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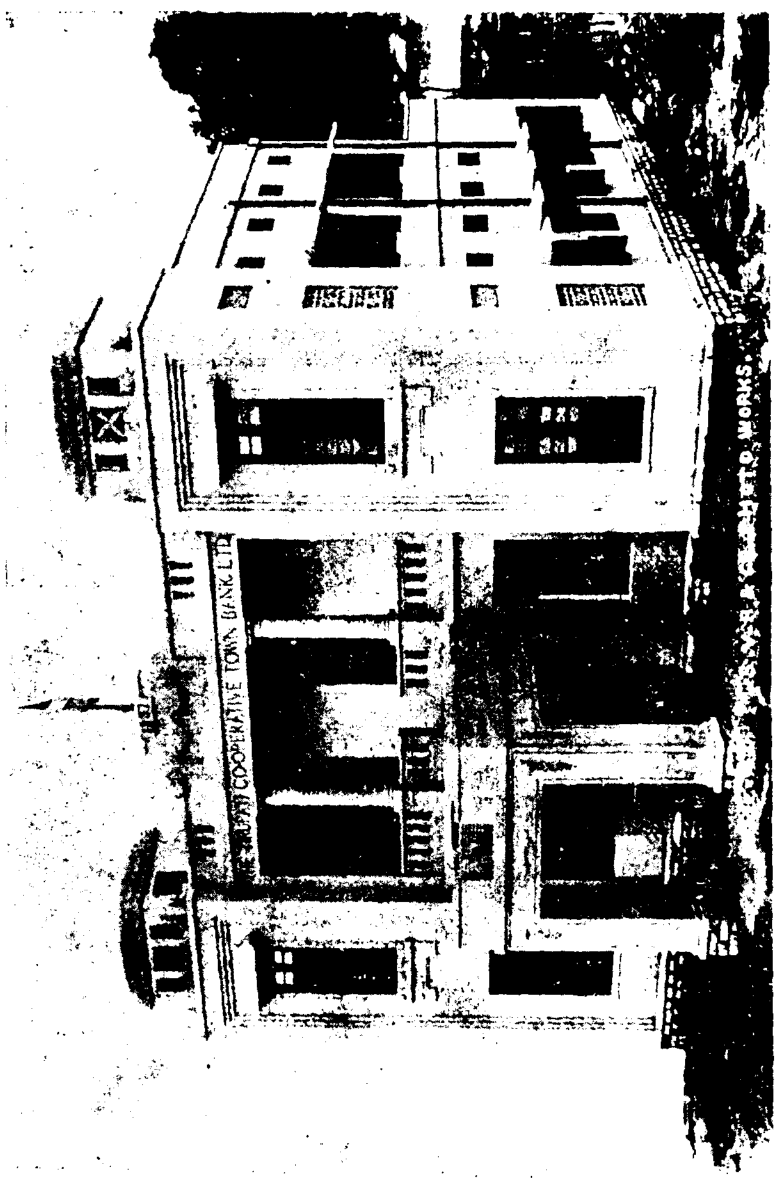
Dewan Bahadur K. V. BRAHMA, C.I.E.
Chairman, Reception Committee,
Berar Co-operative Conference.



Tirupathi Town Bank Building recently opened by the Hon. Mr. V. V. GIRI.

THE

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Editorial Notes.

The Madras Budget.

Any one will admit that the Hon. Mr. C. Rajagopalachariar, as Premier and Finance Member, has made the budget of the current year—that is, for the portion of it that still remains—as much of the poor villager's budget as it was possible for any one to do. Committed to schemes of expenditure by previous Governments in their last days, with available savings "largely mortgaged in advance", he has yet managed to sacrifice a sum of Rs. 13 lakhs of Excise revenue by boldly introducing prohibition in Salem District, and has also found Rs. 13.7 lakhs for expenditure on new schemes. The ultimate loss of revenue on account of the introduction of prohibition in Salem district is estimated to be Rs. 26 lakhs per year. But the saving to the people in various shapes such as increased output of work, better food, better health, greater happiness at home etc., is rightly estimated by the Premier to be worth more than a crore. Prohibition has been given a prominent place in every scheme of rural uplift in our country. We therefore heartily welcome this bold step, which the Premier emphatically stated was not in the nature of an experiment but was a permanent measure. It is said that Congress Ministries will try to introduce prohibition fully in their respective provinces in the course of three years. We wish that it would be possible to do so in this province. But it will entail a sacrifice of four crores or 25 per cent of the whole revenue of the Province, and we doubt very much whether it would be possible to adjust so large a loss of revenue by retrenchment and new taxation. Even though the goal of total prohibition may not be reached in three years, it is one which is worth striving for, and we are sure that it will be steadily pursued.

Regarding the new schemes for which Rs. 13.7 lakhs is provided, the Premier stated in his speech :

> " We have accepted all water-supply and drainage schemes put forward by local bodies and have made provision for the grant of subsidies, for the opening of new rural dispensaries and for the employment of midwives in existing subsidised rural dispensaries, which had been under a ban continuously since 1932. We have provided for the installation of some village broadcasting receiving sets which may serve both as a public amenity and as an instrument for public education in rural areas."

In addition to these items, special encouragement is to be given to hand-spinning, for which purpose a sum of Rs. 2 lakhs is provided in the budget. This will be spent as a grant for the increased production of hand-spun hand-woven cloth. The object, of course, is to develop the production of hand-spun hand-woven cloth as a subsidiary occupation for agriculturists. The prospect of this industry helping the agriculturist and also the weaver to a real extent is now greater than before ; as a fairly satisfactory minimum wage has now been fixed for spinning, and unemployment due to the competition of mill cloth has made the weaver quite willing to work with hand-spun yarn. In this connection the Premier stated that a license fee would be imposed on all cloth dealers—amounting to Rs. 5 per annum on big cloth shops and Rs. 2 per annum on small cloth shops—from which imposition, however, those exclusively dealing in hand-loom products would be exempted. This license fee is not introduced as a revenue measure but as one intended to create a psychological advantage for the hand-loom weaver. Those of us who have always been urging some protection for the hand-loom weaver in his unequal struggle with the mill industry can only welcome this measure. Its effect will be watched with interest.

Of the Rs. 13·7 lakhs as much as Rs. 4·4 lakhs is provided under public health, and of the latter amount Rs. 1·5 lakhs is meant as grants to local bodies for providing drinking water in rural areas. Another notable provision is that of Rs. 1·33 lakhs under wells for Depressed Classes through the Labour Department. The possibility of utilising municipal water-mains for the supply of villages near which they pass, will be examined and tanks will be provided with taps all round to prevent contamination. The Premier dwelt in his budget speech on the provision of rural water-supply at unusual length, ' without a precedent in the presentation of budgets' as he himself admitted.

The Premier announced that a graded cut from 2½ to 30 per cent would be made in the salaries of the Provincial and Subordinate services in posts carrying more than Rs. 100. In justification of this measure he said, " It would be impossible with any sense of justice or proportion to maintain the existing ratio between the earnings of most of the people who pay the taxes and the scales of pay that we disburse for maintaining the administration........ In the new political conditions we are in, the very contrast of the lives of the people and those of Government officials cannot last much longer without creating dangerous bitterness. " Of course, no one likes a cut in his salary, whether he is a servant of the State or some other employer, just as no one likes to pay taxes if he can help it. But the point stressed by the Premier has much force in it. Salaries in India in the higher grades are too highly pitched, with the result that in the minds of the officials they occupy a more important place than the object for which they exist. To use a language which is familiar to co-operators, their eye is on profit as in competitive business; whereas, what the Premier wants is that it should be on service as in co-operative business. We have no fear that this reduction in salaries will result in any fall in the efficiency of the services. Very wisely the Premier has been preaching from various platforms the gospel of frugality and a simple life. As he has himself set an excellent example of such life, his appeals have been listened to with respect and without a sign of resentment

The expenditure on the Co-operative Department provided in the budget for 1937-38 is Rs. 14.34 lakhs against Rs. 12.20 lakhs in the budget for 1936-37. The increase of Rs. 2.14 lakhs does not represent so much more of the general tax payer's money being spent on the Department. Against the estimated expenditure of Rs. 14.34 lakhs is to be set off an estimated income of Rs. 4.39 lakhs made up of audit fees for the execution of decrees, liquidation charges etc., and grants from the Central Government for co-operative education and training and from the Sugar Excise Fund. Most of the increase under the estimated expenditure is counter-balanced by an increase under receipts. The budget has also provided for Rs. 30 lakhs being advanced as loans to agriculturists for clearing their prior debts and for another sum of Rs. 5 lakhs for loans to co-operative societies. We trust the amount provided as income from audit fees will not be advanced as an argument for not reducing the present unreasonably high scale of audit fees. On the whole the budget deserves to be warmly welcomed by all who have the welfare of the rural population at heart.

Co-operative Societies and Debt Conciliation.

We wish to draw the attention of our readers, and of the authorities in particular, to the extract, published elsewhere in this number, from the speech of Dewan Bahadur K. V. Brahma, C.I.E., who was Chairman of the Reception Committee of the recent Berar Co-operative Conference over which the Hon. Mr. V. Ramadas Pantulu presided. The extract deals with two points of great importance to co-operators, not only of Berar but of other parts of India as well. They relate to the influence of Debt Conciliation Boards on co-operative societies and to the difficulties created for them by the possession of the lands of defaulters. Specially successful as Debt Conciliation Boards are admitted to be in the Central Provinces and Berar, their influence on co-operative societies has been very much to the disadvantage of the latter, points out Mr. Brahma. In the first place, they have created a demand for the scaling down of debts due to societies by their members. It is forgotten that the extent to which this can be done is very limited. Co-operative societies have to deal with both creditors and debtors. "Our liabilities to our creditors, viz., the depositors, cannot be conciliated unless we choose to go into nothingness," rightly observes Mr. Brahma. In the second place, members are withholding payments in order to urge the reduction of dues later. This attitude is the very opposite of co-operation. If these tendencies persist, societies will have to be liquidated. Therefore as Mr. Brahma suggests, conferences of urban and rural co-operators should be called in various places and the baneful results of these tendencies explained to them, so that not only their credit-worthiness

but the credit of the movement itself may be preserved. The experience of Berar should be a warning to our province, where steps have been taken to start Debt Conciliation Boards.

The Possession of Lands.

The passing of lands into the hands of co-operative banks for want of bidders in sales has created problems which demand an urgent solution. In the hands of the banks they are unremunerative —often not producing even the amount of revenue to be paid to Government, let alone interest on investment, as was forcibly pointed out by Rao Bahadur M. Giriappa at the recent Nellore conference. Their so-called management is very unpleasant to the staff of the banks and of the Department, while being absolutely unsatisfactory in its results. Then, as assets of the banks they are a frozen element. If they form a considerable proportion, the banks will be unable to meet their obligations to depositors when their deposits mature. It was this aspect that was emphasized by Mr. Brahma at the Berar conference. He appealed to the Provincial Bank and to the Government to come to the rescue of Central Banks by arranging for long-term loans by means of debentures or otherwise on the security of the assets of the movement. We are glad to say that this appeal has not gone unheeded, for recently the Honourable Mr. Shukla, Education Minister, C. P., announced at Jubbulpore that the Government had arranged to float debentures as an experimental measure to enable the Yeotmal Central Bank to return its short-term deposits. "He hoped thereby that the bank would be enabled to recover heavy overdues in equal annual instalments extending upto twenty and also restoring the lands to the ex-proprietors within twenty years, practically on hire-purchase system." That is to say, the short-term loans have been converted into long-term ones. This has been done on a large scale in the Balkan States.

The possession of land became a great worry to co-operators and the Co-operative Department in Burma. They have solved it by giving back the land to the original owners at present valuations, writing off from 50 to 80 per cent of the debt and agreeing to recover the conciliated debt in 10 or 15 annual equated instalments. The recovery is effected by taking over the harvest and marketing it, the excess over the instalment being returned to the member for meeting his other expenses. The possession of land has become a problem to some of our banks. No good purpose is served by their being kept in their possession. It is best that they are returned to their original owners on suitable terms. What those terms should be will no doubt require careful consideration. To use the words of the C. P. Minister, they may be given back on a hire-purchase system. The value to be recovered may be the present estimated value of each of land with interest at 4 or 5 per cent, spread over 20 or 25 equated annual instalments. As in Burma a condition may be imposed that the harvest should be delivered to the Central Bank for sale and any realization in excess of the instalment should be given back to the member to meet his other obligations. If as in Berar the Central Banks desire to have long-term loans on the security of their assets in order to pay back their deposits, the Provincial Bank with its plethora of unused funds would be easily able to make them the loans. But we do not think there is need for them yet in our province. But it is quite time to arrange for the restoration of lands to the original owners on equitable terms.

Fees for Registration and Encumbrance Certificates.

We have received more communications than one from land mortgage banks protesting against G. O. No. Ms. 1081, dated 13-5-1937, which imposes half fees for the registration of documents by or in favour of land mortgage banks and also payment of half fees on applications for encumbrance certificates. The levy was made by the Interim Ministry without consulting public opinion, and in particular the opinion of the land mortgage banks, quite against the spirit of democratic administration. Apart from it, the levy is inopportune and very injurious to the working of land mortgage banks. Before sanctioning loans, land mortgage banks require applicants to produce encumbrance certificates for at least 24 years in respect of every piece of land which is offered as security. The fee charged, even at half rate, is Rs. 7-8-0 for every twelve years of the ownership of an individual. If a piece of land has changed ownership several times in the course of the 24 years, the fee payable is respect of that piece of land is several times Rs. 7-8-0. And if the applicant for a loan has to offer several pieces of land, as, being a comparatively poor man, he is almost invariably obliged to do, the total amount he will have to pay may go to some hundreds. Which applicant could be expected to spend such a heavy amount even to get his application considered by the land mortgage bank? It is therefore rightly pointed out that the effect of this levy will be to bring to a standstill of future loan transactions

of the land mortgage banks. The Nellore Land Mortgage Bank instances a case where a fee of Rs. 145 was demanded from an applicant. The fee apparently is thought of as a source of revenue. Its levy is absolutely inconsistent with the policy wisely pursued by Government for a number of years of affording every facility to land mortgage banks, so that they may serve as a means of relief to the heavily indebted agriculturist. In areas not served by land mortgage banks, Government is giving relief to indebted agriculturists by means of direct loans. Applicants for such loans are exempted from payment of the fees for encumbrance certificates and registration, now demanded of the applicants for loans from land mortgage banks. From a consideration of all the facts it is clear that the action of the Interim Ministry was hasty, ill-considered and opposed to the real policy of Government. It is therefore incumbent upon the present Government to set right courageously the mistake committed by its predecessor, as it has indeed done in several cases with a due regard for public policy.

Audit Fees.

The response to our invitation to co-operators and co-operative institutions to discuss the suitability or otherwise of the present scale of audit fees, has been very good indeed. We have published in this number some of the communications received and more will be published in the next number. We trust that they will receive due consideration at the hands of the Government. It ought to be quite unnecessary to point out so late in the day that every popular Government always pays the greatest heed to public opinion. But in the past a bureaucratic disregard of public opinion has so often characterised the actions of Ministers in respect of Co-operation, that we have to repeat the hope expressed last month that Government orders will be delayed until the opinions of co-operators and co-operative institutions are duly considered.

The American College of Madura gives a Lead.

On the occasion of its latest anniversary, the Principal of the American College of Madura gave very interesting details of rural service in which a section of its students were engaged last year. A centre was opened in two villages which are within a mile of the College. An economic survey of each village and a study of some special problems like the sale of milk were made and the results published in the College magazine. In one village a register of the economic condition of each family was opened, so that its improvement or deterioration from time to time might be noted. With the donation of Rs. 150 made by the Madura-Ramnad Co-operative Central Bank the centre has purchased a Delhi buffalo breeding bull, and it is also starting a model poulty-farm. It is at this centre that a scheme is in operation for converting the municipal night-soil into compost manure. It was some five years ago that the College opened a department of rural research and extension and started the first centre at Narasingapuram five miles from Madura. We heartily congratulate the College on doing this kind of very useful work and commend its example to other colleges.

Mr. K. C. Ramakrishnan.

Mr. K. C. Ramakrishnan, M.A., Lecturer in Economics, Madras University, who was elected at the All-India Co-operative Conference held at Bangalore in July last as a delegate to the International Co-operative Conference held at Paris from the 6th to the 9th instant, left Madras last month and attended the Conference. After the conference he proposes to visit some of the European countries, especially the Balkan States where conditions are nearer to those of India than in Western European countries, in order to study the devolopment of the co-operative movement there. He is one of the best informed students of agricultural co-operation in our country and this study tour is bound to enhance considerably his usefulness to the co-operative movement in this Province. He is a painstaking director of the T.U.C.S., a member of the Editorial Committee of this *Journal* and a great help to the *Indian Co-operative Review*. The Madras Provincial Co-operative Bank has granted a sum of Rs. 1,000 towards meeting the expenses of his European tour. On behalf of the co-operators of this Province we warmly thank the Bank for thus helping him and hope that the T. U. C. S. will make a similar grant. There can be no better use for the common good fund of co-operative institutions than helping students of co-operation like Mr. Ramakrishnan.

Relief of Rural Indebtedness.

By The Hon'ble V. Ramadas Pantulu.

The question of indebtedness naturally finds a very important place in all agrarian programmes, whether of the Congress or other parties. More time has been spent in ascertaining the extent and volume of indebtedness than in applying remedies to solve the problem. The latest investigation conducted in Madras reveals the volume of the debt in the province to be Rs. 200 crores. We may accept this figure as being approximately correct. It matters very little whether it is a few crores more or less in determining remedies. Before I proceed to enumerate remedies, which in my opinion will be helpful, I wish to make a few prefatory observations: (1) Indebtedness is more the *result* of poverty than its *cause*. The large bulk of the debtors borrow not because they *can* but because they must. So, the lasting remedy for curing indebtedness is the removal of the causes of poverty and increasing the income of the masses. (2) Heroic remedies like the Government finding all the money necessary to liquidate the indebtedness and to start the debtors on their career afresh or wiping out the entire debt by repudiating the debtors' obligations to pay their creditors are, in my opinion, equally impracticable and no one can seriously suggest them. (3) Moratorium is at best a temporary expedient and in its very nature it must be for a short period and cannot be a prolonged affair. It is really no solution to the problem of indebtedness. (4) The remedies that even a ministry fully responsible to the Legislature can attempt must be in consonance with sound principles of jurisprudence and also with the traditional character of our rural economy.

Applying these principles, the following measures are, in my opinion, calculated if not entirely to solve the problem of indebtedness, at least to bring about a great deal of improvement in the situation :—

1. A simple rural insolvency act which is administered on the spot by officers specially invested with necessary powers in this behalf is a great necessity. An honest agriculturist who is willing to place all his assets at the disposal of his creditors must get a speedy and inexpensive relief by way of discharge so as to be able to seek his livelihood in a different atmosphere and environment

by his personal exertions. The existing law of insolvency pins him down to his debt and bars the exits out of it, and it is very true to say that the average agriculturist is born in debt, lives in debt and dies in debt. We must find an effective legislative remedy for this indefensible position.

2. Debt conciliation boards must be vested with powers to give awards binding on the creditors and debtors. Attempts at voluntary conciliation will not yield any tangible results. Therefore, the Madras Debt Conciliation Act should be radically amended so as to make the awards of the Boards binding on every creditor and enforceable like decrees of Courts.

3. The Usurious Loans Act must be still further amended so as to vest Civil Courts with unfettered discretion to give relief against all hard bargains between creditors and debtors—primary contracts or penal clauses. When the interest claimed exceeds the principal amount, the Courts, in cases in which they think fit to do so, must be given full powers to cut down at least the excess of such of the accumulated amount of interest to such an extent as may seem equitable. In other words, the principle of *Damdupat* should be kept in view in administering the Usurious Loans Act.

4. Facilities for accumulation of interest must be restricted by legislation and compound interest must as far as possible be statutorily discouraged.

5. The period of usufructuary mortgages must be limited to 12 years and they should not be allowed to run thereafter.

6. No simple mortgage or charge should be allowed to be kept alive for more than twelve years.

7. The period of limitation for money suits like suits on promissory notes, bonds and accounts should not be allowed to be extended beyond the usual period of three years by means of acknowledgments or part payments of principal and interest and other devices. Even renewals of promissory notes and debt bonds after the expiry of three years should be prohibited. The creditors must collect or sue within that period.

8. Land Mortgage Banks, both co-operative and joint stock, must be strengthened to advance long term loans, to all debtors who possess necessary repaying capacity, to discharge their prior debts which carry heavy rates of interest. Loans advanced at lower rates

of interest will enlarge the margin of the debtors' income. The attempts that are now being made by the Provincial Government, on the advice of capitalist banking experts, to compel co-operative land mortgage banks in this Province to put up their lending rates of interest are retrograde in character.

9. Adequate credit facilities must be created to the agriculturist to finance him both for the seasonal operations of agriculture as well as for the movement and marketing of his crops. The one problem of the agriculturist is how to buy his finance cheap and sell his produce dear. Co-operative organisations, the indigenous bankers and other credit agencies must be encouraged to help the agriculturists in this way.

10. Lastly, money-lending and usury must be controlled by drastic legislation. Money-lenders should be compulsorily licensed and unlicensed money-lenders should be precluded by law from resorting to civil courts to recover their loans. There must be strict regulation of money-lenders' accounts and there must also be a maximum limit placed on the rate of interest, beyond which money-lenders cannot charge. The plea that such provisions can be evaded does not justify inaction in the matter.

I have by no means given an exhaustive list of the possible remedies, and others may suggest other remedies. But I think if these ten measures are seriously attempted, there will be considerable improvement in the position. The plea that such action as is suggested above will result in the curtailment of credit to the agriculturist and will hamper his legitimate occupational activities is, in my opinion, utterly untenable. Experience of Australia and other countries is against such a plea

In conclusion, I wish to draw attention to the substantial measures of relief which the Governments in self-governing countries are giving to agricultural finance. The British Agricultural Credits Act of 1928 provided for the British Treasury not only making a large initial grant but making substantial annual recurring grants to the Agricultural Mortgage Corporation, Ltd., incorporated under that Act. The Provincial Governments in this country must adopt a similar attitude towards relief of agricultural indebtedness.

Scale of Audit Fees.

OPINIONS OF REPRESENTATIVE CO-OPERATORS.

DR. P. GURUMURTI,

President, Rajahmundry Co-operative Central Bank, Ltd.

Registered accountants alone should be appointed as auditors of the Co-operative Societies, Urban Banks, Central Banks and Provincial Banks.

When there are duly qualified professional men recognised by the Government of India, it does not stand to reason why second rate men should be appointed as auditors and that at exorbitant rates. These departmental auditors are not qualified as the G.D.A's, & R.A's. are and at the same time they are more costly than the professional auditors.

The Society which pays the fees has no voice in the matter. It is a very strange and unbusiness method of dealing with things. To meet the various points raised I suggest the following arrangement.

The Society concerned may be asked to suggest a panel of qualified auditors (G.D.A's, or R A's) and the society should have power to settle fees with them.

The Registrar shall authorise one of the panel suggested by the Society to audit the accounts of the society.

This will meet the statutory requirements, secure efficiency in the matter of audit, and lessen the burden on the society.

II

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

Legal Adviser, Tindivanam Co-operative Urban Bank, Ltd.,

The departmental auditors are preferable to professional auditors because,

(*a*) They are more thorough in their work and are compelled to be so since any mistake in auditing is likely to be visited with severe punishment if detected by the superior officers ; and

(*b*) They are part and parcel of the machinery intended for the efficient administration of the societies.

2. 'Reserve fund' should be excluded from 'working capital' since,

(*a*) In most of the cases it is never used for the business of the society ; and

(*b*) The 'Reserve funds' of societies are usually deposited in Central Banks and what is reserve fund with respect to the society making the deposit, is a 'deposit from other society' with respect to the Central Bank receiving such deposit. There is always the possibility of the same amount being made liable twice over for audit fees.

3. A maximum limit should be fixed for audit fees.

4. The present scale of fees should be reduced by at least 50 per cent with respect to societies whose working capital is one lakh of rupees and below.

III

MR. P. RADHAPATHI, B.A.,

Secretary, The Tirupati Co-operative Town Bank, Ltd.

The rule relating to the levy of audit fees and the scale of audit fees prescribed require drastic amendments. The scale fixed is abnormally high and is not at all commensurate with the expenditure incurred by Government for the audit work. Ordinarily an Inspector on a salary of between Rs. 70 and 80 per month is deputed for concurrent and final audit of big town banks. He devotes about 10 days in a month for the concurrent audit and about 20 days at the end of the year for final audit. Taking into consideration his travelling allowance and pensionary contribution etc., the levy of any amount of more than Rs. 500 per year is certainly unjust and inequitable. Hence the scale fixed by the Government may be reduced by at least 50 per cent. Also in calculating the audit fees on the working capital, the investments of the Bank such as the reserve fund and fixed deposits in other Banks should also be excluded, as those amounts are in heavy lump sums and no trouble is involved in the matter of audit. Moreover, the Banks in which such amounts are invested are also taxed with audit fees on the same. Thus there is a double levy of audit fees for one and the same amount.

In view of the fact that the lending rate by Town Banks has been reduced to 6½ per cent the margin of profits has become considerably reduced. Unless the exorbitant audit fees are reduced we shall not be able to save any amount for building fund, bad debt reserve, etc., which are quite essential in the interests of the safety of the movement.

For the year 1933-34 an amount of Rs. 954-12-0 was levied on our Bank but on appeal it was reduced to 716-1-0. For the year 1934-35 Rs. 973-4-0 was levied and it was reduced on appeal to 729-15-0. For the year 1935-36 the amount levied was 902-11-0.

In view of the fact that the Registrar was given discretion to grant remission not exceeding $2\frac{1}{2}$ per cent in deserving cases by G. O. No. 1792 dated 18-12-35, we did not consider it worthwhile to apply for any remission but paid the entire amount levied.

As for the personnel of the audit, our opinion is definite on the point that the Departmental audit alone should be preferred. The cheapness of private audit should not be a lure for preferring the same. Even the other alternative suggested by you in your *Journal* of appointing a panel of qualified auditors by Government and the Bank selecting from them settling their own fees, is also not acceptable. We feel that the confidence of the investing public will be shaken if the auditors depend for their fees on the sweet will and pleasure of the Directors. It is best in the interests of the movement that the audit is as independent as possible and we should see that efficient people in the Department are entrusted with the task and the Government charge audit fees commensurate with the expenditure incurred by them for the audit.

IV

MR. V. BRAHMAYYA SASTRY, B.A.,

President, Narasapur Co-operative Land Mortgage Bank.

We have paid the audit fee for the 4th year of the Bank *i e.*, for 1935-36, to the extent of Rs. 114-10-0. We felt that the sum was heavy and applied for remission. The audit was done by a Junior Inspector drawing a salary of about Rs. 60 per mensem and it took 30 days in the year for 3 concurrent and one final audits. The remission was not given. We have perused the rules published in your journal relating to audit and also the editorial note thereon. As you say we have also something to represent in the matter. The audit of the societies is governed by the Section 37 of the Co-operative Societies Act VI of 1932. Thereunder, the Registrar is authorised to appoint auditors by general or special order in writing. There is no reason why the department should make it a monopoly to have the audit done by its own Inspectors. With due respect to

the technical qualifications of the said Inspectors, we cannot say that they possess the requisite experience and technical knowledge for the purpose. Mostly they depend upon the annual statements and periodical reports prepared in the office and also take full timed assistance from the clerical staff to complete the audit. Auditors are changed too often and every auditor comes out with new ideas and suggestions as to the methods of keeping books and interpreting rules. There is no uniformity either in the suggestions made by the auditors from time to time or methods of keeping books and transacting business by several banks between themselves. Neither does the Deputy Registrar who forwards the audit certificate contribute to the uniformity of business which is much required in banks at present. is highly desirable that audit should be done in a more efficient and organised manner by professionals or officers well-trained for the purpose. The Registrar as per section 37, may appoint a good number of people from among certified auditors for co-operative societies, and the primary banks may be allowed to have the audit by one or other of auditors so authorised, on such terms as they settle between themselves. The audit fees now collected do not follow any method. With far less remuneration the bank can get better qualified and experienced auditors outside the department. Even if it is contended that the audit should be done by departmental officers only, Senior Inspectors should be selected for the purpose, and the same auditor should not be appointed for any two classes of societies. As for as possible the same auditor should be continued at least 3 years for the same society. The pay of that officer should be levied from the societies which he audits. As far as Land Mortgage Banks are concerned, we can say one auditor will be sufficient for 6 societies in a year and the societies will not feel it a burden to contribute the salary each to the extent of 1/6.

V

MR. S. NARASIMHULU PANTULU, B.A. B.L.,

Secretary, Kurnool Urban Co-operative Credit Bank, Ltd.

The rate fixed for Urban Banks is so high that the Government is making a profit out of the business. While the Government was pleased to exempt stamp fees and half the registration fees, it is but proper that they should not charge more than half the actual charge incurred for the audit of Urban Banks, with a working capital of more than Rs. 50,000. Even if it is considered that it is high time that the bigger Urban Banks should pay fully for their audit, there is no justification for penalising the Urban Banks for preferring audit by the Government Inspectors, by levying unduly high fees. So the Government should be requested to reduce the audit fees to the extent that will be necessary to meet the actual cost of the audit by the Government Inspectors or to permit the Urban Banks to get their accounts audited by any of the Registered Accountants recognised by the Registrar of Co-operative Societies.

The present scale of fees charged by the Government work out to more than two times the pay of the Inspectors for the days they are actually engaged in the audit. For example, the working capital of the Kurnool Urban Co-operative Credit Bank for the year 1936-37 is Rs. 1,81,914-10-0. For the same year Rs. 562-3-0 have been charged as audit fees. The accounts were audited by the Senior Inspector of Co-operative Societies. The total number of days he was engaged in audit is 56 days. It will thus be seen that the audit fees should be limited to the pay and pensionary contribution of the Inspector for two months, which may roughly amount to about Rs. 200. So, I suggest that the present scale of fees as regards Urban Banks may be reduced by fifty per cent.

VI

Dr. E.S. Ramasubbu, L.M.P.,
President, The Madura Co-operative Urban Bank, Ltd.

As Mr. Strickland, an ex-Registrar of Co-operative Societies, has rightly pointed out, one of the functions of the State in respect of co-operation should be to ensure that an annual audit of every Society is conducted by a competent auditor. In dealing with the subject of audit of co-operative societies, Mr. H. M. Hood states in his *Madras Co-operative Manual* that the audit of the several big banks transacting business in an urban area is being conducted either by private auditors or by auditors attached to a Co-operative Audit Union. All these auditors are approved by the Registrar and on the basis of their audit the audit certificates are issued. When such is the privilege of several banks, the natural question "why should not the same be extended to all other urban banks in the presidency?" arises. There is no statutory compulsion that audit is to be conducted by Governmental Inspectors alone. If it is thought that the audit of a society by one and the same non-official auditor for a number of years consecutively is not desirable, a rule may be framed restricting the period of audit.

As the President of the Madura Urban Bank whose audit is being conducted by the Local Audit Union which has benefited by the fostering care and supervision of the late Mr. E.S. Sunda, I can confidently say that the audit conducted by them hitherto is not in any way lacking either in quality or in effect. Besides finding out the defects in the working of the society, they were attempting to remedy and rectify the defects and thus put the society into proper working order. This is the peculiar essence of co-operative audit. The auditor has to be a friend, counsellor and a guide of the society and not merely confine himself to the task of picking holes. In the course of 7 years of its working, with 37 societies affiliated to it, the Local Union is able to stand on its own legs besides building up a reserve fund of some thousands of rupees. This it was able to do, in spite of the fact that it had to entertain some Inspectors lent out by the department. A Government Inspector means as everybody knows, besides his pay, which is ordinarily higher than that of a non-official auditor, his pensionary contribution and deputation allowance of 25 per cent of his pay. As was observed in the Urban Banks' Conference at Madras, the non-official auditors are not in any way less qualified but are paid less.

Almost all the urban banks have celebrated their Silver Jubilee and as such every society would easily have Rs. 20,000 as its reserve. To check this one item alone the fee charged at present is Rs. 100. Due to mistrust, suspicion and doubt steadily growing among individuals, deposits into the banks are also steadily increasing in spite of the reduced rates of interest. Many banks have thus become over-capitalised and they in turn have deposited their monies in bigger banks as deposits and there too they are lying idle. To levy a fee at the present rate of 8 annas per Rs. 100 on these amounts does not at all seem reasonable. In many banks the audit fee levied would work up to even 20 per cent of its net profit.

The fundamental principle underlying labour is "wages proportionate to work turned out." The quantity of work turned out by an auditor can be stated to be, more or less, proportionate to the transactions of the bank. The strain which is being felt by the urban banks would be greatly relieved if the process of assessing, as proportionate to the amount of working capital which includes Reserve fund, share capital, and deposits, is shifted and changed so as to be proportionate to the quantity of transactions. Thus with regard to the actual rate of levying I am rather inclined to state that on every

Rs. 100 standing as loan with the members for one complete year a fee not exceeding eight annas may be charged. This is the scale which is being observed by the Madura Audit Union and I dare say that the urban banks will not grumble at it. Here I should like to press that encouragement for the formation of more audit unions in the presidency should be quick and that the audit branch of the department should thus be non-officialised.

VII

Rao Sahib M. S. Seshachalam Aiyar,

Secretary, Tiruvannamalai Co-operative Union.

The unjust and disproportionate levy of audit fees on the audit of the primary societies *i.e.* the urban banks was brought to the notice of the Government through the Registrar in every conference of co-operators, getting the usual assurance each time that the Government was considering the matter. Year after year this levy is being felt burdensome. An urban bank with a working capital of Rs 50,000 is charged 0-8-0 per hundred for its working capital. I give below a typical case of a society having a share capital of Rs. 10,000 deposits and loans of Rs. 45,000 and a reserve fund of Rs. 5,000. The loans and deposits are got at 6¼ per cent and the reserve fund gets an interest at 5 per cent. Its working expenses at a minimum of Rs. 75 per month amount to Rs. 900. The gross profit including the interest on reserve fund comes to Rs. 1,562-8-0 provided the entire working capital is outstanding as loans; and deducting therefrom Rs. 900, the working expenses, the bank will get a net profit of Rs. 662-8-0 for which an audit fee of Rs. 250 is levied. If the audit fee is deducted from the net profit the society gets a balance of Rs. 412-8-0 of which Rs. 103 is to be set apart for the reserve fund. The remaining amount will be Rs. 309-8-0 and it will be sufficient to declare a dividend of only 3½ per cent. This is for a society which has no overdues; and in the ordinary circumstances even an efficient Bank may have overdues of at least 12½ per cent. The above said bank may be got audited by any G. D. A. who will render satisfactory accounts and reports to the Registrar at a cost of Rs. 100. When Mr. Strathie, I.C.S., the present Registrar General of Panchayats, was the Registrar of Co-operative societies, the Urban Banks' Conference held at Tiruvannamalai passed a resolution to entrust the audit of societies to the Provincial Co-operative Bank by a well organised, qualified staff of auditors and a scale of audit fees was drawn up which was about 50 per cent of the levy now made by

Government. We have reduced the lending rates even below 6 per cent and abolished all penalties in consideration of these hard times and we are giving sufficient time for the overdue loans to be paid up in instalments. We are getting losses in mortgage loans by having been forced to purchase the mortgaged properties finding no sales or even if there are sales getting only low values. We are also creating bad debt funds to meet such losses. We have to find funds to have our own buildings and to provide the necessary amenities to our members by way of libraries, reading rooms and marketing facilities. If our activities are nipped in the bud, by this heavy burden of audit fees, we are not able to give even the legitimate dividend to our members.

Of the several types of societies—Provincial Bank, Central Bank, Land Mortgage Bank and the Urban Banks—the Urban Banks are the most unfortunate of the lot. A perusal of the G. O. No. 1792 dated 27-1-37 prescribing the scale of audit fees, will show the kind of treatment given to the Urban Banks. The Central Banks are levied 0-12-0 per thousand, whereas Urban Banks are asked to pay Rs. 5 per thousand The deposit accounts and other transactions of a Central Bank, are, when compared to Urban Banks, many times heavier. Certified auditors and chartered accountants are ready to take up the audit under the control of the Registrar and the fees they will accept will be even below 50 per cent of the rates now paid to Government. As for qualifications of these auditors, the G. D. A's undergo a special training much superior to the training given to our co-operative auditors. Rs. 13 lakhs of tax payers' money is being spent on the maintenance of the Co-operative Department and the Urban and Central Banks have got a right to demand a share of that grant for their services rendered to the people of the country, and there is no justification for the levy of audit fees in societies considering the heavy expenditure charged to Government. These banks, are not profit-seeking concerns and no body is individually benefited. It is just and proper that in consideration of the usefulness of Central and Urban Banks, and in order to allow them to devote more attention to the various amenities that could be taken up by them to improve the economic position of the locality, the system of levying audit fees should be abolished and the Government should provide free audit. It will be possible by re-organising the present staff to give free audit within the budget allotment. I hope the Congress Ministry at least will take up this matter for its consideration.

VIII

MR. E. S. GANAPATHI AIYAR, B.A., B.L.
President, Erode Co-operative House Mortgage Bank.

It is good that the *Madras Journal of Co-operation* has taken up the work of focussing the non-official opinion in the matter of testing the propriety of the scale of fees prescribed by the Government as leviable for the audit work done by its agency. Personally I think it will be better that the *Journal* seeks to revive the old controversy regarding the proper agency for the conduct of audit service, though the question was disposed of in a way, some years ago, by the Government; especially having regard to the fact that the audit staff employed by the Government cannot be said to be beyond criticism.

As can be seen from the G. O. regarding the audit fees leviable, the Government have taken the working capital as the basis for levy in regard to certain societies and the gross profits in regard to certain other societies. Again, the sale amount is prescribed as the basis for levy in regard to purchase and sale societies etc. As rightly pointed out by you in your editorial, clause 4 of the G. O. prescribing the levy on gross profits is likely to lead to great hardship and injustice in some cases.

The most important thing to be decided in prescribing a scale is the principle on which a levy should be fixed. Whether audit fee should be considered as a charge upon the income like any other administrative expenditure of a society or should be made to depend on the profits earned, has to be considered. It would indeed be very vehemently pleaded that the fees should be collected unmindful of the question of profit or loss, as audit service is an important item of administrative work of any society, and that the same should be debited as a working expenditure. It is difficult to dispute the correctness of this stand-point technically. The only ground that could be urged against such a procedure is that the co-operative organisations that have had the benefit of free audit for some time should not be called upon, at least for a period, to pay for audit whether the ultimate result of its working be profit or loss. If the Government would be pleased to find something reasonable in the latter plea, the audit fee should be made to be a reasonable percentage of the net profits before declaration; and the actual net profit declared must only be after provision is made for audit fee as a working expenditure. Societies that work at a loss must not be called upon to pay

any audit fee at all. It may be that the by-laws of the societies have got to be amended if the audit fee to be paid is made dependent on the net profits statutorily declared. Hence it is proposed that it should be a defined percentage of the net profits ascertained, but not declared; and that the net profits actually declared should be after deduction of the audit fee leviable for the year.

It is impossible to find any justification for the resort to working capital as the proper basis for the levy of the fees. The Coimbatore District Co-operative Audit Union first decided the levy of its audit fees on this basis of working capital, but soon found that it was not only inequitable but unjust and unsteady. In the first place, such a levy had no bearing to the transactions of the society and the quantum of audit work involved therein. Besides, the settlement of the amount of working capital has to be done only in regard to a defined date, the same being the last day of the previous co-operative year. The amount of working capital on such a date is subject to fluctuations. A society that happens to refund share capital, deposits and loans just before the close of the year will stand to gain in the matter of payment of audit fees, while the one that happens to do so a few days after and during the next year must yet pay a heavy audit fee, though deprived of the advantage of the said capital for its working. The working capital of a society at the end of a year is an empirical figure that has no relationship to the work involved in rendering audit service or the transactions involved in the society's administration. There is no need to labour the point further to show that audit fee and working capital have absolutely no reasonable bearing to each other and cannot be upheld for any reason that I can think of. Owing to considerations like these the Coimbatore District Co-operative Audit Union gave up altogether the 'working capital' basis and took to the 'gross profits' basis as the only reasonable standard for levy of its audit fees. If the fee to be levied is to be in proportion to the audit work involved, the only proper basis would be the receipts and charges involved in the society; but the adoption of this standard will make a hard hit on many societies especially the 'store' societies and urban banks having current, savings etc. accounts. Besides it will be a difficult job to fix a rate of levy on receipts and charges basis. All things considered, the 'gross profits' basis appears to be the most equitable and reasonable one from all points of view involved.

As regards the rate of levy on this basis, the Coimbatore District Audit Union has resorted to a sliding scale of levy on all credit institutions, according to its needs, on the gross profits shown by the societies; and half that rate for building societies, for the reason that the transactions involved in these societies are comparatively less. The stores societies that defied levy at a fixed rate had to be charged with a lump sum having regard to their financial position in regard to profit and loss.

The Government that have to deal with all classes of societies can define the levy on a percentage basis on the gross profits, having regard to the transactions involved in the various types of societies and the quantum of audit work involved. It will be good that the Government, if it errs in this direction, errs on the safe side and to the advantage of the societies concerned.

Rural Reconstruction in Kalyandrug Taluk.

AN ATTEMPT MADE MORE THAN TWENTY FIVE YEARS AGO.

BY MR. V. S. RAMASWAMI IYER, B.A.

Retired Deputy Registrar of Co-operative Societies.

Now that the Congress has accepted office in seven provinces of this country, the question is naturally asked 'what is the Congress going to do?' The Congress, according to its leaders, having pledged itself to devote its services to uplifting the masses in the villages, suggestions as to how best their lot could be improved should be welcome to the Congress Ministry not only in this province but also in other provinces. This article which describes the silent work of a Tahsildar who had vision and courage, will, I hope, prove suggestive. I was an eye-witness to the several improvements carried out by the Tahsildar (who is unfortunately no more) and to some extent was associated with several of the activities.

Description of the Taluk.

Kalyandrug is the poorest taluk in the district of Anantapur (Madras Presidency.) The average rain fall is only a little above twenty inches. The tanks which are many receive supply once in four or five years—some may not receive supply even in ten years. Hence, every fourth or fifth year has been a famine year for more than one hundred years. Naturally the people are very poor and backward. But they are generally good natured and docile.

The Tahsildar, 'Karmayogin' as he used to call himself, was a very experienced, honest and straightforward officer. He had, I should say, a mad desire to do the maximum good in his power to the people of the taluk. At some personal risk, he utilised all his resources to gain his object. A genuine desire to help the poor without any return, is absolutely necessary in those who want to take up rural reconstruction. He had that in abundance and his ideal was that his taluk should become a Rama Rajya.

Several Aspects of the Work.

The Tahsildar conceived the scheme, started it and actually worked it satisfactorily during the period of his stay there for three years. His programme of rural reconstruction consisted of the following items: (1) Starting of co-operative societies in each and every village of the taluk ; (2) Arranging for their supervision and the education of the members ; (3) Introducing free and compulsory education ; (4) Improving health and sanitation in villages ; (5) Introducing agricultural improvements ; (6) Improvement of cattle ; (7) Discouraging litigation ; (8) Social reform including the care of the depressed classes ; (9) Construction of public halls for the villagers ; (10) Holding of periodical informal meetings of taluk officials (Equivalent to the District Economic Councils of the present day.)

Co-operative Societies.

With clear foresight, he saw the immense potentialities of co-operative societies to do good to the villagers, because co-operation helps those who want to help themselves. He also saw that they would be useful and strong weapons in his hands to carry out his ideal. Therefore, the very first thing he did was to start a co-operative society in every village. The then Registrar of Co-operative Societies, the late Diwan Bahadur R. Ramachendra Rao, was kind enough to give him all possible help by registering and starting them all in a few months. This was the first taluk in the presidency, I might say in the whole of India, to achieve this result. Here it would not be out of place to quote the observations of the Registrar in his administration report for 1909-10 :

> "The increase in the number of societies is most marked in the Kalyandrug taluk where through the efforts of the Tahsildar, Mr. Aiyar, every village in the taluk has a society. The Kalyandrug Taluk can be really proud of being the first taluk to have achieved this result and the pioneer society in the taluk headquarters has appropriately named itself after Sir Frederick Nicholson. It is interesting to note that a good portion of his encyclopaedic report on agricultural banks was written when he was Collector of Anantapur district."

This was his first achievement. Here I have to emphasise that every single success he achieved was through the co-operation of the Village Panchayats. Having regard to the observation the Royal Commission on Agriculture that if co-operation fails, the hope of rural India is gloomy, it is needless to emphasise that co-operation alone can bring salvation to the villagers. About sixty societies were registered and started in the course of a few months. The Madras Central Urban Bank, as it was then called, lent more than two lakhs of rupees. Yet every loan was disbursed to the members in his presence after the necessary documents had been executed and

registered. This he did to prevent the leakage of money which was a common complaint.

The Tahsildar then induced all the villagers to join the societies. The rich people were also induced to join with a view to help their poorer brethren. Almost all the villagers in the taluk became members. His honesty, popularity, and above all, the complete confidence people reposed in him, as he was good intentioned, were responsible for these achievements in a short time. It may be that some joined with a view to avoid his displeasure. Though from a co-operative stand-point this is not be commended, the creation of a strong organisation in every village was the foundation for his other activities. He would not have been able to do even a small fraction of what he did without these organisations.

Supervision of Societies and the Education of Members.

The Tahsildar was aware of the defects of starting a society without educating the people sufficiently beforehand. During his tours, he made it a point to send for the Panchayatdars of the neighbouring societies with their account books and scrutinised them. He would take along with him the Co-operative Inspectors during his camps. His tours meant so many small co-operative conferences in which the Panchayatdars were given co-operative education. Most of the Panchayatdars included the Village Officers and the conferences were so arranged that they caused no inconvenience to any villager. He had planned to start a Co-operative Board for the taluk, which at the present day would be called a Union, to supervise the working of the societies. A set of questions also was prepared for the Supervisors to answer ; but the Registrar thought it was premature to register it.

Free and Compulsory Education.

Then he turned his attention to education. It is interesting to note how he solved the question of finance for this purpose and how he introduced compulsion without legal support. In his tours, he convened meetings of villagers and advised them, which advice was mandatory in effect, to start a school wherever there was no school. They agreed to his suggestion to contribute according to their means enough grain to maintain a teacher and his family for a year. This was collected and stored during harvest. A small committee, which was generally the Co-operative Panchayat, was entrusted with the management of the school. A suitable teacher was appointed and he was maintained partly from the grain collections and partly from Government grant. The teacher was offered presents during festivals which satisfied his other needs. The system worked excellently. Every village had a school and big villages had night schools in addition. The statistics of the Education Department then must have shown a marked increase in the number of schools during this period. The next step was to compel the parents to send their children to school. He utilised his hold on the villagers in this direction. During his tours, he invariably visited the schools and made enquiries about their progress. When he heard that a boy had not been sent to school, he would personally go to the boy's house, which might be a dirty hut, and carry the boy in his arms to the school. This action had a tremendous effect. This news spread from village to village and the people in the villages sent their children without protest.

Public Health.

Several villages had only step wells. Consequently guinea-worm was working much havoc every year. During a certain season, many would be laid up with four or five wounds in their legs and feet. The Tahsildar converted all the step wells into draw wells. If the cost required for the conversion was small, it was done with private subscription. Otherwise, local fund grants were obtained. He was very enthusiastic in digging new wells also wherever there was a need for it.

He was a member of the District Board. His enthusiasm went so far as not to wait for estimates and sanctions. In his tours, he would give oral orders to start the works. He would be careful to give the works only to rich men. If by chance any work was not sanctioned, he would see that all the villagers contributed towards the cost. Under such circumstances he would come forward with a decent subscription himself. In any case, the contractor could not expect any profit out of the contract. The wells which the depressed class people got then were many. These wells which have been named after Mr. Aiyar might be seen by any one who happens to go to the taluk.

Sanitation.

The villagers are generally dirty, especially in the Ceded Districts, Kalyandrug taluk is bordering on the Mysore State. There was a custom to receive the Tahsildar from outside the village and take him in a procession. He encouraged this custom as it afforded him

great opportunities in his desire to improve the condition of the village, particularly in relation to sanitation. He insisted on villages being kept clean on such occasions. The following extracts from the "Madras Bulletin of Co-operation" (1911-12) giving an abstract of the coronation celebrations, show the importance that was attached to sanitation :

" Kalyandrug Taluk ; Venumaladoddi Society. The celebration included the keeping of the whole village clean, performing pujas etc. Chapiri Society, the whole village was kept clean. West Kodi Palli Society. The houses were white-washed and decorated."

Along with the cleaning of villages, planting of trees was pursued in almost all villages, and sanitation was cared for more than anything else. Mr. Aiyar always carried with him quinine and cholera medicine and administered them freely to the villagers. He compelled some rich persons also to keep these medicines with them.

Agricultural Improvements.

The taluk is a thinly populated one. Thousands of acres of cultivable land were unoccupied waste. No one cared to take them on Patta. The village officers had their own selfish reasons not to give them on Patta. He tactfully arranged to give several thousands of acres on patta. The cultivation of combodia cotton which was advocated by the Agricultural Department then was introduced. Intensive cultivation of dry lands which was not done then was adopted in many places.

Improvement of Cattle.

Waste and forest land for grazing were available in plenty. Hence cattle breeding formed the occupation of many. But the importance of good breeding bulls was not realised. He wanted that an annual cattle fair should be held at Kalyandrug during the car festival. With this object, he arranged cattle shows for three years during the car festival. The Veterinary and the Agricultural departments co-operated and the District Board also contributed towards the cost. But the part played by the societies of the taluk was appreciable. Conveniences were given to the owners of bulls and prizes given to good bulls. Thousands of cattle came and the shows were a great success. The following point will show how he wanted that these should be done in a democratic way. The first rule with regard to subscription was that no one should contribute more than four annas without the special sanction of the committee. The Tahsildar was the first to be exempted to pay Rs. 10. One has to learn a good deal from this simple thing as how to deal with the masses. Cattle breeding was given a good push by these shows.

Discouraging Litigation.

He was very keen on discouraging litigation. His efforts took different forms. The Vakils of the area should have had a bad time of it. He was a taluk magistrate also. He would try to effect a compromise in more than ninety per cent of the cases by all possible means. The Panchayatdars were entrusted with that work. The Panchayatdars were invariably sent for and requested to effect a compromise. He put down with an iron hand theft and such other crimes. He followed the rules of procedure to the extent practicable and would sometimes transgress them if the circumstances warranted such an action. Factions in villages died a natural death on account of the compromises.

Social Reform.

He was a Theosophist. He liked cosmopolitan dinners. With this object he arranged many *Vanabojonams* (taking food in gardens) as even orthodox people would co-operate on such occasions. As has already been referred to, he had a great desire to make the lives of the depressed classes happier. So he was instrumental in getting them several drinking water wells. In big villages, he started schemes for them.

Village Chavadies.

He wanted that there should be a public place in every village where all could meet freely. He got repaired many chavadies, both Government and private. He would construct two or even three chavadies with the amount sanctioned for one chavadi. He would ask the villagers to proceed with the work before sanction and take the risk and solve the question later as best he could without causing loss to any individual. The chavadies that were thus renewed or newly constructed were many.

Periodical Meetings of Taluk Officials.

He used to invite all the taluk officials periodically for tea. These meetings he utilised for discussing general questions concerning the welfare of the taluk as a whole. He would offer his help to every one in other departments. Whenever any new taluk official came in or was transferred out of the taluk, he used to invite him for dinner or tea. He would make a special offer of his services to the new

officer for any help that might be required whether official or private. The reason why I refer to this small point here is, that the departments are in such water-tight compartments that even for a small affair concerning the welfare of the villager, the departmental heads at Madras may have to be consulted. The lowest official in one department can keep at bay the most senior officer of another department in a small affair. Any social worker in a village knows this from bitter experience. A certain amount of human touch is necessary at all stages which is generally ignored in departmental rules and orders. He realised this fully and adopted this course of bringing the officials together to get real co-operation from them.

Readers of this article would like to know how the experiment fared later. As is usual with all such activities undertaken by Government servants on their own initiative without a settled and continued policy from above, it stopped with the person who set it in motion. The taluk people, however, do remember him and have constructed a reading room in his memory.

Conferences.

NELLORE DISTRICT CO-OPERATIVE CONFERENCE.

The Thirteenth Nellore District Co-operative Conference was held at Virur, a village about 20 miles from Nellore, on Saturday the 21st August last under the chairmanship of Mr. T. Adinarayana Chettiyar of Salem. Delegates from all parts of the district attended the conference.

Rao Bahadur M. Giriappa, Joint Registrar of Co-operative Societies, Madras, who opened the Conference made the following instructive speech :—

OPENING ADDRESS.

I am sorry I have to begin with a note of pessimism. The condition of the co-operative credit movement in your district does not appear to be quite so happy. In 1935-36 (figures for 1936-37 are not available and I understand there has not been any marked improvement since then) the percentage of balance to demand under principal in agricultural credit societies was 64·53 per cent. while the percentages of balance to demand under current and arrear interest were 68.53 and 60.35 respectively, while in non-agricultural societies, the percentages of balance to demand were 41.14 under principal while those of current and arrear interest were 57.65 and 47.45 respectively.

I do not deal with urban credit, for the position in urban societies is much better than in rural societies all over the Presidency. I shall only deal with rural credit, for we should all be more concerned with the welfare of rural folk.

Property of Ryots.

In a district, such as yours, which is famous for its paddy, particularly " Molakolukulu paddy", and famous also for its good breed of cattle, I expected a better state of affairs. It is said that cattle form the wealth of the ryot. You have got good cattle. Unlike other districts, you need not import stud bulls to improve the breed of your cattle here. Nellore district is also famous for its rich deltaic tracts. I do not see, therefore, why the Nellore district ryots are so poor.

It has been represented to me that in pre-war days the economic conditions of the ryots was very favourable, recoveries of dues to the co-operative societies was very regular, the co-operative movement was very prosperous, that in 1927 there was a terrible cyclone which had a devastating effect particularly on your district, that owing to the world-wide economic depression which set in the year 1929, the value of paddy went down considerably with the result that the overdues in co-operative societies increased and the repaying capacity of the members decreased and generally, the co-operative movement in the district suffered a severe setback, from the effect of which it has not yet been able to recover so far.

Credit Movement.

The economic depression has become a handy excuse for the overdues in societies. The panchayat members use it to hide their sins of omissoin and commission while the members use it to cover their defaults.

I do not believe that the economic depression is the real reason for the overdues though it may be one of the reasons. The real reason seems to be that the co-operative movement is not worked either in the spirit in which it has to be worked or on the lines on which it has to be worked.

If people get into societies as panchayat members with the idea of service, service to their less fortunate brethren, it is all well and good. But very largely they get in with the idea of serving themselves. They think that self-help only means helping oneself at the expense of others. They look to co-operative societies as a means of earning some money or earning some name. When shall we get men of service to improve the economic condition of our rural folk through co-operation ? It would be well if our educated pensioners would go to villages and settle down there. But they only preach the gospel of ' back to land ' to others. I would only say and emphasise that unless men imbued with the idea of service go to villages and take up co-operative work, there is no hope for our rural folk.

Need for Change.

For the success of the co-operative movement, it is necessary that the lines on which the co-operative movement is at present working should also be changed. It cannot be denied that there is some mistake in the system of co-operative finance. In the early years, co-operative societies instead of financing the members for cultivation expenses began to liquidate their prior debts. If proof of it is wanted, one has only to pass over the pages of the loan ledgers of societies to see that almost 90 per cent of the loans given are for the liquidation of prior debts. The period generally given is from three to four years.

You may consider whether it is at all possible to liquidate the prior debts in the course of three years or four years or even five years. Either the Panchayat members did not carefully examine the purpose for which members wanted loans or they deliberately granted loans for prior debts fully believing that the debts could be liquidated in three or four years' time. If, as is expected, the prior debts are to be liquidated from the savings, a member cannot ordinarily be expected to repay his loan in less than 20 years. In land mortgage banks there is now an agitation to increase this period from 20 to 30 years, because it is felt that an average ryot cannot ordinarily be expected to liquidate his debts even in 20 years' time. What is the result ? The members have been unable to pay their dues, loans have become overdue, coercive process has been started and their lands have been purchased either by the societies or by the central banks whichever is able to purchase.

Wailing on both sides.

Co-operative societies have thus become big landholders but they are not happy over it. There has been wailing on both sides by the co-operative institutions, because they are unable to utilise the lands by making arrangements for cultivation, they are unable to pay the kist, for they do not get any income or rent and they have to pay the kist out of their own funds,—wailing by the ryots, because they have been deprived of the very means of subsistence. The question remains to be considered how both could be helped out of their misery. One thing is, however, perfectly obvious, rural credit societies cannot take up debt redemption.

It has been represented by some co-operators that the credit movement has only brought discredit to the whole movement, that credit is not really necessary for the ryots for the purchase of seeds, manure, etc., and that they require only facilities for marketing their goods to the best advantage.

It seems to me that credit is necessary for the ryots for the purchase of their agricultural requirements and that the rural credit movement is the foundation of the whole co-operative movement.

Proper Control Needed.

If the credit movement has come into disrepute, it is because it was not controlled. If the credit movement is to be a success it should be controlled and guided properly. I do not want here to explain what controlled credit means. But I only repeat that if credit is to be a success, it should be well controlled. As it is, monies were indiscriminately placed in the hands of the members leading to the inevitable results of the misapplication of loans.

It is common knowledge that if a man is to utilise the monies properly, it is necessary that he should be given just the amount of money required. But, it often happens that the actual requirements of the ryots are not carefully assessed by the panchayat members. Generally, they look to themselves first and will be satisfied if their demands are met with by the central bank. It is the panchayat members that should control credit in rural societies. But since they have abdicated their functions, it is necessary that central banks should do it in their own interests.

Second Reason.

If a member is to utilise his monies it is necessary also that he should get the money in time. The second reason, therefore, for the failure of the credit movement is the delay in passing on the amounts to the members during the cultivation season.

It was brought to my notice in one of the districts by some of the members of a co-operative society that if a loan is asked for a marriage, it reaches him only for his funeral!

Though this may be largely exaggerated, it is largely true. Loan applications are not prepared sufficiently in advance by the panchayat members. The indifferent governing body members of the union take their own time to transmit them to the central bank. An over-conscientious president or secretary asks for more and more information, each time tossing the loan application up and down. These notorious delays in the disposal of loan applications have driven many a ryot from the doors of co-operative societies to the doors of the moneylender who, whatever his faults, will always be ready, provided the security is adequate, to accommodate the ryot at all times with the small amounts he requires now and then.

If co-operative societies want to be of real service to their members, they should give them the monies in time and this they could do by getting seasonal credits sanctioned well in advance by the bank so that the amounts may be disbursed to the members during the different periods of the cultivation season by the president or the secretary in time. I

Mr. T. Adinarayana Chettiar, Bar-at-Law,
President, Nellore District Co-operative Conference.

The godown of the Rasipuram Co-operative Sales Society recently opened by the Hon'ble Mr. C. Rajagopalachari.

believe that the average ryot is honest. He becomes a defaulter owing to the defects in the rural credit system and the sooner the defects are removed, the better for the ryots and the co-operative movement.

Misuse of Credit.

It may be that in spite of the above precautions, credit may be misused. Money placed in the hands of a ryot may lure him to bad ways. It is desirable, therefore, that the agricultural requirements are supplied to him in kind as far as possible.

I should like, for this purpose, that a rural credit society should not confine itself merely to the lending of money but it is should also supply him with good seeds, good manures and good agricultural implements.

If the society can arrange to supply him with the above requirements, not only will a better quality of agricultural requisites be available for him but he will also get them at cheaper rates since they are got in bulk. With the use of good seeds, good manure and good agricultural implements, a ryot will be enabled to get better return for his labour and money and thereby be better enabled to improve his economic condition.

It is desirable therefore that a rural credit society should turn its attention to all these activities rather than become merely a money-lending shop.

Rural Societies.

The question will then arise whether it is possible for a small village society to take up all these activities and whether there will be enough men in one village to take up all this work. It is a fact that a rural credit society at the present day is generally a one man's society with either the village munsiff or the karnam dominating it. This is one reason why co-operative societies have not been a success. If societies are to succeed, it is necessary that they should have good office-bearers and if good office-bearers are to be got, the field of choice should be wider.

A feeling is slowly gaining ground that rural credit societies should not confine themselves to one village but rather to 3, 4 or 5 villages if necessary. There is also the feeling that it is high time that honorary service is substituted by paid service which could be done if the area is widened, for, the natural result of this scheme will be the society will be bigger, with heavier transactions and more income, permitting the appointment of paid secretaries or paid managers. It is no doubt true that honorary service is generally not satisfactory. It is one of the riddles of the Universe that a rich man has no heart for public work, while one with a heart for service has no money. It is with a view to introducing the latter class of men into the movement that it is proposed to pay them.

Unlimited Liability.

One other idea has, of late, begun to come into prominence. A few co-operators have begun to doubt the wisdom of unlimited liability in rural societies. For my part, I must confess I have not thought over this question. No opinion can be given on this important question lightheartedly. It requires the careful consideration of both the officials and the non-officials. This much I know and can say at present.

Owing to the enforcement of unlimited liability, people are now shy to approach co-operative societies and rich men now hesitate to join unlimited liability societies. What is the reason for it? Indifferent and unscrupulous men got into the societies as panchayat members either to collect their own bad debts or to get the most benefit out of them and got away when their objects were fulfilled—with the result that the department was left to liquidate the societies and enforce unlimited liability to collect the dues of the central banks.

It may be that in many cases, innocent men, men who have not borrowed or misused the monies have been made to pay heavily for others simply for the sin of signing their names in the admission book. But it could not be helped. If we are to save such persons, the banks will suffer. It is for this reason, perhaps, that some of the co-operators have now begun to feel that bigger rural societies of the limited liability basis should be formed in rural areas.

Thrift.

If I am to talk of the success of the rural credit movement, I cannot forget its natural ally, namely thrift. It has been said that the claim of the co-operative movement to public support rests on its capacity to bring down the level of interest to encourage savings and to build up character.

As for bringing down the level of interest, everybody will agree that the co-operative movement can claim credit for bringing down the general level of interest. I know personally that in rural areas where loan and sale societies are functioning, the joint stock banks have reduced their rates of interest to 4 and 5 per cent. just to compete with them, while in areas where there are no loan and sale societies they have increased the rate to 7, 8 and 9 per cent. I know also in urban areas, the joint stock banks lend to individuals even now at 12 per cent. while in areas where there are strong urban banks, they have reduced their rates of interest to individuals to 6 per cent.

The co-operative movement is not here to compete with joint stock banks, but if it has succeeded in bringing down the general level of interest in the interests of the people, it has achieved a large part of its purpose.

Savings Among Members.

Let me now come to the question how far the co-operative movement has encouraged savings among the members. I must confess I am not sanguine of the success of the movement in this direction. I am afraid the office-bearers of co-operative societies are only anxious to increase the transactions of societies with a view either to paying a fat honorarium to the secretary or to divide a big slice among themselves out of the net profits. The real object of the co-operative movement, I am sorry, is thrown into the background. The deposit register in a credit society is the barometer to indicate whether co-operation has succeeded or failed with its members. If the co-operative movement has succeeded it should show itself in the deposit register, because, any savings out of the cheap loans given by the co-operative society should find a place in the register. But, on the other hand, if a member has not got any savings or if he has wasted what ever savings he has got, co-operation has failed in its purpose.

If a co-operative society has only given a member more and more money each time or each year and made him more and more indebted, it has only made him more and more miserable.

Marketing.

I shall now take up the next ally of credit, namely, marketing. Credit will be a success only if it is linked to marketing. It cannot be denied that what the ryot requires is not merely credit but facilities for marketing his produce to the best advantage. As it is, a ryot does not know what the market is for his produce and where the market is. The merchant goes to his very door, weighs his produce with false weights and lures him to part with his produce for whatever he gives him. The result is that if he borrows Rs 20 for his agricultural expenses, he is hardly able to realise even Rs. 20 and he is, therefore, unable to repay his dues to the society. As I told you at the beginning, the average ryot is honest; he does not pay because he cannot pay and if you want him to pay, you must give facilities for him to pay. I am glad you have already three loan and sale societies in the district. I trust you will be able to work them successfully to the advantage of the members.

Success of Loan Societies.

The success of loan and sale societies depends on efficient management and honest management. But between the two, honesty is more needed than efficiency for if an efficient secretary misbehaves, the society comes to grief.

Loan and sale societies should make arrangements with their central banks to disburse advances to members at a moment's notice, provided the produce is well secured. Therein lies the success of loan and sale societies, because, thereby the loyalty of the members to their loan and sale societies will be enhanced. I believe your central bank will not be slow to appreciate this view.

Subsidiary Occupations.

It has been said that a ryot should have a second string to his bow, if he is to improve his economic condition. The income from agriculture has considerably fallen. If, therefore, the co-operators of this district are really interested in placing the ryots well on their legs, it is necessary that they should try and develop subsidiary occupations for them. Agriculture does not engage the ryots for more than five or six months in a year. The danger is that if they are not employed during the rest of the period, they will, as they now do, go to the urban areas and waste their time in pleasures and luxuries by borrowing money from others. If you want to keep them in their homes and protect them from money-lenders, you have to give them subsidiary occupations. The development of subsidiary occupations is the highest and soundest way of augmenting the slender income of the ryots from agriculture. I trust your central bank will take up this question at an early date.

Room for Expansion.

I find from the adminstration report for 1935-36 that there were 440 societies in your district excluding the central bank and 9 unions. I do not think the movement has sufficiently developed in your district. There are 1,121 villages in your district while the number of villages affected by the co-operative movement is 566. There is room, therefore, for expansion; but the expansion should be slow and cautious. There is however no paucity of money for development, because your bank had a surplus of more than Rs. 5 lakhs in 1936-37.

Better Living Societies.

There is no use of your trying to increase the income of member in all possible ways if you do not take steps to prevent waste. You will only be putting water into a pot with a hole in it. If whatever little savings a member is able to make through his society is wasted away on ceremonies, all the labour of the office-bearers is wasted. It is necessary, therefore, that co-operation should aim also at educating him out of this waste. The cause for the heavy indebtedness of the ryots has been traced in the Banking Inquiry Reports to the excessive expenditure on ceremonies.

Recently, in this presidency a stimulus has been given to the formation of better living societies. In the interests of the ryots, it is necessary that not merely the question of ceremonies but the whole aspect of a villager's life should be tackled through co-operation. For this purpose, rural reconstruction should go hand in hand with credit. The villager should be handled co-operatively from the beginning to the end. I would ask you, co-operators, to try the scheme a least in one society at each of the headquarters of the supervisors. The scheme I have explained is not a dream, but a practical one.

PRESIDENTIAL ADDRESS.

After Mr. Giriappa opened the Conference, Mr. T. Adinarayana Chettiar delivered the presidential address in the course of which he said:

Rural Reconstruction

The country has been experiencing a quickened interest in rural re-construction during the last five or ten years. Moreover, this is work in which all can help. Although the words "Rural Reconstruction" have been understood in different senses by different people, all are agreed on one point, viz., that the problem has to be tackled in all its aspects simultaneously and not piece-meal. Its basic principle is changing the mentality of the people and making them discontented with their present miserable lot and wish to improve their position. Although the Prime Minister and his colleauges have managed to keep their Budget proposals secret so far, they have allowed us to infer that something tangible will be done by way of a first instalment for total prohibition, for rural education and for rural health.

There is little use in generalising or in trying to adopt the methods of western countries. Our problem is more elemental. The ryot is most often only a tenant-worker without any substantial credit-backing or staying power to withstand a single seasonal failure of rains. He is almost hopelessly immersed in debt which is often ancestral, and incurred for no productive purpose and on such terms, as regards interest, as would stagger one's imagination. His use of primitive tools throws much unnecessary labour on him which he, in his chronic state of under-feeding, is unable to cope with and thus gives way to drink to forget his worries. Want of good cattle, good seeds, want of transport facilities, absence of technical advice and lastly, non-access to a fair

market—these account for the ryot not finding cultivation remunerative and the income not being enough even to maintain him and his family on the lowest standard of living known to the world. Such being the case, how can he pay interest on his borrowings even though we reduce it to six per cent per annum ?

He lacks education and having no future to think of, does not attempt to save—even in the few cases where he can,—and drags on a thriftless existence. The amenities of life open to his compeer in western countries, such as indoor and outdoor games, farmers' clubs, libraries and chances for studying agricultural or technical magazines, joint or planned action as to the best crops to be sown or even a happy home-life and the joy of seeing the sons growing up vigorous and educated, all these are denied to him. To create these amenities for the 350 millions is a well-nigh gigantic task and it is the duty of everyone to help not only with criticisms but with the actual shouldering of the task.

Prohibition

First would come the question of weaning the people from drink. For, without this reform and without universal education there will be no incentive to people to better their lot. As one who worked with the late Dewan Bahadur R. Ramachandra Row, C.S.I., who was your Collector, in the "dry" area in the Salem District, I can assure you prohibition will succeed, provided the Excise Department allows it—a thing which I am afraid they did not when the experiment was last partially tried in Salem. The next step is the liquidation of the colossal ignorance. The cost is the main consideration. But if education is simplified to the needs of our rural people and if costly District Educational Councils are done away with and if education is also sought to be self-supporting, much may be possible.

Indebtedness

Then there is the question of indebtedness. A strict enquiry into the extent and nature of rural indebtedness in the province is yet to be made. For the present, we may accept Mr. Sathianadhan's figure of Rs.200 crores. Many are the remedial measures advocated for liquidating this huge debt-burden, and debt conciliation has been tried in selected areas for the last 15 or 18 months. While the intentions of the framers of this legislation are good, in carrying out the scheme, some unsatisfactory features are manifesting themselves. First, the machinery is costly. The Senior Deputy Collector and his staff mean a large sum. These special officers seek the help of village officers who, in their fear of causing displeasure to their superiors, use pressure and make parties agree to the conciliation, while there is occasionally a secret understanding to pay the difference to the creditor behind the Special Officer's back. Sometimes the debts due to co-operative societies are "conciliated" with the result that the patiently-built up accumulations are swallowed up, thereby causing heart-burnings in the minds of the rest of the members. Conciliation may no doubt benefit some ; but on the moral side the debtor stands to lose as he will no longer be able to command credit from the Sowcar who on account of the fear of conciliation, no longer trusts him. There is then the suggestion of a moratorium which is resorted to only at a time of grave national crisis and then too as a temporary shift. But poverty in our country is an ancient institution and almost a chronic and universal state, and this thunderbolt is not therefore to be lightly resorted to. Moreover, in a country prone to adopt the attitude of the out stretched hand, hoping to secure gifts and concessions from Government without efforts of their own, one should endeavour to foster habits of thrift and self-reliance.

While on the subject of indebtedness, one is inclined to talk of land mortgage banks. It is an admitted fact that they have succeeded in this province and that the primary borrower is now able to get loans at a considerably lower rate than was possible a few years back, although the present Deputy Governor of the Reserve Bank seems to be of opinion that money should not be made too cheap. I am glad that the Prime Minister has already grasped the importance of the subject and has expressed his willingness to consider the prolongation of the period of these loans to forty years. I am sure I am echoing the feelings of all co-operators when I urge that their present number is a mere drop in the ocean and that it should be largely increased. Whether there is money for any other reform or not, money should be found for the additional staff, say, for the next five years. Some of the extra expenditure can come out of the savings from the scrapping of the debt-conciliation scheme.

Cultivation Loans.

With regard to credit, I have found in actual experience "cultivation loans" are the safest to advance from the financing banks' point of view. The rural society's bye-law (42, I believe) is amended making it obligatory on the borrower to sell the harvested crop through the agency of the sale society. Overdues are practically "nil." In the rare case of total failure of crop, the loan is repayable at the next harvest season. It is also our experience that along with the current dues, a good portion of the old "overdues" also are willingly paid. It is by the adoption of this method now popularly known as "controlled credit" that the Salem District Central Bank was able to reduce its percentage of overdues this year from 45 to 34. This is a fascinating subject; but I shall curb my desire to run on.

Co-operative Marketing in Salem District.

Within ten months of its starting, the Salem Co-operative Sale Society, with a paid-up-share capital of only Rs. 2,175 has had a turn-over of Rs. 1,75,000 and is constructing a godown at a cost of Rs. 40,000. The turn-over of the three sales societies in the district is over rupees five lakhs and the savings to the ryot is at least Rs. 50,000 not to mention the moral advantages of co-operative selling. The scheme of the Government of India loans for the construction of godowns is a beneficial one and it is worth your while to take liberal advantage of it. I am also glad to tell you that the Imperial Bank has just agreed to advance on the pledge of goods left in the co-operative godowns by the merchant or mill-owner who busy produce from the sale societies (and is unable to pay the full amount down). The District Economic Council can give a great push to this scheme as has been done in Salem under the presidentship of Mr. S. V. Ramamurthy, I C.S. Several of the central banks have been lending to sale societies in their areas at ½ to 1 per cent. less than on loans to other

societies and the Registrar, who takes a keen interest in marketing, has asked the Madras Provincial Bank whether they would lend direct to sale societies at 3½ per cent.

Only one request I have to make to Government in this connection. Of late, a tendency to make these sale socities pay for the services of the Junior Inspector now lent by Government, is detectable. May I take the liberty of pointing out that for the first five years at least these nascent institutions should be generously encouraged? During the second lustrum, they may be asked to pay on a graduated rising scale. In those centres where large quantities of uniform standard crops have to be handled and quickly transported, Government may lend the necessary money to purchase lorries, the amount being repayable in a number of years.

In his closing speech Mr. Chettiar stressed, among other topics, the importance of

Unlimited Liability.

One of the reasons generally given for the absence of expansion is that "unlimited liability" scares away people from joining co-operative societies. I do not know the conditions in the district thoroughly; but from my experience of my own district I can tell you that unlimited liability has not stood in the way of more members coming into the movement. For instance, during the past two years since we have begun to adopt what the Joint Registrar, in his excellent opening address yesterday, called "Controlled Credit" there has been in several areas a cent per cent expansion in membership and as regards the registration of new societies, our Deputy Registrar has had to exceed the limit set by the Registrar.

I am aware of the familiar arguments against "unlimited liability." The ryot's imperative needs are irrigation-water and timely credit. In your district, the primary societies have so far not succeeded in attracting local deposits to any appreciable extent, with the result that outside money has to be attracted. Now, rightly or wrongly, the ordinary investor counts on two things for safety; (1) Government control and (2) the existence of unlimited liability. People like you and I who have inside knowledge of the working of the movement know the very narrow limitations of these safeguards. Yet, the retention of this "unlimited liability" in the statute, has at any rate in several districts, to my personal knowledge, been a great help and many who were absolutely callous about their moral duty to help the central bank in the recovery of its dues, have actively helped it to recover sums whose realisation had almost been given up. Sentiment should not loom largely in an economic movement."

All the great religions in the world teach us that the highest object of one's existence should be the betterment of his fellow-men. We are familiar with the expression, "establishment of the Kingdom of God" on earth. It is in the power of even the humblest among us to help our fellow-men through co-operation although it may be given only to a very few to embark on large-scale philanthrophy. The idea of unity of Soul has been instilled into us from our very infancy. It is because that this noble truth is sometimes forgotten that we hear of "benami" transactions, foisting of dues on illiterate and innocent victims, misappropriations of funds and the thousand and one other frauds with which we are occasionally made familiar. May I humbly suggest that in our propaganda for the expansion of the movement on healthy lines, we may stress on this aspect of the matter when the economic arguments alone are found insufficient ?

RESOLUTIONS PASSED AT THE CONFERENCE.

1. This Conference views with grave concern the gradual and steady attempts to officialise the co-operative moment in this presidency and in order to check this tendency adequately and also to increase the scope of non-official initiative and to promote the development of co-operation in credit and non-credit activities, this Conference feels that it is high time that the Madras Co-operative Societies' Act of 1932 be amended suitably.

2. This Conference is of opinion that unless the Provincial Governments take adequate measures to increase the earning capacity and purchasing power of the agriculturist, it will be impossible to improve his economic condition or relieve his indebtedness and therefore urges on the Provincial Governments, the necessity to adopt a bold and suitable policy of rural reconstruction by increasing and fostering suitable cottage industries, and actively encouraging them by easy supply of patterns, technical information and supply of raw materials providing easy means of transport facilities for the products, and putting the rural producer in direct touch with the consumer in distant parts, as has been successfully done in Japan and some other continental countries, and by supply of electrical power at very little over cost price, now that electricity has been provincialised.

3. This Conference is of opinion that the earning capacity of the ryots could be increased by providing a good market for the ryots' produce and requests the Government to provide all facilities, including godowns in particular, for the purposes of marketing the produce. This Conference requests the Nellore District Co-operative Banking Union to make a practical beginning at a very early date in the matter of building godowns at suitable places.

4. This Conference welcomes the recent declaration of the Imperial Bank of India of its readiness to advance in one or two districts already, on produce stored in co-operative godowns on the production of a certificate from sale societies, and solicits the Imperial Bank to extend this system to other districts where societies have godowns.

5. This Conference is of opinion that the period of repayment of long term loans granted by land mortgage banks be extended from 20 to 40 years, as the instalments payable under the present system of 20 years, is more than what the ryot can reasonably bear.

6. This Conference views with apprehension the suggestion reported to have been made by the Premier to the effect that for providing a sinking fund as advised by the Reserve Bank, land mortgage banks should have to increase the rate of Interest charged on primary borrowers from 5 per cent. to 6 per cent. This Conference is of opinion that any increase from 5 per cent. for long term loans is unreasonable and will hit hard the primary borrower and that the usefulness, growth, and popularity of the moment will be adversely affected thereby, in view

of the well known fact that cultivation in most cases does not pay more than 3 per cent. or 4 per cent.

7. This Conference resolves to request the Government to increase the guarantee on land mortgage bank debentures by a crore.

8. This Conference requests the Government to start at least 3 land mortgage banks in each suitable taluk in the Nellore District, including Zamindary taluks, to provide for the relief of rural indebtedness.

9. This Conference requests the Government to put an end to the method of nominating members to the Board of Management of the co-operative land mortgage banks and give up proposals to introduce nominations in other co-operative institutions also, as the system of nomination gives wrong training and education to the people.

10. This Conference resolves that sufficient encouragement should be given to the South India Co-operative Insurance Society which is established on co-operative basis and that it should be tacked on to the discharge of land mortgage bank loans.

11. This Conference resolves to request the Government to grant encumbrance certificates free of cost to all co-operative societies, especially land mortgage banks and exempt them completely from payment of registration fees.

12. This Conference resolves to request the Government to provide adequate facilities for the organisation of new co-operative societies.

13. This Conference requests the Government to reduce the rates of interest on outstanding loans formerly granted to building societies to the level prevailing at present, namely 5 per cent, to enable the building societies to make corresponding reduction in the rates charged on primary borrowers.

14. This Conference resolves that the bye-laws of building societies be amended by abolishing penal interest as was done in other co-operative societies, and the Government be requested to register the said amendment.

15. Resolved to request the Government to subsidise co-operative loan and sale societies by providing for the maintenance of the necessary establishment for at least 5 years from the date of the starting of the new societies.

16. Resolved that in case of unlimited liability societies the limit of a loan of 10 rupees per rupee of share capital, be increased to Rs. 20.

17. Resolved that the Government be requested to continue to maintain Sub-Deputy Registrars for land mortgage banks at Government cost; and that in the opinion of this Conference, the primary banks are not in a position to bear the maintenance charges of these officers.

18. Resolved that as a matter of retrenchment, the cadre of special Deputy Registrars for Land Mortgage Banks be abolished, and local Deputy Registrars be entrusted to do the work now done by the Land Mortgage Bank Deputy Registrars.

19. Resolved to request the Government to open a Thermal Station in the Nellore District, to provide electricity for irrigation purposes at minimum cost to the agriculturists residing in dry areas in Nellore and Cuddapah districts.

20. Resolved to request the Government to give the benefit of the Thungabhadra Project to the agriculturists of this district. Government is also requested to construct a Reservoir for storage of water from Pennar, Manneru and Paleru rivers.

21. Resolved to form a committee consisting of Messrs: M. S. Narasimha Rao, M. Ramakrishna Rao, G. Venkatarami Reddy and K. Krishna Rao to investigate into the question of forming thrift societies, in the Nellore district.

22. Resolved to request the Nellore District Co-operative Banking Union to supply long term credit of 10 years to societies in places where there are no land mortgage banks.

23. Resolved to request the Central Bank to hold a District Conference every year to discuss the practical difficulties in the working of co-operative institutions.

24. Resolved to hold the next District Conference at Kanigiri.

THE NINTH BERAR CO-OPERATIVE CONFERENCE.

The following are extracts from the welcome address delivered by Dewan Bahadur K. V. Brahma, C.I.E., B.E., as Chairman of the Reception Committee at the Ninth Berar Co-operative Conference held at Khamgaon on the 11th July 1937.

Conciliation of Debts.

It has become fashionable of late, for some to compare our efforts at conciliation with the efforts of the Debt Conciliation Boards and to decry us and the movement on that ground. In my opinion, there can be no comparison between the two. Even a little reflection would show that there are limits, beyond which we cannot go. We have both creditors and debtors to deal with; our liabilities to our creditors *viz.* the depositors cannot be conciliated unless we choose to go into nothingness. The Debt Conciliation Boards have not this handicap. But let me ask in all seriousness to those, who raise this issue as to what it is that we stand for? Is it for going on borrowing and then resort to agencies for reduction of debts? I claim that our aim is to make our members credit-worthy, to teach them to borrow as little as possible so that they may be credit-worthy at all times and would be disposed to pay all that they have borrowed even at the cost of leaving nothing on their hands. While co-operation aims at making men credit-worthy and solvent, conciliation of debts proclaims their insolvency and deprives them of credit. I, therefore, appeal that we should not be judged by wrong standards and while I am one you with all to say that we must secure the largest relief that is within our power. I agree with the remark recently made in the Departmental Report *viz.* "A new factor that vividly came to notice during the year was the working of a large number of Debt Conciliation Boards, the establishment of which was everywhere a signal for withholding of payment by the debtors".

Are we not now justified in having a conference of the urban and rural folks to take stock together and devise measures and bring about a mentality which would prevent this tendency of not paying spreading and taking deeper root. I appeal to my friends from the villages that they

should not stultify themselves by this temptation of rushing to Debt Conciliation Boards and having their credit smashed forever. Our friends the villagers will have realized by now that in addition to the writing off bad debts, we have been able to secure to our members—a reduction in the rate of interest on loans, which is unthinkable with the ordinary *sowkars*. Our rates now range between 4 and 9 per cent and it is our endeavour to see them further reduced. May I in all humility ask which ordinary debtor in a village is able to get money at even 9 per cent in these days?

Necessity for liquid Assets.

We are all agreed that there are many amongst the members of co-operative societies, who can be saved from the catastrophy of losing their lands. We are anxious that nothing should be done which will result in our members losing their land. Unlike ordinary creditors we cannot be accused of "land-hunger". We belong to co-operative bodies and whatever we may do or not do would be to the debit or the credit of co-operation. If lands are lost to the members, they are not acquired for the individual members of the bank. It is a terrible irony of fate that we are asked on the one side to maintain our credit at any cost and at the same time not to touch the members of primary societies on the other. As I have said already, we are more anxious than anybody else to save the members and we can only do so if we have somebody to back us up in our laudable undertakings. There are only two agencies which I think can come to our help *viz.*, the Provincial Bank and the Government. The problem of problems with us, therefore, at present moment is how to provide for cash-money to meet the calls of depositors in case there is a demand from them. Fortunately there is no rush any where, as depositors continue to repose implicit faith in the movement—as it can be demonstrated to any one that the movement as a whole is solvent and that it possesses assets sufficient not only for meeting its liabilities but a good deal more. But more possession of assets in these days does not enable one to meet his cash liabilities. The assets for this must be sufficiently liquid. In our case—it is unfortunately not so. We, therefore, need accommodation and I take this opportunity of publicly appealing to the Provincial Bank and to the Government to come to our assistance. I assure them that in lending money to the movement they are not undertaking any risk of losing money. Given cash accommodation, I am sure we in Berar will be able to bring back the movement to its prosperity—Resources of Government are practically limitless. It is acknowledged by them that a demand for a better life is the key to prosperity and it has been rightly pointed out by the Royal Commission on Agriculture that this demand for better life can be stimulated only by Government. I have, therefore, no hesitation in supporting the unanimous request of the Central Banks' of the Institute in Berar to the Government and the Provincial Bank to arrange for a long-term loan to the movement by raising debentures or otherwise to the extent of about Rs. 50 lakhs on the security of the assets of the movement. It is not necessary for me to reiterate that this sum is wanted for saving the members of societies from utter ruin. A scheme for relieving these members is not the same as is contemplated in land mortgage banking and for obvious reasons relief to these members cannot be secured through the agency of land mortgage banks.

Correspondence.

I

PAYMENT IN KIND

Sir,

I am very thankful to your letter No. 6 36-37 dated 29th April 1937 drawing my attention to the editorial note on pages 531 and 532 of your *Journal* (Volume XXVIII--No. 10). I may say that I fully appreciate the difficulties raised there.

What I am not able to understand is when grain banks are said to be working successfully for years in Italy and Spain and when insurance premia are allowed to be paid in kind even in United States of America, why we in India should not adopt these measures especially when it is certain that such banks will be more popular with the cultivator.

It is said that in the *Banco Agricole de la provincia de segovia* (Spain) which has in it debenture share holders as well, repayment of loans may be in cash or in kind as per previous agreement. The bank is said to boast that it has not lost a farthing. This is a case where paying the dues in kind has proved a success. It will be interesting and instructive to get into touch with this bank and ascertain the methods adopted to get over the difficulties anticipated in your note.

Lending and recovering in kind by individuals is a normal feature in villages. My experience is that there is less of bad debt in such transactions. The only defect, as you will doubtless agree, is the heavy interest. If a way can be found to regularise and legalise them somewhat along the lines of cash banks, I feel that the repayments of bank dues will be more regular.

V. RAMANATHAN,
Editor, The Madras Agricultural Journal.

II

LAND MORTGAGE BANKS.

Sir,

The Congress Ministry is pledged to ameliorate the condition of the peasantry, and therefore, to reduce their indebtedness. Well it is, therefore, that the veteran co-operator Mr. N. Satyanarayana took time by the forelook to press upon the Premier the urgent necessity for increasing the guarantee amount to Rs. 175 lakhs. The Premier is reported to have favoured the proposal of the Reserve Bank that a sinking fund on a scientific basis must be developed which will necessitate the Land Mortgage Bank rate being raised to 6 per cent. There has been for the last three or four years an agitation for increasing the period of repayment of the

loan to 30 years; and last year a resolution was passed at the Conference of Primary Land Mortgage Banks urging the extension of the period of the loan. The Executive Committee of the Central Land Mortgage Bank called for opinion from the primary banks; and out of the 34 banks that replied no less than 27 banks were in favour of extending the period of the loan. But the main consideration in favour of the extension was that by so doing the equated instalment payable annually by the borrower would be reduced and that consequently some more ryots who under present circumstances are not able to borrow for want of necessary repaying capacity will be able to borrow. But now another pressing necessity has arisen for the creation of a sinking fund so as to secure the redemption of the debentures on the expiry of the period. The increased rate of interest which seems to be inevitable will be a great hardship to the overburdened ryots, though the increase involved is only 1 per cent. It must be remembered that the Land Mortgage Banks constitute the only satisfactory machinery for the distribution of State Loans which, as has been pointed out in the Report of the Royal Commission on Agriculture, "Should be free from many of the objections which have been urged against the existing system of distribution through purely official channels." The Congress Ministry has therefore a special responsibility for utilising this machinery for helping the ryots, and will, it is hoped, provide in the budget for increasing the guarantee amount. If the slight increase in the rate of interest is inevitable, for the formation of the sinking fund, as recommended by the Reserve Bank, and supported, presumably, by the Premier, it is essential and imperative that the period of repayment of the loan should be extended to forty years. This will be a great boon not only to the present generation of the indebted peasantry, but also to their heirs.

P. S. G. GANGA NAIDU,
President, Land Mortgage Bank, Peelamedu.

Reviews.

Year Book of Agricultural Co-operation, 1937: Edited by the Horace Plunkett Foundation, London. Pages 583: **Price 15 s.**

The Year Book of Agricultural Co operation for 1937, issued by the Horace Plunkett Foundation, contains as in previous years, a brief but comprehensive review of agricultural co-operation all the world over and articles of varying length regarding the progress of the movement in a large number of countries. Other useful features are a summary of co-operative legislation passed in various countries during 1936, reviews of the most important books on co-operation published in 1936 and a select bibliography on co-operation, which is not confined to books in the English language.

The review observes that in 1936 co-operation had better things to report than for several years past: prices were more remunerative, debts in general less burdensome, capital, membership and turnover had increased. At the same time the relations of the movement with the State in various countries were 'with certain exceptions, becoming established in a form which on the whole is not disadvantageous to the co-operative movement'. Positive recovery was, however, least in the field of credit, the resources of many societies being completely frozen. The result is that energy and initiative have been diverted from credit to the marketing of produce, that short-term loans on the pledge of produce have gradually taken the place of personal security loans from credit societies and that unlimited liability is being substituted by limited liability. These trends are observed alike in Ireland and India, the Bulkans and China.

Among special articles of some length are to be mentioned one on co-operation in China by Mr. C. F. Strickland and another on co-operation in the Balkan States and in Soviet Russia by Miss Margaret Digby. Mr. Strickland's article covers more or less the same ground as was covered by his report on co-operation in China which was reviewed in this *Journal* last month. Miss Digby's valuable study, extending over a hundred pages, is divided into three parts dealing respectively with Yugoslavia, Bulgaria and Russia, of which the first two parts will be found of special interest to Indian readers as economic conditions in the Bulkans are not dissimilar to those in India and we may hope to benefit by the experience of co-operators there. The economic depression and the enforcement of sanctions against Italy in 1935-36 so affected the peasants of Slovenia in Yugoslavia that "in many peasant households ready money became so scarce that only home-grown food was eaten, second-hand clothes were obtained by barter in exchange for foodstuffs,

families went to bed as soon as it was dark to avoid burning lights, herbs were smoked instead of tobacco and the village inn abandoned in favour of home-distilled spirits, generally of a crude and dangerous variety . . . . Failure to pay taxes has resulted in the selling up of farms." In the Raiffeisen societies practically all credits have been frozen, and 'most short term debts have by legislation above mentioned been converted into long-term loans without interest, but with a scheme of progressive amortisation amounting to no more than 1 per cent in the first year but rising later to 12 per cent or more.' Here is thought provoking material for those of us, who, not being agriculturists and not knowing the difficulties of agriculturists, are impatient with the members of our societies and loud in our condemnation of them for allowing overdues to accumulate. One of the difficulties of the agricultural sale and purchase societies there was this. 'Sales to non-members and dividend on purchases are alike forbidden by the Australian law if the society is to remain exempt from taxation, and a peculiar problem and danger are the attempts by tax-collectors and interested merchants to procure breaches of the law by various tricks.' In Croatia peasants spin and weave in their homes wool, flax, hemp and cotton as a subsidiary occupation. So there is a Khadder movement there. Children are encouraged to make small weekly deposits in co-operative societies and also to sell to the societies such things as herbs, berries and mushrooms. The Health Co-operatives of Serbia, 'which constitute Yugoslavia's most original contribution to co-operative thought and practice' are described at some length.

Of special interest to Indian readers are the articles on co-operation in H. E. H. the Nizam's Dominions and in Malaya and on tenancy co-partnership societies in Burma. It is pleasing to read in the article on Malaya the following statement:

> "Members of societies have appreciated the leniency adopted towards them by the societies during hard times and have observed that it was much better to owe money to a society which had no other regard but for the well being of the members than to outsiders who are not primarily concerned with the prosperity of the borrowers."

No co-operative library in our province should be without this Year Book.

V. V. S.

II

Report of the Madras Fisheries Department for 1935-36.

The report of the Fisheries Department for 1935-36 reads very much like a scientific treatise on the research work of the Department. It is not clear if the results of research have been or will become useful to local fishermen for adoption with the limited resources at their disposal. It is noted that the Government sanctioned the appointment of a Master Fisherman with the necessary staff to demonstrate the suitability of the Yorkshire Motor Coble to exploit the off-shore fisheries. Whether this demonstration will prove successful and even if successful if at any time the local fishermen will be in a position to use the motor coble are points for consideration. After reading the report one cannot help feeling that large sums of money are being spent on research work of a kind which may satisfy the thirst for knowledge of scientists but the results of which are not likely to be helpful to the fishermen either now or in the near future. So far the Department does not seem to have succeeded in finding methods for preserving the fish fresh for a long time. The process which the Department seems to have found out is not considered in some quarters as satisfactory at all. If the problem of providing sources of food supply other than agriculture is to be solved, the attention of the Department should be immediately and mainly directed to this question of preservation of fish.

The main activities of the Department which interest the general public are the maintenance of the fish-curing yards and efforts made for the mental and moral improvement of the fishermen. It is seen the fish-curing yards were worked at a profit of Rs. 97,153-3-1. The demand for further reduction in the price of salt issued to curers should receive the favourable consideration of Government. The Department on the whole worked at a loss of Rs. 45,194-13-5. If the amount spent on the education of children of fishermen which in any case would have been a charge on Government revenues even if the Department did not exist, is taken into account, the Department worked on the whole at a profit. But it is seen the two sections which contributed towards the cost of maintenance of the Department are the Pearl and Chank Fisheries and the Fish-curing yards. There is a complaint which needs examination that the profits derived from these two sections are mostly utilised for conducting research work of doubtful utility to the fishermen. It would be in the interests of fishermen if more money is spent on the education of fishermen and the organisation and proper conduct of co-operative societies for their benefit. The question at what stage the vocational bias can be introduced, and whether there should be separate schools for pupils reading in standards I to V, whether these schools should be under the direction and control of the Fisheries Department inspected by Fishery Officers, and other points relating to the education of fishermen need further consideration. Unless a special agency other than the Fishery Officers is set up for doing socio-economic work, the Fisheries Department need not control and supervise educational activities. That work may as well be entrusted to the Labour Department and the special attention the educational needs of the community requires will be amply provided.

R. S. R.

CO-OPERATION IN OTHER PROVINCES.

I

Co-operation in C. P and Berar (1935-36.)

Those who have been following the history of the co-operative movement in the Central Provinces and Berar would find that things are slowly improving though in the year under report that is, in the year ended 30th June 1936 there have been no spectacular changes. The actual recoveries amounted only to 8.5 per cent of the demand. It is true that taking the movement of the Provinces as a whole the grand total of assets exceed the grand total of the liabilities nearly by Rs. 20 lakhs. But most of the assets are frozen. We are glad to be told that cautious expansion has been expected as the general policy of the department and hence for the first time during the last six years the number of societies registered has exceeded the number of societies cancelled. Every care is taken in organising new societies. The mistakes of the previous years are avoided; greater emphasis is now laid upon thrift rather than credit, and it is hoped that the worst days of depression are over and the corner has been turned.

Coming to details we are glad to note that there is a definite move against concentrating the loans in the hands of few borrowers. The willingness evinced by many financing banks to take coercive steps to enforce payment is another welcome sign.

The experiment that is now carried on by the Provincial Bank of having a land mortgage bank section and floating debentures as the Central Land Mortgage Bank for the province is not a quite satisfactory one and we hope ere long a separate Central Land Mortgage Bank would be formed. The experience gathered by co-operators all over India is that the co-operative finance must be absolutely divided into long term finance which should be attended to by a land mortgage bank and short and intermediate finance which alone central banks and the Apex-Bank which had to run mostly upon the deposits are qualified to handle. The Apex Bank under able guidance of Rao Sahib Desh Pande continues to do good work.

There are five Institutes for the Province which might well amalgamate themselves into one Central Institute and the divisional ones may be affiliated to the Central or the branches or the federal units of the central one.

The Registrar is now armed with special powers to supersede the managing committee of a society under certain circumstances and to make arrangements for carrying on its business and the wholesome practice obtaining in other Provinces of enabling the Provincial Bank and Central Banks to make advances to their depositors on the security of their deposits is being followed.

We hope the Registrar's appeal to the young men of public spirit to come forward in larger numbers to take the place of those who retire on account of age or informity or have to leave the movement for other reasons will be responded to because we are in perfect agreement with the sentiment expressed by His Excellency the Governor that

"whatever dangers may be inherent in the movement and into whatever paths of error it may wander, there can be no possible doubt that it offers the only real chance of salvation and prosperity to an agricultural community."

S. K. Y.

II

Co-operation in the Cochin State (1935-36).

The report on the administration of the Co-operative Department in the State of Cochin for the Malabar year 1111 affords more cheerful reading as we anticipated it would in our review of the report of the previous year.

Mr. K. Narayana Menon the young Registrar who has had the benefit of education in the Manchester College of Co-operation has taken upon himself the duties of the Department with characteristic enthusiasm and the fact that he travelled for 296 days out of 365 is an indication of his determination to do the best he could to the Department. This enthusiasm is reflected in the Inspectors also, one of whom has put in a record of the circuit for 332 days remaining at the headquarters only for 33 days in the year, the lowest number of days put in by an Inspector being 258.

The following table indicates the general progress of the movement during the year under review.

Year.	No. of societies.	No. of Members	Working capital.	Total transactions.	Reserve Fund.
			Rs.	Rs.	Rs.
1109 ...	257	25,183	25,02,154	70,93,801	4,03,715
1110 ...	258	25,142	25,04,570	68,50,219	4,18,340
1111 ...	*254	23,993	25,48,135	67,56,857	4,37,050

*Excludes the Land Mortgage Bank.

The most outstanding event of the year was the opening of the Land Mortgage Bank with a very influential Board of Directors consisting of some of the ablest sons of the soil who have won distinction both at home and abroad.

We trust the appeal of the Registrar that the Central Institute that has been doing good work should be supported financially in order to enable it to turn out better work would be responded to. The Unions require pulling up and attempts should be made to see that all societies are affiliated to the Unions.

We are glad to notice that an Agricultural Marketing Society has been started and we hope with the Registrar that this society will be the pioneer in a new line and get the popular support that it deserves. Another commendable item mentioned in the report is the satisfactory working of students' societies the biggest of which is a society run by the

College students of His Highness the Maharajah's College, Ernakulam. We hope that in this enlightened State where there are many High Schools both for boys and girls, similar students' societies would be started in every school. These students' societies if run properly, that is, *by* students *with* the co-operation of the elders instead of *for* them *by* the elders would prove to be a valuable training ground for future co-operators.

The Registrar seems to have been honoured for the first time in the history of the Department by a visit to his Office by the Dewan who inspected the office and gave some valuable advice. The Registrar has also acknowledges with thanks the hearty co-operation of the heads of other Departments especially, the Director of Public Instruction and the Director of Public Health and Panchayats, Director of Industries and Director of Agriculture and others.

We hope the enthusiasm evinced by the Registrar and his staff will continue unabated and fine co-operation which seems to prevail between him and the heads of allied Departments will also continue to prevail. Before the next year's report is published the Government of the State would have passed orders on the report of the late Mr. G. K. Devadhar, M.A., C.I.E., and we hope the Co-operative Department will turn over a new leaf and will be started on its career of usefulness and progress.

S. K. Y.

News and Notes.

Rao Bahadur M. Giriappa gave currency to an excellent epigram in his speech at Virur published elsewhere, when he said that he had heard the complaint that if a member of a rural society applied for loan for his marriage he would get in time for his funeral !

* * *

According to a communique issued by Government on the interview which Mahatma Gandhi had with the Viceroy on the 4th August last, the principal subject of discussion was rural uplift and the improvement of the condition of the peasantry.

* * *

Mr. N. S. Varadachariar, *Parliamentary* Secretary to the Minister for Agriculture and Rural Development, said recently in the course of a speech at Triplicane that retired officials had no right to live in towns and form a separate class by themselves, but must go to the villages, take an active interest in agricultural problems and raise the standard of living of the villagers.

* * *

The Defence Secretary to the Government of India stated in the Central Assembly, in reply to a question, that rural reconstruction now formed part of the educational syllabus of the Indian Army, and translations of two manuals had been widely issued throughout the Army. The object was, he said, to train the officers and men on retirement to practise what they learnt while in service and to be an example to others.

* * *

It is not as well known as it ought to be that the Madura District Co-operative Sale Society is making an interesting experiment in converting night soil into compost manure. During his recent visit to Madura the Hon. Mr. Giri visited the Karuppayee Urani Depot where the experiment is being conducted. The Municipal Chairman, the Deputy Registrar of Co-operative Societies and some leading ryots were present on the occasion.

* * *

The Christian Literature Society for India, which has its office in Park Town, Madras, announces that it is prepared to give Dr. John Mathai's Book 'Agricultural Co-operation in India' at a reduced price of one rupee per copy, post free, to people engaged in co-operative work. We hope that societies and co-operators who do not yet possess the book will gladly avail themselves of this opportunity to get the Book.

* * *

A deputation representing some 15,000 toddy tappers of Salem District wanted on the Hon. Mr. V. V. Giri, Minister for Labour and Industries, and assured him of their hearty co-operation with the Government in conducting the experiment of prohibition in Salem District,

though they would thereby be thrown out of employment. They requested the Minister to think of some other way of enabling them to earn a living. The Minister thanked them for their offer of co-operation and promised the utmost sympathetic consideration for their request.

* * *

While opening the All India Khadi and Swadeshi Exhibition at Salem on the 1st August last, the Hon'ble Mr. V. V. Giri observed that the fullest exploitation of cultivable waste land, along with the establishment of cottage and other industries, small and big, would solve the economic problem of the country. He added that model State farms should be opened and that a net work of economic councils should be organized to promote agriculture and industries.

* * *

The Hon'ble Mr. C. Rajagopalachari, Premier of Madras, declared open on the 23rd August last the newly constructed godown of the Rasipuram Co-operative Sales Society, in Salem district. An address which was presented to the Premier on the occasion by Mr. T. Adinarayana Chettiar on behalf of the Society stated that even at a conservative estimate the members had gained to the extent of 10 per cent by selling their produce through the society, apart from the bonus of two annas per pothi on the cotton sold and the dividend of $6\frac{1}{4}$ per cent on share capital. At the request of the members of the Society the Premier unveiled the protrait of Mr. Chettiar in the hall of the godown.

* * *

On the same day the Premier opened the Silver Jubilee celebrations of the Mohanur Rural Co-operative Society and Mr. Adinarayana Chettiar presided on the occasion. Several prominent co-operators and officials of the district attended the function. The Silver Jubilee report was read by Mr. M. N. Srinivasa Ayyar, President of the Society, in which it was stated that the society had over 230 members and a reserve fund of over Rs. 7,000.

* * *

Replying to the several addresses that were presented to him on the occasion, the Premier observed that as a result of prohibition in the Salem district the Government would be foregoing about Rs. 26 lakhs of revenue every year but that according to his calculations it would lead to a saving of more than four times the amount—with much happiness in rural homes into the bargain.

* * *

Under the auspices of the Co-operative Department of Cochin are running the Kohinoor Egg Marketing Society and the Vypeen Poultry Club. These were recently visited by the non-official members of the Cochin Legislative Council who much appreciated their work. The State will soon open a rural reconstruction centre with a bee-keeping expert attached to it, for which purpose a sum of Rs. 6,000 has been provided in this year's budget.

Market News.

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

Madras Market price as on 31-8-37.

				Rs.	A.		Rs.	A.
1	Chillies (Pettai chillies) per candy of 500 lbs.						129	8
	,, (Rangoon)	,,					108	8
	,, (Guntur)	,,					73	8
	,, (Pari)	,,					122	8
2	Garlic (Tiruppur-Calcutta)	,,					44	0
3	Onions (Bellary)	,,					17	12
4	Potato	,,	Kidney long				18	10
	,,	,,	Round				17	8
	,,	,,	Podi				16	0
5	Jaggery (Ambur and Vellore) 'A'	,,		...			24	8
	,, (,, ,,) 'B'	,,		14	12	to	19	4
6	Sathugudi (Kodur) per 105 fruits		Big	5	8	to	6	8
	,, ,, ,,		Medium	4	0	to	5	0
7	Eggs per 100		...	...			2	6
8	Lime Fruits per 1050		Big	...			6	0
	,, ,,		Small	3	0	to	4	8
9	Plantains (Bangala) per 6 bunches		Big	...			6	0
	,, ,, ,,		Medium	...			5	0
	,, ,, ,,		Small	...			4	0
10	,, (Green) per 1000 fruits		...				7	0
11	Ghee per tin of 12 visses		...	21	0	to	23	0
12	Butter-Tenali Special per tin of 12 visses		...	...			21	10
	,, -Gudivada special	,,	...	...			21	4
13	Soapnuts per candy of 500 lbs.		...	...			45	8
14	Pepper (Office 1 maund of 25 lbs.)		...	...			4	12
	,, (Bedagi ,,)		...	...			6	14
15	Yam (1 maund of 25 lbs.)		...	...			1	0
16	Tamarind (Bangalore) per candy of 500 lbs.			28	0	to	29	12
	,, (Chittoor and Vellore)	,,	...	24	8	to	26	4
17	Brown sugar	,,	...	21	0	to	25	0
18	Sapotas per 105 fruits		Big	...			2	8
	,, ,,		Medium	...			1	8
19	Coriander seeds (Rajamundry) per candy of 500 lbs.						42	0
	,, (Guntur)	,,					33	4
	,, (Cuddapah)	,,					45	8
20	Green chillies per maund of 25 lbs.		...				2	0
21	Green ginger per maund of 25 lbs.		...				3	0

Government Orders.

I

Fort St. George, July 1937.

(G. O. No. 1473, Public (Services).

No. 427 :—

In exercise of the powers conferred by paragraph (*b*) of sub-section (2) of section 241 of the Government of India Act, 1935, His Excellency the Governor is hereby pleased to make the following amendment to the Government Servants' Conduct Rules, 1936, published with Public (Services) Department Notification No. 47, dated 18th December 1936, at pages 212 to 234 of Part I of the *Fort St. George Gazette*, dated the 3rd February 1937, as subsequently amended.

The amendment hereby made shall be deemed to have been made and to have come into force on and from the 18th December 1936.

Amendment.

Subsidiary rules 4 and 5 to rule 11 of the said rules shall be re-numbered 5 and 6 respectively and the following shall be inserted as subsidiary rule 4, namely :—

"4. Notwithstanding anything contained in subsidiary rule 1, a Government servant may, with the previous sanction of the head of his department, become a member of a land mortgage bank provided that he already owns lands, in the area within the jurisdiction of such bank, but shall not hold any office therein or take any part in the management thereof."

II

Under the provisions of section 122 of the Code of Civil Procedure, 1908, and with the approval of the Government of Madras, the Hon'ble Judges of the Madras High Court made the following amendment to the First Schedule to the Code of Civil Procedure, 1908 on the 6th August 1937.

Order XL.—Add the following as rule 6, *viz* :—

"6. Where the property belongs to a co-operative society registered under the Madras Co-operative Societies Act or to a member of such co-operative society, and the Court considers that the interest of those concerned will be promoted by the management of an officer of the Co-operative department, the Court may, with the consent of the officer, appoint him to be receiver of such property."

Registrar's Circulars.

OFFICE OF THE
No. D. DIS. 1173/37. REGISTRAR OF CO-OPERATIVE SOCIETIES,
Madras, dated 6th June 1937.

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

Sub: Loans—Cash Credits to Urban Banks by Central Banks—Conditions—General principles.

Ref: Joint Registrar's Memo No. B. 5147/36 dated 23-1-37.

The Registrar notes that most of the Central Banks have framed elaborate rules governing the sanction of cash credits to urban banks. A few Central Banks have not, however, done so. It is important that all Central Banks should frame definite rules for their guidance in the matter.

2. The following general principles are suggested for adoption. The Registrar is aware, that minor alterations will be necessary to suit local conditions.

(1) Cash credits should be sanctioned mainly to help urban banks in the maintenance of fluid resources and may be granted in emergent cases for disbursement of short term loans to their members.

(2) Cash credit accommodation may be sanctioned to urban banks which are working satisfactorily (classed A or B in audit). Ordinarily they should not be defaulters. They should also have taken timely action against their members and reduced the overdues to a minimum.

(3) At the time of each drawal from the account, a statement of the deposits to be repaid or of the short term loans to be disbursed, as the case may be, should be furnished by the urban banks.

(4) The cash credits granted should be for a year at a time terminable on the 30th of June. The Central Bank should reserve to itself the power to reduce or terminate it after proper notice.

(5) A pronote for the amount of cash credit sanctioned and continuing guarantee agreement deed should be executed by the urban banks.

(6) Collateral security may also be obtained. Where this consists of members' pronotes, their actual value should be at least 1½ times the cash credit sanctioned.

This margin will be necessary as monthly repayments are generally made by members in all urban banks.

Only pronotes without overdues should be lodged as collateral security and a statement of such securities should be sent to the Central Banks every quarter.

(7) Interest should be calculated on daily balances and debited to the account every half year—30th June and 31st December Interest on undrawn portion may be charged at ½ per cent only.

II

No. F. 7005/36. *Dated, 7th June 1937.*

Sub: Arbitration—Levy of fees—Scale prescribed.

Ref: G. O. 1158 Ms. Dev. dated 22-5-1937.

Under Rule XV 5 (*a*) of the Rules under the Act the Registrar prescribes the levy of fees at the following rates in respect of disputes and revision petitions filed under section 51 of the Madras Co-operative Societies Act VI of 1932.

(1) A fee of Re. 1/- per plaint relating to monetary disputes touching the business of co-operative societies when the amount o value of the subject matter in dispute exceeds Rs. 150.

(2) A fee of Re. 1 on all revision petitions other than those referred to in item (3) *infra*; and

(3) a fee of Rs. 50 on each plaint relating to non-monetary disputes and for each revision petition thereon.

2. This will take effect from 15-6-37.

III

No. B. 6740/34. *Dated, 26th June 1937.*

Sub: Books and Publications—Madras Co-operative Manual—Volume I—Sale.

The Madras Co-operative Manual—Volume I has been revised making it more useful to the general public for purposes of reference and it is in the press. Copies will be available for sale by about the middle of October next. They can be had from the Superintendent, Government Press, Madras. Its price has been fixed at Rs. 1-12-0 per copy. The Superintendent, Government Press has been requested to stock 1000 and 1200 copies for sale to the public and to the Co-operative Institutions respectively. Deputy Registrars and Sub-Deputy Registrars in independent charge are requested to give wide publicity to this.

IV

Sub: Arbitration—Mortgage award form modification.

Read: Letter G. 1753/36 dated 30-8-36 from the Deputy Registrar, Tinnevelly.

The mortgage award from now in vogue is found to present certain practical difficulties to the decree holders whilst proceeding against the judgment debtors. The decree holder is directed to proceed against the mortgaged property in the first instance and he is denied the option of proceeding against the movables or other properties of the defaulter in preference to the hypothica. In the face of such explicit terms of the decree, the sequence of steps laid down in Rule XXII (3) of the rules under the Act cannot be followed.

2. To obviate such difficulties the Registrar considers that the mortgage bond form should contain a covenant empowering the mortgages (Society) to recover the loan amount is any manner he chooses The following amendment to the mortgage bond form is therefore suggested. The words "either from the property mortgaged, a description of which is furnished below or from other properties belonging to me" occurring at the end of para 2 of form 5 given on page 317 of Part II Co-operative Manual (1931 edition) should be deleted and the following inserted.

"*From me personally or from the mortgaged property, a description of which is furnished below or from my other properties, in any order the society pleases*". The Deputy Registrars and Sub-Deputy Registrars in independent charge are therefore requested to advise all societies in their jurisdiction to adopt in future the modification suggested above.

3. The mortgage award form will be suitably amended when they are next printed. In the meanwhile the Registrar directs that in cases where the bonds are in the modified form indicated above, the wording of the decrees should also be suitably altered. The last but one para and the last sentence of the previous para of the award form now in use should be deleted and the following inserted. "In default the plaintiff may recover the amount due together with further interest at.........pies per rupee per mensem until realisation and together with further costs, from the defendant personally or the mortgaged properties or his other properties, in any order he pleases".

List of Societies Registered in June 1937.

Serial No.	Names of the Societies.	District.
1	The Ellore Pile Carpet Weavers' Purchase and Sale Society, Ltd.	West Godavari.
2	The Mori Weavers' Purchase and Sale Society, Ltd.	East Godavari.
3	The Jaggayyapeta Gopalakrishna Co-operative Society	Kistna.
4	The Konakanchi Co-operative Credit Society ...	"
5	The Angalur Kasi Suryacharya Co-operative Society	"
6	The Madugula Co-operative Credit Society ...	Guntur.
7	The Kalavai Sri Sundara Vinayagar Weavers' Co-operative Society, Ltd.	North Arcot.
8	The Modaiyur Stone Image Workers' Production and Sale Society, Ltd.	"
9	The Kovvur Co-operative Agricultural Credit Society	Chingleput.
10	Vegavati Ashramam Co-operative Rural Reconstruction Society, Ltd.	Madura.
11	The Papanasam Co-operative Sale Society, Ltd. ...	Tanjore.
12	The Ammapatnam Co-operative Credit Society ...	"
13	The Tanjore Government Training Secondary School Pupil Teachers' Books and Stationery Co-operative Society, Ltd.	"
14	The Shunmuganagar Co-operative Building Society, Ltd.	"
15	The Salem District Board Employees' Co-operative Society, Ltd.	Salem.
16	The Shevapet Women Co-operative Thrift and Loan Society, Ltd.	"
17	The Karuppur Co-operative Credit Society ...	"
18	Kilkotagiri Hoshatti Co-operative Society ...	"
19	The Palamcottah Sairashtra Weavers' Purchase and Sale Co-operative Society, Ltd. ...	Tinnevelly.

List of Societies Registered in July 1937.

1	Pullampet Co-operative Society, Ltd. ...	Cuddapah.
2	Poli Co-operative Society ...	"
3	Bheemagundam Co-operative Society ...	"
4	Sunkesula Co-operative Society ...	"

Serial No.	Names of the Societies	District.
5	Jeereddy Kothapalli Co-operative Society ...	Cuddapah.
6	Proddatur Municipal High School Students' Co-operative Society, Ltd.	"
7	The Thanamcheri Co-operative Building Society, Ltd.	S. Arcot.
8	The Parvatipuram Centre Co-operative Stores, Ltd.	"
9	The Nandivaram Adi-Dravida Co-operative Society.	Chingleput.
10	The Karisakalampatty Co-operative Society ...	Madura.
11	The Thumbippaddi Reddiyur Adi-Dravidas Co-operative Credit Society	Salem.
12	The Telunga Palayam Co-operative Milk Supply Society, Ltd.	Coimbatore.
13	The Coimbatore Co-operative Milk Supply Union, Ltd.	"
14	The Kuniamuthur Co-operative Milk Supply Society, Ltd.	"
15	The Tinnevelly Co-operative Land Mortgage Bank, Ltd.	Tinnevelly.
16	The Polur District Board High School Students' Co-operative Stores, Ltd.	North Arcot.

List of Societies Cancelled in June 1937.

1	Ariyanachi C.S.	South Arcot.
2	Nainankuppam Milk Supply C.S.	Chingleput.
3	Peteru Padmasali C.S.	Guntur.
4	Kangarakottai Krishnapuram	Ramnad.
5	Bagalur C.S.	Salem.
6	Palamcottah Co-operative Stores	Tinnevelly.
7	Puthenpalli "	Malabar.
8	Naraiyur C.S.	South Arcot.
9	Bhannur C.S.	Kurnool.
10	Melpallmbakkam Danish Mission Employee's C.S.	South Arcot.
11	Sankara C.S.	Koraput.
12	Thokapalli Christian C.S.	Kurnool.
13	Uppidi	Guntur.
14	Peteru C.S.	"
15	Ullipalem C S.	"
16	Nalluripalem C.S.	"
17	Kanigiluppai C.S.	North Arcot.

Serial No.	Name of the Societies.	District.
18	Palvarpalli C.S.	Trichinopoly.
19	Chinnavalayam Agriculturists No. II C.S. ...	"
20	Kattur C.S.	Salem.
21	Koodali C.S.	Malabar.
22	Koodakulam C.S.	Ramnad.
23	Sellappampalayam Uthupalayam C.S. ...	Coimbatore.
24	Parvathichinnathanakuppam C.S.	S. Arcot.
25	Santhakavitri C.S.	Vizagapatam.
26	Majai Uthukuli Kangayampalayam C.S. ...	Coimbatore.
27	Naickenpalayam C.S.	"
28	Sirumayakundi C.S.	Trichinopoly.

List of Societies Cancelled in July 1937.

1	Athiyur C.S.	Tanjore.
2	Soosayapuram F.L.C.S.	Trichinopoly.
3	Sundarapuram Kurmanadhapuram C.S. ...	Vizagapatam.
4	Veeraganur Panchamas C.S.	Salem.
5	Telikicherla C.S.	W. Godavari.
6	Vasudevapatnam C.S.	Vizagapatam.
7	The North Arcot District Council of Supervision.	North Arcot.
8	Ainada C.S.	Vizagapatam.
9	Selviamman Sholankuppam C.S.	North Arcot.
10	Tiruvadathanur C.S.	"
11	Polur Gudalur C.S.	"
12	Iriyur C.S.	South Arcot.
13	P. Siruvathur C.S.	"
14	Sankarankoil Co-operative Supervising Union, Ltd.	Tinnevelly.
15	Kilvelliyur C.S.	North Arcot.
16	Tenkasi Co-operative Supervising Union ...	Tinnevelly.
17	Mater Dolorosa C.S.	Madras City.
18	Payyoli Coir Workers' C.S.	Malabar.
19	Bhuminigadda Tenants' C.S.	Chittoor.
20	Kadambur Co-operative Supervising Union ...	Tinnevelly.
21	Pudur " ...	"
22	Uppalapad C.S.	Guntur.
23	Adiveerampatti Kallar C.S.	Ramnad.
24	Kerayada C.S.	The Nilgiris.
25	Erumad C.S.	"
26	Vettuvapalayam C.S.	Coimbatore.
27	Goganamatham A.K.C.S	E. Godavari.
28	Illupur C.S.	Chingleput.
29	Tenali Co-operative Building Society	Guntur.