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Editor: Hon'ble **V. RAMADAS PANTULU**

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EDITED BY HON'BLE V. RAMADAS PANTULU

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129

THE
INDIAN CO-OPERATIVE REVIEW

Vol. IV | JULY—SEPTEMBER, 1938 | No. 3

CONTENTS

CONTENTS (*Contd.*)

THE LATE PROFESSOR FRED. HALL.

THE INDIAN CO-OPERATIVE REVIEW

Vol. IV | JULY—SEPTEMBER, 1938 | No. 3

EDITORIAL NOTES

THE LATE PROFESSOR FRED. HALL

On behalf of co-operators in India we express our deep regret at the sudden demise of Prof. Fred. Hall, 'the master-builder of co-operative education' in Great Britain. Fred. Hall was born at Rochdale, the place of pilgrimage for co-operative consumers, in 1878 in a working class family. The sketch of his career in the British Co-operative journals reveals how much of a self-made man he was. He was forced to leave school at the age of thirteen; he entered service as an office boy, became a clerk and later the manager of a manufacturing firm in Rochdale. He devoted all his spare time to the education of himself; he attended the University Extension classes in Rochdale and then at the University of Manchester itself. He gained his B.Com. and M.A. Degrees, the latter at the age of 32. He had already taken some part in teaching at the technical schools and the schools organised by the Education Committee of the Rochdale Co-operative Society. After he took his M.A. Degree, he quitted commercial service and took up a lecturership in the College of Technology at Belfast, where he soon became the Head of the Department of Commerce. So great was the reputation he gained there as a professor and educational administrator that he could have founded a commercial college of his own and made a fortune. But born and bred up at Rochdale, and having married the grand-daughter of one of the 28 Pioneers, he chose a different path. He worked strenuously for the establishment of a co-operative college at Manchester by the Co-operative Union, which would, in his own words, "provide a centre for higher education in the specialised subjects required for the full equipment of the co-operator, ...assist in all possible ways in the diffusion of a knowledge of co-operative principles and practice and the cultivation of a healthy co-operative opinion, ...and undertake investigation and research calculated to aid the development of co-operation."

It was in 1915 that Prof. Hall was chosen by the Co-operative Union as Adviser of Co-operative Studies, which important position he held to the end of his life. To this was added the Principalship of the Co-operative College when it was established in 1920. Besides giving for a number of years regular courses of lectures at the College, and administering the affairs of that institution and the hostel attached to it he had to do outside the College and at long distances from Manchester a lot of lecturing at week-ends to employees and members of several co-operative societies. At summer schools organised all over the country he is said to have delivered 80 to 100 lectures in a few overcrowded weeks. Many of his nights he devoted to answering the ever-increasing number of correspondents on co-operative education, writing standard text-books like the famous *Sunnyside* for junior students, *Co-operative Book-keeping, Hand Book for Members of Co-operative Committees,* and *Co-operation*—the last in collaboration with Mr. W. P. Watkins, now of the International Co-operative Alliance. He produced pamphlets by the dozen. He was invited to lecture at summer schools on the continent and he was consulted by co-operative educationists overseas. Prof. Hall was called upon to serve on many Committees of Enquiry, not merely of the Movement, but also of the Government, the most notable of which was on National Debt and Taxation. Whatever he took up, he did so thoroughly and spared no pains, that all his energy was consumed by work, and he took little precaution to conserve his strength. Hence it is he died at what in England would be called the early age of sixty.

This dictator of co-operative education assumed none of the airs of the political dictators. He behaved as though he was a fellow-learner all along. This was the prime cause of his immense popularity among the thousands of students who have sat at his feet for longer or shorter periods and imbibed not a little of the true faith in co-operative service. Among these are a few Indian students who must be cherishing his memory as they could of no other teacher.

We cannot ourselves forget this most charming personality whom we met at the International Co-operative Congress in London in 1934 and later at Manchester. Messrs. A. G. Sherlekar and K. C. Ramakrishnan, Indian delegates to the next International Co-operative Congress at Paris in 1937, were the recipients of his beneficent attention. When they went to Manchester, they found him not only willing but anxious to arrange every detail of their programme of visits to the co-operative institutions in and around Manchester, including the original society at his home town of Rochdale and a number of factories of the Co-operative Wholesale in Lancashire.

When is the Movement in India going to produce a co-operative teacher of this faith and of this eminence ?

THE RESERVE BANK BULLETIN ON BURMA

The Agricultural Credit Department of the Reserve Bank of India gives a very stimulating account of the resuscitation of the Co-operative Movement in Burma by the energetic Registrar, U. Tin Gyi. The Burma scheme of recovery must offer hope for the pessimistic co-operator in India, and it is already finding plenty of influential support in this country. Conditions in Burma are different; but it is worthwhile to find out how far a similar approach to the solution of the same problem is possible in our country.

In Burma even before the depression, recovery of sums lent by societies became difficult. Default was the order of the day. The authorities were oliged to take action and as usual they could discriminate little between genuine inability to pay and deliberate default. Lands were taken over by liquidators to the tune of many thousands of acres, which could be neither sold nor managed nor rented out. Surreptitious disposal of property was connived at prior to liquidation. The Burma Government, to save their own face or that of the Movement, came to the rescue of the Provincial Co-operative Bank and enabled it to pay off the creditors to the tune of Rs. 57 lakhs, which for the moment meant a dead loss to Government. All this produced a defeatist attitude and a clamour for liquidating the Movement in interested quarters. It was at this juncture that U. Tin Gyi appeared as the saviour of the Movement. Societies, such of them as could be saved, were reconstituted on the following basis and the old indebted members were encouraged to gradually redeem their debts by the return to them of their lands which had been sold up. The first step taken was to scale down debts after a careful enquiry of the assets and repaying capacity of members. Any sum above the repaying capacity was written off ; and the net scaled down debt of a member was permitted to be repaid in instalments of 10 to 15 years. His land was practically returned to him but on a system of hire-purchase by which he was supposed to take it on lease from the society and pay his instalment dues in the shape of rents. This was to ensure the hold of the society over the land until instalments were all paid, after which for a nominal sale price he was to secure complete possession of the land. This is a kind of 'conditional sale,' a device adopted by moneylenders. Like the latter the society agreed to recover the 'rent' in kind and to market it too and credit the proceeds to his account. It is to be noted, however, that the member is not obliged to deliver all his produce to the society, but only as much as is necessary to meet the dues he has agreed to pay. The society does not take up his minor crops for sale. It is better to avoid putting too much pressure at the initial stages. On the other hand, provision is made for the supply of short term credit to members for cultivation and other necessary expenses.

Remarkable success is said to have attended the scheme in Burma and naturally the Reserve Bank recommends it for adoption in India with some modifications to suit our conditions. Co-operative debts have to be scaled down no less in our Provinces and States than in Burma. It may be done at least to the extent permitted by the resources of societies in the shape of paid up capital and reserve fund. Depositors in banks may have to forego some of their dues and it is better to force the issue earlier rather than continue to allow false hopes to be entertained of complete recovery of deposits. But even if they were prepared for that loss, how to get funds to pay them off is a formidable problem. Local Governments in India can ill-afford to go to the rescue of the financing banks, as the Burma Government did. Debentures may not be easily raised to pay off deposits for want of sufficient security and depreciated value of land; or the rates of interest will have to be put up. Depositors may be coaxed into converting their deposits into debentures in preference to the alternative of possible insolvency of the banks. They will have to be satisfied with a lower return on their investment and wait for a longer period to get their capital back. Provision may, however, be made for the return of debentures earlier in needy cases. Repayments may be made earlier by way of redemption of debentures from out of annual collections from the old borrowers in societies. The Provincial Banks will have to come to the rescue and invest some of their funds in such debentures, instead of in securities outside the Movement.

Another important modification suggested is that instead of holding up the entire land in the possession of the society until all the instalments are paid up, it will be a greater attraction to the borrower, if partial return of the land is made to him according to the instalments paid up, so that in case he fails to return ultimately a portion of the dues, he will fail to get only a corresponding portion of the land.

There is, no doubt, much that is attractive in this Burma scheme of resuscitation of co-operative societies. And the modifications suggested by the Reserve Bank are worth our serious attention. There are already signs of appreciation of the same in different parts of India—notably in the Report on Orissa noticed below.

MR. K. DEIVASIKHAMANI MUDALIAR'S REPORT ON THE MOVEMENT IN ORISSA

Dewan Bahadur K. Deivasikhamani Mudaliar, who recently retired from the position of Joint Registrar of Co-operative Societies in Madras, was invited by the Government of Orissa to conduct an enquiry into the condition of the Co-operative Movement in that newly formed province. Mr. Mudaliar had to do the enquiry almost single-handed, without any colleagues and with the only able assistance of a Secretary, in the person of Mr. K. Subrahmanyam, a Deputy Registrar of Co-operative Societies in Madras. But thanks to his energy and enthusiasm and his administrative experience of the working of societies in Madras ever since the Movement was inaugurated, Mr. Mudaliar has proved himself equal to the task and has produced a report of more than temporary and local interest.

There was a complete breakdown of the credit structure—we would not call it a Movement—in North Orissa. Twelve out of the thirteen central banks could not pay back deposits on maturity and nine of them could not pay even interest on them. What is worse, some of the banks in repaying part of the deposits discriminated in favour of some depositors, much to the chagrin of the rest. Some of them were offered lands in return. Fifty per cent of the assets of the societies were bad or doubtful. The two central banks in South Orissa, however, met all obligations on due dates, a tribute to their past association with Madras. Feverish expansion of societies in the pre-depression period, 'full finance' for clearance of prior debts with no maximum limit fixed for individuals, 'persistent propaganda for postponement or non-payment of debts with a view to secure remissions'—Orissa is not without its original contribution—are among the causes cited of the collapse. The peculiar agrarian conditions of Orissa—its land tenures with exorbitant rents even on lands liable to floods, and the usurious rates of interest on outside debts of members due to restricted tenure and insecurity of crops, especially in the coastal districts where 11 out of 15 central banks are located, have aggravated the difficulties everywhere met with during the depression.

Mr. Mudaliar is of the firm view that a State-financed and managed Provincial Bank can alone save the societies from ruin. Government will have to find the funds to repay depositors in central banks or to give a guarantee to help the floating of debentures to be issued to depositors for amounts due to them by way of principal, if not of interest. The Provincial Bank will have to manage the debentures and attract long term deposits, after which the Government may withdraw its funds. The Provincial Bank will have to manage the central banks, of which there are 15 now, but which should be amalgamated into 5 or 6 for the whole Province and should really function as branches of the Provincial Bank. (The Reserve Bank may kindly take notice of this recommendation which goes against its pet scheme of smaller banking unions). The Government will have to shoulder the cost of management of all the banks in the initial stages and to appoint the chief functionaries. The Provincial Bank is advised to lend to individuals also on gold and on the pledge of agricultural produce and industrial products. The Government is also expected to finance all experimental societies for cottage industries, etc.

As for agricultural societies, the foundation of the edifice, the most urgent step is to reduce substantially, if not wipe out, all overdue interest. The principal of the debt also needs scaling down in most cases so as to bring them within the repaying capacity of borrowers who have all sorts of commitments. We do not know whether creditors will very much enjoy the luxury of prior consultation in the circumstances. Lands in the possession of banks are to be re-transferred to the old holders on the hire-purchase system adopted in Burma and recoveries are to be made in the form of rents in the course of 10 to 15 years. The societies, it is said, cannot now be expected to scrutinise fresh loan applications, sanction them and recover the instalments. All this is to be entrusted to the Bank Inspectors, though only as a temporary expedient. This is downright departmentalism, to be sure.

Mr. Mudaliar has gone much farther in centralising not only co-operative finance but also administration than the Burma scheme has done. But he is not unconscious of the criticisms that his recommendations would provoke in orthodox co-operative circles; and he confesses that some of them are opposed to his own convictions. He has had to place co-operative democracy under suspension for the time being, in the very best interests of co-operation. Will this sting the leaders of the Movement in Orissa, such as are left, to try to lift the ban as quickly as possible?

We heartily support his proposal to make the Co-operative Department a self-contained service—we will not call it 'closed service'—and not the happy hunting ground of all grades of revenue officials, as some would still like it to be.

DEFENCE OF THE MULTIPURPOSE SOCIETY

Mr. Nanavati the Deputy Governor of the Reserve Bank of India, made a notable speech on the occasion of the opening ceremony of the new buildings of the Surat District Co-operative Bank, which is one of the most flourishing central banks in the Bombay Presidency. It has five branches and a plethora of deposits, lying idle or invested in securities or lent to individuals instead of to societies—a practice which he rightly deprecated. He said that there was ample safe outlet for co-operative funds within the Movement itself, if rightly organised, rather reorganised. As one would expect, he stressed the importance of the

scheme of multi-purpose society adumbrated in the Bulletins of the Agricultural Credit Department of the Reserve Bank. He referred to a number of criticisms made on the scheme and answered them seriatim. He said that no originality was claimed for the idea—though the opposite was the impression created by the Bulletin—but that co-operators should admit that the Raiffeisen societies do not live up to their bylaws permitting a number of functions besides the supply of credit. He said that the Bulletins nowhere advocated that trading should form a part of the regular transactions of the society, but that it should be done on the indent system, the society serving as an agent, without any of the risks of outright purchase and sale.

He thought that co-ordinating the work of a credit society with that of a separate marketing society—apparently referring to the system of 'controlled credit'—was cumbrous, and said that there would not be enough men for running two sets of societies in the villages, as there was already a dearth of men to manage credit societies. We might in turn ask: when a simple credit society was not able to secure a competent committee, how could a society with multifarious purposes involving greater skill and enterprise secure competent management in a village? If on the other hand, a group of villages is suggested as the jurisdiction for a multipurpose society, it goes against the principle of unlimited liability—which the Reserve Bank does not seem to recognise. If limited liability is permitted, we can have by all means a society or a number of different types of societies each serving a group of villages, getting larger transactions which would make it worth while to employ paid staff and offer wider scope for the choice of the committee men. There is nothing wrong in the ablest men serving on the boards of management of more than one society. Our contention is that those who are not attracted by a credit society, particularly of unlimited liability, may well be willing to become members of non-credit societies.

The Deputy Governor admits that "not every village society would be able to find men capable of conducting its varied functions without external assistance or advice." He advises the financing agency to see that funds are properly utilised by village societies and to make common purchases for societies. We are not sure whether the banks will shoulder on themselves the responsibility of inspection and of supply. He has himself a doubt: "Can the existing central banks undertake these delicate and varied functions and deal with a large number of societies?" Hence it was that banking unions with smaller jurisdiction were suggested in the Bulletins. But now Mr. Nanavati disclaims that the Reserve Bank "no where advocated that district central banks should be scrapped and replaced by banking unions, each for a taluk," and adds that it would arise only if it was proved that by the very size and organisation district banks would be unfit to shoulder the responsibility. This, we thought, was taken for granted in the Bulletin. It is not meeting criticism to say, " these functions should some how be performed—never mind by whom." We have a rather tame conclusion to a challenging start: " It is far too early to come to a categorical conclusion; you have a rich field for experiment before you." Whoever denied the value of experiments in India? The Reserve Bank's Bulletin seemed to be more dogmatic.

CO-OPERATIVE SUPPLY OF AGRICULTURAL REQUIREMENTS

We regret very much the delay in the publication of this issue of the *Indian Co-operative Review*. This has been entirely due to the long and fruitless waiting for contributions on the subject of the Co-operative Supply of Agricultural Requirements, on which we had invited individually many authorities in India—official as well as non-official, agricultural as well as co-operative to enlighten our readers. Few have chosen to respond, as our readers will see. It looks as though we will not get much co-operation from outside the co-perative world. But we shall not give up the attempt to seek it, after the first failure.

There are only two contributions dealing directly and fully with the subject of co-operative supply. The first is the masterly analysis of the problems of supply organisations in the West by Miss Margaret Digby, the able Secretary of the Horace Plunkett Foundation. The progress made by societies, in the line of fertilizers in particular, is prodigious in comparison with what we in India have been able to do for a generation. After all, some of the western countries began to organise co-operative supply just a decade or two earlier, while some others have taken it up recently, but far outdistanced us. It is true that their economic and other circumstances are much more favourable. But we must concede that their capacity for organisation is far superior. The other contribution is by Mr. K. C. Ramakrishnan, who, at our instance, has attempted to survey the past history and the present position of co-operative purchase of agricultural requirements all over India, taking his data from published records. What a miserable show we make in this field is fully brought out. As Mr. Ramakrishnan clearly shows, it is not as though the Indian demand for the supply of many of the modern requirements like better seeds, implements, small machinery and chemical and other concentrated fertilizers is insignificant and is not increasing. It may be that the demand in some areas is too thinly spread out; but there are definite areas of concentrated large demand, where the organisation of supply ought to be easier. Only co-operators should take it up in right earnest and the Agricultural Departments should not consider it *infra dig* or outside their province to co-operate with the co-operators.

THE SUPPLY OF AGRICULTURAL REQUIREMENTS

BY

MISS MARGARET DIGBY,

Secretary, Horace Plunkett Foundation, London.

Much of the early idealism of the agricultural co-operative movement centred on credit which, with thrift, had an easily understood moral appeal. Much of the more spectacular publicity which the co-operative movement has received in recent years has been concerned with marketing, since the great fruit exchanges of the United States and the all but national handling of Danish dairy produce were impressive in themselves and were suited to picturesque presentation. The supply of agricultural requirements has received less attention. It made no particular appeal either to the conscience or the eye. It was also identified in some countries and minds with the co-operative distribution of household goods, a development which many early co-operators—Raiffeisen for example—did not encourage. It has nevertheless been of inestimable service to agriculturists of all nations working under very diverse conditions.

In England the supply of requirements was the first branch of agricultural co-operation to spring up and it did so quite spontaneously, as a result of the adulteration of fertilisers then prevalent and unchecked by legislation. A group of farmers combined to obtain an analysis and order a shipload of fertiliser, which they afterwards distributed among themselves. The movement was thus launched as early as 1870. For a number of years it grew slowly, then, with the establishment of the Agricultural Organisation Society in 1901, more rapidly. To-day it is the best developed side of agricultural co-operation in England with about 100 societies and a total turnover of just under £10,000,000. The principal business (85 per cent) is in the feeding stuffs which are so important an element in the livestock economy of English farms. The rest is made up of fertilisers, seeds, machinery and miscellaneous farm requirements, hardware, binder-twine, etc. With a couple of trivial exceptions, no society handles domestic goods, which are left entirely to the consumers' co-operative societies in country towns and villages. Many societies also buy from their members, principally grain, forage and potatoes.

Each society is a separate unit with a membership ranging from 100 to over 1000, and with a considerable list of non-member customers.

2

Some societies have their own mills and mixing plants, but at least an equally common view seems to be that capital so tied up could be put to better use, and societies will prefer to buy goods ready milled or mixed from the Co-operative Wholesale Society. This organisation, catering primarily for the consumers' movement, has large supplies of miller's offals and cake as by-products of its trade in flour and margarine. It has during recent years taken pains to establish a special agricultural department and to cater more generally for the farmers' trade. As a result, most of the larger societies are among its shareholding members and buy a considerable part of their requirements from it. There is undoubtedly room for improvement in this service and in the organisation of mutual relations, but the integration has begun and promises to be of permanent value.

The line of development in the United States has been similar up to the point where the Co-operative Wholesale Society enters the field. In the United States, consumers' co-operation has lagged behind and farmers' organisations have formed their own regional federations, which are virtually wholesales. Owing to the great area of the United States and to the diversity of sources of supply, a national wholesale, except perhaps in the form of an agency or clearing house of information, would scarcely be practicable. At the same time the American societies have, to a much larger extent than those in Great Britain, engaged in the supply of domestic goods for which no alternative co-operative source exists. Marketing as a rule they do not touch, as American marketing societies are already well-developed. A characteristic American feature is the very large number of co-operative organisations supplying petrol and lubricants, most of which are farmer-owned and which make up no small part of the total turnover under the heading of "agricultural requirements."

In Denmark development has been by way of extreme specialisation. Village consumers' societies exist, handling domestic goods, but they do not touch agricultural requirements. These are again subdivided into feeding stuffs, seeds, fertilisers, coal, cement, etc. For each there exists a national co-operative wholesale or productive unit (occasionally more than one) with its local agencies. The system has worked well, but it demands in high degree the capacity to serve willingly and efficiently on innumerable committees, which is apparently a Danish and an English but not a universal characteristic.

In Germany yet another way was devised. The Raiffeisen credit society came first, but it was early discovered that it was of little value to make a loan for the purchase of requirements if the goods themselves —high priced, poor in quality, often fraudulent—had to come from just that unsatisfactory trader who had already been embittered by the loss of the money-lending side of his business. The Raiffeisen society became an agency for those purchases which its loans had made possible. Very wisely no attempt was made by local societies to undertake merchandising, but as the private wholesale suppliers became more intractible and unsatisfactory, provincial wholesale societies, in some ways similar to those of America, were gradually built up. Unlike the Danish wholesales, however, they were general, not specialised, nor did they ever handle domestic goods. Most of these regional wholesales were and are purchasers of agricultural produce, especially grain, and this system was particularly well developed in Czechoslovakia. Nearly always the local Raiffeisen society is also the agent for this trade.

In France the supply of requirements was initiated not through the credit society, which was a later development, but through the agricultural syndicat, a lossely organised professional body, not apparently very suited to carry on trade. Here again, a federal system developed, the local syndicats being merely agents and the regional syndicats the purchasing and sometimes manufacturing wholesale. Several syndicats where this business most flourished found it expedient to transfer their undertakings to a properly constituted agricultural co-operative society with share capital and limited liability. Such societies usually continued to act through the local syndicats, but some also established agencies of their own under the care of agents paid on commission.

Most other countries follow one or other of these systems. Ireland, it is true, after experimenting with the English type of self-contained single-purpose society has fallen back on the mixed domestic and agricultural store, which, according to the most recent and successful practice, is further attached directly to a co-operative creamery. This means that the formidable problem of credit is met by an understanding between the dairy and supply departments that members may not purchase in excess, or at least not greatly in excess, of the value of their monthly milk cheque. Something of the same kind does in fact obtain in Denmark for all its apparent sub-division, and the agent for fertilisers generally has a very shrewd idea (not infrequently confirmed on the telephone) of what each purchaser is worth at the creamery. In other countries—Switzerland and Hungary for instance—the merging of agricultural and domestic supply is complete but the association of marketing is less essential and generally means only that a local general purposes society is agent for some central grain or wine marketing co-operative and the useful tie-in with credit is not present.

The agricultural requirements society has a number of problems. Shall it, in the first place, be a mere agency or a full trading organisation? The first is the easier, since it does not require expert staff or large capital, but if the agency is to be anything more than yet another weak buyer on a market dominated by massive private interests, it presupposes the existence of some kind of co-operative wholesale society. England found one ready made by the urban consumers' movement, but no other country has been so fortunate although the Swedish Consumers' Wholesale has provided some useful auxiliary services. If the wholesale is to be created by the agricultural movement itself, the problem of capital and management presents itself in a still more acute form. If the wholesale is to precede the local societies, besides being against all co-operative principles of building from the bottom up, such a creation might easily become an upper story with no foundations, forced to prop itself on semi-commercial agencies. If the local societies come first (as in fact they have done in nearly every country) they must be loyally supported and competently run if, under present conditions of cartellisation and close control by private interests, they can survive till they have built their own wholesale.

Capitalisation is another point of difficulty. A simple agency is cheap, but it is apt to be ephemeral. The mere fact that a society "hibernates" between the period at which seed corn and fertilisers are required, means that its members lose interest and its officers grow slack. Once a society becomes a merchant on its own account it needs weather and rat-proof storage, scales, lorries, possibly some form of milling or mixing plant. Loans for such a purpose, either from state or co-operative sources are rare, and nearly all societies have built up their equipment gradually out of their own resources and particularly out of their accumulated profits. Certain types of organisation—as for example the brilliantly successful Co-operative Phosphate Company of Australia —required very heavy capitalisation to provide for costly manufacture, and part at least of this was raised by the sale of debentures before business was started.

Relations with members require careful consideration. Some are bound by rule or contract to purchase all their requirements through the society and there is sometimes a system of penalties for those who go elsewhere. In others, choice is left free. This is the case in England, where a fairly advanced system of salesmanship through "travellers" calling at farm-houses has been evolved. The extent to which credit is given varies. In countries where there is a well developed co-operative credit system it is usual to require the member to take out a short term loan with which to pay for his purchases. In Ireland and Denmark there is, as we have seen, an inconspicuous but very useful link with milk deliveries. Elsewhere a certain measure of simple trading credit is generally allowed, usually between two and three months. This is really a form of short term credit and is covered either by the society's reserves or by bank overdraft at what is not, for the society, an unbearably high rate of interest.

Most societies pay, when they can afford it, a fairly substantial bonus on business done. This is an attraction to actual and potential members, but it should not be allowed to interfere with the building up of reserves. In recent years the initiation of taxation on co-operative surplus, from which bonus returned to members is exempt, has had the effect of increasing bonus and reducing allocation to reserves. This has attracted business, but is not for the ultimate health of the movement. Practice differs as to the extent to which bonus is paid on accounts still outstanding, but on the whole there is a salutary tendency to restrict it to purchases for which payment has actually been made.

The training of staff for requirements societies has received a good deal of attention. In some countries—Germany, Czechoslovakia and others—co-operative schools exist for this purpose. More frequently managers and their assistants have to pick up their trade from actual experience—*a force de forger on devient forgeron.* It is generally agreed that men imported from private trade are unsatisfactory, imbued with all the less desirable habits of such trade and out mainly for their personal advantage. A reverse problem is that of the numerous young men trained in a prosperous but not rapidly expanding movement for whom no managerial posts are available, and who may therefore use their good co-operative training and even their recently formed personal connections with purchasers, to set up in business on their own.

Not much international organisation has yet been set up in the field of agricultural supply. Some years ago an international buying agency for Chilean nitrates was set up in Rotterdam by the agricultural co-operative organisations of Sweden, Germany, Holland and Czechoslovakia. Soon after, however, the Chilean Government assumed a monopoly of the nitrate trade, and the *raison d'être* of the agency vanished. It was, however maintained and has done a certain amount of joint purchasing of feeding stuffs. Swedish and Finnish co-operative organisations jointly exploited a new process of grass drying. The French agricultural syndicats, have recently set up an importing organisation for fertilisers, but it seems doubtful if any contacts with foreign co-operative organisations have been made. Individual societies export small quantities of goods such as tested seeds, generally to co-operative societies in other countries. No attempt has yet been made to study as a whole the international trade in agricultural supplies, nor to see how far it could be brought under full co-operative control either by bringing existing co-operative societies into touch with one another, or by creating new societies to deal with products in demand by co-operative suppliers. Proposals for some such action were put forward at the recent Imperial Conference on Agricultural Co-operation at Glasgow (July, 1938), and it will be interesting to see how far they can be put into effect.

A NOTE ON THE CREDIT AGRICOLE D' EGYPTE

BY

J. P. BRANDER, I.C.S. (RETD.)

I. The chief merits of the Bank, Credit Agricole d' Egypte, established in 1931, are two. Firstly, it provides the best seed and manure. Secondly, it keeps up the level of prices throughout the year by financing the small cultivators throughout the cultivation, storage and sale of crops. Six hundred thousand fellahin (cultivators) are clients of the Bank. Lord Kitchener's Five-Feddan (acre) Law killed the old Agricultural Bank of Egypt. Mr. Hartshorne, now Deputy Manager of the Credit Agricole, was an officer of that Bank. The Credit Agricole is exempt from that law. It has the right of seizure of crops. The village officers do this. The power, however, is not used as much as it should be. If the clients ultimately do not pay, the Credit Agricole goes to court to get possession of the land. Being an Egyptian Company it can use the native courts, which are speedier than the mixed courts.

Government gave half the capital and guarantees five per cent dividend, but had to pay under the guarantee the first year only. The joint stock banks contributed the other half of the capital. The Credit Agricole can borrow from Government at 2 per cent up to six million pounds. It has a permanent advance from Government, and pays 2 per cent for it. It deposits this with the National Bank and gets 2 per cent interest on it. The capital is one million pounds.

The Credit Agricole does not lend on land mortgage security. It does not deal with the big cultivators, or compete with the banks which finance them. It deals with the small cultivators with whom the big banks cannot be bothered or have no organisation for dealing with. There are 650 co-operative societies in Egypt. The Credit Agricole deals with most of them.

The chief crops are wheat and cotton. There are 99 branches of the Credit Agricole, and some hundreds of godowns (warehouses) to store the crops. It lends to clients up to 80 per cent of the value of the crop deposited in its warehouses. The client usually brings a buyer to the warehouse, sells the crop there and repays his loan at the same time. The fellahin formerly sold all their crops at harvest time, thus bringing down prices. The Credit Agricole system prevents these forced sales.

The rate of interest is 4 per cent. There is no profit made from the interest. All the profit is from the supply of manures. The Credit Agricole supplies vast quantities of Chilean nitrates and chemical manures—2,00,000 tons in all—buying them at outrates and thus being able to distribute them at outrates. The profit is £50,000 a year. The dividend is five per cent.

The Credit Agricole has started a benevolent voluntary contributory fund for its employees, to give them in hard cases money for medical expenses, the chief emergency.

The increased prosperity of the fellahin caused by the Credit Agricole does not make them become extravagant and increase their debts. It is said to have reduced crime in some Provinces.

As regards the co-operative system of banking and other activities, the view is held by some persons in Egypt that Oriental people have no real co-operative spirit. But the system of Credit Agricole could be applied to them.

Mr. Hartshorne is emphatic that such a bank to be successful in any country must be run strictly as a commercial affair without any intrusion of politics, e.g., as regards appointments to the staff. This principle will have to be constantly fought for.

II. I would add the following remarks:

Mr. R. F. Mudie, I.C.S., Revenue Secretary to Government of the United Provinces, three years ago visited the Credit Agricole and wrote a note dated 30th April 1935, recommending the system for the United Provinces. This note should be read.

The Credit Agricole seems well worth investigating by making a visit to Cairo, especially in view of the extensive failures of co-operative credit in India and other eastern countries. The difficulty of securing skilled and honest management is a great weakness in the co-operative system. The Credit Agricole system *prima facie* would seem suited in India to rich canal areas or rich cotton and oilseed dry areas. It solves the four great difficulties of the cultivator, viz., securing the best possible seed, the best manure at the cheapest rates, the most profitable marketing, and low interest. Also the cultivator can sell his crop whenever and to whomsoever he likes.

It is doubtful whether the marketing organisations, intended presumably by the Governments in India to be run as co-operative bodies, will be successful, or at least so successful as skilled commercial joint-stock bank management, such as that of the Credit Agricole.

The system resembles the bank modelled on that of the former Agricultural Bank of Egypt and recommended in 1905 for the sugarcane area on the Nira Canal, Poona District, India, and which was actually introduced there experimentally as a Government banking scheme by the Government of Bombay about 1909 and ran very successfully. Unfortunately the Government, against the advice of the local officers, handed the business over to the Provincial Co-operative Bank and local co-operative societies created for the purpose. This arrangement has gradually broken down, the arrears even before the slump in agricultural prices being very great. Co-operative societies failed to secure the substantial cultivators as members, for these fear to undertake unlimited liability for the smaller cultivators who often are men of straw.

It cannot be said that the Credit Agricole system is antagonistic to or incompatible with Co-operation. The Credit Agricole has 500 co-operative societies as clients. This should counter hostile criticism of the system which may be made in India.

A similar bank in India would probably get its profit from the rate of interest, as it would not do so much manure business.

It would not, it is thought, be possible in India for such a bank to operate in dry areas, growing subsistence food crops. The expensive staff and warehouses could not earn enough profit. But such a bank having its main business in a canal or other rich and secure crop area might be able to help co-operative societies operating in dry crop areas not far off.

The Agricultural Credit Department of the Reserve Bank of India may perhaps consider whether the system might be adopted in some parts of India. Sir Frederick Nicholson's " Report on Land and Agricultural Banks for Madras," 1896, leads one to infer that the rich special product areas of Madras, where, according to him, the cultivators were being sucked dry by moneylenders and produce-brokers, might be much benefited by some system working on the above lines.

As in Egypt, Government would have to lay down the general policy and line of operations of such a bank, but have nothing to do with the detailed working.

SUPPLY OF AGRICULTURAL REQUIREMENTS IN INDIA

BY

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Any one who makes a comparative study of agricultural co-operation in this country and in other countries, where the movement has progressed very much farther, is apt to be struck by the paucity of societies for purposes other than credit in India, notably societies for the supply of agricultural requirements. This type was among the earliest to be organised in several European countries and has been continuously developed. More intensive cultivation was the only means by which the competition of cereals from the new world could be met. It is to organise the supplies of better seeds, manures and implements that the first co-operative societies were started in some of the Western European countries. Even in Germany (whose model India set out to follow from the very inauguration of the movement) though Raiffeisen began with societies primarily for the supply of credit, he urged them, among other things, to undertake the supply of agricultural requirements. In fact none of the other purposes which credit societies took upon themselves was so well accomplished as that of supply. In course of time, however, separate societies for supply, sale, dairying, etc., have had to be organised, so much so that by the end of the year 1935, for which figures are available, out of 42,637 agricultural societies, only 18,926 were credit societies, 8,962 dairy societies and 3,560 supply and sale societies. In fact supply was a function taken up by several types of societies.[1]

THE POSITION BEFORE THE DEPRESSION.

The Co-operative Credit Societies Act of 1904, with which the movement was inaugurated in India, did not, as the name indicates, pro-

1. It is difficult to speak with certainty of the present position of the co-operative movement in Germany, even in the agricultural sphere. It is perhaps a limb of the Corporate State, and not a free organization. For it was said early in 1937 that "throughout the agricultural co-operative movement in Germany, a structural and functional change is in progress, which is not yet concluded and which will achieve for co-operation a completely different place in national economy from that which it has hitherto occupied." (Dr. R. Hoernick in *Year Book of Agricultural Co-operation*, 1937, p. 383.)

vide for other than credit societies. But the village credit society, modelled on Raiffeisen's, was exhorted to include among its secondary objects the following: "to act as the agent for the joint purchase of agricultural, domestic and other requirements of its members; to purchase and own implements, machinery or animals for hire to its members to disseminate a knowledge of the latest improvements in agriculture, handicrafts, etc. and encourage its members to adopt them." The Maclagan Committee definitely favoured the combination of such functions with credit, and extolled the work done by societies in the Central Provinces in growing and distributing improved seed. "It is," the Committee urged, "in the use of credit societies for distributing improved seeds and implements, and in the general supervision and development of non-credit societies, that the help of the Agricultural Department can most usefully be afforded and it should be given fully and ungrudgingly."[2]

These grandiose aims, however, have seldom been fulfilled, nor even seriously attempted by credit societies in India. The published statistics of the transactions of co-operative societies in India seem to conceal rather than reveal the nature and extent of non-credit activities. The classification of societies is not sufficiently detailed. Purchase and sale societies are clubbed together. It would be useful to know how many were doing purchase alone, and how many sale and how many both. The distinction is very important, if there is any lesson to be learnt from the history of the co-operative movement abroad. For in Europe, purchase of requirements proved a simple affair from the beginning, while sale of produce was for long a failure, except in case of converted products like butter. We get no details of the materials purchased, even for an entire province, of the improved implements, seeds or fertilisers, except perhaps when success is pronounced. In some of the provincial administration reports, certain items of joint purchase and sale carried on by credit societies used to be published, though such information was not available of the *ad hoc* purchase and sale societies —another evidence of the overwhelming importance attached to credit.

There is no means of knowing how many credit societies undertook the supply of agricultural requirements every year or spread the knowledge of improved methods. The Townsend Committee on Co-operation in Madras simply said: "These activities were, however, confined only to a few of the 11,000 primary societies; the great majority of them did nothing in these matters."[3] The Madras Registrar, when asked by the

2. Report, p. 10.
3. Report, p 10.

Royal Commission on Agriculture, estimated that about a hundred societies went in for the supply of agricultural requisites but that the number varied from year to year, perhaps with the intensity of propaganda.[4] The transactions of the *ad hoc* purchase and sale societies were small and spasmodic even before the depression. Societies which were held up as models one year showed signs of decay a few years hence. The rate of infant mortality was phenomenal among the agricultural societies organised for supply, in spite of their low birth-rate. While the Townsend Committee favoured separate societies for non-credit work, official opinion in Madras has not been unanimous or consistent on the subject of single *v* multiple-purpose societies. The fact is that failure followed experiments on either system. And it is significant that in the report of the Madras Banking Committee, agricultural supply was not a subject treated at all in the chapter on Co-operation or anywhere else.

The history of agricultural supply has not been much more creditable in other provinces either. Bombay and the Punjab have attempted more in the past, but success has not been commensurate with the efforts. Their Banking Committees were also silent on the subject. The Bengal Banking Committee examined the working of the Agricultural Associations established to supply to members, on indent, agricultural requisities, and found that " owing to the apathy of cultivators towards improved means and methods of agriculture, they were not working satisfactorily." The Committee doubted the need for such *ad hoc* associations "as their duties could be performed quite as well and more economically by the credit societies themselves or by the sale and supply societies."[5] The Central Provinces Banking Committee similarly questioned the need for separate supply societies. " We see no reason for stretching the catch phrase ' one thing at a time ' to debar a primary society from functioning simultaneously as a credit society and as a supply and sale society, provided the members have been properly trained ' one at a time ' in their duties."[6] The United Provinces Committee were disposed to ascribe the failure of co-operative credit societies to their confining themselves to the lending of money and not linking it with purchase and sale as the village bania did. They recommended not merely the combination of functions in one organisation but wanted it to include the local bania.[7] The Bihar and Orissa Committee, more candid and original in many of their views, would not recommend the Central Banks to finance other activities than credit as some of them had already burnt their fingers, and the solution of the debt problem for which the co-operative movement was started was not in sight of attainment. " It is folly " they warned " to jeopardise success in the main objective by rash adventures into minor activities, however attractive they may at first sight be."[8] This view, however practical it might look, ignored the Raiffeisen tradition and the feeling of many in India that the supply of credit by itself was not the best solution of even the problem of agricultural indebtedness. It is surely necessary for the society to know and to see to it that the loan granted is spent on the right kind of agricultural requisites, if the member is expected to pay back his loan in time. There may be a difference of opinion on whether the supply of requisites should be taken up by the credit society or by an *ad hoc* supply society. The Royal Commission on Agriculture advocated no hard and fast rule but found the single purpose society more acceptable.[9] But as we saw above, if the Banking Committees reflected public opinion, within two years it seemed to have veered round to the opposite point of view, so far at any rate as supply was concerned.

II. THE PRESENT POSITION.

Let us now examine the present position of co-operative supply, after a long period of depression, in different parts of India. There is no improvement in co-operative statistics relating to transactions other than credit. It is futile to discover the extent of supply made from the all-India figures published in the Statistical Statements on the Co-operative Movement in India for 1935-6, the latest year for which they are available. There were nearly 80,000 agricultural credit societies, but only 350 for purchase and sale. As already stated, there are no separate figures for purchase alone : but if the ' sale of goods to members ' by all classes of societies be an indication of the supply of agritural requisites effected, it amounted for the whole of India to Rs. 37 lakhs, as against Rs. 538 lakhs granted as loans to members by all the societies. The Punjab took the lead with Rs. 11 lakhs, Bombay came next with Rs. 6 lakhs. Then followed Baroda with 5·46 lakhs, United Provinces 5 lakhs, Bengal 4 lakhs and Madras had only 2·66 lakhs. But we are not quite sure whether all the Provinces follow the same rule in the treatment of Purchase and Sale on a commission basis and outright Purchase and Sale.

4. Evidence at Madras, p. 639.
5. Report, p. 141.
6. Report, p. 284.
7. Report, p. 191.
8. Report, p. 136
9. Report, p. 468.

The Provincial Administration Reports themselves are not very illuminating, though they give some interesting details. In Madras for the year 1936-37, for which figures are available, sale of goods to members had been effected by all classes of societies, credit, purchase and sale. to the extent of Rs. 5·1 lakhs. All the credit societies together could sell only to the extent of Rs. 3,066. Most of the societies that supplied seeds were loan and sale societies, of which there were in all 111. There were 5 Agricultural Improvement societies, of which by far the most important was the Lalgudi Sivagnanam Agricultural Improvement Society, that distributed seeds and manure to the value of Rs. 1·37 lakhs. The Nilgiri Potato Societies supplied 8,517 bags of fertilisers for Rs. 91,427 and saved the members Rs. 17,000. The Madura Loan and Sale Society took a contract from the Madura Municipality for the disposal of city rubbish including nightsoil and supplied 18,000 cartloads of manure to the ryots at prices 25 to 40 per cent lower than before. Other societies were asked to imitate the Madura society. But we have since heard that the municipal council of that great city has not chosen to renew the contract to the co-operative society ![10]

Bombay had in 1935-36 (later figures are not available) 30 Agricultural Requisite Supply societies which had transactions to the extent of only Rs. 33,500. Machinery and Implements societies used to do a lot of business by way of hiring machinery and implements in previous years, but did poor business this year. There were 95 Taluka Development Associations, whose main object was to popularise the use of improved seed, manure and implements. It is not known what business they did, though they are said to have spent over a lakh of rupees, 60 per cent of which was contributed by Government. Some of the Cotton Sale Societies, for which Bombay has been famous, have done much to multiply and distribute the pure and improved varieties of seeds. Gadag society alone sold seeds for Rs. 43,600. Co-operative opinion in Bombay seems to find more merits in the combination of supply and sale than in their separation; for while the membership was the same, the season for supply was different from that for sale. Supply societies, started in scattered areas, could do little; their transactions were too inadequate to maintain the Agricultural Wholesale organised in 1919.[11]

In the Punjab there were 18 Purchase and Sale societies and one union in 1936-37. The Supply Union at Lyallpur did small business. All the societies together had Rs. 1·87 lakhs of transactions—most of

10. Madras Journal of Co-operation, July 1938, p. 4.
11. Co-operation in Bombay, [H. L. Kaji, Ed.] pp. 94-98.

which are said to be in the Criminal Tribes Settlement, working under the supervision of officials. This is not so heartening for a province which claims to be the most advanced in agricultural co-operation. The Better Farming Societies, however, have distributed pure wheat and cotton seeds and sugarcane setts all amounting to 4,000 maunds, and sold a number of improved agricultural implements.

The Central Provinces had 45 Agricultural Associations and 15 Seed Unions working under the Agricultural Department in the year 1936-37, and they sold improved machinery and pure seed, but only to the extent of less than a lakh of rupees.

In Bengal there were 75 Purchase and Sale Societies which sold goods to members to the extent of Rs. 2·5 lakhs in 1935-36. Rural Reconstruction societies were also said to be supplying improved seeds.

The United Provinces had in the year 1936-37 a number of central and primary stores for the supply of pure seed. A few of the rural uplift centres also undertook the distribution of pure seed. Bad losses resulted in the working of the Roorke Agricultural Supply Society due to the embezzlement by the manager (followed by his suicide!) and the refusal of the Central Bank to take over the business. Central seed stores seemed to do quite well on the whole. But the margin allowed was too small to permit the employment of technical staff.

Much of this is depressing reading. The transactions for a country so vast as this and with a movement more than a generation old are miserably small. In Japan, where the movement is practically just as old as in India, and there are only 15 million acres cultivated, societies numbered 15,000 and as many as 80 per cent of them purchased for members requisites, agricultural and industrial, such as fertilizers, agricultural implements, seeds, eggs of silkworm, fishing implements, etc., amounting to 70 million yen per annum or about 5 crores of rupees.[12]

III. THE NEED FOR SUPPLY OF BETTER SEEDS ETC.,

We have in India a school of apologists who do not mind the failure of co-operation in the sphere of supply. They question the very need for the improved agricultural requirements in this country and think

12. The total annual consumption of fertilisers in Japan has been estimated at 4 million tons, of which 23 per cent is hanled by co-operative societies. According to a five year plan of the Central Union of Co-operatives, it is to be raised to 60 per cent by the end of 1938. (But the war has intervened)—*People's Five Year Plan* by Tadao Wikawa.

that all is well with the Indian ryot and his methods of cultivation. This is not the place to discuss extreme views in favour or against the systems of cultivation long in vogue in this country. While it is the duty of co-operators to conserve everything that is good, it is essential to adopt all means of increasing the net yield of crops per capita as well as per acre. There is, in fact, a steadily growing appreciation on the part of the ryots themselves of the benefits of some of the improvements demonstrated by Departments of Agriculture, though we would wish a faster pace of progress. Co-operative societies properly organised and worked can do not a little to quicken the progress by reducing the handicaps and offering greater facilities for improvement.

There is not the least doubt that the improved strains of paddy, wheat, cotton, sugarcane and groundnut, evolved after long trials by the Agricultural Departments, are finding favour with an increasing number of cultivators and very much more than implements or fertilisers. According to a recent report of the foreign agricultural expert, Sir E. J. Russell, 80 per cent of the sugarcane area, 50 per cent of jute area, 20 per cent of wheat, 19 per cent of cotton were all under improved strains. This could not unfortunately be said of paddy and groundnut, where the improved varieties covered only 4·3 per cent and 3·4 per cent respectively.[13] In the Madras Presidency, the percentage is higher—it is at least 10 in the case of paddy. We have some idea of the universal popularity of G. E. B. 24 in all the irrigated tracts. Sir J. Russell attributes the slow progress "to the lack of an honest and effective seed trade to take up the new varieties, to multiply them, and distribute them to cultivators at a reasonable price." When the need is felt and not met by private trade, it is perhaps the best opportunity for the multiplication of seed-unions on co-operative lines. The seed might be stocked and sold by societies of all types.

As for implements and machinery, it is not correct to imagine that all of them are only labour-saving and can have no place in a country where there is not enough work for all the labour available. There are machines and implements which are 'labour-improving' and must be very serviceable where thoroughness and speed of cultivation are essential in view of the shortness of season, or where waste can be eliminated in the processing of produce, e.g., in the crushing of sugarcane. Iron ploughs have been steadily gaining ground, particularly in dry cultivation though we know that in certain other tracts they are rusting in the

13. Report on the Work of the Imperial Council of Agri. Research, p. 47.

premises of societies or with individual owners. In 1935-36, as many as 28,655 ploughs were sold through the Departmental agency alone in British India, and the sales of spare parts exceeded the sales of ploughs —an indication of the continued use of such ploughs. Private agencies are making and selling ploughs and other implements, notably in Bombay, the Punjab and Mysore.[14] Even tractor-ploughing by private agencies has become a business proposition in Guzerat, Bombay Dekkan and in Bellary, particularly on land infested with *hariali* grass. Societies could own and hire such costly machinery not only for cultivation but also for spraying of plants and for processing of produce.

On the subject of fertilisers it is contended that India has a rich store of indigenous manures, which if conserved would go a long way to meet the requirements of plants. It is also possible to adopt wiser methods of cultivation, growing leguminous and green manure crops in between the cereal crops, preventing water-logging and thus helping soil-aeration, making composts of leaves, cowdung, urine earth and all rubbish including nightsoil as they do in China, whose soil is perhaps the best conserved in the world and is seldom enriched by chemical fertilisers. Nobody can deny the value of these measures of conservation, which are only slowly being adopted by our ryots. The fuel problem in parts of India has to be solved if all the cowdung is to be returned to the soil. How are we to check the export of immense quantities of combined nitrogen in the form of oil-seeds, oil-cakes, and of phosphatic manurial substances like bones, and fish guano ?[15] The export of the latter may be prohibited because of their limited supply and of the former checked by an export duty and their consumption in the country encouraged by all possible means—including the development of the oil-crushing industry and a wide range of other industries built on the basis of oils. For the foreign demand has been not so much for our oils as for our oil-seeds; and the transport of some oils in bulk is another problem. Such a comprehensive programme cannot be accomplished in a short space of time, though it must be taken up at once, in view especially of the slackening demand for our seeds on account of competition from tropical colonies. Even then co-operative societies will have their part to play in the scheme: supplying oil-cakes where they are not locally produced.

14. Agriculture and Animal Husbandry in India, 1935-36, p. 289.
15. A. Howard, Crop Production in India, pp. 45-49.
India exported Rs. 18·5 crores worth of oil-seeds and Rs. 2·5 crores worth of oil cakes in 1936-37. Review of the Trade of India, 1936-37.

But the best champions of conservation of indigenous manures have to recognise the value of artificial fertilisers in stimulating the production of some of the most valuable crops, even as they have done in Western countries, for the supply of which most of their co-operative societies have been organised from the very beginning. The demand for artificials has been growing in India in the last 10 years, particularly in South India, which is more 'fertilizer-minded' than the north.[16] We were importing every year before 1926 only five to six thousand tons of fertilisers. In 1936-37, we imported 84,000 tons and Indian production was estimated at 18,000 tons.[17] In Deltaic areas with extensive acreage of valuable wet crops like paddy, plantains and sugar-cane —grown one after another without any rest in South India—farmyard manure is quite insufficient, especially as the facilities for keeping cattle are very limited. The best results have been obtained by the use of nitrogenus and phosphatic fertilisers combined with some organic manure, like green leaves and oil-cakes. We are told that in one taluq in East Godavari District, the consumption of artificials supplied by Messrs. Parry & Co., and the Imperial Chemical Industries exceed Rs. 4 lakhs for the year and we are glad to hear that an enterprising cooperator has been able to get the agency for his society from Messrs. Parry & Co. So far private merchants have been entrusted with the sale of these valuable concentrates in the villages. It is not known what profits they make, what weights they use, and whether any adulteration is resorted to. These are evils that are bound to crop up and develop in our country, as they did in the West fifty years back, which indeed stimulated the organisation of co-operative supply. Not only do our agriculturists need a Fertilizer Act to protect them from adulteration in the bazaar, but if prices are to be kept within reasonable limits and some guidance in the use of artificials is necessary in the initial stages the best agency would be co-operative societies.

IV. THE CO-OPERATIVE FORM.

How is it that in spite of the distinctly growing demand for and consumption of better seeds, implements and fertilisers, our co-operative societies have not been able to do any considerable business in these lines ? It seems to us that our credit societies based on unlimited liability and primarily intended for 'persons of limited means' hardly

16. Report, p. 58.

17. Madras presidency alone imported in 1936-37 more than 26,000 tons of sulphate of ammonia and 4,000 tons of superphosphates from the United Kingdom, Japan and Belgium —Report on the Sea-borne Trade of the Madras Presidency, 1936-37, p. 7.

attract the substantial farmers who have so far been the consumers of these articles. If the smaller farmers are to profit by the use of these articles, the better way is to get the co-operation and guidance of bigger farmers, which would enable the society to go in for waggon loads of goods at cheaper freights. It was long ago recognised in Germany that large and small farmers could successfully co-operate for supply while similiarity of status was indispensable for credit.[18] Unlimited liability, with the experience we have had of its enforcement in South India, is bound to scare away the better-off farmers whose co-operation is more essential for supply and sale than for credit. If it is felt that unlimited liability cannot be scrapped at this stage and replaced by limited liability with mortgage of the borrowers' land, our credit societies will not attract the well-to-do ryots who would be better clients for purposes other than credit. The hopes entertained of our village banks serving a multiplicity of purposes, even if one bank is to serve a group of villages which is against the principle of unlimited liablity, are not likely to materialise.

If it is thought that unlimited liability should still be kept alive, for the purpose of attracting credit from outside and enforcing mutual responsibility among members, it is better to confine it to one village or a group of hamlets to serve the short-credit needs of villagers. Societies with a wider jurisdiction and based on limited liability should be organised for purposes of supply, sale and processing of goods, singly or in combination according to probable transactions and overhead charges. It is possible and more desirable to link the two types of societies, credit and non-credit, as is contemplated in the Madras scheme of 'controlled credit' than look to the simple Raiffeisen bank to be the universal provider.

18. C. R Fay, Co-operation at Home and Abroad, p. 83

AGRICULTURAL IMPROVEMENTS AND CO-OPERATION

By

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Hitherto, attempts have been made to develop co-operative organisations on two main lines. Credit Societies were formed, on unlimited liability basis, with the object of providing cheap credit to the villager mainly for cultivation purposes and to train him in habits of thrift and business methods. Non-credit societies were constituted for the benefit of the rural population in order to help the villager in different kinds of joint action on limited liability basis. They are the special type societies which encouraged joint purchase of the requirements and sale of the produce of the members, besides popularisation of improved methods in farming. Of the two types of societies, it is only the credit type that has become more popular among the villagers for the simple reason that such societies, from their very nature, are apparently of immediate benefit to the members by enabling them to secure loans on comparatively easy terms. As most of the members of the rural credit societies are farmers, a large percentage of the loans advanced is for meeting cultivation expenses. In spite of this, it is found that the overdues mount up in most of the societies due to the failure on the part of the members in paying up their dues at right time. The accumulation of overdues has gone to such an extent as to paralyse several of these societies. Even some of the experienced workers in the co-operative field have come to entertain a false notion that agriculture, as a business, cannot pay its way. They have therefore begun to think of other side industries as spare time occupation for the farmer to supplement his income from cultivation. This is, no doubt, a very necessary step towards progress on the thrift side of the movement. While it is admitted that the farmer has a good deal of off-time leisure which he can profitably utilise for developing side industries, it cannot for a moment be admitted that farming as a business has ceased to pay by itself, when seasonal conditions are not abnormal and the farmers are careful. Farming must generally remain a paying business so long as man must have his food and clothing from the products of farming. Therefore we have to look for the cause of the apparently bad situation created. It is mainly due to two factors :—

(1) The farmer does not often utilise the whole, or even a major part, of his loan for purely agricultural purposes as he declared at the time of taking the loan.

(2) In spite of the loan taken, the farmer continues to indulge in the old cursory methods of farming. No attempts are made to improve the income from the land by adopting even the most elementary items of agricultural improvements such as use of improved seed and proper conservation of manure available in his own household.

Thus he is unable to stand for a moment the very keen competition by the farmers of other countries, where the cost of production of anything useful, has been reduced to the minimum by adopting the most up-to-date methods. All complaints like slump in the market or low prices are the outcome of such lethargy. Some people in South India, have gone to the extent of saying vehemently that the Government must levy heavy duties on rice and cocoanut products imported from abroad so that they may get better prices for their products. Such complaints cannot be removed until we are able to reduce our cost of production by enforcing the basic items of fundamental improvements in local farming practices.

It would look absurd to grant loans for purchase of manure to a ryot, who allows his own stock of cattle manure and other household refuse to run to waste by careless preservation, or for purchasing work animals at high prices for a farmer, who sells away his own young stock to save the trouble of rearing them up. The same remark applies also to ryots, who purchase third-rate seed from unreliable seedsman, with the aid of a co-operative loan, when suitable improved strains are available. The position, therefore, is something like this. For the successful working of rural societies, accumulation of overdues should be avoided. This can be achieved only by augmenting the productivity of the land without additional cost and thereby enabling the loanees to pay up their dues with little effort. The advancing of loans for agricultural purposes should therefore be made conditional to the loanee's preparedness to improve his farming by adopting simple and elementary items of agricultural improvements such as proper care in the preservation and the use of manure and use of improved seed.

The first stage at which thrift must be practised in a farmer's day-to-day life is in respect of manure conservation. By wasting his own manure, he loses about ten times its value in his crop yield. The waste of manure itself is really appalling in most cases. A good deal of organic refuses from the house-hold and the farm yard which are at present wasted, can be turned into good compost, or added to the stock of cattle manure, to greatly augment its quantity as well as to improve its quality provided the farmer pays but a little attention daily to this part of his potential wealth. A year's accumulation of leaves, on which food is served and eaten by one individual in South India, will alone be enough to manure a paddy plot with green leaves to great advantage. Simple items of wastes like the urine of the cattle, when added to the existing stock of cattle manure and other refuse from the farm yard and household will go to greatly improve the situation. Wasting of such valuable materials damages the sanitary condition of any village.

By the mere replacement of the local bulk seeds with improved strains released from Government Agricultural Research stations in the province, the farmer is able to get ordinarily 15 to 20 per cent increase in yield. Such seeds are not now available in all places for many of the important crops. The adoption of labour-saving appliances for cultivation and taking to side-lines of farming to occupy the spare time of the farmer, are other important items of work to attain economic progress.

The bye-laws of every credit society can allow the stocking of improved seeds and manures for distribution among the members. Yet much attention has not been paid to this aspect of the work so far. If a large number of these societies take up this kind of work, *viz.*, producing, stocking and distributing improved seeds of the chief crops of the locality, it will go a long way towards popularising this simple and yet a most profitable item of improvement among the farmers and thereby increase the agricultural wealth of the country. A few societies have, of late, taken up this work and the result has been very encouraging so far. The use of improved seed and the consequent improvement in yield of crops is sure to cause a greater drain on the fertility of the land. This must therefore be preceded by better manuring. Due to the poverty of the agriculturists as a class, it is not feasible to think of applying costly artificial manures. The ryot will therefore have to fall back on his own resources for improving the manure supply as explained above.

Cow-keeping and calf-rearing would probably form the most congenial side-line of an average farmer, who can thereby utilise his fodder supply to good purpose. Keeping of one or two milch cows for a farmer ensures a homely occupation for the house-wife and brings in a daily income by sale of dairy products. It also enables the family to provide nourishing food to the children and thereby improve the health of the future generation. Keeping of cows and calves enables the farmer to rear his own work animals and it would at the same time result in enormous increase of his manure supply. It would necessarily mean better farming and greater income from his land. Some of the overdues are obviously due to the inability of the farmer to repay the value of work animals he had to purchase with borrowed funds. One would therefore recommend, more gladly, a loan

to purchase a good cow or two which can throw out a number of calves that are the future work animals. It will save him from the inevitable investment of a loan amount on a pair of work animals, which can only deteriorate in value as years roll on.

There is also considerable scope for developing the non-credit aspect of the Co-operative Movement for the betterment of the rural agricultural population. The work of joint purchase and sale when properly organised, can contribute a great deal to the prosperity of the village by preventing distress-sales of produce and enabling the farmer to sell his stock of specially improved products of various kinds when market conditions are most favourable. At present the lion-share of the profit is snatched away by a series of traders who stand between the producer and the consumer. The result is that the farmer fails to derive the benefits due to him and so continues to be still the poor man that he is.

Side-lines of farming like fruit and vegetable growing, poultry-keeping and egg production, cow-keeping and dairy work, bee-keeping and the like may be encouraged by the society with the small capital they demand and making adequate arrangements for the joint sale of their products even in distant markets where better prices can be secured.

The co-operative society can serve as a centre for the dissemination of useful knowledge on all subjects. The society must also introduce the spirit of competition among farmers whereby they may vie with one another in taking to improvements of various kinds. This may be brought about by apportioning a moiety of the profits for the award of annual prizes for the best work done by individuals under the various heads. The society can thus awaken the latent potentialities of our villagers and instil in them the idea of progress in all aspects of rural life. Any rural society that manages to enlarge its scope of work on the lines indicated above will become the actual multi-purpose society.

There seems to be therefore no end to the benefits that the Co-operative Movement is capable of conferring on the poor ryots when properly organised and run under expert guidance.

THE CO-OPERATIVE MOVEMENT AND AGRICULTURAL DEVELOPMENT IN THE UNITED PROVINCES

BY

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The Co-operative Movement in India has accumulated so much frozen capital as a result of non-recovery of debts and the liquidation of societies on a large scale that the present period may be regarded as critical in the history of the movement. Taking the case of the United Provinces, in the year 1929-30 only Rs. 2·57 lakhs were recovered out of 18·05 lakhs outstanding against liquidated societies. In 1935-36, the recovery from the liquidated societies was Rs. 1·69 lakhs out of 16·9 lakhs. In the same year recoveries through decrees and awards amounted to 5·2 out of 28·4 lakhs. In some cases these recoveries do not represent cash but merely the acquisition of the land belonging to the members. Wholesale liquidation and sales of property have thus failed to bring back the money locked up in loans, and the main object with which the movement was started has not been achieved.

The Co-operative Movement can still be revived with vigour, provided its activities are co-ordinated with those of general rural development and particularly of agricultural development. The wealth of the greater part of the population of India is concentrated in these rural areas. Not only is the cultivator dependent on the quality and quantity of his crop but very largely on the marketing of the produce at the right time. At present the Department of Agriculture all over India has provided improved seeds, implements, fertilisers, good bulls for cattle improvement and so on. To harness these factors in agricultural production and to direct their organisation towards greater wealth to the individual cultivator is a matter in which the Co-operative Movement can be distinctly helpful. The cultivator in order to benefit by good seed must prepare his soil according to the requirements of that seed. For this he needs better implements and more manure and better facilities for irrigation. All this requires capital which the villager does not possess. Similarly when the produce from his fields is ready for harvest, he has no organisation to turn to for an adequate return in the shape of reasonable prices for his produce. There is a very crude marketing organisation in the villages and the cultivator is more or less at the mercy of this organisation which leaves him bereft of a large part of his legitimate profits.

With this picture before us, it is not difficult to visualise the necessity of a series of co-operative village associations apart from co-operative banks, the object of which is to provide by co-operative efforts for improvements in crop production, in cattle and particularly in the methods of marketing produce. Similarly it is by co-operative effort that scattered holdings can be consolidated for better agriculture.

In Denmark before the birth of the Co-operative Movement agriculture practised as in other European countries was characterised by the increasing concentration of small farms into the hands of large estate owners. Under the feudal system after 1788 the Danish peasants were grouped in village communities (land-bye). The arable land was cut into long narrow strips, a large number of strips belonging to each peasant in the village. Co-operative cultivation of these strips was practised. The new agricultural reforms which marked the close of the 18th century abolished the co-operative forms of strips. The land was parcelled out into units sufficient to maintain a family and the peasants moved out of the villages to live on these units of land. By the middle of the 19th century low grain prices combined with loss of fertility brought Danish agriculture to serious straits. This led to the foundation of the Co-operative Movement and the regular planning of the live-stock industry which provided the manure necessary to improve the impoverished land and to yield higher returns per acre.

While Denmark depended largely on markets outside its borders, India has an ever expanding internal market of her own, which is big enough to absorb a very large quantity of food crops, cash crops, improved livestock and the like. There will, of course, side by side always be a demand for oil seeds, rice, coconut, cotton, tea, etc. from foreign markets. The population of India is increasing at an alarmingly rapid rate. The present food supplies will therefore have to be greatly enhanced and agriculture practised on a greatly improved standard if our internal food demands are to be met. For this purpose not only has the village cultivator to be encouraged and helped with capital if necessary but more important still through organisation to increase his output per acre both of food and fodder crops. He must also be helped to secure for his produce a reasonable price by suitable marketing associations.

Recently an impetus has been given to agricultural development in some provinces, notably in the United Provinces. Village associations are being formed by a large army of trained agricultural and rural development workers in the villages. The functions of these associations will be to bring about improvement in the actual agricultural practice and livestock industry of the village and further to organise marketing with the help of existing official organisations. Much has been achieved in the United Provinces already by the Cane Development Department which has divided the cane growing areas into zones from which sugarcane grown on improved lines is drawn for the requirements of mills. A small levy per maund of cane provides sufficient capital to organise marketing of cane as well as to bring about improvements in the methods of cultivation. Similar success is possible with other crops.

Co-operation in agricultural development entails not only the organising of village associations but in running them as far as possible through non-official agencies. The officials of the Departments concerned can set the pace and guide associations in their initial stages. Thereafter the man power of the village itself must take over the entire control and management of affairs. The formation of such village societies with a definite set of aims and objects is the first step; running them successfully is the next. Financing them is a matter which requires careful thought, since spoon-feeding might often lead to disaster. Co-operative self-help will bring about improvement both in agriculture and livestock as well as in the system of marketing. Such effort creates capital. Once capital is created the urge for further improvement increases. For this more capital is required and it is here that the credit societies or banks come to the assistance of the non-credit associations. It is possible that with the development brought about in the village agricultural and marketing systems, by sound co-operative effort, that the same association as concerns itself with non-credit functions will also have some capital accumulated eventually for credit purposes.

In the recent drive initiated by the U.P. Government towards agricultural development in the province, the number of seed stores and seed store centres have been trebled. The system for multiplication of good pure seed is to sow the seed in blocks in the villages adjoining the seed stores. The staff at seed store centres consists of a Supervisor and three Kamdars who work for the development of 20-30 villages surrounding each seed store, generally within a radius of 5 to 7 miles. Not only is good seed being multiplied rapidly but the foundation has been laid for general agricultural development and livestock improvement in these villages. The intention is to form these villages into associations with a central body at the seed store centre representing all the villages concerned. Extensive demonstrations are being carried out in these villages to convince the cultivator of better seeds and implements and better methods of cultivation adopted and found successful by the Department of Agriculture. In addition the problem of marketing agricultural produce is being tackled. Once the entire area cultivated by the villagers in these groups is brought under

improved crops, the marketing of the produce is facilitated. The numerous problems and difficulties of the cultivator of these villages are receiving the closest attention of the staff on the spot and by mutual help and encouragement, much is expected of the scheme. As soon as the work has been consolidated at these centres, the staff will move on to fresh fields for development leaving the machinery which they have helped to form for agricultural improvement and marketing behind them to carry on the good work which has been started.

Thus, for the Co-operative Movement in India to be a success, its efforts must not be confined to doling out loans. Of far greater practical value is the organising of villages into active co-operative societies for the express purpose of consolidation of holdings, better agriculture, improvement of live stock, organised marketing and better living generally. In one village in the United Provinces over 1100 scattered holdings have recently been consolidated into 167 compact holdings, without any objection on the part of the villagers. This is an outstanding instance of what co-operative effort can achieve. Instances can be quoted also of similar achievements in other directions. It requires initiative on the part of official agencies and in most cases it is not difficult to convince the villager as to the unquestionable advantages that will be his if he will co-operate not only in forming village associations, but in running them successfully.

CONSOLIDATION OF HOLDINGS SOCIETIES IN THE PUNJAB

BY

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The Method.—Consolidation of Holdings is done by means of the formation of a special type of co-operative society, known as a co-operative consolidation of holdings society, with limited liability. When consolidation was in its infancy, the foundation of such a society was usually the result of much propaganda by the co-operative staff, but at the present time the knowledge of the benefits of consolidation has spread to such an extent that applications are frequently received from villages where no propoganda has been carried out. In the Central districts of the Punjab there are more applications than can be handled by the co-operative staff. A society is not registered unless 90 per cent of the owners of the village offer for consolidation an area not less than 75 per cent of the total area of the village.

Consolidation societies usually adopt the model bye-laws drawn up by the Registrar. These provide for an admission fee to be paid by each member, ranging from two annas for those who pay Rs. 5 or less in land revenue up to Re. 1 for those who pay more than Rs. 50. In addition at the present time, operations are not started unless the members contribute to a speial fund to help defraying the costs of consolidation. This contribution varies, but the most usual rate at the moment is a sum equal to annas eight per acre.

Every member, who must be an owner or a person having an interest in land, on entering, is required to sign a statement that he abides by bye-law 23. This stipulates five things which are briefly :—

(1) That he agrees to the principle that holdings shall be re-arranged to secure more compact blocks.

(2) That he agrees to submit to any arrangement approved by by two-thirds of the whole number of members.

(3) That he agrees to give and take possession of lands re-allotted in accordance with such a scheme.

(4) That he agrees to submit to arbitration any dispute that may arise in connection with the society's business.

(5) That in the case of future partitions and rearrangements of the consolidated area, he agrees to submit to any arrangement approved by two-thirds of the members.

Once a society has been registered, a sub-inspector well acquainted with all land revenue work as well as with co-operation is appointed to assist in the work. He is under the control of a special Inspector similarly qualified and the work is generally supervised by the Assistant Registrar of the District concerned. A special Assistant Registrar for consolidation work in the whole province has recently been sanctioned. The actual business of re-arranging the holdings is accomplished by endless meetings of the members. The complexity of the problem always seems quite insoluble ; there are different classes of land to consider, not only the broad distinctions of canal-irrigated, well-irrigated, and un-irrigated but divisions within each class. Indeed it is not uncommon for one end of a field of less than half an acre to be quite different in quality from the other end. Then there are the rights of mortgagees to be considered, and the rights of " occupancy tenants," a privileged class who are not liable to ejection and are owners in all but name. Existing wells and trees have also to be taken into account. But if the members are keen—and they usually are to contribute money for the purpose—and if the Sub-Inspector is tactful and helpful, gradually a general agreement emerges from the day to day meetings with hour after hour of discussion. The distinction of classes of land is often solved by having a rought " Yardstick " that a certain area of class " A " is equivalent to a certain area of class " B " and class " C " and so on. A man is often willing to accept an acre of land he considers good in exchange for two or more of land that is less good ; conversely, a man with a well often consents to give up his well-irrigated land and take un-irrigated in exchange, if he gets a good compact block of land on which he can sink a new well. In some cases a money compensation is fixed for exchange of this sort. It is the same with trees, which, usually, are the sole sufferers from consolidation. The original owner generally cuts them down, unless an exact exchange is effected, or he gets a cash value from the new owner.

The whole business is democratic ; even the compulsion provided in the bye-laws by the decision of two-third of the members is hardly ever used. Yet, inspite of the democratic control, the Sub-Inspector can make or mar the society. He is an outsider and is impartial. If he is trusted, his suggestions at times of deadlock will be accepted with gratitude. This official position of supervisor and keeper of the records of the society's decisions is nothing compared to what he can do by his influence, and by the experience and training he has had. Each member, that is to say owner or person having interest in land, has one vote only, whether he owns one quarter of an acre or one quarter of the whole village, and the society is not a real success unless each member is satisfied with what he has got at the end of operations. Apart from the bye-laws of the society and the departmental rules governing the entry of the new holdings in the record of rights, there is nothing to guide the would-be consolidators except their own knowledge of their lands and conscience of what is fair, plus the experience of the Sub-inspector and his superiors. Briefly speaking, then, the method of consolidation is for the land of the village to be pooled by common consent, and then from the pool each right-holder should get the equivalent of what he possessed before in as few compact blocks as possible, the guiding principle being justice, equity, and good conscience; or, if some do not arrive so high, enlightened self-interest.

The Area.—The total area consolidated in the Punjab from the beginning of such operations (about 1921) to the end of the Co-operative year 1937 (July 31st) was 791,358 acres. In the last four years there has been a steady increase each year:—

1934	56,148	
1935	63,534	
1936	92,689	(Increase of staff with grant from Government of India).
1937	120,293	(Do. Do.)

GENERAL RESULTS

I. **Disadvantages.**—Apart from a tendency, already noted, for trees to be felled, consolidation appears to have no disadvantage at all, provided that care is taken that confusion is not introduced into the Revenue records.

II. **Advantages.—(a)—To the Cultivator.**—The advantages of consolidation have now come home to the cultivator as no other co-operative activity has ever come home to him. Due to a system of inheritance, operating over centuries, which demands that not only that holding of the father but each plot should be equally divided among the sons, the fragmentation of holdings has become an intolerable burden, which the cultivator, as has been noted, is not only willing to have removed, but is ready to pass to have removed. Before consolidation, a holding of 10 acres might consist of 30 or more small plots, and the advantage of having the whole in one or two blocks is obvious. For instance in 1936-37 as many as 120,295 acres were consolidated. Before, they were split into 199,188 plots, but consolidation reduced the number to 29,424. Cultivation is easier, less time is wasted in moving from end to end of the village (often a matter of miles), less land is wasted in boundaries, and so forth. Moreover the holding of a few blocks of fairly large size will faciliate fencing, and so lead to the abandonment of the open field system of extensive cultivation and its replacement by intensive cultivation, without which it may confidently be said the standard of life of the cultivator can never rise very high.

From the purely cultivating point of view, there is nothing but advantage to be granted. But consolidation has other results. In a compact block it is worth while to sink a well and irrigate, and much land that was previously not cultivated at all, because it was not worth the trouble, is now brought under the plough when included in a compact block. Perhaps the most striking result of consolidation is the rapid increase in the number of wells, coupled with an increase in the area cultivated.

But the rearrangement of the land has other incidental advantages. By general agreement, and a small proportionate reduction in each holding which is hardly noticed, sufficient land can be set apart for other purposes. One such purpose is the provision of a path to every field. This leads to a decline in quarrels over trespassing which are so common, and leading to criminal and civil litigation, so expensive. Communication with other villages can be improved by widening and straightening the roads and filling up depressions. Land can be provided for schools, burial and burning grounds, play-grounds, places of worship, latrines and other objects of common utility. Indeed in one village, the whole village site was abandoned, and a new village laid out on a model plan nearby. At the time of repartition, proper stone boundary pillars can be erected at the corner of each field, again reducing possible causes of dispute. All this is commonly done at the time of consolidation, and is nothing unusual. Further, the cultivator gains a valuable lesson in self-help and common action, and such common action in consolidation nearly always leads to further common action for the public good, such as in paving streets and providing village halls. No one can doubt the advantage to the cultivator of consolidation if he visits a village that has been consolidated; or if that is not possible, a glance at the village map, before and after, will reveal an orderly plan instead of something which could only be likened to some insane Jig-saw puzzle.

(b) To Government.—The general advantages to the cultivator noted above cannot but promote the economic prosperity and mental contentment of the cultivator. It is well known that the former conduces to the financial advantages of Government in indirect taxation, while the latter is a good insurance against wasting money on quelling disturbances and so forth. However, from the strictest financial view-point consolidation is a gain to Government. It has been pointed out that one of the most immediate results of consolidation is the sinking of wells and the increase in cultivation generally, since land that was previously not worth cultivating is now brought under the plough. In districts with a fixed Settlement not expiring for several years, the immediate result is small, but at Re-settlement the increase in well-irrigated land is bound to result in an increase of land revenue to Government. A concrete instance will make the matter clearer. In one village consolidated (Ghazipur), the cost of consolidation was Rs. 157-8-0 in 1921. As a result of consolidation 15 new wells have been sunk and 120 acres of land, previously unirrigated, are now irrigated. At present, the revenue per acre of unirrigated land is Rs. 1-9-0 per acre, and of irrigated land Rs. 4-9-6. Assuming that those rates are not altered when the settlement expires in 1945, these 120 acres will yield Rs. 551 instead of Rs. 187-8-0 in the first year after Re-settlement. Thus the total cost of consolidation, even allowing for 24 years interest on it will be recouped in a single year. In area, where a fluctuating assessment is in force the increase in irrigated and unirrigated lands yields an immediate profit on Government's investment. There is no reason to suppose that in any village consolidation has led to any decrease in fluctuating assessment. In those villages where there was a definite increase, an additional income from land revenue of Rs. 8,353 per annum accrued on an area of 51,954 acres. In the villages concerned, this was an estimated yield of 7 to 8 per cent of the cost of consolidation in the villages.

INCOME-TAX LAW AND CO-OPERATIVE SOCIETIES

BY

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Now that the Income-tax Bill is receiving vigorous blows on the anvil of the Central Legislative Assembly, it is worthwhile to discuss how the existing Act is adversely affecting co-operative banks and what modifications should be introduced to mitigate the hardships.

It is generally believed that co-operative banks enjoy substantial exemptions from payment of income-tax. It is true that a notification of the Government of India exempts the 'profits' of co-operative societies from income-tax. But in actual practice, the effect of the exemption has been considerably cut down on various grounds. The taxation of profits of co-operative societies is governed by the following notification issued by the Finance Department of the Government of India, under powers vested in the Governor-General under section 60 of the Indian Income-tax Act:

"In exercise of the powers conferred by section 25, sub-section (1) clause (a) of the Co-operative Credit Societies Act, 1904, (X of 1904), the Governor-General-in-Council is pleased to remit the income-tax payable in respect of the profits of any co-operative credit society for the time being registered under that Act, or of the dividends or other payments received by the members of any such society on account of profits."*

Under this provision, the Collector of Income-tax gave his ruling in 1912 that even Government Securities held by co-operative societies were exempt from income-tax. The situation continued unaltered till 1916, when the Central Board of Revenue modified the exemption order stating that it was not intended to cover interest realised on Government Securities.

The Indian Income-tax Act, 1922 classified incomes under six broad heads and various terms were used to describe the sources of income such as interest, income, gains and profits. The result was that the assessing authorities decided that the exemption did not cover any other

* Notification No. 6261-S.R. of the Finance and Commerce Department, Government of India, dated 30th September, 1904.

income of a co-operative society except the business profits arising out of their loan business. The Madras High Court also decided in 1928 in connection with the reference of the Madras Provincial Co-operative Bank in O.P. No. 202 of 1928 that the interest earned by the bank on its investments in Government Securities, even for the purpose of fluid resources, did not form part of its business profits. It is on this decision and the facts of the case that later rulings of the Income-tax Department of this province and of others are based. Interest earned on the compulsory deposits of Reserve Funds of co-operative societies with the Provincial Co-operative Banks are treated on a par with interest realised from Government Securities, which perhaps may be conceded as being an investment outside the Movement. The Finance Department of the Government of India seems to have been influenced by such decisions and has revised the terms of exemption and the latest notification dated 20th October 1934 runs as under:

"In exercise of the powers conferred by section 60 of the Indian Income-tax Act, 1932 (XI of 1922) and in supersession of the notification of the Government of India in the Finance Department, No. 681-F, dated 28th December 1912 and No. 718-F, dated the 8th March 1922, the Governor-General-in-Council is pleased to direct that the following class of income shall be exempt from the tax payable under the said Act, viz.

The profits of any co-operative society (other than the Sanikatta Salt-owners' Society in the Bombay Presidency) for the time being registered under the Co-operative Societies Act, 1912, the Bombay Co-operative Societies Act, 1925, or the Burma Co-operative Societies Act, 1927, or the Madras Co-operative Societies Act, 1932, or the dividends or other payments—received by the members of any such society on account of profits."

Explanation: "*For this purpose the profits of a Co-operative Society shall not be deemed to include any income, profits or gains from:*

(1) *investments in (a) securities of the nature referred to in section 8 of the Indian Income-tax Act, or (b) property of the nature referred to in section 9 of that Act;*

(2) *dividends, or*

(3) *the 'other sources' referred to in section 12 of the Indian Income-tax Act.*"

The position of Co-operative Banks has been rendered worse, than it was before the issue of the above notification.

The Income-tax authorities classify all items of revenue of a co-operative institution other than interest earned on loans to their members and on investment in Government Securities under the head "property and other sources,"—an expression which in itself is indefinite and vague. The Co-operative Central Banks in this Presidency work under certain administrative restrictions, which react on the assessment of their income under the Income-tax Act. The Central Banks in this province are affiliated to the Madras Provincial Co-operative Bank and are prevented from directly lending to one another. The Provincial Bank acts as the balancing centre and financing agency of these Central Banks. The Central Banks are therefore advised to deposit their surplus funds with the Provincial Bank so that the funds may be mobilised and utilised within the movement. The deposits of the Central Banks in the Madras Provincial Co-operative Bank are nevertheless not viewed as part of the "business" of these banks and interest realised on such deposits is distinguished from normal business profit of a co-operative bank. The Central Banks are also under an obligation to maintain fluid resources on a fairly stiff standard in Government Securities and also to invest their reserve funds in the Madras Provincial Co-operative Bank or in debentures of the Madras Co-operative Central Land Mortgage Bank. Nevertheless, no note is taken of these compulsory modes of investment when assessing their income to income-tax.

An illustration will probably bring out this anamolous position more forcibly. The profits of most primary societies are below the taxable limit and may be left out of the picture. They are, however, obliged to deposit their reserve fund with their financing Central Banks. The Central Banks in turn deposit their reserve funds with the Provincial Bank under a separate account and the other surpluses in the usual way. The interest earned on these is being taxed. The Provincial Bank receives such reserve funds and other deposits as the balancing centre and invests a considerable portion of such deposits in Government securities. The interest on such investments is being taxed in full. It needs no great imagination to see how the surplus funds of the primary societies are being invested in the Central Banks and by the latter re-invested with the Provincial Bank, i.e., among the different limbs of the co-operative structure and how the Income-tax authorities seek to tax the interest earned at the different stages over and over again; and all this because of the obligatory nature of such investments inside the movement enforced with a view to strengthen the co-operative structure.

The assessments made by the Income-tax Officers were not always accepted. So far the following Central Banks have appealed against the assessment to the Assistant Commissioner of Income-tax in the respective areas with the following result.

The Ramachandrapuram Co-operative Central Bank (East Godavari District) was the first Central Bank to refer the question of the liability to tax on interest earned on reserved fund investments with the Provincial Bank, and the then Commissioner ruled that the income formed part of business and hence was not liable to tax. The order runs as follows : —

> " In view of the fact that the bank is required by law to build up a reserve fund and to invest it in the manner done by the Bank, the Commissioner is prepared to hold that the interest derived from the investment of the reserve fund is part of the ' profits of the co-operative business '."

The next case arose in Anantapur. In this case, though the circumstances were identical with those of the assessment of Ramachandrapuram Bank, the Commissioner decided that the contention of the Central Bank could not be accepted. It was at this stage that the Registrar tried to take up the case of all Central Banks to the Commissioner of Income-tax with a view to secure uniformity in assessment. In spite of the long correspondence and the weighty arguments advanced by the Registrar, the Commissioner of Income-tax refused to lay down a uniform procedure in this matter. The Registrar of Co-operative Societies therefore requested the Madras Provincial Co-operative Bank to afford financial help to the Anantapur District Bank in having the matter settled by reference to the High Court under section 66 (2) of the Act. The Central Bank, however, disabled itself to make the reference by a technical defect and it has been advised to take the matter once again from the initial stages in connection with the assessment of another year.

Subsequently, the Guntur and Chittoor Central Banks applied to the Commissioner for a reference to the High Court on similar grounds. The Guntur District Bank failed on account of limitation and the reference of the Chittoor Bank is still pending before the Commissioner. This question has again arisen in the matter of assessment of the South Indian Railway Employees' Co-operative Society, and is being referred to the High Court.

In all these cases the only item that has been taken on appeal is that relating to the liability to tax on interest earned on reserve fund deposits with the Provincial Bank. Most of the Central Banks are not liable to super-tax at rates exceeding one anna four pies and the slab system of super-tax has not affected them. The Madras Provincial Co-

operative Bank, however, suffers from this handicap in common with other Provincial Banks in India. Moreover, every income-tax reference has to be taken from the initial assessment to the final reference to the High Court through several stages. There is no provision in the Act to refer a specific question of general application direct to the highest tribunal for obtaining a ruling. This results in considerable divergence in awards, in that every Income-tax Officer decides as he considers best. As pointed out above, the Commissioner of Income-tax has himself given two different rulings in identical situations. Further, the anamoly is without a parallel as the income of no other class of assessee enjoys such a partial exemption as co-operative societies.

Among the classes of assessees mentioned in the Income-tax Act, Co-operative Societies do not find a place and accordingly by an executive order they are classed under " association of individuals." It will be of interest to note the evolution of the class of assessees " Association of individuals " in the Act. It was not found in the original Act of 1922. Co-operative Societies naturally could not be classified under any of the several classes of assessees specified in the Act, viz., ' individual, company, firm and Hindu un-divided family.'

Co-operative Societies were then assessed as mutual benefit societies. It is only after the amending Act of 1924 introducing the classification ' association of individuals ' and by virtue of an executive order, that co-operative societies have been treated as " associations of individuals " who have no corporate existence. The effect of this classification is that co-operative banks are in a worse position than joint stock banks in regard to assessment for super-tax. Joint stock banks which carry on banking bosiness on a wider sphere than co-operative banks pay super-tax at a flat rate of one anna one pie in the rupee, whereas co-operative banks have to pay such tax on a graduated scale ranging from 9¾ pies to 7 annas in the rupee. The financial results of this classification of co-operative societies under the head of " association of individuals " for purposes of payment of super-tax can be seen from the following figures relating to the assessment of the Madras Provincial Co-operative Bank for the last three years —:

Year of Assessment.	Profits as per Balance-Sheet.	Profit-assessed by the—Income-tax Department	Income-tax paid.	Super-tax paid.	Super-tax payable if it were a Joint Stock Company.
	Rs.	Rs.	Rs.	Rs.	Rs.
1935-36	2,30,516	3,23,935	48.801	48,654	17,121
1936-37	2,04,461	2,49.007	36,453	27,915	12,438
1937-38	2,02,267	2,58.260	34.207	29,916	14,101

It will be thus seen that the Madras Provincial Co-operative Bank pays much larger super-tax than the joint stock banks do on the same amount of profit earned. In other words, the Provincial Bank pays a considerably larger sum as income-tax plus super-tax than joint stock banks doing similar volume of business. The other Provincial Banks in India suffer from the same disabilities in regard to the levy of income-tax and super-tax.

The co-operative banking organisation in this province has not adopted the system of branch banking and is therefore decentralised in structure. Except the provincial institutions, no other society is permitted to lend to another society beyond its jurisdiction, and hence the surplus funds of one society have mainly to be deposited in another co-operative society for mobilising capital. This aspect of the business of co-operative institutions is entirely lost sight of by the Income-tax Department, and it seeks to tax the interest earned on such deposits and investments in debentures of Land Mortage Banks, as if they were entirely outside their business on the same footing as Government Securities. This mode of assessment and the classification of co-operative banks as " associations of individuals " simply because there is no other head of assessees under which they can be classified virtually nullifies the exemption given in favour of co-operative societies by the Governor-General.

The expression "association of individuals" is changed into "association of persons" in the new Income-tax Bill, and in the absence of any specific mention of co-operative societies as a class of assessees, they will continue to be classed as ' associations of persons ' under the new Act. The defects in the Income-tax Act have practically resulted in subjecting co-operative banks to heavier burdens than joint stock banks, a result which could not have been contemplated when the exemption under section 60 of the Act was granted. The need for rectifying these defects in the Income-tax law is therefore clear. The Income-tax Enquiry Committee has not, however, made any specific recommendations regarding co-operative societies. The Committee simply mentions that Co-operative Societies are enjoying certain exemptions granted under section 60 of the Act which, however, is not much, as shown in this article. The Income-tax Bill, now in the Central Legislature, does not affect or improve the position of co-operative societies, and does not take note of the anamolies pointed out above.

It is very necessary that co-operative societies should be classified as a seperate class of assessees, and their business activities defined for purposes of assessment on the following lines :—

(1) **Co-operative Societies should be defined separately and enumerated as a special class of assessees in section 3.**

(2) **The business of co-operative societies should be explicitly defined so as to include deposits and investments of one co-operative institution in another.**

(3) In parts I & II of schedule 2 of the Income-tax Act, the rate of tax applicable to Co-operative Societies should be specified under a separate class, i.e., the income-tax on a graduated scale and super-tax at a flat rate.

It is gratifying to note that the modifications suggested above have received the support of the Registrar of Co-operative Societies of this province, as well as Secretary to the Governments of Madras, Finance Department, and it is hoped will receive the support of others interested in the Co-operative Movement in India.

UNEMPLOYMENT INSURANCE

By

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Till very recently unemployment was considered to be a personal concern of the unemployed person and that he was himself to blame for not being able to find a job. In other words, the misfortune of the unemployed was considered to be a necessary result of the anti-social principle of "struggle for existence and survival of the fittest," which was supposed to apply equally to labour problems as to other spheres of human life. But this view had gradually given place to the more humane and reasonable view that unemployment was not an individual problem but a social problem and that it was the duty of the State to provide adequate machinery for taking care of the involuntarily unemployed and to give unemployment relief to those who were willing and able to work but unable to secure it. The idea of the need to afford unemployment assistance may be said to owe its origin to the initiative taken by the Trade Union Movement. Some Trade Unions, particularly those of Great Britain and certain other European countries, began in the middle of the nineteenth century to pay allowances to their members out of work. Organisation of unemployment insurance by public authorities was of later date. It was, however, the experience of trade unions, in their not wholly unsuccessful attempts to pay unemployment benefits to their members, which really supplied the basis for systems like the British national scheme of unemployment insurance. The Trade Unions began to pay "out of work benefits" during the nineteenth century; but even if their funds would have permitted the granting of certain benefits to their members, such schemes could never have met the needs of the working classes in general. Trade union membership constituted only a fraction of the working population and the unemployment benefit plans operated by the unions fell short of covering even all union members. Until national unemployment insurance was adopted, most of the unskilled workers in the lower wage groups, who usually faced the greatest risk of unemployment were unprotected. For the most part, they had to rely on poor relief or charity when unemployment exhausted their savings. Resort to poor relief disenfranchised the workmen.

Great Britain can claim the honour of being the first country to adopt a bold scheme of organisation of unemployment insurance by pub-

lic authorities. The National Insurance Act of 1911 introduced a compulsory system of unemployment insurance in certain selected industries on an experimental basis. The industries selected were those, which were peculiarly subject to the evil of unemployment, such as building, engineering and ship building industries. Even at the inception of that scheme, the number of unemployed persons insured under it amounted to 2·25 millions, exceeding the total of insured persons in all the other countries put together. There have been frequent and numerous modifications of the unemployment insurance legislation in Great Britain, from the passage of the first Act in 1911 until the adoption of the most recent one in 1930, with the object of "making the instrument fit the need." During this interval over 20 Acts have been passed. The unemployment insurance act passed in 1911 embodied a tripartite contributory scheme. It was made compulsory for all workers over sixteen years of age in a number of specified trades in which the unemployment risk was heavy. The original coverage of workers under this Act included about 2·5 million persons and allowed 7s. a week for both men and women for a maximum of fifteen weeks in any twelve month period, but so as not to exceed the ratio of one week's benefit to every five weeks' contributions. The fund was maintained by weekly contributions of 5d. made up in equal shares by employer and employee and an additional 1⅔d. from the State. Contributions were paid by means of stamps purchasable at post offices and attached to the worker's employment book by the employer, who looks after both his and the employee's contribution, deducting the latter's share from his wages. Trade unions and other associations already operating or contemplating "out of work benefit" plans were encouraged to maintain them.

The prospect of the release of a large number of service men and civilians from war services necessitated the widening of the insurance plan in 1916 so as to include workers in munitions and allied industries; another 1·25 million persons were thus added to the number of insured. Even this extension proved insufficient after the armistice was declared, and some emergency measures of a temporary nature had to be adopted. Because of the greater liberality of the provisions of these emergency measures, relief applicants preferred benefits from this source to benefits obtainable under the insurance act. In 1920 social pressure again led to further amendment of the national insurance plan so as to extend the benefits thereof to many more types of workers. The total coverage under the Act embraced about 11·1 million persons. The new act increased the rates to 15s. for men, 12s. for women and one half of those amounts for boys and girls under eighteen. The waiting time was cut down to three days, and the ratio of payments to contributions was fixed at one week's benefit for six weeks' contributions. Under this

Act, industries were authorised to "contract out" of the national insurance plan by establishing insurance plans of their own and paying benefits at rates not less than those under the State scheme. Within a few months after the passage of the 1920 Act, unemployment became acute and further emergency amendments were passed. So great was the drain on the fund during this period that it was authorised to borrow large sums from the Exchequer; the borrowing limit in December 1930 was set at £70,000,000.

The Act of 1927 abolished "extended benefits." This Act "made all benefit standard or payable as of right, based on paid contributions where requisite conditions are satisfied." The condition of one week's benefit for every six contributions was also abandoned, it having lost all significance when extended benefit was made a valid part of the scheme. The Act further provided eligibility for benefit should depend on the payment of thirty contributions during the two years prior to the claim. Benefits were raised to 17s. for adult men and 15s. for adult women, with smaller amounts graded by age and sex for those under twenty one. Maximum contributions were raised to 8d. for employers, 7d. for employees and 6d. to the Exchequer. With the return to power of the Labour Government in 1929, the Government's weekly share of contribution was raised from two-fifths of the joint contribution of employer and employee to one half or 7½d. per week for every 15d. contributed by them. The Act passed in 1930 further liberalised the provisions of the plan. The contributions to be made by the employer, employee and the State remained the same at 8d., 7d and 7½d. respectively; in other words, the State's contribution is one-third of the *total* to be subscribed to the fund. The British National Insurance Fund is now said to be in a more satisfactory financial position, and that the debt accumulated prior to 1934 is being reduced. During the year ending June 1937 the total contributions to the fund amounted to £64,363,000, of which the State's share was about £22,000,000.

The National Unemployment Insurance plan of Great Britain is administered by the Ministry of Labour under the immediate supervision of a chief officer of insurance and through the medium of employment exchanges. A most valuable by-product of the national unemployment insurance system and the work of the employment exchanges which forms an important part of it, has been the development of a useful system of unemployment statistics, lacking in so many countries. The statistics collected by the British Ministry of Labour include two distinct series, one covering all unemployed, insured and uninsured alike, who register for jobs at the employment exchanges, the other series covering only those insured against unemployment.

Till about 1920, Great Britain was practically the only country having a compulsory system of insurance worth mentioning. To-day compulsory unemployment insurance is in force in about nine countries and voluntary insurance in about the same number. In Switzerland both systems are in operation as some cantons adopt the one and some the other. The total number of workers covered by these schemes in these countries is estimated at some where about 42 millions.

It can be seen from the foregoing account of the British plan of unemployment insurance that strictly speaking, unemployment is a contingency that is not capable of insurance, according to the generally understood meaning of the word, 'insurance.' Uemployment 'relief' or 'assistance' is perhaps a more appropriate description. In America, it is known as unemployment 'compensation.' It should be realised that a majority of the unemployment benefit schemes started for working classes in different industries of many countries in the world could not be worked without a great deal of compromise, continued amendment of statutory provisions and constant State support. Further, the factors of public philanthrophy or State assistance had always been present, and nowhere fully replaced by plans of insurance. The position may however be summed up by stating that, in the main, unemployment insurance is essentially a State service, organised and administered by the State or local authorities, under powers vested in them, with fixed contributions from the insured and the employer, the State finding the balance of funds necessary to make up the deficit to pay the emerging benefits, whose quantum is fixed. The only lose end in this scheme is the State's commitment, which consists in eventually making up the deficit in the Insurance Fund. Many countries found themselves in difficulties in administering unemployment relief schemes due to the uncertain character of the risk and the elasticity of the State's liability.

The problem of unemployment insurance is assuming huge proportions and is becoming more and more difficult, as the problem of industrial organisation and providing employment for all able-bodied and willing workers becomes more complicated. Unemployment itself is of various types and is attributable to various causes. The magnitude of the problem can be envisaged by noticing a few of the causes that lead to unemployment in industries, such as those mentioned below:—

1. Regular seasonal unemployment in industries, which by their very nature operate only during portions of a year.

2. Industrial and trade depressions caused by fluctuations in prices and monetary values.

3. Structural changes in processes of production and marketing. It is well known that radical changes in the technique of production alteration of fashions, over-expansion of industry or permanent loss o markets lead to serious unemployment.

4. Indusrial disputes.

5. **Causes** of a personal nature such as defect in vocational trainin or physical equipment.

It will be thus seen that we have to provide for factors which range from the incapacity of the individual worker to vicissitudes which even the State, with vast resources, cannot control. But it is now recognised in almost all countries in the civilised world that an important function of the State is the protection of the unemployed, specially in industrial organisations. The State in no self-governing country fails to recognise this duty. But what is the position in India ?

The question was first considered by the Government of India in 1920 in connection with the recommendations, bearing on unemployment, adopted by the first session of the International Labour Conference at Washington in 1919. In dealing with this question, the Government of India expressed the emphatic opinion that no system of unemployment insurance was practicable in India at that time. The lapse of two decades has not brought us any nearer to a suitable time. Recently, the question again came under investigation by the Royal Commission on Labour in India. That Commission reached the the same conclusion, as the Government of India did and stated that they could not regard any national system of insurance with which they were familiar as feasible in India. They say, "with the existing turnover and in the absence of an industrial population which is both permanent and regular, the risk is not a calculable one. Therefore, even if the workers were able and willing to contribute, there is no basis on which a scheme could be built. This does not, however, relieve the State of the responsibility of taking such measures to deal with unemployment *when it arises* as are likely to be effective." Mark the words, "when it arises." May we ask was not the question of unemployment present when the Commission reported ? It is no doubt true that the Royal Commission laid some emphasis upon the utility of famine relief measures, public works and urban development schemes in relieving unemployment specially in times of stress. But these forms of relief can hardly be described as unemployment insurance or even unemployment relief.

The conclusion that no unemployment insurance scheme could be started in India appears to my mind to be based on the experience of conditions of western countries and its application to the working classes in India. That the State's burden of the subsidy was very heavy in European experiments was due to the fact that the quantum of benefit which depended on the high standard of living obtaining there had to be naturally large, while it was found that the total contributions that the employer and employees could make consistently with their own needs and resources were inadequate to meet the demands on the unemployment insurance fund. They could not be increased without affecting adversely the interests of the employer and the living conditions of the workers.

A MODEST SCHEME FOR THE SOUTH INDIAN TEXTILE WORKER

I am, however, glad to find that my esteemed friend, the Hon'ble Mr. V. V. Giri, Minister to the Government of Madras for Industries and Labour, is not one of those who readily takes it for granted that the starting of any scheme of unemployment relief in India is unthinkable, and that no such scheme can at all be tried even with the aid of some moderate State help. He is trying to evolve a scheme of unemployment relief in which the contributions by the employer and the employee may be sufficient to meet the demands on the Insurance Fund, without State subsidy to any large extent, specially in the present state of finances of the Madras Government, which is conserving every pie to meet the loss of revenue consequent on the introduction of Prohibition. In the first instance, he wants to apply the scheme to Textile Industry in South India, which is one of the well organised of our industries, wherein labour is perennial and not seasonal as for instance in the sugar industry. There are at present about 64,000 workers employed in the Textile Industry in South India, and it is found from experience that the unemployment percentage has not exceeded ten per cent of those actually employed. So far as can be ascertained from available statistics the unemployment in textile industry ranges between 7 and 8 per cent.

The scheme under consideration is briefly as follows: There are two alternative suggestions in regard to the quantum of the contributions to be made by the employee and the employer. One suggestion is to collect a quarter of an anna from each employee for every day when he is on work and an equal amount from the employer. It is estimated that an employee is on work for about 24 days in a month on the average. On this assumption the collection for each working day will be half an anna or twelve annas per month. Taking the total number of employees on work at 60,000, the monthly contributions will amount to Rs. 45,000 or an annual contribution of Rs. 5,40,000. On this basis, the quantum of benefit must naturally assume the form of a flat rate payment. It is believed that a worker can be given a flat rate benefit of Rs. 4-8-0 per month of unemployment. Another alternative suggested is that the employee should contribute 1/64th of the wage earned by him and the employer 1/64th of his wage bill. The difference between the two systems will be readily seen. In the second alternative scheme, the contribution depends upon and varies with the wage level or income of the individual worker and bears a fixed ratio to that wage or income, while in the first, it takes no note at all of the wage earned by the contributing worker. Under the second mode of contribution, the quantum of benefit payable to the employee is estimated at one week's wage for each month of unemployment.

Expert opinion, that is to say, actuarial opinion seems to disapprove the first system of a fixed contribution for each day and payment of a flat rate benefit. It is considered to be unscientific and inequitable. The second alternative in which contributions are levied on a varying scale but bear a fixed proportion to the income of the employee and the quantum of the benefit is similarly made to vary with and depend on the size of the contribution is considered to be more feasible and comparatively sounder. However, no final conclusions have been reached in regard to either alternative. Considering the conditions of living and employment in industries in South India, and when assistance from Trade Unions, which the employees may expect is not adequate or organised, a guaranteed benefit at a flat rate of Rs. 4-8-0 or a week's wage for each month of unemployment must be looked upon as certainly welcome alternative to not having anything at all. It is expected that the accumulations in the fund on the basis of such contributions would be sufficient to meet the demands on the basis of a ten per cent unemployment. If however the collections are not sufficient to meet the claims, the Government have to meet the deficit.

In order to encourage employers who keep their workers in continuous employment, some rebate or refund is sometimes given, periodically, in the contributions made by him. In regard to employees, where an employee draws by way of benefits much less than what he has himself contributed, the difference between the contribution made by him and the benefits paid to him is sometimes paid back to him with some small interest when he attains the age of 60 or under some different scheme. We may also adopt such a course.

Unemployed under the Scheme.—For the purpose of this scheme, an unemployed person may be defined as one who is in employment but thrown out of it due to circumstances over which he

has no control, but is able to work and is available for work. The following descriptions of unemployed persons are to be excluded from this scheme:

(a) Persons who become unemployed as a result of sickness, accident, invalidity or old age, for which class of persons, other schemes of social insurance are more appropriate.

(b) Persons who receive benefits during the period of unemployment under other schemes of benefit such as Workmen's Compensation, Maternity Benefit, etc.

(c) Employees who voluntarily quit service.

(d) Employees who are dismissed for misbehaviour or on account of unsuitability for the particular kind of employment.

(e) Employees below 16 or 18 years of age as may be finally decided.

(f) Persons otherwise earning remuneration during the period of unemployment.

(g) Employees on strike.

(h) Seasonal workers who are discharged after the period for which they were temporarily engaged.

Eligibility.—An employee to be eligible to join the scheme and receive the benefits, must have been in service at least for three years prior to joining the scheme and should have subscribed for a minimum period of six months continuously. He should also be unemployed continuously for a period of four weeks, in order to receive either of the alternative benefits stated above, viz., a week's wage or Rs. 4-8-0 for a month's unemployment. The period during which the benefit will be payable will be double that during which contributions were made by him, but subject to a maximum period of two years.

In order to prove eligibility to benefit, to the satisfaction of the insurer, the worker is required in the western countries to present himself and produce his employment register every day at the Employment Exchange, where it exists. As we have no such exchanges here, we must prescribe some other agency for this purpose.

Subsequent benefit.—A person who has already received benefit under this scheme will, however, if re-employed and again thrown out of work, be eligible to receive further benefit under the scheme, after making contributions for a period of at least three months, the period for which the benefit is payable being double the period of contributions made by him after re-employment.

Special Legislation.—The Minister for Labour and Industries appears to contemplate entrusting the administration of the scheme to an Insurance concern, commercial or co-operative, to minimise the commitments of the State. Special legislation is necessary to make the unemployment insurance scheme compulsory, and amendments to certain other acts in this connection have also to be made, such as the Payment of Wages Act to empower factory owners to deduct from the salaries of employees the contribution payable. Specific provision should be made in the Unemployment Insurance Act that is to be passed, to ensure the regular payment by the employer his share of the contribution to the fund. Employment exchanges should be set up by the Government in the districts in which the scheme is to operate. Government should make necessary arrangements for making payments of the benefit to unemployed eligible to receive benefit. Other details such as rules governing the maintaining of employment registers, placement of services, tendering of vocational counsel etc. will also have to be settled.

Administrative Costs.—We have naturally no experience of the administrative costs of the system. From the experience of other countries, we gather that having regard to the complicated machinery that has to be set up there, a maximum of 12½ per cent of the income of the fund, i.e., the contributions was generally allowed by law for administrative costs. This seems to have been found sufficient in practice under normal conditions. But in certain abnormal times, it was found, after the passing of the Acts of 1911 and 1920 that the limit proved insufficient, and the costs exceeded 12½ per cent, specially during the Coal Dispute of 1926-27 and 1928-29, when the number of benefit applicants increased considerably. On such occasions the excess was borne by the Exchequer. But as the machinery described in the modest scheme outlined above is much simpler and the services are less costly, a much lower percentage of administrative costs may suffice here.

Socio-Economic Value of the Scheme.—A very important question that may be raised in connection with such schemes is the burden that they would impose upon the industry. There is wide divergence of opinion among the authorities on social insurance as to the net social economic value of unemployment insurance plans. In the recent Balfour Committee Report, the total cost to the employers on account of contributions for unemployment insurance, health insurance, workmen's compensation and contributory pensions was estimated at less than one per cent of the value of the gross output of the British Industry. There are, however, other competent authorities who hold the view that the cost of unemployment relief, when extended to both able-bodied and non-able-bodied employed, is sufficient to constitute a serious handicap to British Industry in competition with continental industry. As regard the effects of the scheme from the standpoint of the insured, it is difficult to assess the magnitude of the burden to be borne by the continuously employed workmen, who receive few benefits, if any, in making the contribution to the common pool from which their less fortunate brethren draw their benefits. In India, we have no data to estimate the effects of unemployment insurance either on the employer or on the employee. But I feel that the modest scheme outlined above, while it does not impose any undue burden on industry or labour, may promote the efficiency of both and make labour more contented and better equipped. This is a problem in which labour leaders and labour organisations may well evince interest.

Co-operators cannot be indifferent to schemes of unemployment insurance, for the interests of the labourers are dear to them. The National Insurance Act of 1911 created considerable controversy in the Co-operative Movement of England. Co-operators were anxious to find a form of organisation which will administer the unemployment insurance scheme on co-operative lines. In fact, one recent writer says that "if the modern Co-operative Insurance Society had been functioning in 1911, there is no doubt that such Society would have been the body to undertake the service" of unemployment insurance. After considerable struggle, the proposal to form a health insurance section of the C.W.S. has now received sufficient support to make such venture possible. But in India we have no Co-operative agency as yet, which can shoulder such responsibility. The State itself must therefore administer Unemployment Insurance in India on Co-operative lines.

CREDIT INSTITUTIONS IN CZECHOSLOVAKIA DURING AND AFTER THE WORLD CRISIS (1929-1936)

BY

PROF. S. BORODSEWSKY, PRAGUE

The very interesting data we are quoting below have been taken partly from the actual publications, partly they have been kindly communicated to us by Dr. L. P. Dvorak, General Director of the Central Union of the Agricultural Co-operative Associations at Prague. They all report of the very difficult moments the credit institutions in Czechoslovakia had to experience during the world crisis of 1929-1936. They give evidence of the revival of the activities of the credit institutions in Czechoslovakia in general, as well as of the institutions, which were catering to the agricultural population, after the crisis. The whole of the loan institutions in Czechoslovakia (capitalistic, public and co-operative institutions) which presented their balances for 1936 numbered 8097; this figure included 5677 co-operative institutions. To January 1st of 1929 the total balance of the 7555 credit institutions amounted to 88·283 millions of Czeko Crowns (Kc.); to January 1st of 1936 then, the total balance of 8097 loan institutions showed more than 91·100 millions of Kc. The total balance of the 5677 agricultural co-operative credit associations, (a) Kampelitchkys-Reifeisenovkys, (b) loan-offices of the Schultze-Delitsch system and (c) Central Unions of the credit co-operative associations included, attained to January 1st of 1937 the figure of 11·447 millions of Kc. compared with the balance of the 5304 credit institutions, which did not attain to January 1st 1929 10·000 millions of Kc.

The deposits represent the biggest item of these balances. Considering the whole of the co-operative institutions these deposits were steadily increasing beginning with 1920. During the crisis the deposits did not increase but by the interest yearly added to the original capital, this being the case especially with the agricultural co-operative credit institutions. Before the world crisis set in these latter named associations secured deposits which represented about 8 per cent of all the financial means the State was disposing of. After the crisis this percentage increased up to 12·5 this being a sign of the population's gravitation towards the *co-operative* credit organisations.

On the otherhand the private bank deposits did not experience such an upward trend as was the case with those of the public credit institu-

tions and especially of the co-operative associations. This is proved by the 19 milliards of Kc. of joint-stock bank deposits compared with 16 milliards of Kc. of public loan and co-operative institutions. In 1936 then the private bank deposits totalled 29 milliards of Kc compared with the 62 milliards of the remaining credit organisations respectively. The public loan and co-operative institutions were consequently granted a greater confidence by depositors than the joint-stock banks. Neverthe-less there is to be taken into consideration the interest yearly added to the lump sum of deposits. As a rule these amounts of interest were attaining approximately 9 milliards of Kc. during the crisis while the deposits in all the loan institutions did not exceed but by 1·3 milliards of Kc. the deposit figure of 1929, i.e., in 1936. From this you may see that the deposits in many of the credit institutions instead of increasing suffered a decrease during the time the crisis prevailed.

In spite of this all kinds of credit institutions experienced an increase in the number of deposits. In 1929 the deposit accounts numbered 9,400·000, in 1936—11,000·000. The respective figures with regard to the agricultural co-operative credit associations was in 1920—1,200·000, in 1936—2.500·000. However, the average of deposits decreased during the crisis being in 1929—4·170. Kc. compared with Kc. 3·923.—of 1936.

There were many different factors: first of all a rather high interest in profits paid by the co-operative credit organisations to their depositors which influenced the growing of the people's confidence in these co-operative loan institutions. Concerning this the private joint-stock banks paid the minimum, i.e., 55·4 per cent of their gains compared with the maximum of 75·6 per cent paid by the Kampelitchkys.

The fact that the administrative expenses of the credit institutions were far below the private joint-stock bank expenses explains why the co-operative credit institutions enjoyed a greater confidence of depositors than the private banks. In comparison with deposited lump sum these aforesaid expenses represented in the private banks 1·8 per cent compared with 0·77 per cent of the rest of credit institutions. In 1936 both the private banks and the Kampelitchkys etc., reduced their expenses the respective percentage being then 1·53 per cent 0·45 per cent respectively.

II.—During the crisis the loan distributing operations of the credit institutions in Czechoslovakia did not register any decrease at all. In 1929 these institutions lent out 6·800 millions of Kc, the respective figures of 1933 and 1936 being 8·300 millions and 8·200 millions of Kc. The debitors of these co-operative associations numbered in 1929: 734·000, in 1933: 868·000 and in 1936: more than 900·000. The average of granted loans equalled in 1929 to Kc. 8·766, in 1936 to Kc. 9·132. It is interesting to remark that during the crisis the population began to reveal a greater interest for the agricultural co-operative credit associations many new members having been enrolled. In 1929 the number of members remained only 1,100·000; it grew in 1935 to 1,300·000; and in 1936 to 1,400·000.

Only about 500·000 members were interested in being granted a loan from the credit institutions while the rest of members figured mostly as creditors of these institutions. Nevertheless joining whatever co-operative associations the members were thus given the possibility to influence their affairs; this naturally brought about the growing confidence of the depositors in the agricultural credit co-operative associations.

To mitigate the difficulties the debitors were meeting during the crisis the Government lowered in 1933 and 1936 the rate of interest with respect to deposits and loans, the pre-crisis rate being much higher. There was evolved an agreement among the institutions concerned. This agreement which has been declared by the Government as obligatory serves actually as a basis for all the productive and commercial activities in Czechoslovakia. Briefly in case of deposits at sight the maximum rate amounts as to 3 per cent as to the deposits with 30 days and deposits with 90 days notice the respective rates of interest are 3¼ per cent and 3½ per cent.

It is interesting to state that Czechoslovakia ranges among those seven States which have the lowest rates of interest on deposits and loans. It is true that the United States maximum rate on deposits amounts to 1 percent, in Switzerland to 1½, in Great Britain, Belgium and Holland to 2½ and in Sweden, France and Czechoslovakia to 3 per cent only.

With regard to loans the maximum rate of interest in Czechoslovakia cannot exceed 4½ per cent for mortgage-loans granted by the Kampelitchkys: as for the other kind of loans one may demand 5 per cent at the maximum. All countries except England and Switzerland have far higher rates than in Czechoslovakia. Notwithstanding this the Czechoslovak Kampelitchkys do not demand more than 4¾ per cent on loans in reality.

All the credit institutions in Czechoslovakia are represented by the Credit Consulting Committee at the Czechoslovak National Bank. This Committee is entitled to fix the maximum rate of interest on deposits and loans, while the Government itself takes care of publication regarding the proportions of these rates. The establishment of such a system of fixing the rates suppressed the competitive efforts of all the different credit institutions with a view to get deposits and grant loans.

III.—Studying the activities of the credit co-operative associations in Czechoslovakia, one should not overlook the growing importance of the local Central-Cash-Offices for the co-operative Associations and their Unions in these last years. These central Cash-Offices are not monetary circulating regulating institutions only; they are also Controlling-Centres of the adherent to co-operative associations as well as centres of intellectual elevation of their members.

In Czechoslovakia such Co-operative Central Unions number 12. According to the respective law of 1924, each credit agricultural co-operative association must become a member of one of these 12 Unions, these latter being then associated in a *Centro Co-operative Institution.* In the last ten years the abovementioned *Central organisations* have developed considerably the deposits confided to these institutions, having attained in 1935—1·654 millions of Kc. in 1936—1·763 millions and in 1937—2·127 millions of Kc. The partnership capital as well as the reserve funds of the Central Unions have grown from 36 millions of Kc. in 1925 to 175 million of Kc. in 1936.

The Central Union, Ustredni Jednota, of the agricultural co-operative associations at Prague is the biggest of its kind; its share capital with reserves amounting to Kc. 120,600·000 compared with Kc. 1,015,000·000 of deposits.

The Central Unions adhering to the "Ustredni Jednota" are forbidden, according to law, to carry on selling or buying operations, which are reserved for special organisations joining the Central Unions. In 1928 these organisations sold different household articles as well as 161·000 wagons of cereals (one wagon holds 10 tons) to the total amount of 1·144 millions of Kc. compared with 280·000 waggons and 2·677 millions of Kc. in 1936. A great part of these quantities, i.e., 159·000 waggons to the value of 1·500 millions of Kc. was done by the *Co-operativa*—the largest commercial co-operative organisation joining the Central Union of the agricultural co-operative associations at Prague.

In this connexion we wish to state that recently there was published a very interesting book dealing with the activities of the Central Union of the Agricultural Co-operative Associations at Prague, (U.J.H.D. Druzstevni cin. Praha, 1938; p. 143, in 8°) its author being Dr. Athony Hulka. This book gives us complete and very interesting data of the past and present activities of the Ustredni Jednota. This Union celebrated recently its fortieth anniversary. We wish this Central Union success in its productive work in the sphere of co-operation.

IV.—In 1929-36, the number of the credit institutions in Czechoslovakia advanced by about 600 attaining thus to January 1st, 1937, the figure of 8·100. A similar increase of members was registered in the credit-co-operative associations too, i.e., to about 150·000. The share-capital and reserve funds dropped in these credit institutions by approximately 20 millions of Kc. The amount of deposits increased by about 1·3 milliards of Kc. for this period. Interest yearly added to the deposit sum amounted to about 9 milliards of Kc. for the same period—in other words the depositors have spent about, 8 Milliards of Kc. of their deposits. It must be noted that this rather considerable sum has been reimbursed by the credit institutions without serious shocks whatever.

The loan distributing operations of the credit institutions have recorded a considerable advance during the crisis ; in 1936 then, the amount of granted loans exceeded the distributed ones in 1929 by about one and a half of milliard of Kc. The average of granted loans improved by about 5 per cent. This deserves special praise considering the measures put in force by the Czechoslovak Government during the crisis, measures which excluded the possibility of paying of the deposits and demanding for the loans very high rates of interest. This accounts for the decrease by nearly 50 per cent of the net profits of the credit institutions in Czechoslovakia.

In conclusion one must emphasize that the close contact and business collaboration of the population with the different kinds of credit institutions resulted in an accentuated gravitation of the population towards the credit co-operative associations and not towards the capitalistic joint-stock banks.

We may now look forward eagerly to a further more pronounced development of the credit institutions in Czechoslovakia, this country occupying already now one of the first places in the world.*

*This contribution to our *Review* was received before the betrayal of Czechoslovakia by the "Great" European powers.

—*EDITOR, I.C.R.*

REVIEWS

DANISH AGRICULTURE. By Einar Jensen, Ph. D. (J. H. Shultz Forlag, Copenhagen 1937, 3·75 Dollars).

Agriculture in Denmark has of all countries in the continent of Europe attracted the greatest attention of the world. Much of the deservedly high reputation of Danish agriculture has been brought about by an almost perfect co-operative organisation, on the one hand, and a complete specialisation in animal husbandry, on the other. This was facilitated by the ever-increasing markets in the highly industrialised countries of Western Europe, particularly Great Britain, which until recently permitted the free entry of all the products of Denmark. The development was regular and orderly except for occasional disturbances in the monetary system. The shift from grain production for human consumption and sale to pronounced livestock production was gradual, and was not a sudden transformation brought about by American competition, as is often assumed by writers of economic or co-operative history.

The book is the result of research work begun by the author, in his home country, Denmark, and completed in the United States, where he is now the Principal Agricultural Economist of the Department of Agriculture. The core of the book is an extremely able economic analysis of the middle-sized (40—100 acres) representative farm in Denmark and reveals the capacity of the Danish farmer to make the fullest possible utilisation of the various factors of production. The data have been gathered from official statistics and from accounts of 600 Danish farms, representing different types of farming suited to the natural resources in different parts of the country.

After an interesting survey of the natural resources, the people and their social background, the system of land-tenure, the technique of the new agriculture, the effects of monetary and technological influences and of tariffs, and the problems of economic organisation in general, the author deals at some length with co-operation in Danish Agriculture in which readers of this review would be more interested.

The variety and intensity of co-operative development in Denmark could be seen from the following facts: 90 per cent of all milk sold from farms is delivered to co-operative creameries of which there are 1400. 85 per cent of hog packing is done in co-operative packing plants. 67 per cent of the cattle feeds are purchased by co-operative feed associations. 40 per cent of seed trade is carried on by a seed growers' co-operative together with the rural co-operative stores. 25 per cent of the Danish eggs, whose reputation is highest in the British market, are sold co-operatively. 20 per cent of all the domestic requirements of farms are purchased in the rural stores, of which there are about 1,750 in the country. In fact consumers' co-operation in Denmark is very largely rural and little urban.

Co-operative Banking was developed to a high degree, not so much for supplying credit to individuals as to finance co-operative creameries and other co-operative producing and trading societies. The central institution which had developed into one of the five largest banks in the country failed at the end of the War on account of financing goods which had lost markets after the termination of the War. But yet it was able to pay off 90 per cent of its creditors. A new central co-operative bank has been promoted which is fast growing to the size of the bank which closed its doors. Cow-testing associations of which there are 1,300 in all, employ trained men to determine the yield and butterfat content of the milk of individual cows and the keeping of accounts relating to the feeding of the cows. Machinery societies, live-stock and crop insurance societies and rural electrification societies complete the picture. What a wonderful variety and co-operative loyalty in a country with but 8 million acres of cultivated land and less than 4 millions of population!

Members pledge themselves to sell or buy through their co-operatives for a period of five years. Members of all kinds of societies undertake unlimited liability; but rarely have they been called upon to pay the debts of an association which has failed; for few Danish co-operatives have failed. And yet Denmark has had no co-operative statutes; no state-aid to co-operatives; no tariffs or bounties.

Much of the development is due to the quality of adult education in Folk Schools, the technical equipment of the ordinary farmer and the importance attached to research, particularly by the large central organisations.

The educational enrichment of the rural population has led the farmers on to take their place in the administration of counties, in the legislatures and in the Cabinet itself. To aspire for a seat in the Council of State is not an unnatural aspiration for a farmer in Denmark. Much of the schooling necessary for it is received in the co-operatives. Co-operation has made the Danes a more democratic people than any other. Denmark should indeed strike the Indian co-operator a veritable dreamland.

This book has unfortunately one serious shortcoming. Though published in 1937, much of it was composed in 1930-31 when economic depression was deepening. Denmark was affected too by the rising tide of protection in Great Britain. Though the data have not been brought up-to-date, Dr. Jensen does not despair of the future of Danish agriculture. Tariffs on food are not likely to be tolerated for long in Britain. And the present troubles may act as further stimulants to progress in Danish agriculture. "Even if some breakers may recede, the tide is coming in."

K.C.R.

FURTHER UPWARD IN RURAL INDIA. By D. Spencer Hatch, M.Sc., Ph. D. (Oxford University Press, 1938, Rs. 2/8).

Dr. Spencer Hatch, the best known of the Christian missionary pioneers in the cause of Rural Reconstruction in South India, has published the above attractive little work as a sequel to his '*Up from Poverty*' (now in the third edition) which gave an account of the pioneer work in Marthandam in Travancore State. The present work, in the words of the author, "recounts progress towards fuller fruitfulness". The reconstruction centres have multiplied to more than a hundred in Travancore and Cochin; the extension work is appreciated by an ever-increasing number of villagers, belonging to various creeds, and different economic strata. The poorest are not left untouched, and in this the Y.M.C.A. work claims to be superior to that of the co-operative movement. There need be no antagonism between the two; indeed co-operative marketing of eggs has been fostered and to a smaller extent co-operative store; but not the unlimited liability co-operative credit society in which the author seems to have little faith—rightly from the way in which it has been worked in Travancore and in the rest of India. We wish, however, that co-operation of various other types had been taken up, in connection particularly with the variety of cottage industries, 'home vocations' as they are termed.

To the laymen the most fascinating accounts are about scientific poultry farming and bee-keeping the spread of which has perceptibly increased the income and improved the standard of living of not a few villagers in Travancore. The author has a gentle hit at the Marketing authorities of the Government of India who have set up an egg-grading machine at a centre in South Travancore for the benefit of a big merchant and not for small producers.

Dr. Hatch is not merely a great missionary, but a great student of agricultural science and a greater teacher of agricultural practice. His practical hints on the making of composts and on the growing of pine-apples and canning the surplus, all of which have been taken up by the people, reveal his capacity to effect substantial reforms. Our only wonder is how with such an optimist in their midst Travancore co-operators have not made any striking progress in agricultural co-operation of any type, comparable to the effects of the work of the Catholic clergy in Belgium and Holland.

The book, written in a bright chatty style, is full of interesting personal reminiscences and helpful suggestions to the worker in the cause of Rural Reconstruction. While we appreciate the author's emphasis on the saying of Leonardo de Vinci "Only he is poor whose wants are many" so far as the educated urban reformer going out into the country-side is concerned, we would rather not stress it too much in the village where the standard of living—particularly nutrition—is so low. The fine full page photographic illustrations add to the joy of the reader.

DEBT LEGISLATION IN BENGAL. By Kumar Bimal Chandra Sinha (E.M.C. Sarkar & Sons, Calcutta, 1938, Re. 1.)

This neatly got-up brochure deals succinctly with the series of legislative enactments aiming at the regulation of money-lending in Bengal since the advent of the British. The Hindu tradition of *damdupat* was already there. But European debtors needed relief too. The early regulations before 1800 prescribed maximum rate of interest, first at 24 and then at 12 per cent per annum. These were repealed in 1855, thanks to the spread of *laissez faire* ideas from Britain. Due to rising prices, new occupancy rights, and enforcement of the pound of flesh in civil courts, Bengal, as well as any other province, became the moneylenders' paradise. The Famine Commissions of 1880 and 1901 drew pointed attention to the need for the organisation of credit facilities. The Co-operative Credit Societies Act was passed in 1904 and amended in 1912. Societies brought no visible improvement. Next came the Usurious Loans Act which gave power to the civil courts to reduce the burden of debt. The provisions were too vague, and left too much to the discretion of a form-bound judiciary. .The Act became 'a dead letter' in Bengal as well as in other Provinces.

The Bengal Moneylenders Act of 1933 which claimed to mark a new era prescribed a maximum rate of interest (15 per cent on secured and 25 per cent on unsecured debts) and the maximum amount recoverable by a creditor, which was double the principal lent (*damdupat*). There were differences of opinion in interpretation of the latter; and for many, money could not be had at less than 48 per cent. This Act served no purpose; it did not aim at scaling down debts. It was a 'still-born child'.

The latest is the Bengal Agricultural Debtors' Act, which provides for the constitution of Debt Settlement Boards by he Local Government. The principles adopted are different from those adopted in agricultural countries abroad and go too far. It provides not only for the reduction of interest, but also principal. The settlement is not merely voluntary but compulsory if need be. But no provision is made for the grant of funds by Government to pay off creditors as soon as debts are scaled down. It deals unjustly with creditors, most of whom are Hindus. It is of little use to the tillers of the soil. It does not provide for better credit agencies to take the place of rural moneylenders.

Mr. Sinha, like many others, is fairly convincing on the critical side. But when he goes on to suggest positive measures, they are too vague to be helpful in the immediate future. The only specific recommendation he makes is not original nor more convincing than the older panaceas. The multiple purpose society by itself will no more 'eradicate the evil of indebtedness' than the old-fashioned Raiffeisen society. It offers no solution for the problem of prior debts.

K.C.R.

AGRICULTURAL MARKETING IN NORTH INDIA. By S. A. Husain, Lecturer, Faculty of Commerce, University of Lucknow.

Mr. Husain has made a close study of the methods of agricultural marketing in the United Provinces and the Punjab, and, in addition he has given valuable information about the jute trade in Bengal and the cotton markets in Bombay and the Central Provinces & Berar. He has shown in his book how the United States of America, Canada, France and other countries have devoted themselves to the development of agriculture by bringing about an improvement in marketing conditions. He has also indicated, on the basis of these comparative studies, how India can develop its markets for the export of some of the crops by an improvement in marketing methods.

Mr. Husain has surveyed the economic situation in India and other countries since the last European war, and sounds a note of warning that if India fails to devote itself to the improvement of its agricultural products both in quality and quantity, it will lose all the custom it enjoyed in the past. According to the figures given by him—the book is replete with statistics to justify the conclusions arrived at—there is an improvement in progress in the dietary of various nations. There is a tendency to use wheat more and more; and if the Punjab, Sind and the

United Provinces improve their agricultural methods there will be a good market for the staple products of these provinces. Similarly, Mr. Husain has examined the prospects of all the main crops of India—jute, cotton, oil-seeds, sugar-cane and the like—and has set forth his conclusions in detail. His book shows clearly that the organization of agricultural marketing depends on various factors—world conditions, including the treaties and trade pacts made by various countries, the progress of better farming, the provision of an efficient system of credit, regulated markets, good transport facilities and concerted effort by the State and non-official organizations to improve the lot of the peasantry. Throughout the various chapters, Mr. Husain reminds the reader that marketing is a part of the process of production. He recognises that it is not possible for the farmers individually to control all the various stages of marketing till the produce reaches the consumer nor does he think it necessary; he suggests, however, that the middlemen or the institutions serving as middle-men should be such as are interested in agricultural production.

In a chapter devoted to co-operation, Mr. Husain has reviewed the achievements and defects of co-operative marketing and has made many practical suggestions as to how co-operative marketing can really be made useful. In his opinion, co-operative marketing organizations should be started from the base upwards. There should be a sale organization for every village or a group of villages; these sale societies should be linked to a central association for the district and there should be provincial organizations and, if necessary, an all-India body to replace the big whole-sale merchants. This section of the book would have been more valuable if Mr. Husain had worked out his proposals in greater detail. But as he admits, he is a student and as such he has merely pointed out the present position of marketing and according to the experience gained hitherto he has suggested the directions in which improvements are possible. He has described the picture as a whole, and he believes that to improve agricultural marketing conditions in India individual, co-operative and collective efforts are necessary.

RAMNIKRAI N. MEHTA.

CO-OPERATIVE SOCIETIES AT WORK IN INDIA

UNITED PROVINCES

Extracts from the Report of the Registrar, Pandit Radhe Lal Chaturvedi, for the year ended 30th June 1937.

New Societies.—With the contraction of rural credit due to the recent Debt Legislation, the scope for organisation of co-operative credit has considerably expanded. A new opportunity has presented itself for a big drive, and with all caution dictated by a limited staff, it is not always possible to resist the appeal of villagers to form new societies. Suitable expansion cannot, however, be planned until the Union has funds to meet the substantial increase in the staff of supervisors.

General statistical progress.—The progress that the Movement has made since last year will appear from the statement appended (next page).

The record of agricultural credit societies shows satisfactory results. The number, membership and working capital have gone up by 423, 16,667 and Rs. 2·65 lakhs respectively. In the matter of organization of societies the point has always been borne in mind that expansion should not go beyond a point which would make efficient supervision difficult. Effort to embrace within the fold a large population of the village has met with an encouraging response. It is hoped that the average membership per society would continue to improve. Agricultural non-credit societies register similar increases of 441, 28,409 and Rs. 0·34 lakhs under the respective heads. The large increase in membership is, of course, due to the cane supply societies. The increase in the membership and working capital of non-agricultural credit societies of limited liability by 7,389 and Rs. 9·16 lakhs respectively is largely due to the formation of credit societies for salary earners. Manned as such societies are by intelligent and educated people, the chances of their failure are remote. One important feature which assures their success is the arrangement by which deductions towards payment of the society's dues are regularly made from the monthly pay-sheets of members.

The total increase of 929 societies of all classes, of 65,451 in membership, of Rs. 20·93 lakhs in working capital and Rs. 9·91 lakhs in owned capital are encouraging. The financial stability is apparent from the fact that of the total of a little over two crores involved in the movement, the owned capital alone is responsible for 62 per cent. Judged from this point of view, the Movement compares favourably with most of the provinces in the country.

Central financing agencies.—Of the 72 central financing agencies, 10 are banking unions with only societies as shareholders, two central marketing societies for grain (one of which could not start work and has been closed since) and the rest are ordinary central banks.

The working capital of central banks increased from Rs. 88·79 to Rs. 92·24 lakhs. The total amount held in shares was Rs. 22·44 lakhs or nearly a quarter of the working capital, which is very satisfactory. The reserve and other funds rose from Rs. 16·54 to 16·74 lakhs. The owned capital is thus 42·4 per cent of the working capital as against the proportion of 12·5 per cent recommended as the margin of safety by the Maclagan Committee. Except in a few cases, the liquid cover was ample; the fluid investments (fixed) alone amounted to Rs. 15·32 lakhs.

Type.	No. of Societies. On 30-6-36.	On 30-6-37.	No. of members. On 30-6-36.	On 30-6-37.	Working capital. On 30-6-36.	On 30-6-37.	Owned capital. On 30-6-36.	On 30-6-37.
					Rs.	Rs.	Rs.	Rs.
Central Banks ..	73	72	5,903	5,960	88,78,609	92,24,838	38,95,370	39,10,619
			6,282	6,820				
			12,185	12,780				
Non-credit central societies ..	41	54	6,005	16,336	15,33,304	20,71,651	6,95,660	10,30,413
			986	1,378				
			6,991	17,714				
Agricultural primaries ..	6,924	7,788	1,63,662	2,08,738	1,07,62,760	1,10,62,125	61,72,741	64,00,644
Non-agricultural primaries ..	421	474	43,113	52,170	44,96,073	54,05,633	22,03,856	28,16,516
	7,459	8,388	2,25,951	2,91,402	2,56,70,746	2,77,64,247	1,29,67,627	1,39,58,192

On the year's working about a dozen banks showed a loss of Rs. 17,968 as compared with Rs. 23,487 of the previous year. The number of banks in which expenses and interest exceeded income have dropped from 15 to 9. Twenty two could not distribute dividends against twenty-eight of the previous year. In twenty out of the number, overdue interest exceeded profits. Eight have accumulated a loss of Rs. 0·59 lakhs. Out of the weak banks, it is expected half will be put on their feet before long. With regard to the worst four, advances to societies have been stopped and collections are being utilised towards making proportionate payments to depositors.

A good many banks have reduced their rates chargeable to societies. The Partabgarh District Co-operative Bank advances money to societies ordinarily at 9 per cent and for improvements at only 7½ per cent.

The cash in hand (including temporary investments) at the close of the year increased by Rs. 2·54 lakhs over the figure of the previous year. From the purely banking point of view, there is everything to be said in favour of the policy of not accepting more deposits even at reduced rates than their requirements would permit. There is, however, another side to the shield. Return on maturity of money, of old clients in particular, against depositors' wishes may produce an impression not complimentary to the Movement. There is a respectable body of opinion which holds that in view of the fact that only fraction of the ground has been covered, every effort should be made to absorb at least the money placed at our disposal. If there is an unduly forced exit, it may not be easy for banks to get money to the extent and at the time they require it. Loss of interest on idle balances has to be avoided and the best course would be to develop the neglected commercial side of the movement so that banks could safely invest money against pledge of produce and in collection of bills on behalf of members. With the exception of some banks, the rate of interest payable is 3 per cent on deposits held for one or two years. A few have even reduced it to 2 and 2½ per cent. With the exception of three or four weak banks, no difficulty was felt in meeting withdrawals of deposits. Banks as a whole enjoyed the confidence of the public. A majority of banks have been keeping fluid resources much in excess of the prescribed scale.

In the absence of a Provincial Co-operative Bank, deficit and surplus banks carry on negotiations among themselves and inter-lending is carried on with the formal sanction of the Registrar.

The Moradabad District Bank continued the scheme of receiving repayments in kind. The underlying idea has all along been to improve collections by offering members of societies a rate slightly better than that ruling in the market. Speculation is studiously avoided. Every effort is made to dispose of the stock as soon as the gut season draws to a close. During the year, grain worth Rs. 77,000 and weighing 19,630 maunds was purchased. The percentage of collections went up from 92·86 to 97·60 per cent in societies belonging to the Moradabad District Bank and from 86 per cent to 91·95 per cent in case of those taken over from Kanth. The members of a society affiliated to the Kotdwar Bank made a profit of Rs. 1,287 through joint sale of the produce of members.

Land Mortgage Societies.—The number of land mortgage societies is still 5. Membership increased by 76 but advances dropped from Rs. 42,980 to Rs. 27,420. The recoveries increased from Rs. 7,271 to Rs. 8,490 and profits rose from Rs. 1,515 to Rs. 3,086. Outstandings increased from Rs. 0·92 to Rs. 1·11 lakhs. Overdues amounted to Rs. 1,167 of which Rs. 400 was realized shortly after the close of the year.

A passing reference must now be made to the two factors which are hampering their development. One is the restricted scope imposed by the existing land tenures. Occupancy tenants should be given rights of transfer over their holdings in favour of a land mortgage society as in the Central Provinces. The Debt Enquiry Committee of 1932 recommended as much. The second factor, which is obviously unsound, is the system of advancing long term loans out of short term deposits. The easy conditions of the money market cannot be postulated for all time, and with a tight market, withdrawals become unavoidable. In fact for the time being we are caught in a vicious circle. Debentures backed by Government guarantee alone can facilitate long term loans, and they cannot be floated unless some central land mortgage institution is formed. The latter cannot be formed unless there is a fairly large number of primary land mortgage societies for it to finance.

We are, however, within seeing distance of breaking this circle. The formation of the Reserve Bank has speeded up forces calling for the establishment of a Provincial Co-operative Bank. The proposal is to make land mortgage banking a separate department of this apex Bank.

Unlimited Liability Agricultural Societies.—The total number is now 6,427 with a membership of 142,000. The average membership during the last two years has gone up from 20 to 22. The society does not count as an effective social force unless a large portion of the population of the village joins it. Efforts are now afoot to bring gradually within the fold all villagers known for honest dealings. Some further progress has been achieved in the introduction of the provisions of thrift in these societies. Members deposited Rs. 0·96 lakhs and withdrew Rs. 0·57 lakhs. The total amount of their deposits amounted to Rs. 2·45 lakhs as against Rs. 2·07 lakhs for 1935-36. Progress varies from district to district. Partabgarh takes the place of pride; about one-third of the members lay by something against a rainy day. Progress in general can, however, be only slow, having regard to the broken condition of the people and the imperative need of giving them such direct immediate relief as possible.

The working capital increased from Rs. 103 to Rs. 105·4 lakhs. The owned capital rose from Rs. 60·8 to Rs. 62·8 lakhs and represents now about 60% of the working capital. Profits earned by these societies during the year amounted to Rs. 3·25 lakhs and about half of this would go to increase the owned capital. Besides Rs. 38·98 lakhs in reserves and Rs. 23·80 lakhs in shares, members saved Rs. 2·45 lakhs in the form of individual deposits. Of 6,427 societies, 1,844 distributed dividends, 1,252 gave rebate to members and 1,547 reduced their lending rates. The number of societies which did not finance their members decreased by 46 to 1,578; those which worked at a loss similarily went down from 694 to 569. Societies in arrears of interest counted 775 against 789 of the previous year. The amount of overdue interest fell from Rs. 3·65 to Rs. 3·14 lakhs; the incidence per society being Rs. 405 against Rs. 463 in the year preceding.

That there is a lot of dead wood to be cut away cannot be denied. But things are not so bad as figures would suggest. Of the bad lot (1578) there are indications that in a number sap has begun to run and fresh shoots will appear. With the reduction of debts to reasonable dimensions and their conversion into long-term loans on the one hand and with separate provision for crop requirements and encouragement of repayments in kind on the other, it is hoped that a large number would be pulled out of the rut in course of time. The worst are those in which the Panchayat has led default; they will nearly all go during the cleaning up process.

Non-Agricultural Societies-Limited Liability.—The number and membership rose from 109 and 33,700 to 128 and 41,100 respectively. The working and owned capital similarly went up from Rs. 38·17 and 18·09 lakhs to 47·87 and 22·98 lakhs respectively. Profits rose from Rs. 1·40 to 1·59 lakhs. Advances increased from Rs. 32·94 to Rs. 42·45 lakhs and repayments rose from Rs. 28·63 to 34·35 lakhs. The outstandings registered an increase of nearly 7 lakhs.

The progress is mainly due to propaganda in Government and other offices, which account for more than 88 per cent. of the societies under the head. A few of these societies like the Oudh and Rohilkand Railway, the Bengal North-Western Railway, the United Provinces Postal Employees Society and the United Provinces Telegraph Employees Society have developed into big institutions, working, as they do, with a working capital of 14·13; 2·23; 10·32 and 3·45 lakhs and a membership of 6,101; 3,248; 5,064 and 530 respectively. The United Provinces Postal Employees Society undertakes fidelity business. The United Provinces Co-operative Officials Co-operative Society is forging ahead. It does both fidelity and mutual funds business. A large number of these societies have already arranged for the repayment of all the dues from monthly pay-sheets of their members and the rest are expected to follow suit.

The increase in deposits of members from 16·09 to 19·23 lakhs is disappointing. Members of such societies can and should practise thrift on a more extensive scale.

Non-Agricultural Societies—Unlimited Liability.—Societies of this class consist mainly of weavers, leather workers, petty traders, and chamars. The number has increased from 189 to 204 and membership from 4,277 to 5101. The average membership is thus 25 against 22 of agricultural societies of the same type. Advances are usually made on the *ugai* system according to which Rs. 12 is paid—Re. 1 each month for a loan of Rs. 10 or Rs. 11. The working capital is nearly 3 lakhs of which 57·6 per cent is owned. The decrease in the percentage of overdues in relation to outstandings is only nominal.

Seed Stores.—Besides 4 central and 2 village registered stores, there are 2 central and 4 primary unregistered stores working in Partabgarh. Eight have got their own buildings. The registered stores distributed about 3,100 maunds of seed and earned a profit of Rs. 2,600. The two seed stores in Fyzabad distributed between themselves 375 maunds, while the stores at Dhanaura (Moradabad), Basrehar (Etawah) and Lakhnau (Aligarh) distributed 1,100; 450 and 225 maunds respectively. The stores at Agra, Bareilly and Budaun have started their work recently.

The Central seed stores in all made a profit of Rs. 4,360. Most of the stock was either purchased or obtained as loan from the Agricultural Department and a part from such members of Societies as had themselves grown improved seed.

Industrial Societies.—Besides the Mason Industrial Federation, Bara Banki, there are three central societies for weavers, one each at Agra, Tanda and Cawnpore. The Cawnpore Knitting and Weaving Society—a recent registration—has begun well. Since the close of the year, it has manufactured 310 pull-overs of which 226 have been already sold. It has placed orders for a knitting machine from Japan. The store at Agra has once again worked at a loss. Its efforts to increase its business have met with little or no success. The store at Tanda advances money against cloth, mostly *Kela Silk*. It advanced about a lakh and recovered ·96 lakh out of goods sold during the year. It charges a low rate of interest from its weaver-members and meets the establishment charges all by itself. As a result, it made small profits but they are expected to increase with development in business. Goods should be insured against fire in future. The Mason Industrialists' Federation has improved its position. It purchased yarn worth Rs. 10,000 and supplied goods worth Rs. 16,573 and made a profit of Rs. 852. The staff was paid out of the Government of India grant for promotion of weaving. The Sandila Industrialists' Store supplied yarn worth about Rs. 12,000 mainly to the Co-operative Weaving and Sale Society. This store also received a share out of the Government of India grant and made a profit of Rs. 1,400. The remaining weavers' stores and societies are doing business on a small scale. The Dreyfus Brass Workers' Society has once again become moribund.

Cane Supply Societies.—As expected, the cane supply work has considerably developed since June 30, 1936. The number of societies increased from 322 to 514, of which 15 are central. Although membership is drawn from villages and the village organizations work as unregistered concerns, societies have been organized one for each district. But for this the number of societies under this head alone would show a tremendous increase.

The quantity of cane supplied during the year was 127 lakhs of maunds against about 75 lakhs of the year previous. The commission earned amounted to Rs. 2,41,457, yielding a profit of Rs. 80,693. The latter does not include profits which a few central banks and credit societies earned by organising supplies direct.

Cane Development Scheme.—The aim of the scheme is to develop and improve the natural sugarcane zone round a factory and to arrange that this cane is co-operatively sold to that factory. Societies for better farming cum sale are being formed in the area selected for this purpose and an agriculturally qualified staff consisting of one inspector, three fieldmen supervisors and a number of *Kamadars* have been appointed for each area for agricultural propaganda. The factory meets one-third of the costs of the scheme against two-thirds which is paid by Government out of the sugar excise duty fund. The full scheme involves both development of production and organization of supply, and a factory joining it has to pay a contribution of Rs. 3,000 per year plus some commission on supplies. The alternative scheme is confined to development and the contribution payable is Rs. 6,000. Twenty-three zones of 2,000 acres each (including one double and one free) have been organized for the 21 factories nearly all of which have accepted the full scheme. As in 1935-36, the scheme was run jointly by the Agricultural and Co-operative Departments. For administrative purposes, the province is divided into two ranges —one with its headquarters at Gorakpur and the other at Bareilly.

The membership in the Gorakhpur range has risen from 8,000 to 15,000. Nearly 6 lakhs maunds of improved cane seed and 24,230 maunds of fertilizer mixture were distributed during the year. The supplies amounted to nearly 16 lakhs maunds of cane. The total commission earned was Rs. 31,000. In the other range, membership rose to 10,642. A little over six lakhs maunds of improved varieties of cane and 25,750 maunds of fertilizer mixture were distributed. Improved implements have been distributed in both the ranges; demonstration plots have been formed. Societies for development and supply are steadily increasing.

A brief explanation may be given as to why more factories have not joined the scheme. The imposition of additional excise duty and the fall in prices of sugar have reduced the profits of factories which are naturally anxious to save as much as they can for their shareholders. The presence of weighment controllers on behalf of the development scheme is not liked by the factories. The quantity available hitherto being much larger than their requirements, factories have been reluctant to pay any commission on supplies. Factories cannot expect to find societies as flexible and accommodating in their dealings as private contractors. The factories have all along been working under the fear that if the cane development organization becomes strong, it will dictate terms to them.

United Provinces Co-operative Sugar Factory, Limited, Biswan.—A cruel fate appears to have been dogging the steps of the United Provinces Co-operative Sugar Factory, Limited, Biswan. The initial plant was found to be inefficient. The extension scheme made matters worse. Thanks to the management, not only did the extension cost much more than expected but the machinery was found to be ill-balanced and defective in several respects. Gross slackness in supervision again brought other evils in its train, and as a net result the factory worked at a loss of Rs. 1,81,000 at the close of the year. The management has been recently overhauled, and the Punjab Sugar Mills Company, Limited, Lahore, have been appointed its Managing Agents.

Ghee Societies.—The number of Ghee Societies rose from 80 to 153. They are now spread over six districts with a membership of 3,153. During the year the societies handled *ghee* worth close upon a lakh and made a profit of Rs. 18,476. The Provincial Marketing Board proposes to set up a grading and testing station at Shikohabad. The certificated *ghee* will find in Calcutta and other stations a ready market for sale. The Chowbonka-pura Union imported a few buffaloes from Bhaulpur to improve breed. It further constructed two silos for storage of fodder, and has recently purchased a refractometer. As a result of the recent Government grant, supervisors are being trained for *ghee* work and intensive work will be carried on in districts where it is already in progress.

Dairy and Milk Societies.—The Katra Dairy made a profit of Rs. 1,430 as against Rs. 962 of the previous year. The Lucknow Milk Union (an unregistered concern) arranges for sale of milk of seven societies lying within three miles of the collecting centre which is ten miles away from the town. The Union worked for 7 months during the year and supplied 70,000 lbs. of milk to the consumers at Lucknow and made a profit of Rs. 350. It has made another Rs. 750 since. The remaining three societies—one each in Meerut, Unao and Benares—are yet in an experimental stage.

Better Living Societies.—Apart from the better living activities which are permissible under the model by-laws of primary credit societies, we have over 500 organised exclusively for village welfare work. Two thousand five hundred and twenty-three dispensaries have been opened in villages; 1,467 *dais* have been trained in accordance with sanitary and hygienic principles; villages in which all villagers store manure in pits outside *abadi* number 2,653. Hundreds of wells are provided with parapets year after year. There are now 255 schools which are mainly attended by members or their children. Meston ploughs in use number close upon 5,000 and 3-roller sugar mills 10,678. Chemical manure is used in 16,622 acres. Improved varieties of wheat and sugarcane are getting progressively popular. Our main centres are still Benares, Partabgarh, Masoda (Fyzabad). The work has been recently extended to Lucknow and Moradabad.

Consolidation of holdings.—The importance and urgency of consolidation is admitted on all hands. The number of societies has increased from 82 to 94. Close upon 39,000 plots have so far been consolidated into about one-tenth of the number in Bijnor, Saharanpur and Moradabad Districts at a cost of seven annas per bigha.

Government have been pleased recently to make a grant for the expansion of this work. Even so we shall have only a dozen supervisors to 224 co-operative sub-inspectors employed in the Punjab for the purpose. The whole work from beginning to end is done by persuasion and the societies are registered after consolidation has been effected and possession actually transferred. Persuasion has, however, its limits, and it appears it will be necessary before long to supplement it by legislation more or less on the lines of the Central Provinces. Cases have come to light in which work has had to be held up on account of one or two individual dissenters, impervious alike to appeal or reason.

Cost to Government.—The province spends Rs. 4·4 per square mile of area as compared with 13·0 in the Punjab; 4·6 in Bombay; and 8·1 in Madras. *Per capita* expenditure in the United Provinces is ·008 as against ·045 in the Punjab; ·018 in Bombay and ·023 in Madras. Similarly the proportion of the public revenues spent on this movement is ·38 per cent as compared with 1·10 in the Punjab; ·59 in Bihar and Orissa and ·44 in Assam. In other words, the province spends less on co-operation, area per area, than any of the provinces where the movement is doing well or reasonably well, and considering population and resources it spends less than any other province in India.

Conclusion.—The bounds of orthodox co-operation have of late been extensively enlarged. Credit is no longer looked upon as the be-all and end-all of co-operative endeavour. Credit or better banking is only one of the four sides of the square, the other three being, better living, better farming, and better marketing. There may still be some difference of opinion in strategic thought as to whether a better living society should precede a credit society. Some differ again if better living should merely find a place on the circumference or be the centre of the circle. All are, however, agreed that the problem will have to be tackled in all its phases if the agriculturist is to become a living efficient producer of the country's wealth. The creed of orthodox co-operators like Buchez and Raiffesen that unlimited liability is the one basis of agricultural credit is no longer accepted as final. The need for substituting limited liability with suitable safeguards in order to attract the more respectable elements is receiving steady recognition. Debt Legislation has contracted rural credit. The effect of relief measures in prospect may be anticipated, and Co-operation will have to step in to fill the void.

Progress in a mass movement like Co-operation is largely a question of man-power. The movement has not been able to carry so far a wide appeal to non-official workers. It remains yet to throw up in each local area one or two local leaders—convinced enthusiasts—to carry the message forward. The limitations imposed upon an inadequate staff charged with work of an intensive nature are obvious. Speaking generally, the supervisors lack that missionary spirit which is the bed-rock of social service. The general tone has certainly improved but the need for close supervision remains. Given the opportunity, a fairly large number will still find it difficult to resist the temptation of going wrong. There may be increase in membership, periodical changes in the panchayat, increase in society's turnover, more meetings and occasional shows. Oftener than not, they are mere surface permutations which do not touch the real character of the society. It is still the privilege of the limited few to realize that as members they are integral parts of the society or that the latter is little short of a family created for them by statute. The movement which aims at pooling the individual resources—both material and moral—for common good has to combat age-long habits, beliefs and convictions. The process must, therefore, be necessarily gradual. Quick or dramatic results are out of the question. Miracles cannot be performed and they must not be expected.

CENTRAL PROVINCES AND BERAR

Extracts from the report of the Registrar of Co-operative Societies, Mr. C. C. Desai for the year ended 30th June 1937 :—

SUMMARY OF GENERAL PROGRESS

Agricultural Season.—Agriculturally as well as economically the year was better than the preceding one. Outturn was larger and prices higher and one would naturally expect a definite improvement in the economic condition of the people. But so much leeway had to be made up as a result of a number of successive bad years that the good year passed away without any appreciable effect on the financial condition of the agriculturists.

Recoveries.—The total demand which the central banks had to recover during the year was Rs. 1,38,90,445. The actual recoveries, amounted to 10.4 (8.5) per cent. of the demand. To the figure of recovery in Berar may be added 7,026 acres of land purchased by the Berar banks valued at Rs. 3,29,925 during the course of coercive proceedings.

Cash Advances.—There was an increase in cash advances during the year which amounted to Rs. 8,57,563 (Rs. 7,39,962). The bulk of fresh financing in the Central Provinces—Rs. 5,93,301 out of Rs. 7,20,041—was done by the Nagpur, Brahmapuri, Narasinghpur, Raipur, Bilaspur and Drug banks. Elsewhere the business continued to be meagre. Some of the banks did not advance a total sum in three figures and were mere debt collecting agencies. While caution in advancing is of the utmost importance, there is a danger of its being overdone. At least good members must be financed and prevented from having recourse to moneylenders for their essential requirements. Extension of the debt Conciliation Boards has also told on fresh financing, for loans given subsequent to debt conciliation cannot be recovered through coercive action until instalments have been paid up.

Outstanding Loans.—The total loans outstanding against members of societies in the Central Provinces decreased from Rs. 68,94,801 to Rs. 60,84,822 and in Berar they went down from Rs. 1,07,82,945 to Rs. 1,06,88,190. The fall is mostly due to the separation of unrealised interest from principal, so long mixed up owing to the capitalization system in the past. The outstandings cannot be reduced to any extent until the economic conditions improve and the members are able to pay something towards the principal. The proportion of overdues to the total dues decreased from 84 to 80 per cent in the Central Provinces but it increased from 95 to 97 per cent in Berar. Taking the renewals and the overdues together, the arrears decreased from Rs. 1,60,88,402 to Rs. 1,54,43,505. The percentage of such arrears to the total outstanding was 84 and 97 (85 and 95) in the Central Provinces and Berar respectively.

FINANCIAL BALANCE SHEET OF THE CO-OPERATIVE MOVEMENT

Liabilities.	*Amount.*	*Assets.*	*Amount.*
	Rupees.		Rupees.
Deposits :—		Cash in hand and in banks outside the Movement ..	3,81,368
Fixed Deposits ..	1,44,97,199	Surplus in Government Securities ..	12,25,088
Savings Deposits ..	33,21,153	Fluid resource and reserve fund in Government Securities ..	55,32,622
Current Deposits ..	6,80,395	Demand loans on security of deposits and Government paper ..	49,223
Debentures ..	1,00,000	Deposits in approved banks outside the Movement ..	41,78,832
Provident Fd. of Employees .	4,63,583	A. Total Liquid Assets ..	1,13,67,133
Loans due to banks outside the Movement ..	89,658	Building and stock ..	6,89,042
Total liabilities to outside Creditors ..	1,91,51,988	Landed Property ..	24,92,016
Paid up share capital ..	21,21,308	B. Total Fixed Assets ..	31,81,058
		Total liquid and fixed assets (A. & B.) ..	1,45,48,191
		Good debts outstanding against societies ..	72,52,865
Grand Total of liabilities ..	2,12,73,296	Grand Total of Assets ..	2,18,01,056

The outside liabilities amount to Rs. 1,91,51,988 against which the movement holds assets estimated at Rs. 2,18,01,056. Of the total assets, Rs. 1,13,67,133 or 52·1 per cent are in cash and liquid form and Rs. 31,81,058 or 14·6 per cent in other fixed assets. For the liquidation of outside liabilities, only an amount of Rs. 46,03,797 or 63·4 per cent of good debts outstanding against societies would suffice, while the proportion of outside liabilities, the repayments of which would depend on recoveries of good debts, is 24·0 per cent. Of the good debts Rs. 62,18,180 are secured by first mortgages on lands of members. In Berar, the banks hold first mortgages on 60,061 acres of land. The Berar banks also own 42,517 acres of land acquired for the total value of Rs. 24,55,361 which gives an average of Rs. 58 per acre. These are heartening figures and bear out the claim that the intrinsic stability of the Movement taken as a whole has not been undermined by the economic blizzard which has swept the country in the last seven years. I need hardly add that this picture does not apply equally to all banks.

Societies and Membership.—The number of co-operative societies of all types increased from 3,820 to 3,966 of which 3,708 were primary agricultural credit societies. The total membership increased to 114,411. The working capital however declined to Rs. 5,38,15,795. The primary agricultural societies on share basis further increased to 2,069 of which 647 are old societies converted into share societies and 1,422 registered on a share basis. Last year was the first when the movement turned the corner of stagnation and an advance was made by 85 societies. In the year under report, the excess of registration over cancellation rose to 146. A bulk of these societies are crop loan societies which have proved particularly successful in Berar.

Education and Supervision of Societies.—The group system continued in all the circles. The Federation Congress held in August 1937 has appointed a sub-committee to review the system of education and supervision of societies. It cannot be claimed that the system is uniformly popular. It suffers from two handicaps, financial and administrative. The budgets of institutes show deficits and Government grants are not sufficient to cover them. Berar and Chhatisgarh institutes are living on their accumulated balances, but this state of affairs cannot continue for long. Some eminent co-operators take the view that if Government is unable or unwilling to make good the deficits, the institutes had better "shut up shop and the movement rather revert to the old system under which each bank was responsible for its own education, supervision and recoveries. The administrative difficulty arises from the fact of dual control. The staff is appointed by the institute and is ultimately responsible to it. It however works under each bank which is vitally interested in the outturn and efficiency of the staff. The whole question will be examined shortly by the sub-committee of the Federation Congress.

General Position.—There was a noticeable improvement all round, and if it failed to come up to the expectations, it was so because it had to emerge from a long, continuous and unprecedented depression. The increasing demand for new societies of all kinds despite accentuation of coercion in older societies was a reassuring confirmation of the intrinsic value of co-operative credit in rural economy. The success of the campaign against uneconomically high rates of interest on deposits was yet another pointer of the confidence of the public in the movement.

Although the financial position of the Movement taken as a whole, is quite sound, it cannot be said to be in a healthy state of existence, except in the three district banks of the old Chhatisgarh division. An exception to the statement must be made in the case of new societies for short term or crop loan organised during the year, particularly in Berar. Recoveries and advances both showed a slight improvement over the previous year, still the problem of recoveries continues to be the most formidable one for most of the central banks. Cash advances are very meagre compared to the estimated needs of members of such societies, let alone all the rural population.

The Banks in Berar have added substantially to their landed property and thus a large part of their assets continues to be locked up in land. To a lesser extent this holds good also in the case of the Jubbulpore circle. The policy of the department has been consistently to discourage the acquisition of landed property and banks are fully aware that management of landed property yields practically no return. The purchase of lands of members, especially in Berar, remains the only possible way of effecting recoveries. While banks pay on an average 3 per cent on their borrowed capital, they get not even 1 per cent on the capital locked up in land and the result is the ever increasing deficits in the budgets of those banks which have amassed large blocks of land. A reference was made in the last year's report to a scheme to be devised for spreading outstanding arrears over a number of years and for restoration of lands to ex-owners by having recourse to long term capital to meet outside liabilities punctually. The scheme was worked out in detail and approval of Government obtained thereto and it has now been decided to apply it in the first instance to the Yeotmal Central Bank.

The land mortgage movement continued to expand, though somewhat slower than what was expected. If all goes well, it should be possible to have land mortgage banks serving the whole of the province by 1939. Some central banks have taken advantage of the land mortgage banks by transferring to them some of their big borrowers. The land mortgage banks and the debt conciliation boards together have relieved the indebtedness of the agriculturists to the extent of a little over five and a half crores.

The Department continued to impress on all banks the need of pursuing the big borrowers. In the garb of leaders, most of these people have proved to be pests of the movement and have done more than any other factor to bring the movement into disrepute, to expropriate more honest and less sophisticated fellow members and to defeat the just claims of societies and banks by all kinds of fraudulent and unscrupulous transactions. The attitude of softness evinced by some banks, notably Morsi, towards such people is in-explicable. So long as these borrowers have not been eliminated there can be no scope for fresh healthy financing in the old societies and this is partly the reason why cash advances are not so encouraging as one would expect and wish them to be in these days of restricted moneylending.

Debt conciliation boards continue to operate over a large part of the province. Most central banks have by now overcome their first reaction to the debt conciliation Movement which they at first thought might tell seriously on their financial position. These fears have proved to be unfounded as the majority of members whose debts have been conciliated have paid off the instalments fixed as they fell due. What were once frozen overdues have now, thanks to the Debt Conciliation Boards, begun to move in a liquid form slowly but surely. The Piparia bank actually asked for an extension of time fixed for the Sohagpur Debt Conciliation Board to receive applications. The policy of the department which from the beginning has been to co-operate with the Debt Conciliation Boards with due regard to the financial stability of co-operative banks thus stands vindicated.

Unlimited Liability Agricultural Credit Societies.—The total number of primary credit societies with unlimited liability increased by 123 to 3,708 of which 3,126 were in the Central Provinces and 582 in Berar. The new societies are mainly for short term or crop loan credit and much enquiry and scrutiny is bestowed before a proposal is accepted. In some banks organizers worked for the whole year and yet none of the proposals submitted by them was found to be worthy of registration This caution is dictated by the sad experience of the past.

The working capital of societies in the province excluding those under liquidation decreased from Rs. 1,24,59,872 to Rs. 1,08,26,940. The loans due by members also fell from Rs. 1,00,98,019 to Rs. 83,27,893. The fall is partly a result of the liquidation of 38 societies and partly of the separation of unrealised interest so long mixed up in the principal under the old capitalization system.

The membership of societies other than those under liquidation increased from 41,842 and 6,036 to 42,151 and 6,218 in the Central Provinces and Berar respectively For the province as a whole the number has gone up from 47,878 to 48,369.

The average loan per member, excluding members of societies under liquidation, decreased from Rs. 211 to Rs. 172 in the province as a whole. The total c

loans advanced by societies to members increased from Rs. 16,73,307 to Rs. 17,20,905. In the Central Provinces the largest amount was advanced for purchase of cattle of which 74 per cent was absorbed in Chhatisgarh and about 17 per cent was shared by Bhandara and Brahmapuri and remaining 9 per cent being utilised by other banks. Deposits in societies from members and non-members further decreased from Rs. 3,83,597 to Rs. 3,16,179 in the province as a whole. The problem of big borrowers is most acute in Berar, where the Co-operative Movement is most depressed. There is no big borrower at all in any of the Chhattisgarh banks, where the movement is at its best.

The rate of interest charged by banks to societies varied between 6¼ to 10 per cent. Nearly three-fourths of members pay not more than 8½ per cent on their loans and attempts are being made to bring down the lending rate to this figure in the case of the remaining members. Now that capital is cheap and rates of interest on loans in private moneylending have gone down, there is no justification for such high lending rates as 10, 11 and 12 per cent. Central banks have been advised to curtail their expenses and to reduce the margin between borrowing and lending so that benefit of cheap capital is passed on to the agriculturists, cheap credit being the chief, if not, the sole, object of these institutions.

Land Mortgage Banks.—The number of land mortgage banks in the province increased from 10 to 12 during the year—All the banks were working during the year except Wardha and Bilaspur. The following figures will show the working of the banks during the year:

Number of members.	..	2,234	(765)
Number of applications	..	500	(1,000)
Total amount of loans applied for	..	Rs. 6,01,570	(Rs. 10,81,428)
Number of Applications rejected	..	613	(279)
Number of applications sanctioned	..	286	(129)
Number of applications pending	..	281	(592)
Loans advanced	..	Rs. 2,64,385	(Rs. 1,06,982)
Loans recovered	..	Rs. 17,727	(Rs. 4,113)
Loans outstanding on 30-6-1937	..	Rs. 3,85,753	(Rs. 1,38,995)
Overdues	..	Rs. 2,076	Nil.
Cost of Management	..	Rs. 7,773	(Rs. 5,925)
Share capital	..	Rs. 59,274	(Rs. 24,321)
Deposits (temporarily held from individuals)	..	Rs. 30,064	(Rs. 17,315)
Provincial Bank loan outstanding	..	Rs. 3,52,573	(Rs. 1,32,101)
Working Capital	..	Rs. 4,42,092	Rs.(1,74,543)

Pending the establishment of a central land mortgage bank the Provincial Bank continues to perform its functions. Debentures of one lakh at 3¾ per cent were floated in June 1936. No debentures were floated in the year 1936-37. But the second series of debentures at 3½ per cent for an amount of rupees three lakhs has been floated on the 1st October 1937.

Considering the total indebtedness of agriculturists estimated at Rs. 36 crores for the province, the progress of these banks may appear slow and disappointing, but it must be remembered that these banks cater only for those debtors whose liabilities do not exceed one half of the value of their assets. The number of such persons is small. Besides, debts have been been scaled down by crores by Debt

Conciliation Boards and to that extent the scope of land mortgage banks has been restricted. Taking banks and boards together, it can be fairly said that the province has set up a record in relief of agricultural indebtedness which will be difficult to beat.

Central Banks.—The number of central banks continued to be 35. The total working capital of central banks increased to Rs. 2,45,46,639. The total loans outstanding against affiliated societies decreased to Rs. 1,30.14,480. The marked decrease during the year is due to the separation of the unrealized interest from principal on account of the discontinuance of the system of capitalization of interest. Bad debts amounted to Rs. 11,50,494 and Rs. 30,71,393 and doubtful debts Rs. 3,63,838 and Rs. 18,128 in the Central Provinces and Berar respectively. Deposits from individuals increased to Rs. 1,22,90,072 for the province as a whole. The increase in deposits, especially in Berar, in spite of reduction in rates of interest, is reassuring and demonstrates that co-operative banks are still the most profitable places for investment of surplus funds.

The net profits during the year increased to Rs. 2,59,475. Many banks maintain staff disproportionate to their business and turnover, necessitating a wider margin between borrowing and lending rates. Retrenchment in staff and scales of pay is indicated. Ten banks in the Central Provinces paid dividends at rates varying from 2½ to 6¼ per cent and in Berar, Darwah and Yeotmal paid dividend at 2½ and 3 per cent respectively.

In spite of the favourable economic conditions of the year, central banks could not make much headway in the solution of their main problems, such as, ensuring a steady flow of repayments in respect of the heavy and frozen overdues, expanding both credit and non-credit wings of the movement, and avoiding purchase of lands of members. In Berar, as a rule, the banks are faced with the problem of big borrowers and land management. The big borrowers at Morsi continue to wield considerable influence and many of them have not yet executed mortgages. At Daryapur party factions are coming in the way of the proper working of the bank. The Akola bank continues to be the largest land owner, possessing 18,941 acres out of a total of 47,192 acres belonging to all the banks in Berar. The Amraoti and Malkapur banks continue to be in charge of special committees of management. The confidence of the depositors has been restored to some extent and there has also been some improvement in recoveries and land management The only hope of the Berar banks lies in appreciation of land values, prospects of which are however particularly gloomy at the moment of writing

C. P. and Berar Provincial Bank.—The Provincial Bank continues to be well managed under the able guidance of Sir M. G. Deshpande, K.B.E. The working capital of the bank increased to Rs. 1,52,33,198. The net profits decreased to Rs. 45,790 (Rs. 50,972). The bank continued to follow a cautious policy in granting loans to central banks. Except in the case of loans advanced for financing the crop loan societies recently registered, no loans are usually advanced without the security of mortgages of central banks' own lands or assignments of lands belonging to members of societies by the latter made in favour of central banks and Government paper.

Rates on fixed deposits varied from 2 to 3½ per cent while the rate on savings bank account was reduced from 2 per cent to 1½ per cent from the 1st July 1936 Except in the case of deposits of central banks there was all round increase in the deposits of all kinds. The Bank continued to have surpluses which ranged from

Rs. 8 lakhs to Rs. 27 lakhs during the year. In the absence of more profitable channels of investment, these were invested partly in Government and other gilt-edged securities and partly in short term deposits with commercial and co-operative banks outside the province. The Bank's own working capital works out at 11·5 (12) per cent of the borrowed capital. Further the market value of the Bank's investments in Government paper is considerably more than what appears in its balance sheet. The hidden reserve is thus available to fall back upon. The Bank declared a dividend of 5 per cent (4½). The financial position of the Bank continues to be strong and is indeed a source of inspiration to the entire movement.

A notable event of the year was the Bank's Silver Jubilee which was inaugurated by His Excellency the Governor on the 13th March 1937. In the course of his speech, His Excellency complimented the Bank in the following terms: "The fact that the Bank has withstood the economic storm which swept the world and has come out of it unimpaired is a gratifying proof of its inherent strength." Thanks are due to Dewan Bahadur K. V. Brahma and Rao Bahadur H. S. Munje for placing their wide knowledge of the co-operative movement and law at the disposal of the Bank.

Agricultural Societies for purposes other than Credit.—The number of such societies rose by 5 to 72. They consist of 2 land holders' associations, 45 agricultural associations, 15 seed unions and 10 adat shops. Three agricultural associations, one seed union and one adat shop were registered during the year.

The main activity of the two land holders' associations at Mehkar and Narasinghpur continues to be the advancing of loans to their members. Their working capital and reserve and other funds amounted to Rs. 1,78,810 and Rs. 17,056 respectively and they made a profit of Rs. 3,471. The working capital and reserve and other funds of the agricultural associations increased to Rs. 1,68,809 and Rs. 60,589 respectively; their profits also increased to Rs. 9,942. Their membership rose from 1,842 to 2,095.

Agricultural associations working under the general guidance of officials of the Agricultural Department are doing well; some have successfully taken to co-operative cultivation. Much of their business is confined to sale of improved machinery and pure seed.

The adat shops are not doing well, especially in Berar, for various reasons such as absence of godowns, lack of integrity on the part of members, fluctuating prices of cotton and want of standardization in the quality of produce.

Non-agricultural Societies with Limited Liability.—Two new societies of this class (clerk's societies) were registered and one cancelled during the year. The number thus increased by one to 44. The membership also increased to Rs. 19,865. The working capital and loan outstanding have as well gone up to Rs. 15,25,705 and Rs. 13,08,641 respectively. They made a profit of Rs. 75,400.

Non-Agricultural Societies for purposes other than Credit.—The total number of such societies at the close of the year was 53, 13 of which were for purchase and sale (stores), 2 dairies, 8 industrial associations, 10 housing societies, 10 thrift societies, 2 better living societies and one village development society.

The membership and working capital of the stores decreased from 892 to 880 and from Rs. 78,075 to Rs. 75,217 respectively. The sale of goods, however, increased from Rs. 98,263 to Rs. 1,02,151 and profits from Rs. 3,940 to Rs. 7,869.

The Telinkheri dairy at Nagpur which is managed by the Agricultural Department is flourishing; the other was registered at Drug late during the year.

Eight Industrial Associations include the Central Provinces and Berar Weavers' Co-operative Society, Nagpur, for which aid from Government of India has been received for the development of handloom industry. It had 343 (288) members and working capital (including government loan of Rs. 24,315) of Rs. 25,750. It worked at a profit of Rs. 767 during the year. The Nagpur Leather Works Co-operative Society within the membership and working capital of 10 and Rs. 235 worked at a loss of Rs. 114. Yeotmal Industrial Association with 78 members and the working capital of Rs. 7,589 made a profit of Rs. 234. The Association at Chhindwara registered during the year started work and made a profit of Rs. 101. The other four associations are dormant.

Liquidation.—Many of the liquidation cases drag on indefinitely. Members paid principal and interest at 6 per cent and yet have more shown against them than what they borrowed in the first instance. This is brought about by the combination of interest and cost of coercion. Such cases sometimes make one feel that the rule of *Damdupat* should be applied to co-operative debts, but there are other weightier reasons against the suggession. It cannot however be gainsaid that many banks are shortsighted in that they keep alive the coercive proceedings in the hope of recovering something every year and more if brighter days arrive. Nothing makes the movement unpopular than this practice of squeezing the last drop of blood out of a member borrower.

Attitude of the Public and General Remarks.—The general attitude of the public towards the Movement was characterized even in the case of many tried workers by disappointment tempered with faith in the ultimate power for good of the Movement. When one sees society after society being superseded or liquidated, when member after member is proceeded against and ex-propriated, when lands are transferred from members who were making out a living from them to banks and societies whose management is so weak that the land barely pays even the land revenue, when attempts at fresh organisation are frustrated by the fear of joint liability and when in spite of cheap credit through co-operative societies, agriculturists prefer to go to sahukars with their exorbitant rates of interest and unconscionable transactions, it is little wonder that disappointment and despair should grip the hearts of those who have been in the Movement ever since its inception and who have seen it grow from nothing to a magnificent superstructure. The present adversity is but a trial and so long as the principles underlying the Movement are sound, and this will be admitted by all, there can be no retracing of the steps or arresting of the forward march. If the old single purpose societies with their emphasis on cheap credit have not proved as successful as was expected, attention may be turned to multipurpose or non-credit organisations, so keenly advocated by the Reserve Bank of India and so much appreciated by the general public. Banks are emerging from their narrow outlook of agricultural business and are gradually undertaking such other banking business as advancing against grain, advancing to individuals and stroage of grain. All these attempts at improving the banking facilities in the countryside, and incidentally raising the income of the central banks, are being encouraged and supported by the Department.

The conclusion from a survey of all the facts relating to the Movement is that neither the agriculturist has benefitted nor has the shareholder earned any dividend on his capital, and the only persons who have benefited are (i) the depositors who got higher rates of interest on their investments than they could have in the open money market and (ii) the staff, who often through the kindness of the office-bearers, have been paid higher salaries than their qualifications, the volume of work done by them, or the profits of the bank, would justify.

The powers of supersession vested in the Registrar were used to a much larger extent in Berar than anywhere else. One of the reasons is that a number of societies were placed under award and the awards were being executed against the assets of individual members. Recently there has been a ruling of the Nagpur High Court which makes it clear that the award against a society cannot be executed against the individual property of the members. The alternative, viz., that the society should take out an award against the members is often defeated by the combination of members and their hostility to the interests of the central bank. There has, therefore, been no alternative but to put the societies under supersession so that the manager appointed by the Registrar and having all the authority of the society-panchayat could take out awards against individual members. It is deplorable that a number of transactions have occurred in some societies in Berar, and especially under the Amraoti Bank, in which members, mostly educated members, have unscrupulously and fraudulently entered into transactions to defeat the claims of the society and the central bank.

The relations of the officers of the Department with the honorary workers continued to be cordial. If some times criticism has been resented, the honesty of purpose has not been doubted. The Department and the people of the province are indebted to them for placing their valuable services at the disposal of the Movement often at great personal inconvenience and in the face of undeserved or factious criticism.

HYDERABAD

Review by H.E.H. the Nizam's Government on the Report of the Registrar of Co-operative Societies, Mr. Syed Fazalullah, for the year ending 31st Amerdad 1345 F. (6th July 1936).

General position of the Movement.—It is satisfactory to note that the movement showed steady progress and there was increase in the working capital and number of societies. The Government are still awaiting the report of the Committee appointed to examine the financial position of the Banks and societies within the Dominions and it is understood that it will be submitted shortly.

Dominion Bank.—The Bank could recover Rs. 5,20,639 as against Rs. 5,13,724 last year. The owned capital including various reserves stands at Rs. 14 lakhs against Rs. 12,86,031 last year. It is gratifying to note that the Bank has been enabled to reduce the lending rate from 7 to 6 per cent. The Bank has thus had a successful year and thanks of Government are due to its President and Vice-President, Dewan Bahadur S. Aravamudu Iyengar and Mr. S. M. Azam, and other Directors for contributing to the sound working of the Bank.

The Central Co-operative Union.—It is satisfactory to note that the societies continued to take advantage of the benefits accrued by the Union, which continued the organisation of rallies of co-operative societies on a big scale. The Union carried out its normal activities and publicity and propaganda work, the latter being comparatively better than last year. The propagandists delivered 200 lectures and held training classes at 56 rural centres, which were attended by 637 members as against 145 lectures delivered in 50 centres attended by 600 co-operators last year.

Special attention was devoted by the Union to the rural reconstruction work in selected centres and a special training class conducted for rural reconstruction work at Pattancheru similar to last year was a satisfactory feature of the work of the Union. Thanks are due to the President, Raja Bahadur Venkat Ram Reddy and Mr. K. M. Ansari, H.C.S., the Honorary Secretary of the Union for their enthusiasm and valuable services rendered by them in the interest of the Union.

Central Banks.—No new Central Banks were registered during the year. The policy pursued by the Central Banks in conserving the resources has resulted in bringing a net profit of Rs. 1,16,253 which contributed about one lakh more to increase the reserves. The collections amounted to Rs. 8,78,892 towards principal against Rs. 7,34,746 last year. In spite of continued depression the position of some of the Banks has improved over last year, although some of the Banks had to forego more than half a lakh of rupees in interest owing to their financial condition being very much weakened. It is hoped, however, that the findings and recommendations of the Committee appointed by Government for examining the present situation will be found to be of material help.

Agricultural Societies.—The number of the societies increased during the year by 100 and stood at 2435 against 2335 last year. There has been a fall in respect of repayments to Banks which amounted to Rs. 8,70,524 against Rs. 8,81,905 last year. Advances of new loans amounted to Rs. 3,95,785 as against Rs. 2,92,642 last year. Total collections amounted to Rs. 9,92,303 as against Rs. 10,59,908 last year, while the outstanding of loans with members compared with last year amounted to Rs. 58,27,408 towards principal and Rs. 24,23,293 interest against Rs. 59,51,533 principal and Rs. 23,99,668 interest last year. On the whole the position of the societies does not appear to be better than last year and the repaying capacity of the members and deterioration in the value of their assets show no sign of improvement.

Non-Agricultural Societies.—The number of societies registered during the year was 55, whereas the number of cancelled ones was 13. The owned capital continued to show progress in respect of shares and reserve fund, it amounted to Rs. 28,71,805 as against Rs. 25,39,224 last year. Loans advanced to members amounted to Rs. 29,61,509 as against Rs. 28,02,042 last year, while the collections from members amounted to Rs. 33,61,254 against Rs. 31,04,020 last year, loans outstanding with members increased considerably during the year and amounted to Rs. 38,44,618 as against Rs. 34,08,910 last year. The salary earners societies increased by 13 and worked satisfactorily during the year. Owing to the continued industrial depression, the repayments of bank loans by the weavers' societies were only Rs. 6,965 against Rs. 12,963 last year and on the whole the societies appear to be in a state of stagnation. The number of Cotton Sale Societies increased from 3 to 8 and are working satisfactorily. Co-operative Life Insurance Society, which was registered during the year, forms the important feature of the movement and has a promising future.

Arbitration and Liquidation.—At the end of the year, the total amount of awards was Rs. 46,14,408 against Rs. 42,37,859 last year, while the sum collected was Rs. 3,41,486 only as against Rs. 4,37,875 last year. Realisations were best in Gulbarga which collected Rs. 52,025 while next came Aurangabad, Warangal and Medak with realisations of Rs. 51,414, Rs. 44,785 and Rs. 42,078 respectively. Thanks of Government are due to the 1st Taluqdars of Gulbarga (Nawab Zahir Yar Jung Bahadur), Raichur (Nawab Ghouse Yar Jung Bahadur), Aurangabad (Mr. Ghulam

Ahmed Khan) and Sangareddy (Mr. Iraj Shah Chenai) for their assistance in execution of awards. The number of liquidation cases remained nearly the same as last year. The repayments to Banks during the year were comparatively poor and amounted to Rs. 26,028 as against Rs. 42,563 last year, whereas the total sum due was Rs. 2,70,614 principal and Rs. 1,88,063 interest against Rs. 2,94,594 principal and Rs. 2,01,499 interest last year.

Audit.—The proportion of societies audited during the year was less when compared with last year, although attention was invited in the last year's review to the fact that as far as possible the audit of all the societies should be completed during the year. The proportion of test-audit by the Assistant Registrars and Deputy Assistant Registrars of the audited societies is, however, above the average, which is satisfactory.

Government note with appreciation the reference made in the report to the help rendered by both the officials and non-officials. Thanks of Government are due to Mr. Syed Fazalulla, the Registrar, for his efficient handling of this Department during the year in spite of unfavourable circumstances. His scheme about co-operative marketing is receiving the attention of Government.

REPORT ON THE CONDITION OF THE CO-OPERATIVE MOVEMENT IN ORISSA

SUMMARY OF REPORT AND RECOMMENDATIONS

By

DIWAN BAHADUR K. DEIVASIKHAMANI MUDALIAR

Reconstruction of the Movement—the future of Central Banks.—In view of the complete breakdown of the Movement the question as to the scrapping of the Movement is considered. In the absence of any organized credit agency the only source of help for the agriculturist is the mahajan with high rates of interest. There is need for some agency which will keep down the rates of interests as well as keep the moneylenders under restraint ; and no modern Government seems justified in an *attitude of laissez faire*. The possibilities of a State Bank and direct financing of agriculturists by Government are considered and found unsuitable. The Co-operative principle is essentially sound, and Government must give it a chance in order to provide for the credit requirements of the peasantry and to keep the *mahajan* under control.

The Movement may be saved by Government endeavouring to give necessary financial assistance through a Provincial Co-operative Bank; Government may gradually withdraw its assistance as the Provincial Bank receives deposits on account of the restored confidence of the depositors. The possible objections to the proposed Provincial Bank such as vast area, State-aid, nominated element on the management of the bank, difficulty of distributing loans to societies etc., are considered and met. Constitution of branches, utilisation of the existing village societies and of the local knowledge of the *panches* for the distribution of loans to members, appointment of a separate agency for the examination, consideration and sanction of loans and the eventual transfer of the entire management of the bank to non-official hands are the essential features of the proposed Provincial bank.

There are difficulties in the immediate reconstruction of the Central banks in North Orissa and their liquidation is inexpedient. Government may help the Central banks with loans to enable them to repay their deposits just as Burma and the Central Provinces Governments did in the past, particularly as the investing public in Orissa have long been under the impression that the Government was behind the banks. There are difficulties in the conversion of deposits into longdated debentures. Government may consider the question of giving a guarantee in the event of conversion of deposits into debentures. Rateable payment of deposits from recoveries made by the the Central Banks in North Orissa is the last alternative. The depositors may have probably to forego their accumulated interest on the deposits and this sacrifice on their part is called for in the circumstances in which the movement finds itself now. Whatever treatment is accorded to the depositors of the Central Banks will be extended to the Bihar and Orissa Provincial Co-operative Bank.

There is no need under the arrangements suggested for the existence of the Central banks in their present form only for the collection of overdues and payment of deposits and, therefore, the suspension of the normal constitution of Central banks

and their management by the proposed Provincial Bank are suggested. Suitable transitory by-law to facilitate this arrangement is suggested.

An outline is given of the future of the Central banks. There is need for the amalgamation of the existing 15 Central Banks into 5 or 6 banks for the whole Province. They must take up all banking activities. Official association with the management of the banks should cease. The present three-year rule requiring the permission of the Registrar for re-election of Directors must be deleted. Representation of societies on the working committees of the bank is necessary. The business of the Central Banks should be confined to short-term and intermediate loans.

These proposals do not apply to the two Central banks in South Orissa.

The Provincial Co-operative Bank.—The Management of the Provincial Co-operative Bank will vest in a Board of Directors consisting of individual shareholders, delegates of Central Banks and of societies and two members nominated by Government. The Registrar will be *ex-officio* Director. Branch general meetings are suggested to secure due and full consideration of subjects coming up for decision. Central Banks will be considered as branches of the Provincial Bank so far as its work is concerned, the accounts etc., being entirely separate.

The Secretary will be an officer appointed by Government from among men possessing high academical and commercial qualifications and adequate experience in practical banking and co-operative training. His duties and powers are described ; his position will be more or less analogus to that of an Agent of the Imperial Bank of India.

Too much dependence on short-term deposits is the fundamental weakness of the present co-operative banking structure. There is need for supplementing short-term deposits by long-term money raised through floatation of debentures or through Government loan if the Provincial Bank is to do both short-term and intermediate loan business. Short-term loans must be repayable in two or three years and medium-term loans from four to ten years.

The Provincial Bank must, as a temporary measure, be permitted to give loans to individuals on gold, Government paper, agricultural produce or industrial products. Government must lend to the Provincial Bank at 3 per cent and the latter may lend the societies at 6¼ per cent ; the societies may charge the members at 7½ per cent. The repayment of loans in kind is recommended. Co-operative credit is really controlled credit, and it has been so recognised from the very beginning of the Movement.

In the interests of the reconstruction of the Movement, Government must meet the costs of the management of the Provincial Bank and of the Central Banks in North Orissa under the arrangements suggested.

Agricultural Societies.—There are difficulties in the reconstruction of agricultural primary societies ; nevertheless reconstruction must be taken up urgently. There should be substantial reduction or complete remission of overdue interest, as the situation calls for maximum relief that is possible under the circumstances and as this remission may smooth the difficulties in the way of recovery of overdue debts. There is need for detailed examination of the financial position of societies and of their members with reference to their present assets and liabilities. A classification of borrowers on the results of this examination is suggested.

There is need for scaling down the debts so as to bring them within the present repaying capacity of the members. The scaled down debts may be spread over a maximum period of 15 years except in Augul, Sambalpur and Bargarh, where a period extending from five to ten years is considered sufficient. Losses arising on account of remission of interest or scaling down of debts will have to be written off, and depositors may possibly have to bear some loss which may ultimately occur. The need for consultation with the creditors of the banks in the process of reconstruction of societies in the manner suggested is emphasized. The methods of disposal or transfer of lands in possession of societies or Central Banks on the hire-purchase system are discussed.

The bank Inspectors should recommend normal credits for each deserving individual member after thorough investigation of his assets and liabilities, income, repaying capacity etc. The Provincial Bank will scrutinize and sanction the credit limits and the societies may thereafter draw up to the extent of the limits fixed. The bank Inspectors will be responsible for recommendations which they make. The recommendations are, however, subject to the approval of the Provincial Bank.

In the present state of affairs in North Orissa, it is vain to expect the societies to carry on their duties satisfactorily and if the societies cannot be trusted to pass loan applications the solution lies in their education. The assumption of their legitimate functions by the Provincial Bank and its staff is only a temporary expedient and a necessary evil. Fresh loans will be confined to short-term and medium-term loans and the normal credits to be fixed will make provision for both kinds of credits.

There is need for formation of new societies in untapped areas on sound lines. Societies should be started after propaganda and education for at least six months and after the need is actually felt by the villagers. Two propaganda officers for carrying on the educative propaganda and the starting of new societies on the lines indicated should be appointed. Members of the new societies should be encouraged to subscribe their own capital and work with it for two or three years before borrowed money can be placed in their hands. Provision should be made for payment of clerical remuneration to the members or *panches*.

Reserve Funds are more a margin between assets and liabilities of societies and there is no good reason for their separate investment. No change is, however, suggested in the present practice. Central Banks and societies should not be allowed to invest their reserve funds in the shares of any co-operative institutions.

Grain goals may be permitted to advance grain loans to members and to recover them in the same manner as cash loans until the methods of village economy are changed. There is very limited scope for co-operative societies for the sale of agricultural produce in the Province. Attempts may, however, be made for the sale of paddy under the arrangements suggested for the recovery of loans in kind, and sale societies formed in compact areas, if competent men with business experience are available. The question of starting societies for sale of cocoanut and jute may be considered in the light of the results of marketing surveys now in progress.

Urban and other Non-Agricultural Societies.—Urban poorer middle class population is in need of credit and urban co-operative credit societies (people's banks) may be started to provide them with reasonable credit facilities at Cuttack, Puri, Sambalpur and Balasore. Small merchants, traders, wage-earners, pleaders or other professional classes may be admitted as members of such societies or banks. The borrowings of the societies may be limited to four or five times their "owned capital" (share capital and reserve fund) and they may be permitted to raise funds by way of deposits from members and non-members and loans and cash credits from the Provincial Bank. These urban banks may popularise current account transactions and encourage modern banking practices, including payment by cheques. They should confine their loans to short periods, and loans should be secured on landed or house property, personal sureties, fixed deposits, or insurance policies. The object of employees' societies should be to encourage thrift and restrict credit. Credit for purposes of consumption should be generally discouraged in employees societies.

No detailed preliminary investigations as to the methods of financing the artisans, recovery of advances made to them or provision of adequate check over the methods so as to ensure regular payment were made and decided upon before any artisans' credit societies were started and hence the failure of these societies. Artisans' societies should be started only after detailed economic investigations have been made. Centres containing large weaving communities may be taken up for giving an impetus to handloom industry on a co-operative basis and provision made for controlled production and sale. The question of handloom industry cannot be satisfactorily solved unless legislation is undertaken to limit the manufacture of cloth by mills to certain counts and to prohibit the imported cloth other than of specified counts.

When societies are started on an experimental basis it is far better that Government finances them.

Debt conciliation and Prevention.—Indebtedness cannot be solved by merely changing the machinery of credit but enforcement of thrift and providence. A re-orientation of outlook on the part of the borrowers is necessary. No repayment of agricultural debts is generally possible unless there is an augmentation of agricultural income. A comprehensive agricultural and industrial policy is essential to put agricultural economy on a remunerative basis. Measures supplementary to land mortgage banks are necessary for giving adequate relief to agriculturists. Debt relief by way of scaling down of debts to the present level of agricultural prices is suggested. There is need for Debt Conciliation Boards to scale down debts and pass awards which will be legally binding on the debtors and creditors. A Money-lenders Act to regulate the business of money-lenders, maintenance of proper accounts, etc., is suggested. Legislative provision is also necessary for saving for the debtor his homestead and a portion of his agricultural holdings for the sustenance of himself and his family. Alienation of minimum agricultural holding should be prevented.

Provincial Co-operative Land Mortgage Bank.—Under the scheme of the Orissa Land Mortgage Banks Act a Provincial Land Mortgage Bank with branches, but no primary banks, is contemplated. The Bank will obtain funds mainly by floating debentures for a period not exceeding 20 years on the security of its general assets and the mortgages executed by its members. Branches may be organised in select deltaic tracts where agriculturists have an assured income; local committees will be in charge of the branches. Loans will be given for paying off prior debts, improving land etc., subject to a maximum of Rs. 5000 per individual. The cost of management of the Bank will have to be met in the first few years from a subsidy by the Government, who will nominate at least two members to the Board of Management besides the Registrar.

Reorganisation of the Co-operative Department.—There is need for re-organisation of the Co-operative Department. A suitable officer of the Provincial Civil Service may be appointed as Registrar with due reference to the qualifications suggested by the Maclagan Committee and the Royal Commission on Agriculture in India. The appointment should also be open to the really best of the Gazetted Officers of the Co-operative Department. There are greater advantages in having a close service of gazetted officers for the department and this is recommended. Assistant Registrars may, in the event, be promoted from experienced Senior Inspectors of not less than six years' service and the present arrangement of taking Sub-Deputy Collectors from the Revenue Department may be abandoned as soon as competent men are available in the Department itself for filling up the posts. Junior Inspectors may be recruited direct from among candidates with B.A., or B.Sc. degree from any of the recognized Indian Universities.

The appointment of a Financial Adviser to advise the Registrar on broad financial and banking matters is suggested. The constitution of an Advisory Board by Government for consultation in matters of policy is suggested.

THE RESERVE BANK OF INDIA

(Agricultural Credit Department)

Recent Developments in the Co-operative Movement in Burma with suggestions for their applicability in India.

The Debacle in Burma.—In order to appreciate what has been achieved in Burma it is necessary to understand how hopeless the condition of the movement had become there. It was in a bad way even before the world depression started. In 1928 the Provincial Co-operative Bank which was dealing with 2,300 societies in 22 districts to which it had advanced in 1927 Rs. 84 lakhs was found to be insolvent, having lost its share capital and reserve fund and about 21 lakhs of the depositors' money. Though the Bank was not liquidated till 1932 it could only continue to exist for the collection of its dues. Fresh financing ceased not only in the Provincial Bank but also in central banks. The greatest pressure was applied for getting recoveries at a time when the cultivators were least able to pay and were most in need of finance. Failure to repay the large loans outstanding against the members, even when it was due to the genuine inability, received the same treatment as deliberate default and liquidation became the order of the day. How grave the situation had become at the end of the year 1934-35 can be seen from the following figures. Out of the 6,163 societies registered under the Act since the beginning of the Movement only 2,037 had survived. The number of societies still under liquidation was 1,890 of which 1,749 belonged to the rural credit type. The liabilities of societies under liquidation amounted to Rs. 68·05 lakhs and of this an insignificant sum of Rs. 3·23 lakhs only was recovered during the year 1934-35. Even these recoveries were not in cash and a large portion consisted of the value of land which had to be purchased by the liquidators at auction sales. Up to the end of June 1935 the area of land which had passed into the hands of the liquidators amounted to 70,334 acres of the estimated value of Rs. 12·19 lakhs, of which 41,588 was held by liquidators of societies indebted to the Burma Provincial Co-operative Bank. This accumulation of land in the hands of liquidators had become a problem in itself as they could neither be sold nor managed profitably. When lands were put up to auction, bids were offered only for the best land and it was generally the poorer class of land which passed into the hands of liquidators. It was not an easy matter to rent out these scattered holdings and to collect the rents. The rest of the land was left to be worked by the original owners or their tenants. In many cases the liquidator had on the completion of the auction sales obtained only paper possession of the lands as physical possession involved costly civil litigation. Even when lands were sold in auction the prices obtained were poor and the sale proceeds were mostly swallowed up in the expenses connected with liquidation like lawyer's fees, stamp and process fees, agent's commission etc. Liquidation had thus ceased to give fruitful results and a state of stalmate had arisen. Undertaken on such a vast scale it brought its own nemesis. The staff proved hopelessly inadequate to manage the work and though such societies as received their attention suffered from the drastic action taken to attach and seize all the properties of the members under the principle of unlimited liability, a large number of them could not be attended to properly. This led to inefficiency and to mismanagement by appointed agents of the liquidator and to surreptitious disposal of valuable land by members of societies before the liquidator could appear on the scene.

The condition of the 2,037 living societies of which 1,387 were agricultural credit soceities with unlimited liability was also no better. The loans due by the members of these societies amounted to Rs. 58·85 lakhs of which Rs. 54·47 lakhs were overdue. Only Rs. 6·81 lakhs was repaid during the year 1934-35 but even out of this a considerable portion consisted of book adjustments and values of land surrendered by members in satisfaction of their outstanding loans. With the cessation of fresh financing members of societies were driven to obtain loans for their current needs from outside moneylenders at exorbitant rates of interest, thus making it even more difficult to recover the old loans outstanding against them. The net result of co-operation seemed to be a loss of the Rs. 34·60 lakhs which Government had granted to the Provincial Bank before it went into liquidation and the further loan of Rs. 23·14 lakhs given after its liquidation for meeting obligations to the depositors and as a set-off the liquidators had succeeded in getting practically nothing but 41,588 acres of land. As for the cultivators, they were being deprived in large numbers of their land and subjected to every kind of harassment.

A Bold Experiment. The position had thus become both impossible and intolerable. Coercion did not produce appreciable results in the form of cash recoveries while the wholesale expropriation of cultivators was giving rise to the creation of a landless class and an acute agrarian discontent which was fraught with serious political danger. To find a solution of this difficult problem was not easy. Everyone had lost faith in the movement and there seemed to be no way to get out of the morass except by cutting the losses by writing off outstanding dues and winding up the movement. The credit for breaking away from the fatalistic attitude which seems to have been adopted by almost everybody in Burma and launching a bold scheme to put the movement on its feet goes to the present Registrar of Co-operative Societies, U Tin Gyi.

Writing off of bad Debts.—The most important thing was to find a new method of recovery which would bring in money without resulting in the expropriation of members or the acquisitions of land by the Bank. The policy hitherto followed had been to sell up every possible asset of each member enforcing joint liability and to write off the balance when no other source for recovery was left. This process involved intense suffering to the members and did no appreciable good to the bank. As it was obvious that part of the loan had to be written off as irrecoverable the Registrar followed the bold policy of scaling down the debts at the very beginning to what could be recovered from the income of the members in a reasonable number of years. It was possible to do this in Upper Burma because Government had already paid off all the depositors and was the sole creditor of the Bank. It was clear that Government could not expect to recover all that it had advanced and it was willing to suffer the loss involved in the scaling down of the loans particularly as this afforded a chance of recovering the rest. At the same time great care had to be taken to ensure that defaulting members were not allowed to evade the repayment of loans which could be recovered. A thorough enquiry was therefore first made regarding the financial position of each society and the assets and liabilities of each society and the assets and liabilities of each member and his paying capacity. The accounts of the society were checked by the reconstruction officer and a correct balance sheet drawn up. Lands in the possession of members as well as those which had passed to the society or liquidator were verified by supervisors by reference to the Land Records Maps and Registers in the Revenue Surveyor's office and later by local enquiries in the village. The reconstruction officer checked the supervisor's work, valued the lands and ascertained the paying capacity of the members according to the detailed instructions laid down by the Registrar. Only loans equal to the present market value of the land were left outstanding against each member and the rest which obviously could not be recovered were written off from the share capital, members' deposits and reserve fund and the balance of bad debts was written off from the loans of the Provincial Bank, that is, the Government loan. Even after such debt conciliation it was not possible to save all members and those whose condition was helpless were removed from the society.

The Rent Purchase System.—Next it was obvious that, if the members were not to be deprived of their lands, the reduced amount of the loan had to be recovered in small driblets out of their income every year and the members had to be given instalments for a sufficient number of years to clear off their dues. Loans which had been reduced to the market value of the land were therefore spread out into 10 or 15 instalments according to the paying capacity of the member. In order to ensure the punctual payment of these instalments the Registrar invented a procedure based partly on the practice of the moneylender and partly on the hire purchase system. The moneylender when he lends a large sum on the security of land and is doubtful about his client's honesty takes a sale deed of the land on condition that the land will be reconveyed to the debtor on repayment of the debt. The Registrar similarly asked the members to surrender their lands to the society. But while the moneylender is not always averse to the acquisition of land the society wanted the land only as security. It had therefore to see that the member repaid his instalments regularly. That inducement has been found in the hire purchase system. The agreement which the society makes is that the land is to be leased to the member on payment of rent which would be equal to the instalment fixed. If the member pays all the instalments regularly he gets back the land at the end of the period on payment of a nominal sum of Re. 1. If he defaults he has no claim over the land which belongs to the society and was only leased to him on rent. The same scheme was applied in the case of those whose land had already been purchased by the society. If the original member was not in a position to take back the land on these terms, it was offered to his next kin where possible. Thus the scheme enabled the bank to get rid of the land acquired by it and those who had already lost their land as well as those who would have lost their land if the process of coercive realisation had continued were given an opportunity to get it back as well as to free themselves from their obligations to the society. In some cases members had no land to surrender to the society but were working as tenants on land taken on lease by them. Such members were also given long term instalments according to their repaying capacity to pay off the outstandings against them. Though before the scheme was inaugurated considerable doubts were expressed whether members who were in possession of their land would be willing to surrender it and whether the instalments fixed would be repaid regularly, the actual working of the scheme during the last two years has proved that there has been no difficulty in getting surrenders and that the instalments have been regularly paid. Even those members who had previously lost their land and left the society have been induced to join again on the same terms. In some cases even outsiders have joined the societies and taken leases of the land in the possession of the societies which could not be leased out to the original holders; others who only required crop loans have also joined the reconstructed societies.

Repayment in kind and Co-operative Marketing.—The next important step was to ensure regular repayment of the instalments. The hire purchase system was no doubt a forcible inducement to punctuality but something more had to be done to enable the members to have the means for paying the instalments and to make sure that those means would be utilized for that purpose. So long as the members were resorting to moneylenders for loans for their current requirements, most of their income was absorbed in the repayment of those loans with the high interest charged on them. The surplus required to repay the long term instalments could only be obtained if the society supplied current finance at a reasonable rate of interest. The Registrar secured this finance for the members by obtaining funds from the Government but he had further to ensure that the surplus which the members acquired was not diverted to other purposes. He has found this safeguard by grafting marketing on to the credit activities of the societies. All the reconstructed societies have to adopt a new set of byelaws the principal feature of which is that future repayments should be mostly in kind. In prescribing this rule the Registrar has taken a leaf out of the book of the moneylender, whose practice in Burma has been to make an agreement with the borrower to repay the loan in kind at harvest and the cultivators being used to this system have readily accepted to it. The *sabape* system as practised by the moneylender, however, imposed a very heavy burden on the cultivator. The borrower had generally to agree to pay 100 baskets of rice at harvest for every Rs. 50 borrowed during the rains. This was the average rate though it varied in different years. If the average price of rice is Rs. 100 per 100 baskets it means that the interest charged is as high as 200 per cent since the loan would ordinarily be outstanding for only six months. The societies prescribe the same quantity of paddy to be repaid but after deducting the amount of the long term instalment the crop loan with interest at 12 per cent and the expenses of marketing, the balance is refunded to the members. This system immediately caught the imagination of the members who in the excess sums paid back to them received tangible proof of the advantage of borrowing from a co-operative society rather than from the moneylender. At the same time as the society does not ask the member to hand over the whole of his produce but only as much as will be sufficient to cover the repayment of the loan there is no reluctance on the part of the members to give their produce. It is not merely the visits of the Range Officers that have conduced to early delivery of the produce but the chairmen of societies have themselves begun to understand their responsibility so well that as soon as the crop is harvested they go to the houses of the members asking them to hand over the society's share of the produce. There has also been no difficulty in the marketing of the produce collected from the members. It is usually collected at the threshing floor or deposited in a godown if one is available. Negotiations are then made with brokers for the sale and delivery is either given by each member at the place where the broker has his shop or taken by the broker himself. The societies generally sell the produce as soon as it is collected and get a slightly better price on account of the large quantities they have for sale. The members generally speaking understand the business of selling and with the guidance which they receive from the Charge Officer there is little risk of their attempting speculative holding of produce. There are only one or two varieties of crop produced by the members and arrangements are easily made for stocking different varieties separately, and grading is not attempted as it is not likely under present circumstances to give additional profits.

The scheme has worked remarkably well. Not only have the whole of the amounts of crop loans amounting to Rs. 15,992 and Rs. 72,608 advanced during the last years been punctually repaid but all the instalments fixed under the rent purchase system have been recovered. This must be considered a fine achievement in

view of the fact that the instalments are very much higher than under land mortgage banks since the old debts as scaled down represent the full value of the land and have been spread out into only 15 instalments as a maximum. In the words of the Registrar the linking of marketing with credit has four important results, first it ensures the prompt repayment of crop loans as well as of the instalments under the rent purchase system; secondly, it enables the members to get better value for their crops on account of their sale in bulk at convenient times; thirdly, it teaches the members the value of co-operative marketing and the correct methods of organised sales and lastly it prevents fictitious repayments which had been widely prevalent in Burma in the past.

Insistence on Essential Co-operative Principles.—Several measures have been taken to ensure that the society gradually builds up its capital. The amount of loans to be repaid to the societies out of the previous outstandings has been fixed at 20 per cent more than the amount the society has to repay to the Government thus helping the society to acquire its own funds and also ensuring Government against loss due to defaults. A sufficient margin has been kept between the interest which the members have to pay to the society and what the society pays to Government to enable adequate profits to be made to cover expenses and to build up reserves. The reserve fund is invested separately in the Post Office savings bank or gilt-edged securities. Among the new objects of the reconstructed societies thrift forms an important part. The dividends on shares are not paid in cash for the first 10 years but are converted into further shares to be allotted to the members, thus ensuring saving by members as well as a sounder position for the society. Each member is required to keep in his house a savings box of which the key is kept by the chairman of the society. The box is opened once a month in the presence of the members and the amount saved is entered in the pass book supplied to each members and then deposited in the Post Office Savings Bank. Where monthly savings are not possible, members are allowed to contribute amounts in kind at harvest. In addition to these savings members are required to submit at the end of the main harvest season a sum of Rs. 2 per head of cattle to create a fund for the replacement of cattle. This fund is to be utilised for effecting cattle insurance where such facilities exist but is at present invested as a separate account in the Post Office. Though it does not thus make complete provision for the purchase of cattle it helps the cultivator to meet part of the cost from his own savings. The joint marketing which is undertaken at present to ensure repayment is only a beginning. To insist on the sale of the whole of the produce through the society from the start might have endangered the whole scheme but as members see the advantage of such sales it is intended to extend the principle. Joint purchase is also not unthought of. One reconstructed society has already made an experiment in joint purchase of seeds with considerable savings to its members and the Registrar's idea is to start a Central Store Society, which will supply the needs of the members at wholesale rates. Though it may take some time before all these objects are achieved, the reconstructed societies have already become living organisations. New hope has been kindled among the members and they have become keenly alive to the benefits derived from the society. Their interest in the working of the society has been awakened and they have been made conscious of their corporate existence.

Results Achieved.—The results which have been obtained so far show that the scheme has succeeded very well indeed. The writer visited nine reconstructed societies in Upper Burma and he was struck with the enthusiasm displayed by the members and the keen interest they evinced in the affairs of the society. While in the first year the members fled from the Registrar, in the second they crowded round him to thank him for the surplus money which they received back from the societies out of the sale of their crop. Up to the end of 1935-36, 192 societies had been reconstructed. With the experience obtained the work has been accelerated and in 1936-37, 327 more societies were reconstructed. It is hoped to reorganise 949 living societies and 1,494 liquidated societies within the next three years Seventeen new societies under the bylaws of a Co-operative Credit and Marketing Society have been formed and the total number of agricultural credit societies i now 2,979 for the whole province. Though land is being disposed of under th rent purchase system the area in the hands of liquidators which was 70,334 acre at the end of 1934-35 amounted to 75,347 at the end of 1936-37 because abou 15,000 acres more have been acquired as a result of liquidation work during the las two years. However the reverse process must set in now and the area will go o diminishing. The total recoveries in respect of old arrears from reconstructe societies will depend largely on the value of the land now in the hands of liquidators and it is expected that if the present price of paddy is maintained a substantia portion amounting to ten to fifteen lakhs may be recovered.

APPLICATION OF BURMA SCHEME TO INDIA

1. Outstandings against members should be brought down to the market valu of the land with the help of the share capital, reserves and deposits of the societie themselves, supplemented by the reserves and share capital of the financing bank if necessary. If this does not meet the situation, the depositors must be prepare to lose some of their capital.

2. To pay off short term deposits banks must raise debentures for the revise period allowed for repayment of loans by members of reconstructed societies i instalments. These debentures may not be attractive because of the purpose fo which they are wanted and the value of the security i.e., the full value of the lan held by banks. The Government might guarantee debentures.

3. If still they cannot be floated cheap, the alternative is to get the existin deposits converted into debentures. Depositors have no option but to accept re payments in instalments or have the bank declared insolvent, which would mea more loss and not much less of waiting. To meet cases of hardship like those o a family which has lost its earning member and is therefore in urgent need o money, provision might be made to pay off such depositors from any cash resource available or to give precedence to them when debentures are redeemed

4. It is essential that land should be surrendered and taken on lease on th rent purchase system by the borrower. This, however, puts the members in very disadvantageous position, if after making 10 or 12 payments he finds it im possible to pay the rest, as he will get no benefit for his past payments. It is sug gested, as a modification to the Burma scheme, that after every one fourth of th total number of instalments are regularly paid, the member should be allowed t get one-fourth of his land. But the payment of a formal purchase price howeve nominal, should be insisted upon at the end of every stage.

5. Central Banks having converted deposits into debentures will find it diffi cult to attract fresh short term deposits for crop finance of societies. The Provin cial Banks should supply the funds required, as with short term dealings strictl enforced, the turnover will be quicker and the banks will be in a better positio to pay their way. Where there is no Provincial Bank or the Provincial Bank i

in difficulties, the Government must come to the help of central banks. Without crop loans, the reconstituted societies will surely fail.

6. Repayment of instalment dues in kind must be preferred—the quantity equivalent in value to the dues of the member to the society. This is what the cultivator in India, as well as in Burma, understands, since most of his payments are made in that form. It is easier for the society to recover the dues punctually. It will also be the best security. Liens and charges created by legislation have been found ineffective because of the difficulty of pursuing them in the hands of innocent purchasers. The *Credit Agricole d'Egypt* follows this system, and it is this system under which the moneylender has flourished.

7. Members are not required to give to the society the whole of the produce but only as much as will cover the instalments due. The society will get only the principal crop in the area and will not have to deal in the other minor crops grown by members. Produce of members will be of the same kind or at the most of two or three different varieties. Simple stocking arrangements will be enough. It will not be difficult to find a sale for produce. Existing buyers will probably welcome the opportunity of getting their requirements largely from one source.

8. Though the Burma scheme does not deal with this, when reducing its own debts, the society should also try to get a similar reduction from other creditors for the member. Any debt legislation that may be in force in the province may have to be used. There will be a greater chance of redeeming the member ultimately if all his debts are reduced at the same time. This is necessary especially when crops have to be sold through the society. If other creditors are left to do what they like, they will take away part of the crop, and it is on this account that the present co-operative crop marketing usually fails.

9. As in Burma, it will not be possible to save all the members. It will be suicidal to retain everyone irrespective of his paying capacity. A clear division should be made between those who can become solvent with the assistance of the society and those who cannot. The latter class must be excluded at least for the purpose of credit. The reconstructed societies must also, as in Burma, be strengthened by the enrolment of new good members. Though unlimited liability may be a deterrent in India, an attempt must be made to revitalise the societies with the introduction of substantial people.

10. As in the case of members, it may not be possible to save every society. In the reconstruction process care must be taken to organise the movement in compact and convenient groups. In U.P., a healthy practice is being followed that no co-operative societies are established in a new area, unless it is possible to have a sufficient number of societies close together so that control and supervision can be more economically and efficiently exercised. It is desirable to follow this rule during the reconstruction process elsewhere to consolidate the movement and making closer control possible.

11 A closer control over the societies will be necessary in the initial stages. This will be ensured if the banks can be converted into banking unions on the lines recommended in the Reserve Bank's first bulletin. It is only if they combine supervision with the finance and operate in small compact areas that they will be able to maintain such intimate relations. They will be economic units if they combine with credit other activities. In the case of banks now operating over small areas, there should be no difficulty in converting them into banking unions. In the case of a Bank operating over a district, it would be difficult to split it up

when it is converting its deposits into debentures. Such banks must have branches or local advisory bodies if the area is too unwieldy.

12. The central idea of the Burma scheme is to make the societies live organisations and centres for the economic amelioration of the members. The Burma Registrar has not yet made them multi-purpose societies on the lines of village banks recommended in Reserve Bank's second bulletin but he is obviously working towards that end. In reconstructing societies in India the same ideal will have to be kept in view though in the beginning they may undertake only those functions which have been taken up in Burma.

CO-OPERATIVE CONFERENCES AND MEETINGS

THE IMPERIAL CONFERENCE ON AGRICULTURAL CO-OPERATION

Glasgow, July 1938.

The first conference on agricultural co-operation to be attended by delegates from all parts of the British Commonwealth, was held at the Wembly Exhibition in 1924. The occurrence of the Empire Exhibition at Glasgow in 1938 seemed to offer a suitable occasion for a second Imperial conference. The intervening years had seen widespread change and development in the agricultural co-operative movement of the Commonwealth. The great depression, the adjustment to State Marketing Boards, the introduction of co-operative methods to the African and West Indian Colonies, the extension of direct trade between co-operative producers and consumers are only the most outstanding of these experiences. The main lines of development were fairly well known through the *Year Book of Agricultural Co-operation* and from other sources, but personal contacts were limited, often transient and at best only linked two or three organisations often for purely business purposes.

In Great Britain and Ireland periodical meetings between representatives of the Scottish, Irish, Welsh and Ulster Agricultural Organisation Societies, the National Farmers Union Co-operation Committee and the Horace Plunkett Foundation, had never wholly lapsed, and in the spring of 1937 they were resumed in the more systematic form of a Round Table Conference with a representative standing committee. It was this Committee which in the autumn of the same year put forward the suggestion of an Imperial Conference on Agricultural Co-operation to be held at the Exhibition in Glasgow in the following summer. It was felt that such a conference should have the moral and financial support of the Government, and an approach was made to the Ministry of Agriculture and Fisheries and the Department of Agriculture for Scotland. In April, 1938, an acknowledgement of official approval was received, together with the promise of a grant from the Development Fund to defray expenses. The work of organisation was entrusted to the Scottish Agricultural Organisation Society and the Horace Plunkett Foundation.

The Conference was held on July 18, 19 and 20, 1938, at the Empire Exhibition in Glasgow. It was attended by 220 delegates, of whom 80 were from Scotland, 45 from England, 33 from Wales, 12 from Ireland and the remainder from Africa, Australia, Canada, India, Malaya, Newfoundland, New Zealand, Palestine and the West Indies. The Conference welcomed visitors from Belgium, China, Czechoslovakia, the Dutch East Indies, Germany, Holland, Norway and the United States of America.

At the opening session the Chair was taken by Professor W.G.S. Adams, Warden of All Souls, Oxford. Addresses of welcome were given by Sir Cecil Weir on behalf of the Exhibition authorities and by Mr. P. R. Laird, C.B., Secretary of the Department of Agriculture for Scotland. In an inaugural address Dr. C. R. Fay, Chairman of the Horace Plunkett Foundation, surveyed the state of agricultural co-operation in the world to-day, the standardised commodity marketing of America, successful collaboration with the State in New Zealand, the grouped activities of Denmark, India's co-operative approach to better living, the brilliant handling of the fertiliser problem in Australia, the educational developments in

Nova Scotia, Sweden's contribution to organised producer-consumer relations and the slow forging of parallel links in Great Britain. He was followed by Mr. J. Nugent Harris, former Secretary of the Agricultural Organisation Society (England), Mr. Jones Davies, C.B.E., of the Welsh Agricultural Organisation Society, Mr. C. C. Riddall, Irish Agricultural Organisation Society, Mr. P. E. Bredt, President of the Canadian Co-operative Wheat Producers Ltd., Major Russell King, Producers' Co-operative Distributing Company, Sydney, Australia, and Mr. E. Donaldson, Jamaica Welfare Association, all of whom spoke briefly of the co-operative achievements and possibilities of their own countries.

The afternoon session was devoted to a discussion on the co-operative supply of agricultural requirements. The Chair was taken by Mr. J. W. Hewitt, Chairman of the Co-operation Committee of the National Farmers Union of England and Wales. The discussion was opened by Mr. Archibald Dryburgh, Chairman of Central Farmers, Ltd. (Scotland) who described the development of his own society as typical of Scottish conditions, and put forward a number of suggestions as to the compounding of manures and feeding stuffs, importing and joint purchase.

A paper describing a remarkable experiment in the co-operative manufacture and distribution of fertilisers in Australia contributed by Mr. Augustus Wolskel, General Manager of the Phosphate Co-operative Company of Australia, Ltd., was read in the absence of the author. Among those who took part in the discussion were Mr. K. R. Naidu, who drew attention to the problems of agricultural supply in India and the possibility of Inter-Imperial trade, Mr. T. H. Hutchinson, (Staffordshire Farmers, Ltd.), Mr. Bowen (Carmarthen Farmers Co-operative Society, Ltd.) and Mr. Rastall, (North Notts. Farmers Ltd.), all of whom were concerned mainly with technical aspects of co-operative supply in Great Britain.

In the evening a Conference on Young Farmers' Clubs was held, at which Professor Adams, Warden of All Souls, took the Chair. Discussion covered the work of the Young Farmer's Clubs throughout the Empire, an organisation which the Chairman characterised as the seedbed of the co-operative movement. Later, all the delegates to the Conference were received by the Secretary of State for Scotland, the Rt. Hon. Lt. Col. John Colville, M.P., at the Palace of Art.

The first session on the following day was devoted to commodity marketing. After an address of welcome by Mr. H. J. Scrymgeour Wedderburn, M.P., Under Secretary of State for Scotland, and the introductory remarks of the Chairman, Sir J. P. Ross Taylor, of the Highland and Agricultural Society of Scotland, Mr. J. Johnston and Dr. Kennedy described the development in co-operative dairy marketing in Northern Ireland and Empire. They were followed by Mr. Rokach, who outlined the history of co-operative citrus marketing in Palestine, and pointed out some of the problem of federation and internal control which such organisation involves. Miss Cox described the market stalls carried on by Women's Institutes in Great Britain. Professor Ashby (University of Wales) called attention to the position of co-operative societies in relation to the system of marketing boards and state controls growing up in many countries, and this aspect of the subject recurred in most of the speeches which followed, all of them concerned with the special experience of different countries, including Canada (wheat), Jamaica and California (fruit) and Australia (dairy produce).

In the afternoon the Conference divided into three sections concerned respectively with (a) the supply of requirements, (b) marketing, and (c) the problems of the tropical peasant. Section (a) made a number of recommendations for increased collaboration between the societies in Great Britain and Ireland in such matters as inter-trading and the recruiting of staffs, much of which could, it was felt, be effected through the already existing Agricultural Co-operative Managers' Association, provided Scottish and Irish Sections could be formed. Section (b) proceeded by way of a continued discussion of commodity marketing but made no recommendations. Section (c), which was addressed by Sir Daniel Hamilton and Major McDonald Livingstone, both speaking from Indian experience, forwarded a recommendation asking for an information service on the problems of tropical countries within the Empire to the full session of the Conference.

The session on Wednesday morning was devoted to the subject of Co-operation and the State. The Chair was taken by Mr. P. G. Wilson, Chairman of the Scottish Milk Marketing Board, who described the Marketing Boards as a development of the co-operative principle and a new experiment in economic technique. The discussion was opened by Professor Ashby with a very full consideration of all the problems involved in the relations between a co-operative movement and the State, the possibilities of financial support and financial dependence, the delimitation of spheres of action, the complementary roles of the two forms of activity. He was followed by the Warden of All Souls and by Mr. H. F. Norman (Ireland) who spoke strongly in favour of the independence of the co-operative movement from State dictation, and by Mr. A. Cavendish (Malaya) who put forward the point of view of the Colonial officer entrusted with co-operative administration. Two interesting contributions were made by visitors from Germany and Czechoslovakia, who described the somewhat different relations between co-operation and the State in their respective countries.

The Conference at its closing session was occupied with the relation between co-operative producers and co-operative consumers. The Chair was taken by Mr. Neil S. Beaton, Chairman of the Scottish Co-operative Wholesale Society. The first speaker was Mr. F. L. McDougall, Economic Adviser to the High Commissioner for Australia, and well known for his work on nutrition. He treated the subject from the standpoint of the nutritionist, pointing out the part which co-operation could play in improving the nourishment of the people. He was followed by Mr. J. McFadyen, Director of the Co-operative Wholesale Society, who dealt with the trading relations, actual and potential, between producers and consumers' co-operative organisations in the British Commonwealth. A lively discussion followed, and it became clear that the meeting desired some definite recommendation to be made, leading if possible to action. Professor Ashby proposed the following emergency resolution, which was carried unanimously:—

> That this Conference requests representatives of agricultural co-operation and of consumers' co-operation in Great Britain to examine the best ways and means of setting up an organisation for the consideration of joint problems on which, if possible, other countries in the British Commonwealth should be represented.

During the last hour of the Conference Professor Ashby took the Chair. The reports of the Sectional meetings were submitted and the following resolutions were put to the meeting and carried unanimously:—

> That this Conference, recalling the resolution passed at the Conference on Agricultural Co-operation at Wembly in 1924, by which the Horace Plunkett Foundation was requested to become a clearing house of information for the service of agricultural co-operation throughout the English speaking world, recognises the services already performed by the Foundation and desires that they may be continued and extended. In particular the Con-

ference requests the Foundation to co-operate with the Round Table Conference in promoting (a) annual Conferences of agricultural co-operative organisations in Great Britain and Ireland, (b) conferences at longer intervals of the co-operative organisations of the British Commonwealth as a whole. The Conference further pledges its assistance in enlisting the interests of co-operative organisations and movements in the British Commonwealth in the organisation and conduct of such a conference.

and

That this Conference is of opinion that it is necessary to develop in Great Britain a clearing house for the collection and dissemination of information on co-operation and marketing organisation with special reference to conditions in tropical countries within the Empire.

The Conference was throughout remarkable for its cordiality, for the keenness with which the discussions were followed and for the real sense of common purpose which permeated all the sessions. The shortness of the time available for the organisation of the Conference (barely allowing for the dispatch of an airmail letter and the setting out of a delegate by sea from any of the more distant Dominions) no doubt reduced the representation from overseas, as well as making it difficult for Dominion and Colonial co-operative organisations to make any suggestions as to the agenda, or to issue particular instructions to their representatives. This was not all loss, for a certain informality often gave spirit to the discussion. In any case, it seems evident from the actual response to invitations hastily issued, as well as from the resolutions passed, that the Conference may be regarded as the forerunner of others in which the habit of mutual discussion will generalise the experience and strengthen the ties, both material and moral, which unite the co-operative movements of all countries and especially of those within the British Commonwealth.

Extract from the Proceedings of the Imperial Conference on Agricultural Co-operation held at Glasgow, July 1938.

Speech of Mr. K. R. Naidu of the Madras Co-operative Service. It was my intention when I thought of attending the Conference to come here and learn something and not to speak to you, but I found that I had to speak for a few minutes, and I thought it might be interesting to tell you something of the difficulties we experience in this branch of co-operative activity, and I am grateful to the organisers for the opportunity extended to me to speak to you. Co-operation as it is understood to-day is of a comparatively recent origin in India. The late Sir Frederick Nicholson was perhaps the father of the movement, and as Dr. Fay told you this morning it continued to be a credit movement till 1920. Though the Act was amended about 1912, nothing particular was done till 1920, and since then we in India felt we should take up those co-operative activities, commonly called the non-credit co-operative movement. When I say the co-operative movement in India is of recent origin, I must not fail to point out to you that co-operation as it is really understood is "Each for all and all for each" and that was practised in ancient India some 400 years before Christ was born. The inscriptions which we read now from excavations bear eloquent testimony to the fact that India was in a sense a co-operative community.

I will try to face up to an interesting observation which was made by the speaker this afternoon, in connection with the supply of agricultural requirements and the supply of agricultural requirements and the supply of raw material required by the distributive societies. In India we export raw materials and here in Great Britain are two magnificent distributive wholesalers, the Scottish Co-operative Wholesale Society and the English Co-operative Wholesale Society, which buy their requirements in the Empire or outside it from capitalistic concerns. They are relying for their supplies, not on those people who are trying to give back the profits to the workers, but buying the products from the capitalists who are trying to exploit them and make their conditions more miserable. It is this problem I have been trying to solve. The scheme is this, that we in India should try to export our products not through capitalistic concerns but through the people who buy them. If there is anything they can give us we will gladly take it in India.

I will now tell you of the difficulties and problems that were before me in supplying agricultural requirements on a co-operative basis while I worked under the Crown. The first need in India is the supply of manures. When I went back to India after my studies in Europe, I thought that the fertilisers people need in Ireland and in Germany could easily be provided by the same means. The first step taken therefore was to produce artificial manures and fertilisers for the requirements of the co-operators of South India. But there was our 'loving neighbour' the capitalist, who tried to crush us. We asked a price of Rs. 110 and he came down to 100. We came down to 100 and he came down to 90. The society went into liquidation. An effort was made in another place, and it suffered the same fate. The next step that was taken was to purchase the artificial manures from these exploiting agencies themselves, and what happened? It was not one capitalistic concern but a number, and they began to cut the price, but what was it? The stuff that they sold was definitely inferior and absolutely useless. The second experiment also failed, because a number of these capitalistic concerns were trying to supply us and they supplied things which were not really useful to the crops. The third experiment I made was to get one of these firms to supply to our societies. I entered into negotiations with a big firm (the directors are in this country) and these people would not reduce the price of the fertilisers. I went on my bended knees and told them that here was a co-operative concern which, if they would encourage, would bring in much business, but they said no, they would not. They said "How can we make a distinction between a co-operative society, and a middleman who is not a co-operative society? If we make such a distinction then we will lose our business." We could not proceed further. Those are the limitations under which we are labouring to-day, and we cannot proceed any further.

The next step was in connection with livestock. We tried to organise some societies for the purchase of livestock, but unfortunately the people could not be persuaded to come in because in South India people are accustomed to buy on credit. The man does not realise that he is paying twice as much as if he had bought them for cash. The next step that was taken was to prevent cattle diseases through co-operative organisations. There were several difficulties confronting us. The first was that the co-operative society as it exists to-day is not strong enough to bind members to common act. If co-operative societies were sufficiently alive to their own responsibilities, the moment disease broke out they would give information and take steps to prevent further spread of the disease, but the average co-operator is not very well educated, and he is not able to avail himself of all the the facilities the State has provided.

I do not want to dilate at length. One thing I can tell you. If India will work out her own salvation, if India plays her part as she did years ago, it is by co-operation and co-operation alone. (**Applause**).

DEPUTY-GOVERNOR OF RESERVE BANK ON MULTI-PURPOSE SOCIETY

Following are extracts from the speech delivered by Mr. M. B. Nanavati, Deputy-Governor, Reserve Bank of India, on the occasion of the opening Ceremony of the New Building of The Surat District Co-operative Bank on 21st August, 1938.

The major problem that confronts you and most sound central banks in your position is the disposal of the large amount of deposits lying idle. To the extent that these deposits have to be increasingly invested in Government securities, the institution functions more as an Investment Trust or a Savings Bank than a co-operative financing institution. Incidentally, I may say that even as an Investment Trust the Bank performs a highly useful service. In effect, the small savings of the people are being pooled by you and invested in Government Securities. It is possible that but for the intervention of this bank those small savings might have been either hoarded or utilised in a more risky and unsound manner. The mobilization of savings is an essential function of a bank. But to make these funds available to those who need it and for production purposes is an even more important function. Here again we are confronted by a paradox, similar to that which confronts the whole economic system to-day, namely, the co-existence of poverty and plenty, of over-production and want. On the one hand, we have large funds, almost crying out for investment, and on the other there are a large number of agriculturists who are similarly crying out for cheap credit. And yet the necessary nexus cannot be established. It is in the direction of bridging this gap that I want your bank to turn its attention in its future career. To put it in other words, your effort should be to utilise your funds in a manner which will at once be financially profitable to you and of great advantage to the agriculturist.

Rural Credit.—A moment's thought would show that this problem would continue to remain unsolved so long as primary societies continue in their present state. The larger interests of the country as well as your own special private interest requires that the rural societies should be brought back to active life. Any trouble that you may take and any money that you may spend for this purpose will be abundantly justified. How then can the rural societies be brought to life again, and made to flourish in vigour? The answer to this has been suggested in the various bulletins published by the Agricultural Credit Department of the Reserve Bank. To put it briefly, we have suggested that the only way to bring back village societies to life is to enlarge their business in such a way that by becoming immediately and genuinely useful to their members they would call forth the support and loyalty of the agricultural population itself. The remodelled village society should undertake all the function necessary to make the economic life of the cultivator more tolerable and full. We have gone even further and suggested that they should not confine themselves to undertaking merely economic functions but should also attend to the educational and social well being of the members. Such a reconstruction, namely, the transformation of the existing societies into multiple-purpose societies will be possible only by the genuine co-operative effort of the villagers; but in the present state of our village life of educational backwardness and general ignorance of the cultivating classes, the initiative has unfortunately to come from above. I would suggest that you can do a great deal in providing this initiative.

The conception of a "multi-purpose society" and the way in which it should be organised and worked, would already be familiar to you. The main point is that the co-operative society should cease to be a mere co-operative moneylender.

"An ad-hoc meeting of borrowers to get loans from a co-operative financing institution" will not be an altogether unjust description of many existing co-operative societies. These go to sleep the moment funds are obtained and the loans distributed. Even the recoveries of these loans are left to the Government, if not to the financing agency. Working in this way, a co-operative society is only a glorified money-lender, but with the difference that in the last resort it can wield coerceive powers, which are not open to an ordinary moneylender. To this extent, it is worse than a moneylender. In areas where co-operative societies have functioned in this way they have naturally become very unpopular with the cultivator. The reorganised society has to live down this reputation. It should have a continuous and active life, not becoming dormant after distribution of loans. As before, credit will form an important part of its activity but not the only part. It will have to supervise and guide the use of the credit it gives. In doing so, it will automatically discover the other functions it has to undertake. Take, for example, a loan granted to buy manure. Obviously, the best way to see that the loan is used for the purpose is for the society itself to supply the manure. To be developed successfully along these lines, the societies should at the very least take up co-operative marketing of agricultural produce, and the co-operative buying of the ordinary necessaries of the farmer. These activities would bring the members into continuous contact with the society, and in the financial sphere this contact would be represented by the running account which each member will then maintain with the society.

From a financial point of view your function in stimulating the organisation and growth of the multi-purpose societies would consist in making fresh short term finances available irrespective of the fact that the old loans are still outstanding. You are already in possession of all the funds necessary for this purpose and there will be little danger in making available such new finance, provided it is preceded by a careful selection of members and loans are restricted to strictly short term purposes. Recoveries can be made certain and almost automatic if it is understood that fresh short term loans would be available only to those who undertake to market at least a part of their produce sufficient to repay the loan through the society. The produce can then be marketed wholesale by the society and after deducting the loans due to it, the balance can be either given back to the member or better still kept to his credit in current account. This technique is by no means new, especially to you. For I find that practically the same procedure has been followed by you in financing the 18 cotton sale societies in this district. The revitalising of village societies in this way would thus afford you a very valuable, outlet for your funds. I should even think you would do well to appoint paid organisers to form such multi-purpose societies. If only the right men are selected and if they work in the right area, the extra profits that you will derive will more than cover the expenditure that you will have to incur. Another way in which you can aid the development of societies is by financing, partly at least, the construction of go-downs and warehouses, the need for which would be very urgently felt if societies are to take up enlarged functions.

I would like to take this opportunity to reply to some criticisms of the idea of a multi-purpose society. Such criticisms usually originate from a lack of clear understanding of what a multi-purpose society means. Some accuse us of parading an ancient idea as an original discovery. But we claim no originality for the idea. In fact it is implicit in the existing bye-laws of most village societies. In these bye-laws, co-operative purchase, co-operative marketing of produce, education of members, etc. are already included as legitimate functions. This list is usually rounded off with a reference to "such other activities as would conduce to the welfare of the members." Multi-purpose societies would therefore automatically come into being when existing societies live up to their byelaws. Criticism from another angle attacks combination of various functions. It is suggested that trading should not be combined with banking, as trading losses might impair the very foundations of the banking side of the society. In this connection critics have quoted the fate of the early Raiffeisen societies which, encouraged by their success on the credit side hastily undertook a variety of other functions. This kind of criticism misses the point alogether. We have nowhere said that trading, in the ordinary sense, which inevitably contains a certain measure of speculative risk, should form a part of the activities of the societies. All purchases of the society would be made on the indent system. There would, therefore, be no danger of societies being left with unsaleable stocks on their hands: similarly the societies would only be acting as agents of their members in the marketing of their produce. Ordinary prudence would require separate accounts to be kept of all these transactions. With these safeguards, I see no reason whatever to think that the performance of a variety of functions is too risky an affair. On the other hand, a society which does not undertake all these functions would have little real vigour and would die of anaemia.

Another point worth considering is this: Even those who object to the multi-purpose society are in favour of the co-operative principle being applied to marketing, purchase, etc. They advocate a separate society for each such function. The need for co-ordinating the activities of these societies is recognised, but it is thought that this can be done in something like the following manner. Thus, a member who has taken a loan from a credit society would be advised to take up his crop to a marketing society which would deduct the dues to the credit society before paying the member for his produce. It is easy to see how cumbrous and impracticable such co-ordination will be. The most important single cause for the failure of the co-operative movement so far has been the lack of enough good co-operators. When it is difficult to find enough men to run one credit society in a village, it would be the height of optimism to except to find enough men to run a number of co-operative societies. On this ground alone, the idea of a multi-purpose society is justified.

I have explained that a village co-operative society should not be a mere moneylender. For the same reasons, it will not be enough if a central financing agency merely makes available to the village societies the savings of the townspeople. It would then be a bank, but not a 'Co-operative' bank. Financing would of course still continue to be the major function of a central bank, but financing interpreted in a wider and more liberal sense. The financing agency should take measures to see that funds are utilised for the purpose for which they are advanced. It is not every village society that would be able to find men capable of conducting its varied business without external assistance and advice. Here a central financing agency can most suitably step in. Again, just as the village society ascertains the needs of its members so that it can make common purchases, the financing agency should render similar services to the village societies. It is a matter of considerable doubt whether the existing central banks which have to deal with a large number of village societies would be able to undertake these delicate and varied functions. It is this doubt that led us to suggest the desirability of forming banking unions operating over a small area, say a Taluq. This suggestion has been subjected to severe criticism, much of which is again due to misunderstanding. What we are most keen about is that these functions should

somehow be performed—never mind by whom. If central banks as at present organised are found fit to exercise these functions, well and good. We have nowhere advocated that district central banks should be scrapped and replaced by banking unions. If, on the other hand, it is proved that by its very size and organisation the district bank is incapable of fulfilling these functions, then it will have to be replaced by a banking union. It is far too early to come to a categoric conclusion on this matter.

You have therefore a rich field for experiment before you. The results would be keenly watched all over the country. The Surat Central Bank has certain preliminary advantages in undertaking these new functions. It has large funds at its disposal. It commands the confidence of the public. It has a good record of work and it has the good fortune to have the services of able and willing honorary workers. Finally, it has already five branches in the various Taluqs. The constant supervision of the new village societies can obviously be better exercised by a district central bank with branches, than by a central bank which has its office at headquarters only. It is my earnest wish that the opening of the new building would be accompanied by a new orientation of policy on the lines I have suggested. I hope that you will exploit to the full the preliminary advantages I just mentioned, and if it is proved that a district central bank can effectively fulfil this new role, it will be an object lesson to others.

THE BOMBAY PROVINCIAL CO-OPERATIVE BANK

Annual General meeting, 20-9-1938

Speech by Sir Chunilal Mehta, President.

It gives me much pleasure to submit to you the 27th report on the working of the Bank. The salient features of the year's working are recorded in the report itself. There has, latterly, been an increased demand for investment of funds in the movement itself. This is reflected in the growth of the Bank's advances by way of cash credits and overdrafts from Rs. 8 lakhs to nearly Rs. 20 lakhs. Advances made at branches against the pledge of agricultural produce have risen by over Rs. 1 lakh. There has been a similar demand on the resources of central and urban banks with the result that their balances kept as fixed deposits and as current and savings bank accounts at the Bank have declined by nearly Rs. 20 lakhs. In view of the orders issued by the Government that the balances in the provident fund accounts of the staff of school boards and other local bodies should be invested in Government securities instead of being deposited with banks, the special savings deposits from local bodies have gone down by Rs. 7 lakhs. The total demand liabilities of the Bank in current and savings bank accounts amount to Rs. 94 lakhs and the time liabilities to Rs. 75 lakhs. Against these liabilities, the Bank held at the close of the year Rs. 10½ lakhs in cash on hand and in banks, 22 lakhs in deposits at call and for short periods with approved banks, and Rs. 70½ lakhs in Government and other authorized securities. The position in respect of liquid resources is, therefore, thoroughly sound.

Another satisfactory feature is the slight increase that has occurred in the profits. This is due mainly to the increased use made of the Bank's funds in advances at interest and the prevailing low level of rate of interest on deposits. Full advantage, however, has not been derived from the wider margin obtaining between the borrowing and the lending rates because of the continuance of concessional rates of interest to borrowing societies in the Deccan canal tracts—the outstandings in which area amount to Rs. 14 lakhs—and the stoppage of interest on the dues of societies in liquidation amounting to Rs. 19 lakhs nearly—an increase of Rs. 1 lakh over the previous year's figure. In the special circumstances that prevail at present, necessitating closer contact with borrowing societies, the Directors have not found it possible to reduce expenditure on the staff. On the contrary, as mentioned in the Report, we have thought it desirable to add to the field staff. Our intention in adopting this policy is to constitute groups of weak and mismanaged societies and to concentrate attention on their improvement. For this purpose, each of such groups comprising half-a-dozen to a dozen societies, is placed in charge of an inspector who will devote all his energies to the improvement of the morale of societies in his charge, arrange for the systematic financing of punctual members and assist in expeditious action being taken against recalcitrant defaulters who have the ability but not the desire to repay their dues.

All this is part of a systematic programme of reorganization and rehabilitation. Along with it the societies will also be assisted in examining the position of members whose debts have become frozen and in adopting measures for the gradual clearance of their debts. This process will undoubtedly take some time to be completed in all the societies served by the Bank. But for the time being, attention has been concentrated on the weakest units. While the fullest facilities will be allowed for the reduction of interest or the grant of time for repayment on the general lines presented in consultation with the Co-operative Department, failure to respond to the concessions on the part of those who have the capacity but not the inclination to meet their liabilities will be met by suitable action for recovery. Government were pleased to make the position clear in a communique issued by them last month, and there should be now no room for the misunderstanding of or misapprehension about the intentions of Government in view of this public expression of their policy. It is not too much to hope that those responsible for the defaults as well as those in charge of the machinery for recovery will appreciate this clear enunciation of Government's attitude towards contumacy.

There is another aspect of the problem of maladministration to which I should like to make a reference here. In the course of their examination of the applications of societies for finance, the Board have come across numerous instances where for years together there is failure to take any action against principal defaulters. Some of these happen to be leading men in their villages and they dominate the work of their societies. Being defaulters themselves, occassionally for fairly substantial sums, they are loath to take any steps to put the affairs of their societies on a sound basis. A few of these persons sometimes manage to get elected to supervising unions and such other bodies in spite of clear injunction against the election of defaulters on managing committees. These persons constitute an element that obstructs the process of rehabilitation and improvement. On the matter being brought to the notice of Government they have been pleased to issue directions that suitable action should be taken to replace this undesirable element wherever necessary. This is in consonance with the announcement made by the Hon'ble Revenue Minister in a debate in the last session of the Legislative Assembly that one of his first tasks would be to purge the Co-operative Movement of all individuals who utilized it for self aggrandisement, who introduced disharmony, personal jealousy and party rancour, and who mishandled the credit and other resources made available through co-operative institutions.

Action in all these directions necessarily involves the strengthening of the machinery for the supervision of the primary societies. There is now three-fold control over the operations of societies through supervision, inspection and audit; but I am not sure if the expenditure incurred on the maintenance of this three-fold agency yields adequate results. Lack of co-ordination is responsible for the frequent absence of effective control. It may be that the arrangements for supervision are still in a state of flux and uncertainty. There is now, however, an urgent need to affix the ultimate responsibility for supervision on one agency, and I am glad to observe that this need has been recently recognized by Government.

I have emphasised two aspects of present day co-operation not because I hold that these are the essentials of co-operative development but because I have felt, more and more, for some time past that if we allow the present conditions to persist we shall be doing a distinct disservice to the thousands of agriculturists who have resorted to the movement for cheap controlled credit and other facilities. The debtor who is regardless of his obligation while others strive their utmost to meet these liabilities invites disaster for his institution which leads to his depriving the loyal members being deprived of the facilities for credit that the movement sought to bring to the doors of the agriculturist. That is not the only loss that accrues. The growth of arrears and losses, the continuance of contumacy, the rise of an element inimical to ordered growth put a brake on all further progress. Hitherto we have confined our attention merely to credit. Important as credit is in rural economic life, I attach only secondary importance to it. What I value more is the emergence of a new co-operative spirit in the country side and the harnessing of this spirit for the purpose of agricultural organization and rural reconstruction. If I plead for effective action I do so not because of the funds involved in the movement—important as that consideration may be—but because I believe that if the present forces hold sway for long and bring about a state of demoralization there will be not only a set back to the co-operative credit structure but a bar to all future attempts at rural reconstruction on a co-operative basis.

Before I conclude I should like to refer to the amendments to the bye-laws that are proposed for your consideration and adoption. The aim of the Directors in putting forward these proposals before you is to enable the Bank, if and when necessary, to provide better facilities for credit to members of societies affiliated to it, on the security of agricultural produce, products turned out by artisans and handicraftsmen, and gold and silver ornaments. There is also provision for the creation of a new class of members who will be permitted to receive advances against the tangible securities I have referred to above. These changes in the bye-laws are necessary both to clarify the legal position and to extend credit facilities in approved directions. It is the intention of the Board to extend this line of business either in agreement with existing local urban banks or purchase and sale unions or in areas not served by such bodies. I trust you will appreciate this move on the part of the Directors to extend its operations on well-regulated lines and thus to increase the utility of the Bank in rural areas.

CO-OPERATIVE NEWS AND NOTES

It is reported that the Government of Bombay are sponsoring a rural reconstruction corporation for affording cheap short term credit for small agriculturists and for the partial liquidation of their debts. If the Government of India should give their sanction and approval, the Bombay Government would appear to be prepared to subscribe Rs. 5 crores to this Corporation. Its objects are identical with those of co-operative societies, including land mortgage banks. Perhaps, it is thought of in this form in order to escape from the restriction imposed by the Co-operative Societies Act and Rules and to benefit the classes for whom the Co-operative Societies Act is not intended. At first sight it appears, however, to conflict with Co-operative Societies for promoting which the Government is taking so much pains.

* * * * *

The Government of Bengal have decided to enact their own provincial legislation in regard to co-operative societies and with this object in view a bill has been published. The main features of the bill are: (1) delegation of the powers of the Registrar to well managed financing banks and federations; (2) obtaining of financial assistance from the State directly or indirectly; (3) improvement of the finances of the Movement by restriction on the issue and use of loans and recovery of wilful defaults by summary procedure; (4) prevention of fraudulent disposal of property by a borrowing member pending dispute or liquidation; (5) making of audit more thorough and effective, ensuring rectification of defects noticed at the audit or inspection; (6) supersession of committees of management as an intermediate corrective measure between normal working and liquidation; (7) charging and surcharging for liability disclosed by audit or inspection for acts done to the detriment of the interests of the society; (8) effecting compromise between a co-operative society and its creditors, etc.

* * * * *

The Government of Central Provinces and Berar have appointed a Committee to examine the position of the Co-operative Movement in Berar in general and of the finances of central banks in Berar in particular. The Committee will also be asked to suggest ways and means for a remunerative management of the lands acquired by central banks and to make proposals for financial accommodation to those central banks which are in need of it immediately or for some years to come. The main problem of Berar is how to balance the budgets of central banks in view of the low return on the assets locked up in lands which the banks have been obliged to acquire in the course of recovery proceeding. Owing to successive crop failures and low prices, recoveries have been unsatisfactory and some banks have found it difficult in discharging their obligations in time.

* * * * *

A comprehensive scheme to tackle the debt problem in the United Provinces as well as relief has been drawn up by the Government. The main features of the scheme are that the basis of relief will be the debtors' capacity to repay and that a State aided agency will undertake the task of providing and organising new cheap credit.

* * * * *

The Central Banks in Orissa recently met in a conference at Cuttack with Babu Banamalidas in the Chair. The Conference resolved that in view of the present financial distress of rural societies the maximum relief should be provided for them in regard to outstanding overdue interest. The Conference requested the Government to arrange for a careful and detailed examination of the assets and liabilities of each member of rural societies. The Conference further opined that the debts of members should be scaled down to the value of landed assets, due regard being paid to their repaying capacity. It urged on the Government to promote suitable legislation in order to prevent fraudulent transfer of immovable properties and to provide for free transfer of lands for co-operative dues.

* * * * *

In connection with the debate on the Punjab Moneylenders' Bill, Sir Sikander Hyat Khan, the Premier, stated that there were in the Punjab 55,000 professional moneylenders, that they had on an average 300 clients each whose happiness and lives they could make or mar, and that in no other province were there so many professional moneylenders.

* * * * *

The Government of Bengal have decided to make a subsidy of Rs. 24 lakhs, at the rate of 2 lakhs per year, to the Bengal Provincial Co-operative Bank, which is the pivot of the Co-operative Movement of the Province, so as to enable the Bank to make good the loss due to the failure of the jute sale and supply societies and build up reserves with a view to reduce the rate of interest charged to primary societies.

* * * * *

The Cochin Co-operative Land Mortgage Bank completed its third year of working by 16th August 1938. The membership of the Bank was 1,540 with a paid up capital of Rs. 72,720. The total amount of loans disbursed by the Bank during the year under report was Rs. 4,13,304. Together with the outstandings under special loans issued by the Government and transferred to the Bank, the total demand stood at Rs. 9,39,365. Of this a sum of Rs. 27,886 was collected during the year, leaving a balance of Rs. 9,11,479 at the end of the year. The Bank earned a net profit of Rs. 6,814 as against a net loss of Rs. 1,842 in the previous year. The Government have raised the limit of overdraft accommodation to the Bank from Rs. 3 to 5 lakhs in order to enable the Bank to float debentures for not less than Rs. 5 lakhs at a time.

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The Bombay Co-operative Quarterly.
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THE INDIAN CO-OPERATIVE REVIEW

Contents of Vol. IV No. 1, January-March, 1938

PAGE

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Contents of Vol. IV No. 2, April-June, 1938

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The Bank acts as Bankers to the Madras Corporation, University of Madras, Andhra University, Annamalai University and the various Local Boards and District Municipalities.

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