own cattle, resort to co-operative watering of their crops. On moonlit nights during the watering season in villages not far from Madras city one may come across batches of men from ten to sixteen in number, yoking themselves to the mhote like bullocks, and baling out water to irrigate their tiny plots. During day these labourers work for wages, and at nights utilise the wells of obliging landlords to irrigate their crops."

By the kindness of the *Hindu* we are able to publish an illustration of the operation.

Other forms of co-operation referred to by the writer are the well known chit funds, the conduct of temple festivals, bhajanas etc., with which most of us are familar. Not so well known is the fact that small vegetable-growers around Madras, like those near the Red-Hills lake, pool their produce and send it by carts to the vegetable markets of the city for sale. While we are glad to know that such a form of indigenous co-operative marketing exists, we should like to be assured that the collection and sale is not done by a middleman-dealer for his own profit, but is done by an agent of the vegetable-growers for their benefit. But even more interesting is the case of a village mentioned by the writer, 'situated 30 miles west of Madras on the M. & S. M. Railway' (Kadambattur) where some twenty-five years ago a successful attempt at consolidation of holdings was made, with the result that 'the average holding at present is 12 acres, paying Rs. 45 as land revenue, whereas the district average is 3 acres assessed at Rs. 10.' This information is particularly welcome to co-operators and others who, having learnt of the benefits of consolidation in the Punjab and the Central Provinces, are eager to explore the scope that exists for it in this province. We suggest it to the Agricultural and Co-operative Departments to investigate and verify

the facts, and if they are as stated in the article under reference to, give due publicity to them and to persuade the people of other villages to follow the example of this village.

Lack of Idealism.

Speaking on the occasion of the Triplicane Branch day celebration of the T. U. C. S. on the subject of "linking producers and consumers," Mr. S. Nithyanandam, then Secretary of the Madras Provincial Marketing Society, appealed to the T. U. C. S. to obtain its requirements as far as possible through the Marketing Society, as by doing so it would be helping the primary producer for whom a lot of lip-sympathy was being expressed by all people. He pointed out further that in doing so, the T. U. C. S. would also be benefiting itself, if not immediately at any rate ultimately, as it would be able to get things cheaper through the Marketing Society on account of the elimination of unnecessary profit-seeking middlemen. At a similar meeting held at George Town Branch I, Mr. V. Venkatachalam Pantulu, Secretary of the South India Co-operative Insurance Society, exhorted the members and management of the T. U. C. S. not only to utilise the services of the Provincial Marketing Society but also to buy their sugar from the Vuyyur Co-operative Sugar Factory; and to promote a housing scheme for the benefit of the members and staff of the society, for which purpose the Insurance Society might be willing to advance loans. Mr. K. C. Ramakrishnan who was present on both the occasions referred to the difficulties that lay in the way of carrying out these suggestions, the main difficulty being "the absence of active goodwill on the part of the generality of members and the lack of a spirit of service at all costs of the honorary office-bearers in the movement. There was too much of cynicism and too little of idealism among the educated classes."

It must regretfully be admitted that this charge is true in the main. The T. U. C. S. is often appealed to for help by young co-operative institutions. But it has seldom given a warm response to any of them. Its outlook has generally been competitive. Its question to a young co-operative society has usually been, "Is your price cheaper and quality better than that of the trader? Do you agree to all our conditions as he does?" It does not pause to consider what may be the fair price and the fair wage. Though it is a big shareholder in the Central Co-operative Printing Works, it has ceased to get its work done there because some other press offers to do the work cheaper. It has no time or inclination to inquire whether that other press offers proper conditions of work to its workmen. It has a large Common Good Fund, but the only use to which it puts it is to supply, out of the interest on it, newspapers to its Branches. If it had a more co-operative outlook it would have used this fund for promoting the cause of co-operation in general. The management is no doubt as efficient as it could be expected to be under honorary office-bearers. They are certainly as much alive to the interests of the share-holders as the latter themselves are. But the spirit of both the members and management is more commercial than co-operative. When we say this we mean that it is so generally and not that the society does not possess individual members or directors who are fully co-operative. This 'cynicism and lack of idealism' is very strange, for if the pioneers were not optimistic and idealistic the society would not have come into existence nor got over its early troubles. It is stranger still that such a highly educated body should be without idealism. But we believe it is a defect which can be remedied with some patience and trouble. Idealism is now in power—the Congress stands for idealism—and it should therefore be the easier to conquer what cynicism is in the T. U. C. S. We hope that due efforts will be made in that direction.

The Madras Co-operative Central Land Mortgage Bank, Limited.

Proposals to raise lending Rate and create a Sinking Fund.

BY THE HON'BLE V. RAMADAS PANTULU.

Co-operators in this Province are familiar with the history of our land mortgage banks. Briefly stated, a few primary banks were first started about a decade ago and rapidly multiplied in number. They were at first invested with power to issue their own debentures. The Government encouraged them by purchasing debentures from these banks at rates of interest which were half per cent less than the rates at which debentures were offered to the public, subject to a maximum of Rs. 50,000 per bank. Services of departmental officers were also lent free of cost. In course of time, it was found necessary to centralise debenture issue in a single provincial institution and the Madras Co-operative Central Land Mortgage Bank was started in 1929. Since then debenture issue has been practically centralised in it. It now provides the working funds for all the primary banks. Starting with six and six and a half per cent, the interest on debentures has now been gradually brought down to three per cent. The Government of Madras have guaranteed the principal as well as interest of these debentures by stages to the tune of Rs. 125 lakhs. On date, debentures to the extent of Rs. 1,17,71,500 are outstanding. Classified with reference to the rates of interest they bear, they are as under:—

		Rs.
4 p. c. debentures	...	42,16,900
3½ p. c. ,,	...	38,55,400
3 p. c. ,,	...	36,99,200
		117,71,500

The average rate of interest paid by the Central Land Mortgage Bank on the debentures is therefore round about 3.52 per cent. The lending rates too have been considerably brought down gradually. In 1929 when the Central Land Mortgage Bank was started it lent to primary banks at 7 and 7½ per cent. and the latter lent to their members at 8 and 8½ per cent. At present the Central Land Mortgage Bank lends to the primary banks at four per cent and the latter lend to their members at five per cent. The average lending rate on all existing loans, old and new, is 4.52 per cent to primary banks and 5.52 per cent to ultimate borrowers. The question whether these rates of interest are adequate, having regard to the charges to be met by the Central Land Mortgage Bank, has been definitely raised of late in more than one quarter. The preliminary Report of the Agricultural Credit Department of the Reserve Bank of India expresses the opinion that the lending rates now charged by the Central Land Mortgage Bank to primaries and by the primaries to ultimate borrowers are unduly low and must be raised. It is also urged that the Central Land Mortgage Bank should start a sinking fund on scientific lines to ensure the due retirement of debentures on maturity without any difficulty.

These two questions, *viz.* the need to create a sinking fund and to raise the lending rate by the central to the primary banks and by the latter to their members, are I understand now engaging the attention of the Provincial Government, in view of the Central Land Mortgage Bank approaching them for the extension of the limit of guarantee by at least another Rs. 50 lakhs. The limit of the existing guarantee has been practically reached. Of the outstanding debentures to the extent of Rs. 117,17,500 debentures to the extent of Rs. 7,76,900 were issued prior to the passing of the Madras Co-operative Land Mortgage Banks' Act—X of 1934, and do not form part of the 125 lakhs guaranteed by the Government under section 6 of the Act. Those issued prior to the Act were guaranteed under section 7 of the Act. Of the 125 lakhs, 110 lakhs have been issued, out of which 2 lakhs have been withdrawn. So about Rs. 17 lakhs are still available for issue out of the guaranteed maximum of Rs. 125 lakhs. It is said that Sir James Taylor, the Managing Governor of the Reserve Bank of India, is of opinion that the Provincial Government should insist on the Central Land Mortgage Bank creating a sinking fund and raising its lending rate to the primaries and the latter to their members, before any further guarantee is given by the Government for the principal and interest of the debentures issued by the Central Land Mortgage Bank. He evidently seems to have pressed this view on the Finance Department of the Government of Madras. The Board of the Central Land Mortgage Bank and co-operators should give a serious thought to the question and place their case before the Provincial Government, before final orders are issued.

The consequences of an adverse decision and the acceptance of the view of the Reserve Bank of India will be very serious indeed.

Is it necessary to raise the lending rate?

Speaking for myself, I do not think that it is either desirable or necessary to raise the present lending rates. Five per cent on a long term loan of 20 years is itself a heavy burden. The borrower pays about Rs. 80-4-0 per year for a loan of Rs. 1,000 and the interest he pays will be over Rs. 600. The rate is however less than the prevailing rate charged by money lenders and is therefore beneficial. The activities of the land mortgage banks have already had a very salutary effect on the whole system of money-lending on mortgages in the rural area and generally brought down the level of interest rates hitherto charged. Such activities of co-operative credit institutions were never looked upon with favour by capitalists and capitalist banks. They always showed themselves hostile to their activities for various reasons which it is unnecessary to discuss here. If I probe deeper I will be wounding the susceptibilities of the capitalist expert advisers of the Government. They treat co-operative enterprise with unconcern or indifference so long as co-operative banks do not make an impression on the money market. But once they begin to tell, the need for restricting their activities in various directions is at once discovered by these advisers. Our history is replete with such instances. This fight between Capitalism and Co-operation is inevitable. The commercial view point in regard to a co-operative bank is that consideration of what the ryot is able to pay should never enter into our calculations and that the sole consideration on which the bank should regulate its business should be how to make as liberal a provision as possible to meet its present and future commitments—in other words financial caution should always err on the side of the bank and never on the side of the borrower. No co-operator can accept this view. The principles, ideals and aims of co-operative credit organisations are radically different from those of joint stock bankers and capitalist money-lenders. The aim of co-operative banks is to gradually bring down the rate of interest to as low a level as possible, consistent of course with financial safety. Therefore, unless a very strong case is made out that our present rates are unduly low, involving financial risks, and that we cannot work our land mortgage banks on a sound and stable financial basis without raising the lending rate of interest, I feel that the Central Land Mortgage Bank should not embark on any such departure in its declared policy of gradually bringing down the rate of interest on which it has so long acted. A move in the opposite direction will, in my opinion, have a very disastrous effect on the future development of the co-operative land mortgage banks in this Province. Moreover, at a time, when the Government is supposed to be engaged in concerting measures to help agriculturists to liquidate their prior indebtedness and to lift from their shoulders the oppressive burden of interest charges, it must look very odd to raise the lending rate of land mortgage banks to a level which was once considered to be high and burdensome and deliberately brought down. The present conditions of the money market also do not justify such a course. Mortgage loans at 6 per cent can be now had from money-lenders in the countryside, if good security like that demanded by the land mortgage banks is offered.

Financial Results of a Sinking Fund.

The main argument in favour of raising the lending rate is that the constitution of a regular Sinking Fund is absolutely necessary and it can be constituted only if the lending rate is raised. So, let me first examine the question of the level to which the lending rate has to be raised in order to constitute a sinking fund on so-called scientific lines. There are several forms of sinking funds. Sinking fund for repayment of a loan is usually of the type known as the accumulating sinking fund. An accumulating sinking fund is constituted thus. We set aside periodically such sums as, if invested each year together with the investment of all interest thereon, as it accrues, will amount to the specific sum at the date on which such sum is required. In the case of a fund to redeem a twenty-year debenture for Rs. 1,000, we must invest each year for 20 years a sum which with compound interest will yield Rs. 1,000 at the end of the twentieth year. The sum to be annually invested will naturally depend on the assumed rate of interest it yields. There are ready made tables for various assumed rates of interest. If in the case of the Madras Central Land Mortgage Bank we assume an investment at 2½ per cent—the rate assumed by the Reserve Bank—then we require a sum of Rs. 39-2-4 for periodical investment, each year, for 20 years, to accumulate Rs. 1,000 by the end of the 20th year. Where does this sum come from in the case of the Central Land Mortgage Bank? There is only one source, namely, the annual payments made by the primary banks in discharge of loans borrowed by them. As I have already stated, the average rate at which they at present borrow—the old and new loans put together—is about 4.5

per cent. So, for each sum of Rs. 1,000 which they borrow at an average rate of 4.5 per cent they make an annual equated payment of Rs. 76-14-0 to the Central Land Mortgage Bank. The average rate of interest now paid on the debentures being 3.52 per cent, a sum of Rs. 35-4-0 will be necessary to pay the interest due to the holders of debentures of Rs. 1,000. Then we require Rs. 39-2-4, as stated above, to accumulate at 2½ per cent to Rs. 1,000 at the end of 20 years. The total of these two sums comes to Rs. 74-6-4. This leaves a surplus of less than Rs. 2-8-0 out of the annual repayment of Rs. 76-14-0 to the Bank. On a business of about Rs. one crore, roughly, (though sinking fund should be provided actually for Rs. 110 lakhs) it leaves a surplus of Rs. 25,000 for purposes of management expenses. But the expenditure on management now comes to about Rs. 1 lakh as under:—

	Rs.
Dividend at 5 per cent on 6 lakhs of share capital ...	30,000
Contribution to Government for services of 3 Deputy Registrars and their staff	30,000
Bank's own administrative charges of management.	40,000

So, the Bank will have to work with a deficit of Rs. 75,000 at least, if a sinking fund is now constituted, while the average lending rate stands at 4.5 per cent.* So, it must be raised, so that the annual equated payment may meet not only the interest on the debentures and sinking fund charge, but also costs of management of the bank. The management expenses of one lakh of rupees, as shown above when distributed over the business of one crore, will work out to Rs. 10 on every Rs. 1,000 loan. So, this sum of Rs. 10 when added

* I did not consider it necessary to give details of the several series of debentures issued and the rates they bear or of the rates at which the different loans were advanced, in order to arrive at a strictly accurate figure of the outgoings and the incomings of the bank. Nor have I attempted an estimate of the average expansion of business in future. I have not also referred to certain sources of income of the Bank like the return on the investment of its reserve funds and share capital for such incomes are far less than the estimated deficit of Rs. 75,000. No useful purpose will be served by encumbering this article with those details, for they do not materially affect the basis of my conclusions in regard to the financial effects of creating a sinking fund to-day.

Even if we assume an interest yield of 3 per cent instead of the 2½ per cent the annual sum to be put into the fund will be about Rs. 37-3-0 and will yield an additional surplus of Rs. 2 per thousand or Rs. 20,000 for a crore of business. The deficit will still be Rs. 55,000.

to the Rs. 74-6-4 required for interest on debentures and constituting a sinking fund will amount to Rs. 84-6-4. Even if we raise the rate of interest by one per cent, *i.e.*, from 4.5 to 5.5 per cent, the equated annual instalment will not come up to this figure. A twenty year loan of Rs. 1,000 with interest at 5.5 per cent will only yield an annual equated payment of Rs. 83-10-10. So we must raise the lending rate to the primary banks to 6 per cent, if we are to get sufficient annual payment to yield Rs. 84-6-4. The primary banks, assuming that they work with the present margin of one per cent will have to raise their lending rate to 7 per cent. So, the hope that a one per cent increase in the margin between its borrowing and lending rates, will enable the Central Land Mortgage Bank to constitute a sinking fund and to pay for the departmental staff employed in addition to its own administrative expenses, does not seem to rest on any correct calculation. The Reserve Bank evidently expects the Central Land Mortgage Bank to continue to build up its Statutory Reserve Fund on the present lines, which is obligatory under co-operative law, in addition to the sinking fund. If so, the annual instalment of a twenty-year loan of Rs. 1,000, even at 6 per cent, referred to above, will not be enough to make additions to the reserves and make good the short falls in the sinking fund investment. The rate of interest must be put up still higher to the primary banks and its members. It must be at least 7 per cent to the primaries and 8 per cent to members. So we go back to the rates with which we started in 1929. Admirable progress!

No one can definitely say now whether even these rates of 7 and 8 per cent will suffice. In the first place an assumption of 2½ per cent interest yield is too optimistic. The investments in sinking fund to be liquid and available whenever required must be in gilt-edged securities or other equally liquid securities. It is now settled that co-operative banks must pay income-tax and super-tax on their investments in gilt-edged securities. There is always the danger of fluctuation in rates of interest. If the rate goes below the assumed 2½ per cent we shall not have the sum of Rs. 1,000 at the end of the sinking fund period. There is again the risk of depreciation in the market value of these securities, which will also result in our not accumulating the sum we want at the end of the period. There are other difficulties such as the complex nature of the accounts to be kept and the annual revaluation of the investments with a view to make good the short falls. So, the success of the sinking fund will depend

on factors like our ability to always find a ready investment, the date of redemption of such investment, the rate of interest and possible *fluctuations of the market* price both of the capital value and the interest thereon. It will thus be seen that there is nothing very "scientific" about this sinking fund in the sense that the results can be calculated with scientific precision. They cannot be. The results at the end of the sinking fund period vary and fluctuate with a number of factors, some of which I have mentioned above.

I feel that the fetish of a sinking fund is carried too far in this case. The reason for a provision for a sinking fund which is associated with borrowings of municipal corporations or port trusts has not an equal application to co-operative land mortgage banks. In these banks, principal collections come in annually as part of the equated payments. The Central Land Mortgage Bank like other co-operative banks diverts a substantial fraction, usually 25 per cent of its divisible profits, to a statutory reserve fund. It has now accumulated a little over Rs. 112 thousands in this fund. It has besides this, a bad debt reserve and a dividend equalisation fund too.

The Central Land Mortgage Bank, besides building up these various reserves, is also pooling its principal collections to so invest them as to make the pool serve as a debenture redemption fund.* This fund is a simple device designed to get a benefit similar to that contemplated by the constitution of a sinking fund. Just as the actual amount in the sinking fund relating to each series of debentures has to be checked with reference to the amount that has to be invested and the short fall made good by payment into the fund, the amount in the debenture redemption fund may also be checked with reference to the principal amount that ought to be collected every year and any short fall made good by payment into that account. That is, amounts overdue on account of principal would be paid to the credit of this fund. In this way, we can assure ourselves that the necessary amount is accumulating to pay off the debentures on maturity. The fund will be utilised for purchase of debentures from time to time in the market either for retirement or for reissue as seems expedient to the Bank. It is pointed out by the advocates of the scientific sinking fund that to the extent that the redemption

* The practice of redeeming debentures from time to time to the extent of annual collections including advance payments from primary banks has recently been given up and a ten years period certain is now assured for the 20 year debentures.

fund cannot be utilised for the purchase of the debentures available in the market for sale, it is to be invested in Government securities and if this happens to a large proportion of the fund, the debenture redemption fund will in fact become a sinking fund without its scientific advantages. But this and similar objections can be overcome more easily than solving the financial difficulties involved in a regular sinking fund at this stage of the Bank's development. The debenture redemption fund possesses advantages similar to those of a sinking fund without its complexities and disadvantages. Any apprehension that the investing public may not have sufficient confidence in the Central Land Mortgage Bank if a regular sinking fund is not constituted seems to be not well founded. The public now know, that loans are advanced only to an extent of fifty per cent of the market value of the securities offered—valuation being made on a strict and conservative basis. They also know that reserves are being built up carefully though slowly and that care is being taken to provide for redemption.

A Sinking Fund for Past Debenture Issues not possible.

The foregoing discussion of the financial results of now constituting a sinking fund on scientific lines for the redemption of the existing debenture loans, is not meant to raise any question of raising the lending rates on the existing loans. It is legally impossible to raise the lending rates on the existing loans during the currency of their period. The contracts between the Bank and the borrowers cannot be broken. The discussion is merely intended to ascertain to what extent lending rates will have to be raised, assuming it is legally possible. If a sinking fund is to be constituted to redeem the debentures already issued which may be taken to stand at Rs. 110 lakhs (excluding those issued before the passing of the Madras Co-operative Land Mortgage Banks' Act—X of 1934) the sums to be diverted into it can be derived only from sources other than an enhanced yield on the existing loans. What are they? There can be only two sources. Surpluses of the divisible profits, if any, on the existing business and enhanced yield on the future loans. From the figures I have given it is evident that the present business does not yield sufficient profits to leave any such surplus. To ask future borrowers to pay a rate of interest on their loans which will not only permit the creation of a sinking fund in respect of the future debentures from out of the proceeds of which they are financed, but also in respect of the past debentures from out of the proceeds of which the

past borrowers were financed is an obvious injustice and utterly indefensibie and unco-operative, however right it may be from the capitalist banking experts' view point. But what exactly the Reserve Bank and the Finance Department of the Madras Government want to be done by the Central Land Mortgage Bank has not been stated any where. Do they want a sinking fund provision for the debentures to the tune of Rs. 110 lakhs already issued under the guarantee given under section 6 of the Madras Co-operative Land Mortgage Banks' Act? If so, as already stated, on the assumption of the interest yield of 2½ per cent a sum of Rs. 39-2-4 will have to be found for every Rs. 1,000 debenture. If all these debentures of Rs. 110 lakhs are to run a life of 20 years, an annual sum of Rs. 4,30,000 will have to be found for it. It is true that some of the debentures have already run for a few years, but that is a matter of detail which affects the results but very slightly in relation to the Bank's ability to find anythink like that sum, even if it is a little less. If it is not their intension to require a scientific sinking fund for redemption of the past debentures, what departure do they want the Bank to make in respect of the present arrangements for ensuring their redemption? If it is the intention of the Reserve Bank and the Government to leave the bank alone in regard to the existing arrangements for redemption of past debentures and want the Bank to start a scientific sinking fund in respect of each future issue of debentures, what increase in the lending rates to the primary banks do they propose for adoption by the Central Land Mortgage Bank? These are questions which require definite answers.

The Need for the Land Mortgage Banks to Balance their Budgets.

The Central Land Mortgage Bank.

The Government will be fully justified in asking the Land Mortgage Banks to balance their budgets and not to depend upon the Government for a subsidy either in the form of cash or free services of its officers. I think that if the Central Land Mortgage Bank is allowed to manage its affairs without undue interference from the Government with regard to its staff and without imposing upon it excessively costly services, the Bank will be able to balance its budget. At present, the salaries of two special Deputy Registrars, their staff and other charges amounting to Rs. 20,000 a year are being debited to the Bank; in other words, the Bank is made to contribute the full cost of their services. A third officer is now appointed involving an addition of Rs. 10,000 annually to the Bank's expenditure. There are two questions in connection with these charges. First of all these three officers are not a part of the establishment of the Central Land Mortgage Bank. They form part of the staff of the Registrar, which looks after the land mortgage banks. So long as it is decided that the Deputy Registrars in charge of the Districts cannot look after the work of the land mortgage banks, the number of the Special Deputy Registrars to look after these banks is bound to increase with the increase in the number of primary banks and their work. Very soon, not three but six land mortgage bank Deputy Registrars will become necessary. The Central Land Mortgage Bank, under the existing arrangements, will have to find annually Rs. 60,000 and not Rs. 30,000 for these Deputy Registrars. I contend that the appointment of these Deputy Registrars is the normal outcome of the development of the Co-operative Movement on its land mortgage banking side. When non-credit societies were developed, the staff of the Registrar was strengthened by the addition of non-credit inspectors and other officers to cope with the increased work due to multiplication of non-credit societies. I fail to see why a similar reason does not apply to the employment of special Deputy Registrars to meet the requirements of the growing land mortgage banking organisations. I do not think that the salary of these Deputy Registrars is a legitimate charge on the revenues of the Central Land Mortgage Bank. The additions to the costs of management of the Bank by the Government imposing its men on it are likely to rise still further in future. For instance, there is the question of the pay of the Deputy Collector—Secretary of the Bank, which is now being paid by the Government. I understand that it comes to about Rs. 7,500 a year. On the theory that the Central Land Mortgage Bank must bear its own costs of management, there is every likelihood of this amount also being charged to the revenues of the Central Land Mortgage Bank, for there can be no justification for debiting it to the tax-payers' account. The officer is now appointed for a period of one year, and I hope it will be possible not to revive the appointment at the end of the period. But if it is revived and the Bank is asked to pay for him, it means an addition of another sum of Rs. 7,500 to its costs of management.

In the next place I should say that if the Central Land Mortgage Bank is asked to balance its budget, it must be left to the Bank to employ the men it wants on such salaries as it can afford to pay.

Each of the three special Deputy Registrars has a staff of about two peons and two clerks. Together with his special staff, contingencies and travelling allowances, each of these Deputy Registrars costs the Bank about Rs. 850 a month. Surely, all this expenditure cannot be put down as pertaining to part of the establishment of the Central Land Mortgage Bank. It should be possible at least to debit part of the cost to the Department and only some part to the Bank. The expenditure on these services may not appear to be excessive to the Department from their own standards but they must be considered to be extravagant and wasteful from the standards of an infant business institution like the Central Land Mortgage Bank. Rupees thirty or forty thousand a year on three or four departmental men and their appendages alone for supervisory and organisation work, in addition to the Bank's own administrative expenses of about Rs. 40,000 a year, is a burden which the Bank cannot bear. Moreover, the arrangement is essentially unjust in so far as the Central Land Mortgage Bank has no voice even in deciding how many men are necessary and what they should be paid. It is a veritable case of the Government calling for the tune and the Bank paying the piper according to the Government's bill. If the Bank is asked to place its business on a purely commercial basis and balance its budget, the Bank has the right to ask for liberty for the commercialisation of its administrative services as well. This aspect of the question requires serious consideration at the hands of those who insist upon the Central Land Mortgage Bank balancing its budget and not approaching the Government for subsidy.

Primary Banks.

The Primary Banks now get the services of about 25 Sub-Deputy Registrars free, for valuation of lands and some preliminary investigation of title. They are said to cost the Government about Rs. 65,000 annually, that is to say, each man with his staff and charges costs about Rs. 2,600 a year or a little over Rs. 200 a month. As a result of the insistence on the land mortgage banks being self-reliant, they are already being asked to contribute as soon as possible for the services of these Sub-Deputy Registrars as well. Here again, the same questions I raised in connection with the Special Deputy Registrars arise. These Sub-Deputy Registrars essentially form part of the staff of the Registrar in connection with the work of the primary land mortgage banks in the same manner as the non-credit inspectors do in relation to the non-credit organisations. Assuming that they form part of the establishment of the primary banks, is it necessary to entertain such a costly staff each member of which costs about Rs. 200 and odd a month ? The services rendered by these men can be rendered equally efficiently by inspectors whom the primary banks can employ at a much less cost. At half the cost, i.e. Rs. 100 a month, (pay and allowances) men more efficient than many of the present Sub-Deputy Registrars can be secured by these banks. As in the case of the Central Land Mortgage Bank, the primary banks have no voice either in fixing the number of these men or their salaries. If the primary banks are asked to make a contribution to the Government for these services as soon as possible, the cost of these services must be brought down. The primary banks can do it, if they are allowed to do so, without loss of efficiency.

Any insistence on the Central Land Mortgage Bank and the Primary Banks to balance their budgets and not approach the Government for subsidy should not be coupled with the condition that these banks should accept the highly paid services forced on them by the Government and pay for them. The moral or legal justice of the Government's insistence on the banks balancing their budgets, which in theory is right, will disappear the moment they couple that insistence with the demand that the Banks must accept their abnormally costly services which the banks cannot possibly meet from their revenues. If the economies suggested above are effected and the Banks are allowed to regulate their expenditure consistently with their income, then they can balance their budget without asking for subsidy from Government. If they cannot so balance their budget even with the economies suggested, then there may be a case for asking them to put up the lending rates ; not till then.

Will 40-Year loans solve the difficulty caused by raising lending rate ?

I find that Mr. N. Satyanarayana, Member of the Executive Committee of the Madras Central Land Mortgage Bank, has suggested the prolongation of the period of the loan, in case the rate of interest is raised. The main object of his proposal is to bring down the size of the equated annual instalments to a level which will enable the borrower to re-pay without undue strain on his slender income. For instance, if the lending rate is raised to six per cent and the period of the loan to 40 years, then the annual instalment will be Rs. 66-7-0, whereas on a twenty year loan at five per cent he pays

Rs. 80-4-0. No doubt this is an important consideration to be borne in mind ; but the corresponding disadvantages of a very long term coupled with an increase in the rate of interest far outweigh, in my opinion, the advantages of so lengthening the period.* Loans for such long periods as forty or fifty years in the west carry very light rates of interest. The double solution of raising the lending rate as well as the period of the loan is in my opinion unsuited to our present rural economy.

There is still another aspect of the 40-Year loans to be considered. The proposal to extend the period of the loans from 20 to 40 years necessarily involves the issuing of debentures for a correspondingly long period, namely 40 years. Even with the glut of money in the market and the absence of other avenues for profitable investment, we are finding it difficult to attract sufficient quantity of 20-year money at three per cent. It will be unsafe to embark on a scheme of 40-year loans on the assumption that money will be subscribed to 40 year debentures at 3 per cent. Are the advocates of 40-year loans sure that 40-year debenture money can be secured at three per cent ? I feel extremely sceptical about it. Moreover, few investors in this country would like to lock up their money in an investment for such a long period as 40 years, except perhaps in gilt-edges, which stand on a very different footing. Even Insurance Companies may not invest for forty years, because their endowment policies do not often exceed a maximum of 20 years, and they would require money for meeting their claims on maturity.

Pray—Avert the Catastrophe.

In conclusion, I beg to urge that the enforcement of the rigid commercial standards advocated by the Reserve Bank which even most of its scheduled banks do not adopt, coupled with the forcing on

* As I have already said, to carry out the wishes of the Reserve Bank and the Finance Department, it will not be enough to raise the lending rate to members to 6 per cent as Mr. Satyanarayana assumes. It must be raised to 7 or 8 per cent. The annual equated payment on a 40-year loan at 7 per cent will be Rs. 75 and at 8 per cent it will be Rs. 83-13-9. The amount of interest which a member pays on a 40-year loan for Rs. 1,000 will be Rs. 1657-8-0 if the rate is six per cent, Rs. 2,000 if the rate is 7 per cent and Rs. 3,354-6-0 if the rate is eight per cent. This in my opinion will prove ruinous to the borrower.

the land mortgage banks extravagantly costly departmental services leading to an inevitable increase in the existing lending rates will prove disastrous to the co-operative land mortgage banking movement in this Province. We have progressed well so far. A departure in our declared policy of making long term money available to agriculturists at as cheap a rate as possible to enable them to discharge their prior debts, will mark the beginning of the decline of the land mortgage banking movement in this Province. The very object with which Land Mortgage Banks were started would be frustrated. I hope the Government will avert such a catastrophe.

Co-operation in China.*

On behalf of the Universities' China Committee in London, Mr. C. F. Strickland, who is familiar to Indian co-operators as an ex-Registrar of Co-operative Societies in the Punjab and the author of several books on co-operation, spent about ten months in China from August 1934 to June 1935 in studying the co-operative movement there and in speaking on co-operation to students, officials, social workers and other audiences. "The Co-operative Movement in China" is a brief report on the state of co-operation in that country, with suggestions for its improvement; while "Rural Finance and Co-operation" is a reprint of a course of lectures delivered by him to the fourth year students of the College of Agriculture in the University of Nanking. The former is intended for the benefit of the authorities and others who are concerned with the direction of the movement; the latter will be very valuable for study and reference to those who wish to be qualified for being the higher administrative staff of societies or governments. It is China's good fortune that a gentleman of Mr. Strickland's knowledge and experience of co-operation in eastern countries should have become available to advise her. It is beyond praise that in his retirement he should have undertaken these arduous journeys in a distant and unsettled country with the sole desire of serving humanity.

Indigenous forms of co-operation, including the *chit fund*, obtain in China as in India, though owing to the compact with western ideas, life even in villages is becoming more and more individualistic. The modern co-operative society, however, was introduced only in 1919 by the late Professor S. Y. Hsieh, who studied the movement in western countries, lectured about it in the Chinese universities and started a co-operative savings bank at Shanghai. In a weekly paper which he was conducting he strongly advocated the cause of co-operation and the multiplication of co-operative propagandists. The Chinese Nationalist Party, the Kuomingtang, was greatly influenced by his writings and in consequence it has started in various

*The Co-operative Movement in China. By C. F. Strickland, C. I. E., pages 60. Published by the Sino-British Cultural Association, Nanking.

Rural Finance and Co-operation. By C. F. Strickland, C.I.E., pages 160. Published by the Co-operative Commission, National Economic Council of China.

provinces Co-operative Bureaus and Commissions which employ a staff of organisers paid out of the provincial revenues. In one province, Hopie, the movement was independently begun by the Chinese International Famine Relief Commission. Other bodies which are organising and encouraging societies are the Association for the Improvement of Agricultural Products, Mass Education Movement groups, Christian Missions, Universities and colleges, agricultural stations and even private individuals. It is specially noteworthy that commercial banks, including some of the biggest in the country, are also taking a prominent part in this work.

Thus the movement has the support of everybody in the country. Everybody has faith in it. Consequently the number of societies, registered and unregistered, is growing very rapidly. It has been so especially during the last few years. Naturally enough there are great variations from province to province. The rate of expansion may be judged by the fact that whereas at the end of 1933 there were 5,300 registered societies in the country, they had risen to 14,600 at the end of 1934 and were estimated to be about 30,000 at the end of 1936. Chinese thinkers support the movement because they see in it the only way of escape from the evils of capitalism and communism, of the latter of which China had experience in some provinces before the present National Government put it down.

The greatest asset of the movement is the character of the Chinese farmer, according to Mr. Strickland. He says, "The three outstanding qualities of the Chinese farmer are (1) his honesty, (2) his common sense, his fitness for understanding simple business and (3) his community spirit. I have seen few countries in Europe and none in Asia, in which a sum of money, lent to a handful of peasants with so little prior training or subsequent guidance in its management, would be divided so fairly, repaid so punctually, and seldom misappropriated, as by the co-operative farmers of Hopei province." The community spirit, that is, the readiness to work with others for the good of the village, subordinating one's inclination and interest, is much greater in China than it is in India. With these favourable factors—the enthusiasm of the people, the support of the public and the character of the people—the movement is bound to make very satisfactory progress in the future, provided some defects which Mr. Strickland has shown are remedied.

Until recently there was no special law governing co-operative societies. One was passed in 1934 and brought into force late in

1935. It has secured a certain amount of uniformity in the constitution of societies in different provinces. It does not, however, lay the duty of registration on a single officer, as the law in most countries does, but allows provincial governments to entrust it to district magistrates, who have no special knowledge or experience of co-operation. Another defect is that it does not make the audit of a society by an external authority obligatory. There is now no proper control or co-ordination of the movement in the provinces or in the country as a whole, and practically no training is provided for staff. Mr. Strickland recommends the creation of a Department or Bureau with the Central Government, a Bureau or office in each province with a well qualified and trained Registrar, two or more Inspectors with superior qualifications and under them a number of organisers, the last receiving training for about three months and corresponding to our supervisors and old time Inspectors. To officers of the Registrar's grade Mr. Strickland recommends visits to foreign countries; but the countries he recommends are not Denmark, California or England, but Malaya, Ceylon and India, where conditions are similar to those in China. The societies are now financed mostly either by the State or by commercial banks. They are dealt with directly, there being no unions or central banks to intervene between the society and the State or the bank. The societies have very little owned capital, nor do they have deposits from non-members. Mr. Strickland suggests that share capital should be collected from members in instalments as in India, that the interest paid on it should be kept low in order to build up a reserve fund, that unions or central banks should be organised to finance them and that the State or commercial banks should deal with these latter and not directly with the individual societies which are too small and numerous. The functions that Mr. Strickland has recommended for the State are worth remembering by us in India.

"The functions of the State in respect of Co-operation should be (1) to legislate; (2) to arrange for the training of staff through co-operative or educational institutions which are willing and qualified, or by direct action if such institutions are lacking; (3) to make obligatory, by means of regulations, the employment of trained staff by bodies which organise co-operative societies; (4) to arrange or control the terms on which co-operative societies are to be financed by commercial banks or other agencies; to ensure that an annual audit of every society is conducted by a competent auditor."

Mr. Strickland points out that hitherto the officials have made no attempts to organise and foster non-official organisations, corresponding to our provincial Institutes, to guide and look after the co-operative movement in China, being anxious to take credit for themselves for being progressive and feeling a sort of vested interest in the movement; and of course recommends that this attitude must be completely changed. He recommends further that some types of societies found in some parts of India, aiming at moral and social benefit, may be adopted in China, where the State at present is unable to provide certain necessary amenities to the population: thrift, medical, arbitration, educational and better living societies.

Section 57-A (a) of Act VI of 1932

BY MR. P. K. SRINIVASA RAGHAVA ACHARYA, B.A.,
Pleader, Tindivanam.

The subsection under consideration reads as follows:—

"The Registrar or any person subordinate to him empowered by the Registrar in this behalf may, subject to such rules as may be prescribed by the Local Government and without prejudice to any other mode of recovery prescribed by or under the Act, recover (*a*) any amount due under a decree or order of a civil court etc."

Relying on the subsection many of the societies have been applying to the Registrars of Districts for execution of decrees passed by civil courts even without formally getting them transferred. The question under consideration is as to whether such proceedings are valid.

It cannot but be admitted even by supporters of such a procedure that the decrees of civil courts are governed by the Code of Civil Procedure. Even though the Code is not exhaustive on points which are not dealt with, it is deemed to be exhaustive on points specifically dealt with therein. (Please *vide* 24 M. L. J. 235.) Section 38 of the Code deals with the question as to which court is competent to execute decrees. It says 'a decree may be executed either by the court which passed it, or by the court to which it is sent for execution.' Reading section 57-A (a) in the light of section 38 of the Code the only possible conclusion is that the Registrar may execute decrees of civil courts if they are transferred to him for execution. It cannot be said that section 57-A (a) of VI of of 1932 overrides section 38 of the Code of Civil Procedure. That section does not vest Registrars with powers to execute decrees of civil courts that have not been transferred to them. It is also clear from the rules that neither the legislature nor the Local Government which are empowered under section 65 to frame rules prescribing the procedure for the attachment and sale of property, intended that the Registrars of Districts should be permitted to override the clear provisions of section 38 of the Code and execute decrees that have not been transferred to them for execution. Rule XV (8)—it should be noted that this rule might have found a better place as one of the sub-rules to rule XXII—says that 'The civil court to which a decision or award has been sent for execution under clause (c) of sub-rule (7) shall, on the application of the person in whose favour the same was passed, or of the Registrar of the District *return such decision or award* to such person or Registrar, as the case may be, in the same manner provided in rule 6 of Order XXI of the first schedule to the Code of Civil Procedure 1908.' Clause (c) of sub-rule 7 refers to the execution of awards or decisions of arbitrators by civil courts. This sub-rule clearly contemplates that before Registrars of Districts can execute even awards which once have been filed in the civil courts, the formality of their being transferred by civil courts should be observed. If that be the case with awards, it is not possible to think that the legislature intended the Registrars of Districts should be empowered to execute decrees of Civil Courts even without their being transferred.

It is to be noted that before the introduction of sub-rule 8 to rule XV it was the practice with some of the societies to obtain from the civil courts a copy of the last execution application and submit that along with the execution application to the Registrar. Instances are not wanting where such cases have been taken on file, properties brought to sale and amounts due to societies realised. The authorities seem to have taken for granted that a certified copy of an execution petition if produced can be a good substitute for an order of transfer and a certificate of non-satisfaction.

Now that the legislature has recognised Registrars of Districts as 'Civil Courts' for the purpose of article 182 of the Indian Limitation Act, it has to be considered as to what possible dangers may be expected in cases where decrees of civil courts not transferred to them by such courts are being executed by Registrars. The correct view to be taken seems to be that the proceedings before the Registrars can be treated as mere nullity. Proceedings before Registrars in such cases are proceedings before tribunals not clothed with jurisdiction to entertain such proceedings. The judgment debtors may choose to remain quiet till the societies have purchased the properties if they are immovable, and move the civil courts for being put into possession. Then the fact that there has been no sale by a court of competent jurisdiction can be pleaded as a defence by the defaulters. There is every likelihood of societies meeting with such oppositions in the near future. The civil courts are bound to consider whether there has been a valid sale at all before they can order the delivery of those properties. If the proceedings before the Registrar are discovered

null and void the civil courts can and are bound to refuse to order delivery. By that time the period of three years might have lapsed after the passing of the decree and societies may find themselves unable to realise the fruits of the decrees that they have obtained. It is not impossible to imagine cases where defaulters allow purchasers to take possession of the properties peacefully, wait till the decrees get time barred and then take forcible possession of the properties. Such and more serious complications are sure to arise unless the authorities consider it worth their while to advise societies properly as to what the correct procedure is. Such and similar suggestions may be attributed to the hallucinations of the feverish brains of the persons putting them forward ; but the hard fact remains that it is not the department but the societies that ultimately stand to lose. It is hoped that the authorities concerned with the administration of the societies will treat this problem as worth their serious attention.

Co-operative Societies and the Law of Limitation.

By K. L. Bhandari, *South Canara.*

There have been diametrically opposed views even in responsible and well informed quarters regarding the applicability of the restrictions of the Law of Limitation in the case of disputes in Co-operative Societies. For example, two eminent lawyers of Mysore Mr. B. A. Krishnamachariar, Retired District Judge, and Mr. A. R. Nageswara Aiyar (now Judge of the Mysore Chief Court) seem to view the question from absolutely different angles.

Arguing chiefly from the intrinsic evidence in the Societies Act itself, the former concludes that consideration of limitation should be eschewed in all disputes before the Department. The fact (1) that the ordinary legal terms, plaint, suit, decree, Court appearing in the Limitation Act are eschewed in the Societies Act and replaced instead by reference, dispute, Registrar and decision, (2) that where it is intended to have limitation, specifically laying down to that effect as for example, where liability of part member or estate of a deceased member are concerned, (3) no legal practitioner being allowed to represent a party unlike as in a Court, are sufficient in the opinion of the former to conclude that the legislatures required merely justice, equity and good conscience to prevail in passing decisions on the disputes, and not considerations of limitation, laid down in the Limitation Act.

The latter on the other hand, (*Vide* Mysore Economic Journal for August 1936) argues (1) that Registrar in the Societies' Regulation is a "Court" as defined in the Evidence Act, as he is empowered to decide disputes and authorised legally to take evidence, (2) that Limitation Act does not state that it applies to *Civil Courts only,* and (3) that it is ridiculous to hold that a claim on a pronote executed to a Society may be sued upon even after a hundred years against the executant's grand-sons or great grand-sons, (4) that the recent decision of the Privy Council (56 M. L. J. 614) is very helpful in viewing that even in arbitrations on mercantile references the existing Law of Contracts should be applied and that every defence which would have been open in a Court of Law can be cogently put

forward *unless the parties have specifically agreed to exclude that defence or plea,* (5) that the Societies Act must be deemed only to provide a forum and not to take away the defence of Limitation open to a party, and therefore the Law of Limitation fully applies to all proceedings under the Co-operative Act.

The question before us now is whether the Societies Act should not be amended to remove the existing uncertainties on the question. The recommendation of the Sathianadan report that the restraints of limitation law be made inapplicable to co-operative disputes is yet pending consideration before the Madras Government, and it behoves us Co-operators generally to focus public opinion in the matter. The Provincial Union can with advantage call in views from their General Body Members and take the majority view. There is reason to hold that there will be powerful advocacy on each side, and arguments can with good reasoning be arrayed for acceptance of either view. My own vote is in favour of the Limitation Act being made *in terms* applicable to disputes under the Societies Regulation, so that the movement might be made to run in proper and sound financial grooves, avoiding the possibility of giving rise to speculation over uncertainties of assets, and realisation over unreasonably long periods in Societies, and would wish to hear the majority verdict of the co-operators.

Conferences.

THE NINTH BERAR CO-OPERATIVE CONFERENCE.

PRESIDENTIAL ADDRESS

BY THE HON'BLE MR. V. RAMADAS PANTULU.

Dewan Bahadur Brahma and Brother Co-operators of Berar,

I feel very grateful to you for the honour you have done me by asking me to preside over this conference. It is, however, with some amount of hesitation that I accepted your generous invitation for it was coupled with an intimation that the purpose of this conference was to tackle problems peculiar and of immediate concern to Berar, of which I cannot obviously be expected to possess first-hand knowledge. So, if you look to me to provide you with any ready-made solutions to help the movement in this part of India out of its present difficulties, I am sure you will be disappointed. But I made bold to accept the responsibilities of the position you have called on me to occupy, because from my general acquaintance with the situation here I felt that after all Berar was not altogether different from the rest of India in regard to its co-operative problems, the difference being one of degree and not of fundamental factors and that my knowledge of the solutions attempted in my province and elsewhere to extricate the movement from its present difficult position may not be wholly unhelpful in approaching your problems. Less than a week ago, addressing a gathering of co-operators from all over India at Bangalore, I dealt with some of the common problems of general interest to co-operators and gave expression to my views on the question what co-operation can do and cannot do to improve the economic condition of the agriculturists. I do not wish to cover that ground once again now. Much of what I said then is applicable to Berar as well. I shall on this occasion strictly confine myself to questions of special interest to you.

The Berar Co-operative Institute—System of supervision.

The year 1923 which witnessed the birth of the Berar Co-operative Institute seems to me to form a notable land-mark in the history of the Movement in your sub-province. Among the many reactionary recommendations of the famous King Committee those relating to the position which non-official co-operators were to occupy in the Movement appear to have furnished the immediate provocation for the formation of your Co-operative Institute. Any institution brought into existence as a

genuine protest against reactionarism is bound to show signs of life and vigour and your Institute is no exception to that general experience. The occasion brings to the fore-front the men of the hour. In your case the men were Messrs. Brahma and Khare, who assumed the leadership which was theirs and created the necessary atmosphere for the establishment of a non-official organisation which was to be the recognised exponent of accredited non-official co-operative opinion of Berar. Since its formation the Institute which was mainly conceived as a propagandist body interested itself in educational activities such as training classes, rallies, meetings and conferences, but it gradually added to those functions by taking up supervision. The special feature of supervision in Berar is the "Group System" evolved by you, and which has enabled you to bring the supervisory staff of the Institute and banks under one common cadre, and to make the central board of your Institute the real supreme authority in matters of supervision. I read with considerable interest the working of your group system. Judging from the fact that the system, which is now eight years old, has stood the test of experience and received the recognition of the Department, it may be safely regarded as a strong and useful limb of your organisation in Berar. Indeed your Registrar testifies that "the group system in Berar has arrested the deterioration of the Movement." I have no personal experience of the group system elsewhere. We in Madras have no such system. But it is unnecessary to invite any comparison with the system of supervision in other provinces. A system which has proved successful in a locality must have something in it to suit local conditions. Moreover, no province can attempt to write on a clean slate in regard to many of its activities. We tried various experiments in Madras. We tried District Federations but failed; we tried and are still trying local supervising unions; there has been conflict between them and the central banks. We wrangled over the relative merits of combined supervision and finance or divorcing the one from the other. We shifted supervision in certain areas partly from unions to banks; in other parts we kept the functions apart. I cannot say that we have done better in the matter of supervision than you have done. Nevertheless we are not for making any violent departure but wish to try to improve the existing system. After studying the working of your system, I think that your group system has enabled you to bring supervision under non-official control and to put it on a fairly satisfactory basis. So, I think you must make every endeavour to improve and strengthen it. For this purpose, the central board of your Institute must derive all possible help from the Department and the central banks. I hope your Local Government will appreciate the utility of your Institute to the movement in Berar and vouchsafe to it adequate financial assistance.

The present position of the Co-operative Credit Movement in Berar.

The two main maladies afflicting your credit movement seem to be the mounting up of overdues to alarming proportions and the conversion of a large portion of the liquid assets of your banks and societies into immovable property. These are no doubt features of co-operative credit which we meet with all over India in varying degrees. But I find that the position in Berar is particularly embarassing. According to the latest report of your Registrar for 1936, the proportion of overdues to the total dues from members of your societies seems to stand as high as 95 per cent. In accounting for the percentage of your overdues reaching this figure, the Registrar says, "the overdues have reached the above high figure as members have been able to pay little more than interest for several years and the practice of giving renewals has been practically stopped." Having regard to the fact that the loans outstanding against members of societies amount to about one crore of rupees, the whole of which is practically overdue, the situation is one which is bound to give rise to a certain amount of anxiety in your minds. Again, from the figures made available to me, I found that your banks and societies, in their attempt to recover their dues from the members, were obliged to buy large extents of land, over 45,000 acres, for about Rs. 28 lakhs and the management of it should be a difficult problem. A large portion of your assets has thus become frozen. Naturally the questions that for the present have thrown all other questions into the background are *how to reduce the overdues and how to re-convert the lands into—liquid assets.*

The problem of reduction of overdues is, as I have already said, one which is agitating the minds of co-operators all over India. Each province is trying its own methods with due regard to the peculiar local conditions. In Madras we have been following two main lines of action, *viz.*, (1) a careful examination of the individual loans in the societies to put them on sound basis, to obtain adequate security for the unsecured and inadequately secured debts and to give extensions to those who furnish adequate security and who may be expected to repay if a reasonably long period is given for repayment; and (2) giving to the members of societies various concessions in order to reduce the size of their debt to enable them to pay it more easily. The nature of the concessions granted to our members may be summarised thus: (1) If an indebted member paid his debt before a specified date, all accumulated penal interest was waived; (2) in some cases societies were permitted to collect only as much as was necessary to discharge in full the outside debt and to write off the balance; (3) Central Banks were advised to collect interest from societies at not more than $6\frac{1}{2}$ per cent where the loans carried a higher rate and to levy still lower rates of interest

wherever possible. The Central Banks are now charging not more than five per cent to societies; primary societies were advised to collect interest at not more than $7\frac{1}{2}$ per cent on all outstanding loans against members and to bring down the rate still further wherever possible. The rate of interest now charged on loans to members in primary societies on new loans and in some areas on old loans is well between 6 and 7 per cent, and the practice of collecting penal interest has practically been abolished. These measures have produced in Madras tangible results in the way of stimulating collections and bringing down the overdues. We too in Madras are no doubt obliged to buy some of the lands of the indebted members in the course of this process of reducing overdues; but the problem is not so serious as in Berar. Our banks and societies are saddled with lands worth about Rs. 12 to 15 lakhs, while our outstandings against members have now come down to about Rs. 4.5 crores from Rs. 8·5 crores in 1930.

Reasons for growth of overdues and possible remedies.

Any inquiry into the reasons for the alarming growth of overdues is not a fruitful task on which we need embark. Whatever may have been the contributory causes, the main reason for the deterioration in the financial position of credit organisations since 1929–30 is the intensity of the economic depression and the succession of bad years, resulting in catastrophic fall in the price of land and its produce. Overdues as they stand to-day may have been also the heritage of non-observance of co-operative principles in sanctioning and disbursing loans in the past, of over-financing without due regard to the repaying capacity; of undue tenderness in effecting recoveries even in good seasons; absence of common policy in the regulation of borrowing and lending rates among the different central banks resulting in bad borrowing as well as bad lending; of failure to take due precautions to adequately secure the loans due by members by periodical examination of the adequacy or otherwise of the security behind them and calling for additional security wherever necessary and the like. All over India, while the authorities of the Apex Banks and the Registrars usually attribute these failings to those in charge of the central banks and societies, the latter usually repudiate them and throw all the blame on factors beyond their control such as seasons, prices and markets. No purpose will now be served by re-opening the controversy. But there can be and as a matter of fact there is no difference of opinion in regard to the necessity to avoid these dangers and to provide against them as far as it lies in our power to do so.

There is, however, one factor which we cannot overlook in the ascertainment of the causes that led to your present financial difficulties. These difficulties had their origin at least partially in the manner and the extent to which societies were financed in the post-war decade. Your chief commercial crop, cotton, was in great demand during the war and for some time after. It fetched enormous prices which in turn reacted upon the value of cotton producing land. It was a period of considerable prosperity in Berar, though it was not long lived. Your banks and societies financed agriculturists for purchase of land on which cotton was grown and credit was dispensed on the values of the land and the cotton grown on it in that period. Your banks and societies had abundance of funds. Official and non-official policy of expansion brought into existence many new societies. All these factors have resulted in the flowing of a large volume of money into your societies. I do not overlook the fact that in the years immediately preceding the depression of 1929–30, your borrowers, who realised good prices for cotton, and other products, did repay substantial portions of their debts and that in 1927–28 and 1928–29, your recoveries reached a high level. But, credit advanced by co-operative societies for the purchase of land cannot normally be expected to be repaid out of the harvest of two or three years and a great portion of the loans advanced for the purchase of land in the "land craze and cotton boom period" of 1918–28 could not have been repaid by the borrowers before the present depression commenced. With the sudden and catastrophic fall in the prices of land and its products as well, the reactions on the position of your movement had become very serious indeed. Debts which were sound when lent, in the sense that the borrowers' land was worth much more than the debt, became bad or doubtful with the fall in the price of land and land-products. It is simple arithmetic and does not require elaboration. While a loan went on increasing with accumulations of interest in arrears, the security behind it diminished *pro tanto* with the fall in the value of lands. As the slump in prices became hardened, land ceased to be a coveted object of investment and found few purchasers, other than the creditors themselves, which in the case of the co-operative movement are the central banks and societies; and it is a notorious fact that the yield from agricultural land, especially when the price of produce is low, cannot meet even the interest charge in full. Whether with greater caution and more circumspection on the part of the borrowers and the lenders, in the period of prosperity, these untoward result may not have been avoided, is not a line of enquiry which will be useful for the present purpose. But it is certainly worth making for the future regulation of co-operative credit. I have always been of opinion that advances of funds for purchase of land or for the discharge of prior debts was not a legitimate function of the ordinary co-operative credit societies, and no-where in India, banks and societies which advanced substantial sums for these two purposes were able to recover them even in the pre-depression period. At any rate, much of it has become frozen asset, in the wake of the

depression. I therefore feel that even if another boom should occur, we should refrain from advancing funds for the purchase of land or discharge of prior debts.

Among the causes which account for low recoveries of your outstandings, your Registrar mentions a new factor, namely, the working of a large number of debt conciliation boards, "the establishment of which was everywhere the signal for withholding of payments by the debtors." It is a matter for regret that the establishment of conciliation boards, which were meant to help the agriculturists, should have resulted in arresting your recoveries. I can account for the statement of the Registrar only by the surmise that the members of your societies must be feeling that their connection with the Movement has proved a disadvantage to them in as much as their debts cannot be conciliated in the same manner as those of others who have not joined the societies. The matter is one which, in my opinion, requires expert investigation with a view to set it right as soon as possible.

It is gratifying to know that those responsible for the management of your banks and societies are serious and earnest about taking all possible steps to effect recoveries and to reduce overdues and fully realise that their ability to meet the demands of the depositors largely depends upon their ability to collect the loans outstanding in the societies. The appointment of a committee to enquire into your bad debts and the ascertainment of the exact position of the central banks and societies in regard to bad debts is, in my opinion, a very helpful preliminary to the inauguration of any scheme for the reduction of overdues. It is some satisfaction to know from the tabulated results of the Committee's analysis that out of the 350 or 400 working societies for which figures are collected, in about 280 societies the reserve and other funds exceed bad debts, without taking into consideration the liability of the sureties, and that in another fifty, such funds would exceed bad debts if the liability of the sureties are enforced, and that another 25 can be saved, if some financial assistance is given by the central banks. But, the enforcement of the liability of the sureties should prove a very unpleasant task and is bound to produce a great deal of discontent to the prejudice of the movement. The recovery of debts from those, who have not themselves benefited by the loan, is always a harsh procedure. You have, therefore, acted wisely in taking steps to induce your Local Government and the Registrar to waive the surety-liability of the members. But, it only means that the number of societies which can rely on reserve and other funds, only to meet bad debts, will to that extent be reduced. This disadvantage is however more than out-weighed by the prevention of the spread of discontent in the Movement.

But in any province in order that efforts to reduce overdues should bear some fruit, the harvests should be normal and the prices must look up. Even if these favourable economic factors are forthcoming, the position in Berar, it seems to me, cannot be retrieved altogether without some more radical measures of relief to the debtor-members. From all that I hear from co-operators of Berar and what I gather from the reports of your Registrar, I find that without some scheme to spread the large proportion of your overdues over a long number of years, the problem of overdues here cannot be successfully solved. This process would, in its turn, require long term capital and the ways and means of raising such capital seem to be now engaging the special attention of the Registrar as well as non-official co-operators. Everyone seems to be agreed that, without raising such long term capital in order to give 20 or 25 years for most members to repay their overdue debts, it will not be possible either to put the financial position of the central banks and the societies on a sound basis or to help the members out of their present financial entanglement. How to get this long term capital is therefore the question now.

The amount of long term capital which you are likely to require to liquify the position of your central banks and societies, so that you may be in a position to meet your commitments to your creditors after giving extensions to your members may be estimated at Rs. 60 or 65 lakhs. The position is somewhat like this. The liabilities of the central banks to depositors, the Provincial Bank and other outside creditors amount to about Rs. 95 lakhs while the reserve fund of the banks and societies and other resources of a fluid nature amount to about Rs. 19 lakhs. Besides this, I am told that you expect to be able to recover about Rs. 6.5 lakhs which are now invested in sound short term loans. A further sum of Rs. 7.5 lakhs out of the outstanding loans is expected to be fit for land mortgage banks to take up on their standards of valuation and appraisement of credit-worthiness. These three items give you relief to the extent of about Rs. 33 lakhs. The balance to make up the 95 lakhs of your commitments, that is Rs. 60 to 65 lakhs must be found somehow. Who is to find it for you?

I can offer no solution to you on this question, except on the assumption that your Local Government and your Provincial Bank will be coming forward to help you. Without a much closer examination of the position of these debts, it will be presumptuous on my part to tender any advice to your Provincial Bank. We must remember as your Registrar points out that the resources of the Provincial Bank are not in-exhaustible to enable it to assume responsibility to any indefinite extent and that in our anxiety to assist the Central Banks we must not impair the efficiency

of the Apex Bank in regard to its ability to maintain sufficient liquid resources to meet its own liabilities punctually. Subject to this undoubtedly sound rule of caution, it is for the Co-operators of Berar to try and solve the problem for themselves. The nature and extent of the security that the Provincial Bank may be offered by the Central Banks in Berar in any scheme to issue debentures to attract long term money which the Central Banks require, is somewhat as follows. Your Banks and societies now own lands worth about Rs. 28 lakhs, which bear a land revenue of about Rs. 82,000; and an extent of over 65,500 acres of land is mortgaged by members to societies and the amount covered by those mortgages is about Rs. 43 lakhs. These lands bear a land revenue of Rs. 85,000. Thus you have about 1,10,000 acres of land for the debenture-holders to depend on. Whether these lands will be worth at least twice the amount of debenture money that the central banks require the Provincial Bank to attract, is a matter for local investigation. I know that a special committee went into this question and some data are available. But it is a matter for the Provincial Bank to consider the feasibility of any scheme for the floating of debentures. The period of debentures, the rate of interest to be offered to the debenture-holders, provision for sinking fund, estimates of repayments towards the loan and other details are all too complex for an outsider like me to be able to pronounce any opinion upon, merely on the data collected by the sub-committee that went into this question. But my general sympathy towards the agriculturists of your province and my anxiety that you should do something for them if you can, prompt me to appeal to your Provincial Bank and your Local Government to make every endeavour to find a solution to this all important problem of placing your frozen assets on a sound long term basis. If the lands in the possession of the banks and societies, either as vendees or as mortgagees, are of sufficient value to back up the debentures and if the Local Government comes forward to guarantee the principal of and interest thereof to the debenture-holders, it ought to be possible for the Provincial Bank to enter the field and do something.

Rate of Interest.

In the recent session of the All-India Co-operative Conference held at Bangalore last week, we decided that the rates of interest charged by the Provincial Bank to Central Banks, by the latter to the society and by the societies to the members should depend upon many factors. We agreed on two general principles, Firstly, it must be the endeavour of co-operative credit organisations to make credit available to agriculturists as cheaply as possible, and secondly we must have due regard to the financial stability of the organisations themselves in fixing the margin between the borrowing and lending rates. The margin will depend not only on the difference between the borrowing and the lending rates but also on the volume of the turnover of an institution and the requirements of the provision for bad and doubtful debts; in other words, on the size of the reserves that we have to build up. So, the All-India Co-operative Conference has wisely left the question of the rates of interest for local decision. I read from the report of your Registrar that the rates of interest charged by banks and societies vary between 8 and 11 per cent. I feel that these are too high. I am aware that differential rates are being charged and members who are punctual in repayment are shown substantial concessions by way of lower rates and rebates. Nevertheless, the average rate seems to be too high. Again, such a wide divergence as between four and 11¼ per cent charged to good and bad members is not desirable. As a co-operator, I appeal to you to bring down the average level of interest charged to members still further wherever possible.

A Co-operative Banking Union for Berar.

Before I pass on from co-operative credit to other topics I would like to refer to one matter which seems to be engaging the attention of the Berar co-operators for some time past. Various devices are being tried to improve the working of central banks in Berar, one of them is a change in the system of management of Central Banks. I find that with the concurrence of the Provincial Bank the management of three of your banks—Mandla, Malkapur and Amraoti—is vested in the hands of non-borrowing individuals or committees. The Provincial Bank is associated with such management. It is stated that the experiment is a success in the case of the Mandla Bank and the results in other two are being watched. But both non-official co-operators and the Registrar concede that this is not a general remedy and that the arrangement cannot be extended to all central banks. Hence, a section of co-operators urge for a better solution if one can be found. The remedy suggested is the establishment of a separate banking union for Berar. The functions of a separate banking union will be to bring about co-operation between the surplus banks and deficit banks and to generally promote harmony and co-ordination among them so as to improve the general tone of the movement. What re-action this proposal has on the Provincial Bank and the Department I cannot say. This scheme can of course be accomplished only with the co-operation of the Provincial Bank and the Department. The President of the Sind Provincial Co-operative Bank who presided over the Indian Provincial Co-operative Banks' Conference recently, explained to me the features of the Sind Amalgamation Scheme, where the Provincial Bank of Sind was obliged to convert the half a dozen central banks in that province into its branches. But there is room for difference of opinion whether the conversion of independent central

banks into branches of a central banking union would not result in discouraging local enterprise, which is generally considered to be very essential to secure the help of local talent and to ensure local enthusiasm. If the co-operators of Berar are able to explore methods to bring about amalgamation while retaining local autonomy, they will have to prepare a scheme acceptable to the Provincial Bank.

I know that my esteemed friend, Sir M. G. Deshpande, President and Managing Director of the Central Provinces and Berar Provincial Co-operative Bank, will not withhold his co-operation from the co operators of Berar if the latter are able to put up a good scheme. His Bank is able to get money for two or three per cent and the position of the Bank is also otherwise very sound. But the ultimate soundness of the Provincial Bank depends upon the soundness of the loans outstanding against its indebted banks and societies, and any scheme that may be put forward for the acceptance of the Provincial Bank must satisfy the management of the Bank that it is not called upon to embark on any risky or speculative venture.

Land Mortgage Banks.

In dealing with co-operative credit, I said that ordinary co-operative credit institutions should not advance loans for purchase of lands or for discharge of prior debts. But these are purposes for which agriculturists do require money. It is now agreed on all hands that co-operative land mortgage banks are the most suitable agencies for dispensing such credit. Other provinces are watching your experiment in land mortgage banks with keen interest. Though the progress made by your primary land mortgage banks so far is very small, the features of your land mortgage credit organisation seem to hold out promise of good development in the future. I hope the time will soon come when the Provincial Bank will divest itself of the functions of the central land mortgage bank and a separate central land mortgage bank will be established to finance the primary banks. It is gratifying to know that you have a separate Act to deal with land mortgage banks just as we have one in Madras. It is interesting to know from your Registrar's report that the moneylenders are now prepared to give almost the same facilities to the borrowers, which the land mortgage banks give, and that as a result of the establishment of land mortgage banks, they have reduced the rates of interest and come to adopt the methods of the co-operative institutions. We, as co-operators, must however try to so improve our methods as to wean away our members from moneylenders and to completely displace the moneylenders in course of time. In the scheme of the liquidation of prior debts, land mortgage banks are bound to play a very important part in Berar; and as you develop these banks, you may find it possible to transfer some of the loans outstanding in the central banks and societies to these land mortgage banks and place them on a really sound long term basis. I therefore exhort the co-operators of Berar to interest themselves in the development of land mortgage banks.

Co-operative Sale Societies.

Two main concerns of the agriculturist are how to purchase his credit cheap and how to sell his produce dear. The agriculturist-suffers not merely for want of cheap and controlled credit for productive purposes but also for want of suitable credit for the movement and marketing of his crops. As the Central Banking Enquiry Committee has rightly remarked, " The question of organising marketing is of greater national importance than of rural credit. To supply credit requirements of the ryots is important, but it is not so much as it is to cure the disease from which indebtedness arises." (Page 726 of the report). Where genuine attempts are made to handle marketing of commercial products through co-operative organisations, they have succeeded. The Cotton Sale Societies in the Bombay and Madras presidencies and the commission shops in the Punjab are instances in point. In Berar, I feel there is a considerable scope for the development of Sale Societies, particularly because cotton is one of your principal crops. The Royal Commission on Agriculture has drawn pointed attention to the fact that the agencies, other than co-operative, which finance the agriculturist for production, often times make it a condition of the loan that he should part with his produce to the creditor at prices lower than those which he could obtain in the open market. This involves a serious loss to the producer and he should be helped to avoid it wherever possible by advancing loans against his produce so as to enable him to hold up his produce for a favourable market and to realise a reasonble price for it. An increase in his income from this source will be a source of substantial gain to him. I hope that some attempt will be made to organise and run these societies. For the successful working of these societies, technical advice in regard to grading transportation and the like will be necessary, besides facilities for storage. In Madras, the Government is advancing money to Loan and Sale Societies at very cheap rates of interest not exceeding three per cent to enable the societies to build godowns for storing the produce of the members, who sell it through the societies. Your Local Government may be approached by co-operators to extend similar help to you.

General Position.

From the accounts I heard of the general position of the movement in Berar the feeling among co-operators seems to be that the credit movement is virtually in the process of being wound up. This impression is, in my opinion, largely due to the fact that you have almost ceased to advance fresh loans even to punctual members and new members of societies,

because you are overwhelmed by the magnitude of your overdues. Your Registrar says in so many words that " fresh financing to the societies is practically at a stand still." The small relief that you may give to your members by way of waiving of penal interest, lowering rates of interest, putting into force schemes to write off loans from reserves and so on will not evoke any enthusiasm in the minds of your members, unless your societies function as live organisations for dispensing credit both for production and for movement and marketing of crops. I therefore hope that some life will be put into your societies by resuscitating them and once more making them instruments for making the economic rehabilitation of the agriculturists. We want big schemes to achieve substantial and lasting results which can only be done by State aid. For my concrete suggestions in this behalf, I beg to invite your attention to the speech which I delivered at Bangalore to the All-India Co-operative Conference, on the 4th instant.

No resuscitation possible without pursuit of co-operative ideals.

So much for our material schemes and economic plans. But it is my sad experience that schemes for arresting further deterioration of the movement and improving the working of our institutions are in many places held up by the utter absence of the spirit of co-operation and disciplined action. It is claimed by us that " Union, Justice and Peace " are the " three spiritual and moral basements upon which are lying the foundations of the Co-operative movement ". If " Union " gives place to dissension, " Justice " to wrong and " Peace " to strife, does it not mean that there is an end of co-operation ? And yet that is what is happening in many of our institutions. To add to our troubles, political and communal differences which have absolutely no place whatever in co-operation, have also crept into the movement. All this must change. If we are to arrest the further deterioration of the movement and make genuine progress, we want men and women who live and work in an atmosphere of co-operative idealism, promoting loyalty to the movement and discipline among its ranks. Our societies must be living institutions depending upon our devoted and selfless service. By the incessant preaching of the true co-operative principles and unfailing practice of co-operative virtues alone can we hope to transform the movement into a potent agency for the service of the masses. It is only then that it will pulsate with new vigour and unfold a new vision of life to those who come within its spell.

CITY DEPRESSED CLASSES SOCIETIES CONFERENCE.

On the 22nd June last a conference took place of the representatives of the Depressed Classes Societies in Madras City with the Directors of the Madras District Co-operative Central Bank at the premises of the latter, with the Hon. Rao Bahadur M. C. Rajah in the chair.

Those present included Rao Bahadur M. Giriappa, Joint Registrar, Mr. T. L. R. Chandran, I.C.S., Additional Joint Registrar, and representatives of 19 societies.

Mr. S. S. Sankara Mudaliar, President of the District Bank, welcomed the Hon'ble Minister and said that the object of the meeting was to secure closer co-operation between the financing bank and the Depressed Classes Societies. There appeared to be a misapprehension that the District Central Bank had not been accommodating the Depressed Classes Societies adequately. He hoped that the presence of the Hon'ble Minister would remove any such misgivings or their report.

The Hon'ble Minister in opening the conference observed that in order to come to a satisfactory understanding with the District Bank, the conference was convened at his instance and he would invite the representatives to express their difficulties frankly with a view to see what best could be done. He advised them that they should all work in hearty co-operation with one another, remembering the motto that "Each for All and All for Each" was the principle of co-operation. He was glad to find that the Central Bank had engaged two propagandists who, he hoped, had been carrying on propaganda work only to secure cordiality of relationship among the Depressed Classes Societies themselves and between them and the financing bank.

The representatives of the Mackeys Garden Co-operative Society handed over to the Minister a list of subjects, a decision on which they and others considered advisable to arrive at for the further progress of the movement among them.

The first subject taken up for discussion was one relating to the period of loans in depressed classes societies. Most of the representatives present said that adequate time, as applied for, was not given for repayment of loans and in some cases the period was cut down by the financing bank, with the result that the members were put to difficulties in repaying the instalments. The President of the Bank explained that under the existing financing arrangements, they were able to secure only short term deposits upto a period of three to four years, that it was not possible for them to give a longer period as that would place the Central Bank in an embarrassing condition if the deposits which would mature came to be called for. He would, however, have no objection to give any longer period which they might ask, provided the Madras Provincial Co-operative Bank could be approached by the Department to give some sort of assurance to come to their rescue if any such

contingency arose. To secure such an assurance was, however, considered not possible. While agreeing that attempts should be made to increase the repaying capacity, the Joint Registrar thought that if the Adi-Dravida members were really to benefit from the co-operative movement, they should for the present be helped only by long term loans as in most of the cases, the loans required by them were for repayment of prior debts and for purchase of house-sites and erection of buildings thereon. The possibilities of financing these societies with any Government loan for purposes of purchase of house-sites and house building were raised by the Additional Joint Registrar but as the Government were only financing house building operations in respect of houses built with bricks and chunam and as these members could not afford to build such houses, the possibilities of their being helped through Government were considered remote.

The above question led to the second point as to the purpose that would come under the definition of the terms "long term" and "short term". The Joint Registrar pointed out that payment of prior debts, purchase of house-sites and houses might be considered as long term purposes in the case of depressed classes societies in the City. It was decided that, for such purposes, the maximum period may be six years as the District Bank cannot in its present financial condition afford to lend for a longer period. The question whether there should be a minimum was raised but it was decided that on the merits of each case, the loans might be advanced up to a maximum of six years suited to the particular needs of members who might apply for such loans. Some of the representatives suggested that petty trade also might be included under long term loans so as to enable the Depressed Classes to pay out of their profit. For purposes of marriage, ceremonial, domestic expenses etc., it was resolved to fix the period at three years. Here again it was only to be the maximum, the period having to be fixed according to the needs of each member.

In regard to grant of loans to fresh members who either joined the society recently or who had not taken any loan in the past, it was represented that the Central Bank denied all financial accommodation on the score that the society itself was in default. It was pointed out that unless such members were helped, there would not be any life in societies and that the old members would not come forward to repay the loans in the belief that if they required further financial accommodation, they could not possibly get it. It was, therefore, suggested that where the members themseles were solvent, deserving and had adequate repaying power, they should not be denied loans, provided, the efficiency of management was ensured.

In regard to the possibilities of the Central Bank financing these societies for long lerm loans, it was pointed out by the Joint Registrar that the Central Bank might finance these societies up to a maximum of Rs. 1,10,000. The figure arrived at was equal to the amount of share capital held by the members in the Central Bank and the amount of reserve fund deposits of the societies which both were long term deposits. It was pointed out by the President that the share capital was withdrawable in their bank, while the Joint Registrar replied that the share capital in Central Banks should be non-withdrawable and only transfers were permitted. It was *resolved* to examine the bye-laws and to take necessary action to see that the share capital was made non-withdrawable. It was also *resolved* on the basis of the figures given above that the Central Bank might finance the societies up to Rs. 40,000 more, there being already an outstanding of Rs. 70,000 to the Central Bank at present under long-term loans.

The next question was about the loans to be given on the mortgage of immovable properties. It was the opinion of several representatives that mortgage loans might not be refused as far as possible by the Central Bank. The President pointed out that there were, however, difficulties as in most of the loans which came to his notice, he found that only the superstructures belonged to the members, while the sites on which such superstructures existed were owned by others, and the members themselves had no right to take the value of the site in raising loans. It was also pointed out that a good deal of caution was needed in granting loans on mortgage of securities in these societies. The societies too were ill-equipped to deal with the scrutiny of title deeds etc. It was finally *resolved* that in case of applications for loans on the mortgage security the title deeds might be scrutinised by the District Bank and provided they were satisfactory, the loans need not be denied to them.

The next question taken up for discussion was about consolidation of loans. While on this question, the Additional Joint Registrar pointed out that consolidation of existing loans, where the loans taken previously had not been completely repaid or were only partly repaid, would result only in book adjustment of loans, which the Department was up against, as such a position vitiated the correct financial working of any society, for the reason that by this process the overdues were removed and there was no criterion to judge how far the members who sought for such consolidation had been able in the past to repay their loans. As an alternative it was suggested that extensions in cases where the members were unable to pay any instalment or instalments for reasons beyond their control might be given, which course also gave them the benefit of removal of overdues and also secured for them the concessional rates according to the existing conditions. It was *resolved* finally that the Central Bank should give extensions in the repayment of loans, provided such extensions were regulated by a corresponding extension to members by the societies themselves.

In regard to the rate of interest existing at present the President explained that it was 6¼ per cent on ordinary loans and 4½ per cent on special loans for a period of one year and that these rates were those charged for the

loans advanced to societies provided the rate of interest on the loans to members was also reduced, viz., 7½ per cent instead of 9⅜ per cent as advised by the Department. In societies which reduced that rate of interest on all outstanding loans, the Central Bank had no objection to charge the lower rates, provided, the transitory bye-laws suggested by the Registrar had been introduced and registered. This was noted by the representatives.

As regards the grant given to societies by Government for the scriptory work done, the societies pressed for a larger grant than at present. It was pointed out that the grant was subject to certain conditions, one of which was that the societies themselves should contribute a portion from their own funds towards the scriptory work done. The grant to the societies had to be necessarily low in view of the funds placed at the disposal of the Registrar for this purpose which had to be distributed among all the Depressed Classes Societies in the whole of the Presidency. The Hon'ble Minister was pleased to note that on receipt of a separate note on this subject, he would sympathetically consider the case to see what could be done to increase the grant at present available.

The last subject discussed was about the relationship between the Department and the Central Bank. The President thought that many of the questions could easily be settled and solved, had the subjects been personally discussed with the Bank by the Departmental authorities. It was pointed out that the Departmental Officers were only too willing to do so if intimation was sent to them about their meetings and it was agreed to by the President.

As regards the work of the Depressed Classes Societies' Inspectors, the President pointed out that there was a certain amount of duplication of work between the Bank Inspectors and the D. C. Inspectors. It was explained that at one time the D. C. Inspectors themselves were under the control of the District Bank when they were able to check effectively their work and exercise a closer supervision. The arrangement was, however, given up later. It was also pointed out by the Departmental Officers that the system could not be introduced again for various reasons. Collection work, besides supervision, was being attended to by the D.C. Inspectors who also scrutinised the loan applications at present. It was *resolved* that the loan applications might be scrutinised by the Bank Inspectors as against the existing practice of such applications being first scrutinised by the D. C. Inspectors and once again by the Bank Inspectors. With a view to avoid delay and unnecessary duplication of this matter, the applications might be scrutinised by the Bank Inspectors, the D.C. Inspectors being responsible for collection and supervision only.

Some of the representatives mentioned that it would be of great help to them if audit certificates and other communications from the Department and the Central Bank were sent to them in Tamil. It was agreed that it might be done.

The Hon'ble Minister in bringing the proceedings to a close once again pointed out that with the hearty co-operation and mutual good-will, they could achieve much satisfactory progress in their working and that he hoped there would be no more expression of any criticisms by the societies and that if they had any individual grievances to represent they could do so to the Department and the Central Bank who were always ready to look into them, to set them right. The office bearers were also requested to take a more liberal view of the affairs of these societies. With a vote of thanks to the Hon'ble Minister by the President, the meeting came to a close.

Reviews.

Report on the working of the Co-operative Societies in the Baroda State for the year 1934-35 :—

The progressive Indian State of Baroda has an area of 8,164 square miles and a population of about 24,44,000 (according to the census of 1931.) It has been ruled for over 60 years by one of the most enlightened rulers in India. It is therefore somewhat surprising to read from the last available report on the working of the co-operative societies in the State, that is, for the year 1934-35, that " there are still several societies of ignorant members " whose work is to be carried on by Group Societies. The same idea of lack proper literate human material is repeated in paragraph 40 and the concluding paragraph of the report.

The following table will show that though there has been reduction in the number of societies the number of members has been steadily increasing :—

S. No.	Item.	1932-33.	1933-34.	1934-35.
1.	Number of societies ...	1,147	1,146	1,103
2.	Number of members ...	43,488	45,760	49,113
3.	Share capital ...	6,84,976	7,56,327	8,74,354
4.	Reserve and other funds...	11,57,968	12,75,962	13,10,123
5.	Total working capital ...	73,40,113	76,86,297	80,44,557

We are glad to learn that nearly 55 per cent of the working capital is the owned capital *i.e.*, share capital, deposit from members and reserve fund.

The Land Mortgage Bank has been slowly expanding its operations and in the year under review it advanced over 80,000 rupees to agriculturists of one taluka and it is contemplating its extension of operation to other talukas.

The District Banks that finance the movement have been working generally satisfactorily. It is a pity that they have not federated themselves into an Apex Bank for the State whose absence as a balancing centre must be keenly felt. One of the District Banks, the Kodinar Co-operative Bank, has been singled out by the Reserve Bank of India as a typical example of a Central Bank helping its constituent societies in all possible ways. We are glad to learn from the report that it continued to do its useful work of supply of cotton and other articles to its member societies.

The Central Co-operative Institute has been carrying on its useful work. It conducted two training classes and its propaganda officer went round the villages and did useful lecturing work with lantern slides.

When we come to particular types of societies we find agricultural societies having a very bad time of it. Overdues are rising and the Registrar rightly complains that members are not observing many useful regulations for their benefit such as compulsory deposits. The bad condition of the average village society is attributed by the Registrar not exclusively to bad harvest but to abuse of facile credit and to laxity in the matter of enforcement of repayment.

The Registrar has some very practical and helpful suggestions in the matter of removing the stagnation which has set in and we hope that he would be able to put his suggestions into practice.

We are glad to learn that in the matter of non-agricultural societies " there is an all round improvement in membership, deposits, reserve fund,

share capital and working capital." Almost every type of non-credit societies is to be found in the State and most of them have been doing well.

With such an enlightened ruler as H. H. The Gaikwar and his very able Dewan it must be possible for the State to do better. We hope the next year's report will show better improvement and we also hope that it would be published in time. The Report for the year 1934-35 was received in this office only last April.

S. K. Y.

Annual Report on the working of Co-operative Societies in the Federated Malay States and Straits Settlements for the period 1st January 1936 to 31st December 1936.

The following table indicates the general progress of the Co-operative Movement in the Federated Malay States and Strait Settlements :—

Year.		No. of Societies.	No. of members.	Paid-up capital.
Federated Malay States.				
1934	...	259	36,883	3,174,318
1935	...	286	43,725	3,754,979
1936	...	345	54,972	4,397,241
Straits Settlements.				
1934	...	88	18,928	1,431,831
1935	...	103	22,051	1,707,590
1936	...	125	25,171	1,954,296

Regarding rural credit societies the position was not very different from what it was in the previous year. There was not much of cash payment but only of book adjustment. Pointed attention is drawn in the report to the desirability of lending to members taking into consideration the repaying capacity and not their general assets ; nor could it to said that all the borrowings of members were confined to the societies only.

Special societies are started to benefit Paddy Planters who for lack of proper credit facilities between planting and harvest seasons are indebted to lenders who exact from them the promise of selling their harvest only to them *i.e.*, lenders. There are societies for the benefit of Rubber Growers and those engaged in Poultry Farming. The Rural Stores seem to have a bright future before them.

Some better living societies have been started though the Registrar is not confident whether the principle of modest expenditure which has been accepted in times of financial adversity will be remembered in times of prosperity. It is hoped that a sufficiently strong public opinion would be created which would enforce the provisions of Better Living Societies. The Salary Earners' Societies have been doing well.

We are glad to learn that the Co-operative Movement is spreading amongst the Indian labourers working in these lands. The Department has been doing propaganda by means of lectures helped by the Rural Lecture Caravan which moves from place to place. As in other parts of the wcrld the progress of the movement in Urban and Rural areas is not uniform. Urban societies seem to flourish more than the rural ones.

S. K. Y.

Audit Fees

RULE RELATING TO LEVY OF AUDIT FEES.

XI. (1) Every registered society shall pay to the local Government a charge for the audit for its accounts for each co-operative year in accordance with the scale fixed by the Registrar with the previous approval of the local Government in respect of the class of society to which it belongs:

Provided that this sub-rule shall not apply—

(*a*) to a credit society, a building society, a central bank, a land mortgage bank, the Madras Provincial Co-operative Bank or the Central Land Mortgage Bank if the working capital of the society or the bank as the case may be on the last day of the co-operative year does not amount to Rs. 20,000 or

(*b*) to a purchase, sale or production society the value of whose purchases, sales of articles or goods purchased as the case may be, in the co-operative year does not exceed Rs. 10,000; or

(*c*) to any other class of society whose gross income in the co-operative year does not exceed Rs. 50,000; or

(*d*) to any agricultural society with unlimited liability; or

(*e*) to any audit union, district federation or supervising union, or:

(*f*) to any society which has its accounts audited at its own expense—

(i) by the staff of an audit union in existence on the 9th July 1932; or

(ii) under an arrangement approved by the Registrar and in force on the 9th July 1932; or

(iii) by a person authorised by the Registrar to audit the accounts of the society under section 37 of the Act if such a person is willing to furnish the statement of accounts prescribed by Rule V and in the forms required by the Registrar.

(2) The charge payable by the society under the sub-rule (1) shall be paid into the nearest Government treasury within six months of the close of the co-operative year to which the audit relates.

(3) All charges leviable under this rule shall be recoverable in the manner specified in section 58 of the Act.

(4) The Registrar may, at his discretion, remit the whole or any part of the charge payable under sub-rule (1) by a particular society or by a particular class of societies for any year or other specified period.

SCALE OF AUDIT FEES.

The following is the scale of audit fees now in force as per G. O. No. 1792 (Development) dated 27th January 1936.

(1) Scale for primary credit societies other than land mortgage banks—This will be calculated on the working capital as it was on the last day of the co-operative year previous to the one for which fees are leviable as follows:—

Eight annas per Rs. 100 of the working capital for the first Rs. 50,000 or part thereof;

Six annas per Rs. 100 for the next Rs. 50,000 or part thereof;
Four annas per Rs. 100 for the next Rs. one lakh or part thereof;
Three annas per Rs. 100 for the next Rs. one lakh or part thereof;
Two annas per Rs. 100 for the next Rs. one lakh or part thereof.
One anna per Rs. 100 for the next Rs. one lakh and above or part thereof.

Working capital will for the purpose of this rule include—

(1) Paid-up share capital;
(2) Deposits and loans from individuals and institutions;
(3) Deposits and loans from other co-operative societies;
(4) Loans from Government; and
(5) Reserve Fund.

(2) Scale for purchase, purchase and sale, production and production and sale societies—This will be based upon the value of goods sold in the co-operative year previous to the one for which fees are leviable.

One fourth per cent on the value of goods sold.

(3) Scale for building societies—These societies will be exempt from the payment of any fee for a period of three co-operative years from the date of starting. After such period they will be levied fees at a flat rate of two annas per cent on their working capital as it was on the last day of the co-operative year previous to the one for which fees are leviable.

(4) Scale for printing presses, hostel societies and other miscellaneous classes of societies—Five per cent on gross income in the co-operative year previous to the one for which fees are leviable.

(5) Scale for the Provincial Bank, Central Banks, Central Land Mortgage Bank and Primary Land Mortgage Banks—This will be calculated on the working capital as it was on the last day of the Co-operative year previous to the one for which fees are leviable as follows:—

Upto 5 lakhs	...	12 annas per Rs. 1,000 of working capital.
Over 5 lakhs up to 15 lakhs.	...	6 annas per Rs. 1,000 of working capital.
Over 15 lakhs upto 30 lakhs.	...	3 annas per Rs. 1,000 of working capital.
Over 30 lakhs	...	2 annas per Rs, 1,000 of working capital.

The Central Land Mortgage Bank and the Primary Land Mortgage Banks will be exempt from the payment of any fee for a period of three co-operative years from the date of starting.

The fee to be charged from 1935-36 is according to the above scale but less by 12½ per cent.

News and Notes.

We are glad to learn that the Madras Labour Co-operative Society has completed a number of houses for various persons and that one of them was built for Rao Bahadur M. Giriappa, Joint Registrar of Co-operative Societies, Madras. From the picture of the house, which we have published in this number, it will be seen that the execution of the work is quite satisfactory.

* * *

A thrift and loan co-operative society was recently inaugurated at Salem by Mrs. Ryan wife of Mr. J. C. Rayan, Deputy Registrar of Co-operative Societies, Salem. At Calicut some prominent women held a meeting at the B. E. M. Girls' High School and resolved upon opening a co-operative store one of the objects of which is to promote cottage industries among women. The meeting was presided over by Mr. V. R. Nayanar of the Servants of India Society and was attended by the Deputy Registrar. A provisional committee of ladies was appointed to take steps necessary for giving effect to the resolution.

* * *

A conference of the members of loan and sale societies in Tanjore District of which there are 13, and the Directors of the Central Bank was held recently at Tanjore with Mr. V. Nadimuthu Pillai, M.L.A., in the chair. Rao Bahadur M. Giriappa, Joint Registrar of Co-operative Societies was present at the conference. It decided that a central society for the marketing of agricultural produce in the district be immediately organised in consultation with the two central banks in the district. Mr. Giriappa informed the conference that he had arrived at Tanjore just after meeting the Ministers, who are all very eager to help the agriculturists and the co-operative movement in the province as much as possible. He observed that by financing cultivation at every stage and by getting the produce marketed co-operatively, the societies had been able to help their members to reduce substantially their old dues to the societies.

* * *

The Economic Council of the West Godavari District has recommended to Government the setting apart of the blocks of assessed waste land with irrigational facilities, one of 600 and another 500 acres, in two different villages to be divided equally between Harijans and the educated unemployed for being colonised by them. As the blocks are under different District Boards, a sub-committee for each block has been appointed, consisting of the President of the District Board, the Deputy Registrar of Co-operative Societies and other members, to work out the details of the scheme. The Economic Council is also studying the question of the consolidation of boldings.

* * *

Mr. R. G. Rajwade, Revenue Secretary to the Gwalior State and Mr. Ranga Lal, Director of Co-operative Societies in Gwalior, who attended

the All India Co-operative Conference at Bangalore, paid a visit to Alamuru in East Godavari to see the rural reconstruction work done there during the last twelve years under the guidance of Mr. N. Satyanarayana. They were both of them very much impressed with what they saw there. In an interview to the Press Mr. Rajwade said :

"In quest of rural development I have travelled far and wide over the country, but it is only now, after this two days' visit to Alamuru in the East Godavari District that I can say that I have found my grail.

"The area included in the Rural Reconstruction scheme of Alamuru is a semi-circle with Godavari as the base and Alamuru as the centre. God has given it a river and good soil ; man has given it a canal system ; and co-operation has given it the rest.

"I was very gratified to note that for once rural development has found its true form—that of a mass movement. The Government departments, the district boards, the local panchayats and most significant of all, the ryot himself, have all joined hands in the most praiseworthy endeavour. The motive power that has impelled them has been not so much money as effort."

* * *

Khan Bahadur Muhammad Humayun Sahib, Collector and President of the Economic Council of Nellore, addressed the co-operative staff of the district during their refresher course on rural uplift and Economic Councils He advised them to associate themselves more and more with the ryots and to report the requirements of each village to the Economic Council.

* * *

The Madura-Ramnad Central Bank and the Uttamapalayam Urban Bank are reported to have jointly embarked on a scheme for encouraging poultry-keeping by members of co-operative societies in the Cumbum Valley. Eggs of good varieties will be purchased and incubated and chicks raised in the Bank premises. The pullets will be retained but the cockerels will be supplied to the members of societies to enable them to get better eggs from the local hens. The scheme will be financed from the common good fund of the Banks and the Societies. The Central Bank is also doing propaganda on dairy-farming on co-operative lines with the aid of Mr. R. Gopalan, dairy expert.

* * *

A co-operative society for the benefit of the carpet weavers of Ellore, West Godavari District, was started recently under the name of the Ellore Carpet Weavers' Co-operative Purchase and Sale Society. The opening function was performed by Mr. S. Venkateswaran, I.C.S., Collector. The Society will receive aid for a period of five years from the special grant made by the Government of India for the improvement of the woollen textile industry. Ellore has been the best known centre for carpet-making in South India. Like other cottage industries carpet-making has gradually been losing ground. It is to be earnestly hoped that this society will be able to give a new life to the industry at Ellore.

* * *

In the first week of July a conference of supervisors was held in the premises of the Central Bank at Anantapur, with Mr. M. Narayana Rao, M.L.A., in the chair. Mr. K. S. Raghavacharlu, B.A., LL.B., who addressed the supervisors on rural uplift, appealed to them to promote thrift, a proper use of credit and joint sale among the villagers.

* * *

Rev. Sandgren, Bishop of Tranquebar, accompanied by Mr. Sarma of the National College and some members of the staff of the Bishop Heber High School, Trichinopoly, went a week ago to the village of Koppu, 3 miles from Trichinopoly and inaugurated there a scheme of rural reconstruction, by sweeping the streets of the village and digging a pit for throwing rubbish into it.

* * *

The Venkatagiri Samasthanam has obtained the services of Dewan Bahadur A. V. Ramalinga Aiyar, retired Chief Engineer of Madras, to advise it in developing irrigational facilities for which it has set apart a sum of Rs. 1 lakh for the current year. It has also obtained a loan of the services of Mr. K. Rangaswami Naidu, Deputy Registrar of Co-operative Societies, to develop co-operative activities in the estate.

* * *

According to a press note issued recently by the Director of Public Information, the grading of eggs is being carried on under the guidance of the Agricultural Marketing Adviser to the Government of India at two experimental stations at Pabbi in the North West Frontier Province and at Changannur in Travancore State, since November last. The eggs are brought to the stations by merchants. They are then cleaned, examined by candling process and graded in a machine according to weight. By the middle of June last about 20 lakhs of eggs had been thus graded. It is reported that the demand for graded certified eggs is increasing and that there is very hope of the grading process raising the price of eggs and expanding the egg industry.

* * *

It is reported that the landowners of Rae Bareli District in the United Provinces have agreed to give occupancy rights to tenants in villages which agree to consolidate holdings. It is a step that will benefit both tenants and land-holders by preventing waste of time and effort and we hope that the offer of the land-owners will be welcomed by the villages and taken full advantage of.

* * *

In that district, due to the efforts of the Rural Development Association a " Village Day " was recently celebrated, when all the village sites in the district were swept clean of manure and dirt. It is reported that

so far 36,000, manure pits and 7,000 soakage pits have been constructed in the village. Four model villages also have been constructed. Among the agencies helping this village improvement movement is a band of 500 Rover Scouts organised by the Co-operative Department.

* * *

It is reported that Government of Assam has resolved to start rural reconstruction centres in 17 villages as a first step in a scheme to improve the villages of the province.

* * *

Sir Chhotu Ram, Development Minister, Punjab, stated recently in the Assembly of that province that its agriculturists had benefited last year to the extent of nearly Rs. 6 crores by adopting improved varieties in respect of cotton, wheat and maize, the three staple crops of the province.

* * *

The oldest co-operative society in the world is the Lennoxton Friendly Victualling Society in Scotland. It celebrated its 125th anniversary on the 6th July last. It adopted the Rochdale principle of paying dividends on the purchase of members long before the Rochdale society did. Though 60 per cent. of its members are at present unemployed their average weekly purchases at the society are much better than the purchases of well employed members of many prosperous industrial towns. The membership of the society was 676 in 1922, but now it is 1206.

* * *

One of the several interesting features of the Co-operative Congress held at Bath in May last was the election of a Co-operative Queen and her participation in the ceremonials connected with the Congress. Miss Kathleen Tovey, an employee of the Bath Society was the lucky queen. Another feature was a grand exhibition of goods produced under co-operative conditions in which more than a hundred industries are reported to have been represented. A third was a Co-operative Homes Exhibition intended obviously as much for the education of housewives as for the benefit of societies. Some six thousand school children of Bath were invited to this exhibition and presented with sweets and toys. This seems to have been objected to by some members of the Bath School Committee who are representatives of private trade and are apprehensive of the young mind being poisoned with co-operative notions.

* * *

In as many as eighteen colleges in the United States of America there are special courses for the study of the Co-operative movement.

P. C. U. Examination Results.

The following is the list of candidates who passed at the Co-operative Training Institutes' Examination held in April last, by the Provinical Co-operative Union, Madras.

RAJAHMUNDRY CENTRE.

Nine months Course.

First Class.

Reg. No.	Name.	Reg. No.	Name.
871	Manikyam A.	883	Srinivasamurthi K.
877	Ramu S.	887	Suryanarayanamurti N.

Second Class.

Reg. No.	Name.	Reg. No.	Name.
866	Apparao K.	882	Simhachalam M.
867	Bhairavamurti N. R. K.	884	Subba Rao K.
870	Kotayya T.	886	Suryanarayana P.
873	Parabrahmamurti S.	888	Suryaprakasarao T. V. A.
876	Ramarao V.	890	Venkatasubba Rao B.
878	Rangarao K.	891	Venkateswara Rao N.
879	Sambamurti T.	892	Viswanathan S.
881	Satyanarayanamurti D.	893	Narayanamurti K.

Passed in Part II only.

Reg. No.	Name.	Reg. No.	Name.
865	Ankayya Ch.	889	Tatarao N.

Draft Amendment to the Rules.

NOTIFICATION.

The following draft of an amendment to the rules made under the Madras Co-operative Societies Act, 1932 (Madras Act VI of 1932), published with Development Department Notification No. 264, dated the 1st August 1933, at pages 1178 to 1185 of Part I of the Fort St. George Gazettee, dated the 1st August 1933, as subsequently amended which the Provincial Government propose to make in exercise of the powers conferred by sub-sections (1) and (2) of section 65 of the said Act is hereby published, as required by sub-section (3) of the said section, for the information of all persons likely to be affected thereby.

Notice is hereby given that the draft will be taken into consideration on or after the 26th August 1937 and that any objection or suggestion which may be received with respect thereto from any person before the date aforesaid will be considered by the Provincial Government.

DRAFT-AMENDMENT.

In Sub-rules (1) and (2) of rule XXVIII of the said rules, a full stop shall be substituted for the semi colon occuring at the end of clause (*c*) and the word ' or ' occuring at the end of clause (*c*) and the entire clause (*d*) shall be omitted.

(By Order of His Excellency the Governor),

A. KALEELI,
Under Secretary to Government.

Registrar's Circulars.

OFFICE OF THE

No. A. 3583/37. REGISTRAR OF CO-OPERATIVE SOCIETIES,
Madras, dated 31st May 1937.

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

CIRCULAR.

Sub :—Reserve Fund—Unlimited liability societies—Strengthening of.

In the report submitted to the Government of India under section 55(*i*) (*b*) of the Reserve Bank of India Act. the Reserve Bank has observed that the margin between the borrowing and lending rates of many co-operative institutions in the past has been dangerously narrow and has recommended that prudently run co-operative societies should provide for a sufficient margin of profit and thereby build up substantial reserve funds. These are sound cannons of banking which deserve to be implemented by all co-operative societies. Though it may be difficult to raise the lending rate in the present circumstances the augmentation of the Reserve Fund can be effected from out of the margin now availabie in other ways. The following instructions are issued to achieve this object.

(1) The purpose of the Reserve Fund is mainly to guard against losses to creditors. Losses will occur if the assets are bad. The overdues under principal in several societies have become so chronic that some of the amounts may prove to be bad. A society with heavy overdues should not be allowed to fritter away its net profits by way of honorarium, dividends and common good fund, while comparatively better societies only may enjoy these privileges. A society in which the overdues under principal exceed 75 per cent of the demand may be taken as typical of a very bad society and in such a society the entire net profits of that year should go to the reserve fund. The existing by-law need not be amended for this purpose. but a note may be added as follows under the by-law dealing with the distribution of the net profits.

> "Notwithstanding anything contained in the above by-law, if in any year the overdues under principal against members exceed 75 per cent of the demand, the entire net profits of that year shall be carried to the Reserve Fund."

(2) The Registrar considers that a dividend of 6¼ per cent on the paid up share capital of the members is rather too much at the present time Ordinarily, the share capital paid by the members is invested in the shape of

share capital in the Central Banks, and as the Central Banks have generally reduced their dividends to societies to 5 per cent or even less, the societies cannot be expected to pay the maximum dividend of 6¼ per cent The Registrar, therefore, suggests that the maximum dividend in agricultural credit societies should be restricted to 5 per cent so that it may be possible to carry to the Reserve Fund a portion of the net profits over and above the statutory minimum. The building up of a substantial reserve fund will be in the interests of the members themselves as it is one of the main safeguards against unlimited liability.

(3) There are a large number of dormant societies in each district which have not borrowed from the Central Banks for more than 3 years. Vigorous attempts should be made to revive these societies and develop short term loan business in them. If these societies are revived and if new loans are given on proper securities, it will be possible to strengthen their reserve fund by increased profits. The Registrar. therefore, emphasises again the need for the revival of dormant societies and also for the formation of new societies where the stipulated conditions are present. The attention of the Deputy Registrars is drawn to paragraph 7 of the Registrar's proceedings A. 1998/35 dated 25-3-35 and they are requested to bear in mind the instructions issued therein regarding the formation of new societies.

2. Side by side with the augmentation of the reserve fund, it is necessary that steps should be taken to get the uninvested reserve funds of societies invested in the Central Banks. Instructions have already been issued regarding this. The Registrar desires to emphasise again the need for crediting a certain percentage of every payment made by societies towards the reserve fund so that it may be possible to get the entire reserve fund of societies invested in the Central Banks before long.

3. All Deputy Registrars are requested to see that these instructions are carried out.

By Order
A. SINGARA RAJU,
Manager.