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16th July, 1867—19th November, 1939

General Secretary of the International Co-operative Alliance
August, 1913—November, 1939

THE INDIAN CO-OPERATIVE REVIEW

Vol. V OCTOBER—DECEMBER 1939 No. 4

EDITORIAL NOTES

A GREAT LOSS TO INTERNATIONAL CO-OPERATION.

The International Co-operative Movement has lost a leader of great eminence in the death of Mr. H. J. May, the distinguished General Secretary of the International Co-operative Alliance for twenty-six years. Mr. May was 72 years old when he passed away on the 19th of November last, four days after a severe operation in a London hospital. He wanted to die in harness; and he has so died, working for the Alliance till the day of his operation. May his soul rest in peace!

Mr. May entered the service of the Alliance in 1913, after a strenuous and successful career in the local and national Co-operative Movement and in the Trade Union Movement in Great Britain. He joined the I.C.A. under difficult circumstances, which became worse as the last European war burst soon after. Any Secretary who had less courage and zeal than May could not have kept alive the international organisation during those dark days and resumed its great task in the post-war period. Such courage and skill are even more needed in the present war, and hence the loss of this veteran internationalist is bound to be sorely felt in Europe and abroad. Mr. May was, besides the President, the central figure of the triennial International Co-operative Congresses held in one after another of the great European cities, which brought together eminent co-operators from all over the world, representing mainly, but not solely, consumers' co-operative organisations. Mr. May was indeed the soul of the Alliance, having been not a little responsible for building up one activity after another in the quarter of a century which he served as its Secretary. He converted and enlarged 'the International Co-operative Bulletin' in 1928 into the famous *Review of International Co-operation*, which he actively edited till almost the day of his death. For brevity, clarity and strength, it would be hard to beat the contributions of Mr. May in the shape of articles and 'Notes and Comments' in the International Review. Those who have heard him speak could not help admiring his powerful advocacy of the cause he took up, the firmness and courage of his utterances especially on questions of war and peace and on the attitude of totalitarian States towards co-operatives.

In Committee work, both in the national and international spheres of co-operation, and in organisations set up by Governments to deal with matters in which co-operators were concerned, Mr. May was the man most sought after. He rendered yeoman service in the committees set up by the British Government during the last war, especially for the control of food, fuel, etc. He served on the Railway Wages Board and the Railway Staff Tribunal for 20 years and in that capacity helped not a little to improve the standard of living of hundreds of thousands of wage-earners. He had led many co-operative deputations to the Government and displayed such a grasp of taxation questions that he was appointed a member of the Royal Commission on Incometax in 1919-20, whose report dealt at length with the taxation of surpluses of co-operative societies, a problem we shall have to face in our country too.

Under the leadership of Mr. May and his colleagues the International Co-operative Alliance gained greater recognition in the wider world as evidenced by its participation in the World Economic Conference held at Geneva in 1927 and at London in 1933, in the Disarmament Conference of 1932 and in the Consultative Economic Committee of the League of Nations. Mr. May championed strenuously the cause of Universal Peace, pleaded earnestly with co-operators to exert all their influence with their national governments in favour of just and peaceful methods of settling international conflicts. This appeared to be a losing cause in the war-mad Europe, but Mr. May did not lose heart and went on pleading. He was among the first to organise relief for the refugees fleeing from the Fascist aggression and to secure for the co-operators among them an opportunity to begin life anew in co-operative circles of other countries.

The Indian delegates who were deputed by the All-India Co-operative Institutes' Association to attend the International Co-operative Congresses held at London in 1934 and at Paris in 1937 cannot forget this unique personality. They treasure in their minds the help and guidance which he readily gave them not only during the sittings of the Congress but also outside in connection with their co-operative tours in the British Isles and in the Continent. Mr. May had always a warm corner for the Indian movement and for the *Indian Co-operative Review*, as may be seen in the pages of the International Co-operative Review. On behalf of the co-operators in India we express our profound sorrow and sympathy to Mrs. May and to his loyal colleagues on the Committee and staff of the International Co-operative Alliance.

ALL INDIA STANDING COMMITTEES AT MADRAS.

A joint session of the Standing Committees of the All India Provincial Co-operative Banks' and Institutes' Associations, the proceedings of which we publish elsewhere in this issue, was held in the last week of October at Madras. This is the first time for the Standing Committees to hold their meetings in the city of Madras. This session of the Standing Committees happily synchronised with the Twenty-third Session of the Madras Provincial Co-operative Conference and the celebration of the Silver Jubilee of the Madras Provincial Co-operative Union. Co-operators from many of the provinces and the Indian States of Indore, Travancore and Cochin attended the session. The Registrars of Bengal, Central Provinces and Madras also attended the session. The meetings were held in a spacious pandal specially constructed in the premises of the Mylapore Branch of the Madras Provincial Co-operative Bank. The Madras Provincial Co-operative Union made arrangements for the reception of delegates.

The Committee on Co-operation appointed by the Government of Madras with Sir T. Vijiaraghavachariar as Chairman, was holding its sittings in Madras when the Standing Committees met there. The Chairman and members of the Co-operative Committee met the Standing Committees at their opening session on the 27th October. Sir T. Vijiaraghavachariar prepared a short questionnaire to elicit information from the representatives of the various provinces on certain aspects of the movement with special reference to the questions that were engaging the attention of the Committee on Co-operation. Very interesting and useful information was elicited by this process.

The President of the Associations availed himself of the opportunity to briefly survey the schemes of rehabilitation of the co-operative movement and allied activities in some of the provinces. He drew particular attention to the schemes which were then engaging the attention of the Provincial Governments and provincial co-operative organisations of Bengal, Bihar and Central Provinces and Berar. The open session of the meetings devoted considerable attention to an examination of these schemes and passed suitable resolutions urging on the respective Governments to take prompt and adequate action on the schemes that were placed before them. A comprehensive scheme of rehabilitation of the movement in Berar was adopted after full discussion, in which Mr. Gole, ex-Minister in charge of Co-operation, Central Provinces and Chairman of the Committee of Enquiry appointed by the C. P. Government, Mr. Rege, I.C.S., Registrar of Co-operative Societies, C. P., Sir Madhavarao Deshpande, Chairman of the Provincial Co-operative Bank at Nagpur and other delegates from Central Provinces and Berar participated. This scheme was formally submitted by the Standing Committee of the Indian Provincial Co-operative Banks' Association to the Government of the Central Provinces, the Provincial Bank at Nagpur and the Association of Depositors of Central Banks in Berar. No action seems to have been taken so far on that scheme, and as far as our information goes, the Government of Central Provinces seem to have turned down even the modest measure of financial assistance recommended by the Standing Committees in their scheme. If that scheme is not acceptable to the Government, we hope that some other scheme, which commends itself to them, will be adopted and worked out, before it becomes too late to save the movement from collapse in that province.

The same treatment seems to have been meted out to the report of the Board of Experts on the rehabilitation of the Co-operative Movement in Bihar. It is not known whether there was time for the Congress Government before they laid down office to place on record their views on the report of the Board of Experts. Very likely not. We hope and trust that His Excellency the Governor of Bihar and his Advisers will give their early attention to that report and take suitable action thereon as quickly as possible, as recommended by the Standing Committees.

Things seem to be moving a little faster in Bengal and the Bengal Government seem to be more earnest than other Governments in handling the situation. Pending final examination and action on the scheme submitted by the Registrar of Co-operative Societies, some measures for the expansion of the movement, particularly by provision for crop loans through new societies, are being actively pursued in Bengal. The Standing Comittees, while approving this action, sounded a note of caution that expansion should proceed on sound lines and without undue haste.

The basic principle adopted in all these schemes is provision for substantial economic relief to members of rural societies by bringing down their dues to the level of their repaying capacity and formulating schemes for recovery of dues so scaled down in instalments spread over suitably long periods. We now find that one of the main obstacles to the liquidation of the difficulties of the financing central banks is the insistence of creditors on their right to recover their dues in full. What they seem to forget is that the assets from which the liabilities of the central banks can be met consist chiefly of the loans advanced to members. Some of them have become frozen, while others are irrecoverable and there is no hope of rehabilitating the economic position of these members until their indebtedness is brought down

to the level of their repaying capacity. It is a matter for regret that the central banks dominated by the threatening attitude of their creditors should be reluctant to give the much needed relief to their members by granting extended periods for repayment after scaling down their debts. Indeed, the President of the Association of Depositors of Central Banks in Berar has taken the matter one step further by notifying to everyone concerned, including the former Registrars and the Government of Central Provinces, that he would enforce the claims of depositors in central banks in a court of law. Declarations of creditors' rights and persistence of financing banks in showing the full amount of debts on their books will not achieve recoveries beyond the means of the debtors.

It is gratifying to note that the Registrars' Conference which met at Delhi in December last virtually set its seal of approval on the principles and methods recommended by the Standing Committees for the rehabilitation of the Co-operative Movement in the provinces, where it is in a difficult way. The provision for long term credit is an integral part of the schemes in Bengal, Bihar and Berar in order to satisfy at least partially the claims of depositors and creditors of provincial and central banks and to place the frozen assets of societies on a revised footing and to fix revised kists for payment of overdue loans by members of societies. The Registrars' Conference made the following recommendation:

> "In order to rehabilitate the Co-operative Movement long term funds must be made available to the Movement. The Governments of the Provinces and States should assist the credit institutions in their Provinces or States by providing the required long term funds either in the form of subsidy or loans or both, or by enabling the Provincial Co-operative Banks, to raise such funds by floating debentures, the principal and interest thereof being guaranteed by the Government concerned. Such debentures will, if possible, be backed by the mortgages of lands of the members, to whom the benefits of the rehabilitation scheme are extended."

Among the important items on the agenda that engaged the attention of the Standing Committees were the circulars of the Reserve Bank of India dated the 14th May 1938 and 12th June 1939 regarding the terms and conditions on which accommodation can be obtained by Provincial Co-operative Banks and the financial re-organisation of co-operative banks respectively. The Standing Committees did not express any final opinion on the circulars. These circulars were, however, subjected to a very careful examination by the Managers of the Provincial Co-operative Banks in India, who held their meeting at Madras on the invitation of the Standing Committees, at the same time as the joint session of the Committees. A report of the proceedings of the Managers' meeting, reached the Standing Committees too late for discussion at this session.

The Committees therefore resolved to circulate the proceedings to the several Provincial Co-operative Banks for their opinion before a reply is sent to the Reserve Bank.

Naturally, the problem of rural marketing engaged the attention of the Standing Committees. Acts dealing with regulated markets so far passed in the several provinces are being collected and a memorandum is being prepared by the office of the Standing Committees. The subject is also now engaging the attention of a special Sub-Committee of the National Planning Committee and we hope that some concrete action will follow the recommendations of the Sub-Committee. The Standing Committees of the All-India Co-operative Associations will no doubt endeavour to do their best to give effect to these recommendations.

THIRTEENTH CO-OPERATIVE REGISTRARS' CONFERENCE

The Thirteenth Session of the Registrars' Conference was held at Delhi on the 11th December 1939. It was contemplated at one time to hold the Conference some time before the end of April 1939; but in order to make it possible for the Ministers in charge of co-operation in the various Provinces to attend, it was put off to a more convenient time when the provincial legislatures would not be in active session. However due to sudden and unforseen developments in the political situation after the declaration of war early in September, the ministries in seven or eight provinces have gone out of office, and the hope that Ministers in charge of Co-operation in those Provinces will participate in the conference, for the first time after the introduction of provincial autonomy, has been frustrated. With one exception, the Provinces and States were represented both by the official heads of the department and prominent non-official co-operators. The exception referred to is Madras, which was represented only by the Registrar of Co-operative Societies, and no non-official representative was sent by that province to the conference. Sir Jagadish who opened the Conference and presided over the morning session on the 11th December was unfortunately not able to attend the Conference during the rest of its session owing to other heavy pre-occupations and indifferent health. In his absence, Sir Malcolm Darling took the chair and conducted the proceedings with considerable ability, giving the benefit of his wide and profound experience of the Co-operative Movement in India for the solution of the difficult problems that arose during the discussions. Mention has also to be made of the lively interest and helpful suggestions made from time to time by Mr. P. M. Khareghat, I.C.S., Vice-Chairman of the Imperial Council of Agricultural Research.

There was a slight departure from the procedure adopted on the last occasion in regard to framing the final agenda and drafting the

resolutions for consideration by the conference. A small committee presided over by Sir Malcolm Darling met on the day previous to the session of the conference and settled the agenda and draft resolutions. This considerably facilitated the work of the conference; but we wish that the drafting sub-committee had been given a little more time. The draft resolutions bear the impress of hurried work and many of them are couched in vague and non-committal terms, obviously for want of sufficient time to go into details and come to definite conclusions on the problems dealt with by the resolutions. We hope that at the next session of the conference the drafting sub-committee will be given more time and facilities than they had on this occasion.

The Hon'ble Kunwar Sir Jagadish Prasad, Member of the Viceroy's Executive Council in charge of the Department of Education, Health and Lands, opened the Conference with a very felicitous address of welcome to the delegates, which is published elsewhere in this issue along with the resolutions adopted by the Conference. The Hon'ble Member's address, though brief, dealt with many difficult questions with which the co-operative movement is now confronted and was couched in a happy vein of optimism, which is a characteristic feature of the Hon'ble Member's utterances both inside the Central Legislature and outside in dealing with matters of public importance. The Hon'ble Member rightly drew attention of the co-operators assembled to the great responsibility placed upon them to avail themselves of the opportunities afforded for the development of productive and regulated co-operative credit in the wake of economic relief afforded to the agriculturists by debt and tenancy legislations.. While debt legislation might have restricted old sources of credit, tenancy legislation gave increased security of tenure to the cultivator and the combined effect of these legislative measures is to enable the agriculturists to avail themselves of the services of co-operative credit institutions more extensively as well as more usefully. The Hon'ble Member also discussed the effects of war on the co-operative movement. He pointed out that prices of almost all agricultural commodities had shown noticeable increase and that if the higher range of prices continued for some time, increased volume of wealth would find its way into the pockets of the cultivator. Sir Jagadish feels that making full allowance for the fact that borrowing may become more costly and prices of essential articles of consumption may rise, if the habit of thrift is inculcated and proper use is made of the co-operative institutions, the cultivator has a chance of rehabilitating himself and that no better medium through which he may be assisted to do so can be thought of than that of the co-operative movement under wise and intelligent guidance. We entirely agree with the

Hon'ble Member's estimate of the potentialities of the movement at this juncture and we hope that sufficient attention will be paid to his advice. The Conference passed in due course a resolution on the subject, which runs as follows:—

> "In view of the recent rise in prices—
>
> (i) Systematic efforts should be made to encourage saving in ways suited to local conditions and particularly on the money-box system and among children;
>
> (ii) Every effort should be made to restore the economic position of the cultivators and to improve the productive capacity of their lands in so far as they have been impaired by the fall in prices;
>
> (iii) Due caution should be exercised in allowing any considerable expansion in credit directly arising from the rise in prices."

While we are in agreement with clauses (i) and (ii) of the resolution, we are somewhat sceptical about the need for the third clause. In the first place, it is difficult for any credit institution to estimate even approximately how far the benefits of rise in prices actually accrue to the cultivator and what proportion of the credit which he seeks to obtain is attributable to an expansion directly arising from rise in prices. In practice, departmental advice may err on the side of excessive caution so as to deprive the cultivator of his legitimate right to borrow a little more than what he could when the prices were low. If in times of economic depression and when the prices were low, he borrowed very small sums, it was not because there was no need for larger productive credit but because he was not eligible for it in relation to the value of the crop he could raise. But when prices rise and he can borrow more for productive enterprise and a more healthy pursuit of his hereditary occupation, we fail to see why a note of excessive caution should be sounded which might in practice lead to a check on such legitimate expansion of credit. We were therefore constrained to record our dissent in regard to the third clause of the resolution.

Many of the suggestions of the Reserve Bank of India in regard to the reform of the co-operative banking system did not evidently find favour with the conference and the resolutions passed by the conference more or less confirm the views we have expressed in these pages that there are fundamental differences between commercial banking and co-operative banking, which the Reserve Bank has failed to take noteof.

One interesting resolution that was discussed at the Conference was that relating to the nature of the liability of the members in agricultural societies. The Conference expressed itself in favour of continuance of unlimited liability in agricultural societies (other than multipurpose societies), but recommended that scope might be given for experiments with such societies with limited liability. We moved an amendment to the resolution to effect a change in the law as embodied in section 4 of the Co-operaive Societies Act (II of 1912) and to give greater freedom to Registrars of Co-operaive Societies without seeking general or specific exemption from the Government to register societies on the limited liability basis, provided the Registrars are satisfied that local co-operative opinion favoured it and local conditions appeared to be congenial to the formation and successful working of societies on limited liability basis. There was a lively debate on this amendment and when pressed to a division, the house was equally divided, 17 voting for and 17 against, and the amendment was lost by the casting vote recorded by the Chairman, Sir Malcolm Darling, against it.

Another resolution of topical importance was that relating to multi-purpose societies, which runs as follows:—

> "Provinces should experiment with multi-purpose societies to ascertain more clearly the conditions under which they are likely to thrive and the form which they should take with special reference to their area of operation, liability and purpose."

It will be seen that the resolution is worded in very guarded terms, and merely recommends local experiments not on a stereotyped model but on elastic lines. Here again, the lead given by the conference serves as a corrective to the advice given by the Reserve Bank of India in regard to the formation of a net work of village multi-purpose societies with unlimited liability.

We wish also to draw attention to the resolution of the Conference that the Reserve Bank of India should purchase and advance money against debentures of approved central land mortgage banks and such provincial banks as raise debentures, the principal of and interest on which are guaranteed by provincial governments. The representative of the Reserve Bank of India said that the Reserve Bank had not so far declined such accommodation. But it is more important to remember that the Bank has not so far given such accommodation. We hope the Bank will give effect to the recommendation of the Conference and pursue a more liberal policy than it has hitherto done.

The Conference took note of the schemes for rehabilitation of the co-operative movement in several provinces, particularly Bengal, Berar and Bihar and recommended to the Governments of the Provinces and States concerned to deal promptly with those schemes without any further delay.

SILVER JUBILEE OF THE MADRAS PROVINCIAL CO-OPERATIVE UNION

We extend our hearty felicitations to the Madras Provincial Co-operative Union, which celebrated its Silver Jubilee in the last week of October 1939. The Union was registered on 4th January 1914 by the late Mr. L. D. Swamikannu Pillai, the then Registrar. Some of the distinguished co-operators who applied for registration of the Union are happily still with us, though some of them who were our friends and colleagues passed away, leaving their example and inspiration behind them.

There was a large and distinguished gathering not only of co-operators from all parts of the province of Madras but also distinguished co-operators from several other provinces and Indian States, who had come to Madras to attend the session of the Standing Committees of the All-India Co-operative Associations. Some of the former Registrars of Co-operative Societies in Madras were also present. The Hon'ble Mr. V. Ramadas Pantulu, President of the Union since 1926, in welcoming the co-operators assembled on the occasion, gave a brief history of the Union and its activities in the last 25 years. An attractively got up souvenir, in which the story, origin and development of the Union were chronicled, was presented to the audience. Mr. T. Prakasam, the then Revenue Minister to the Government of Madras presided over the function and delivered a very stimulating address. He expressed the hope that the Co-operative Movement, which has so far been functioning mainly in the economic sphere would extend to other spheres of life—political, social, cultural and spiritual. Mr. S. V. Ramamurthi, Member of the Madras Board of Revenue delivered the Jubilee Commemoration address. His theme was the genral anatomy of co-operation and its claim to be considered the microcosm of an intelligent world. He said that the anatomy of the co-operative movement yielded four categories—Vision, Faith, Capital and Labour. Vision was intellectual labour as faith was intellectual capital. Capital and labour in co-operation did not conflict but found mutual sustenance and adjustment. Co-operative vision was exercised to sustain and develop co-operative faith. Mr. Ramamurthi proceeded to explain how this anatomy of co-operation was very like the anatomy generally of Indian society. His address was a learned and thought-provoking one.

We wish the Union a long and useful career and an assured place in the Co-operative Movement of the Province as the accredited exponent of non-official co-operative opinion in the province. In the peculiar conditions of the province of Madras where people speaking four different important languages like Tamil, Telugu, Malayalam and Kanarese are thrown together into one administration, it has become the legitimate function of the Madras Provincial Co-operative Union not merely to create a metropolitan rendezvous for the movements in the four linguistic areas but also to help them to develop their own organisations through the medium of their respective linguistic unions and journals. It is inevitable that the mother-tongue should be the legitimate and appropriate vehicle for the propagation of co-operative thought, ideals, principles and methods among the people. Therefore the desire to so reconstitute the Madras Provincial Co-operative Union as to tackle the two-fold problem of organising central effort as well as developing decentralised effort on linguistic lines is but natural. It is difficult to say what effect this desire for reform will ultimately have on the future of this Union. There are two schools of thought, one of which favours the abolition of the Union altogether or at best its transformation into a small joint committee of the four language unions, while the other school of thought favours not only the continuance but the strengthening of the Union as a central provincial institution. Much will depend on the realization of the legitimate ambition of the people to have the Presidency divided into linguistic provinces. But even after such administrative separation, the Union may function as an Alliance of the linguistic co-operative unions under the name of the South India Co-operative Alliance, with a number of common problems to tackle.

THE XXIII MADRAS PROVINCIAL CO-OPERATIVE CONFERENCE

The XXIII Madras Provincial Co-operative Conference, the proceedings of which are published elsewhere in this issue, was held on the 29th October under the presidentship of Rao Bahadur S. V. Narasimharao Pantulu of Kurnool. According to convention, the President of the Madras Provincial Co-operative Union welcomed the delegates. On this occasion he departed from the usual practice of dealing with some of the current problems of the movement in the province as a Committee appointed by the Government was dealing with them just at that time. He contented himself with expressing the hope that the Committee on Co-operation would make suitable recommendations for redrafting the Co-operative Societies Act on entirely new principles. He expressed the view that beyond rigidly defined and greatly restricted powers of ultimate control, there should be no official interference with or departmental participation in the management of co-operative institutions. Such interference and control were, in his opinion, not conducive to develop co-operation as a factor in the reconstruction of our rural and urban economy. The welcome address over, Mr. V. V. Giri, the then Minister for Co-operation unfurled the co-operative flag. He said that his ambition was that there should be at least one well-organised co-operative society for every unit of five villages.

Sir T. Vijiaraghavachariar declared the Conference open in a very felicitous speech. He said that the aim of the Government of Madras in appointing a Committee on Co-operation, over which he was called upon to preside, was to bring about a rehabilitation of village life and to make village life worth living. The Government were anxious to renovate village life in its entirety through village panchayats and co-operative societies. Let us quote his words : " The idea was that the Panchayats and agricultural co-operative societies should between them fill the entire area of village life and economy. The panchayats are to be in charge of that part which is to be regulated by legislative compulsion and the co-operative societies with all that was to be accomplished by voluntary effort." This analysis of the problem helps to remove some misapprehensions regarding the real place of the co-operative movement in programmes of rural reconstruction. Much that legitimately pertains to the field of local self-government and local administration is sought to be imposed upon co-operation which in its essence is a voluntary movement. Sir T. Vijiaraghavachariar's exposition of the problem is very timely. He exhorted young men and women possessing missionary zeal to devote themselves to constructive institutional work, for which the co-operative movement gave unlimited scope.

Rao Bahadur S. V. Narasimha Rao Pantulu, President of the Conference, is a veteran co-operator who rendered valuable services to the movement. He comes from Kurnool District of the West Andhradesa, popularly known as Rayalseema, the homeland of the kingdom of the illustrious ruler of the Vizianagar Empire, Sri Krishnadevaraya. He covered a very wide field in his address. But the central theme was relief of indebtedness, which he rightly placed in the forefront of the problems of well-planned reorganisation and development of agricultural economy. After discussing the effects of the Debt Relief Act and the financial help rendered by the State and other agencies, he formulated certain proposals for providing the agriculturist with financial accommodation on a wider and more substantial scale. He said :

> "I should think one possible solution lies in the Government undertaking to discharge the liability of scaled down debts to the creditors in all suitable cases by annual payments of fixed instalments in the course of some years, recovering the amounts to be so paid from the agriculturist debtors annually like land revenue payments. Government may undertake such liability only in proper and suitable cases in areas not served by land mortgage banks, where the total debt of an individual agriculturist exceeds Rs. 3,000. In other deserving cases, agriculturist loans would have to be systematically advanced annually throughout the districts for the next few years, to reduce the burden of the heavily indebted smaller ryots. Suitable legislation would be necessary if Government should agree to undertake to discharge the liability of the agriculturist debtors in annual instalments."

He not only dealt with such purely domestic problems as seasonal finances, land mortgage banks, subsidiary occupations, consolidation of holdings, and improvement of marketing of agricultural produce by strengthening loan and sale societies, but also touched upon wider problems like land revenue reform and the probable effects of the present war on the economic life of India. In his programme of rehabilitation of societies he expressed himself against the continuance of unlimited liability. He says, "My own personal conviction born of the limited experience I can lay claim to in the field of co-operation, leads me to think that unlimited liability is quite unsuited to the genius and traditions of our people." He concluded with an earnest appeal to co-operators to pursue the path of co-operation, holding up its mission in national and international life.

X. MADRAS LAND MORTGAGE BANKS' CONFERENCE

The Tenth Session of the Annual Conference of the Madras Land Mortgage Banks, whose proceedings we publish in this issue, was held on the 18th November 1939 just a few days after the Congress Ministry in the province went out of office. Mr. V. V. Giri, who was Minister in charge of Co-operation till the end of October, opened the Conference. Mr. T. A. Ramalingam Chettiar, President of the Central Land Mortgage Bank, who presided over the Conference reviewed the progress of the land mortgage banks in the province. There were 120 primary banks working in the province. The paid-up capital of the Central Land Mortgage Bank was Rs. 8 lakhs and the several reserves accumulated by it aggregated to round about Rs. 3·5 lakhs. The loans outstanding in the primary banks amounted to about Rs. 2 crores. The Government enhanced the limit of its guarantee from Rs. 125 lakhs to Rs. 250 lakhs.

But owing to very regrettable developments, the central bank had to virtually stop its loaning operations with effect from 29th Sep. 1939. Two factors contributed to this result. The Central Land Mortgage Bank, it is well known, derives its working capital mainly by the floatation of debentures to the public. From the very inception it was the practice of the bank to float debentures off and on and in driblets, keeping a particular series open till it is fully subscribed and then starting a new series immediately thereafter. On the advice of the Reserve Bank of India, the Madras Government instructed the Central Land Mortgage Bank to effect a change in the method of issue of debentures and asked the Bank to issue debentures only once or twice a year at such times and on such conditions as the Reserve Bank may advice. In the interval, the Government offered to give temporary accommodation up to the requirements of the bank every month, on condition that such advances were repaid as soon as debentures were floated. It was originally contemplated that October 1939 would be a favourable season for floating debentures and that the Reserve Bank would give the necessary advice in regard to it. But after the declaration of war early in September, conditions changed. There was no adequate response from the investing public, though the rate of interest was enhanced from 3 to 3½ per cent and the restrictions imposed on floating debentures referred to above were removed; and the Central Land Mortgage Bank was not able to attract as much money as it expected to do. With the help of the local bodies and co-operative societies and the good offices of the Registrar of Co-operative Societies and the Inspector of Local Boards, the central bank was able to raise some money. But the Government insisted that all the money raised by the issue of debentures should be paid back to the Government in discharge of the temporary accommodation already provided by them. The amount loaned by the Government by way of temporary advances and other funds utilised by the bank to tide over the intermediate period amounted to about Rs. 40 lakhs. It will take a long time for the Central Land Mortgage Bank to raise Rs. 40 lakhs on debentures and pay off that sum to the Government and other sources from which it derived temporary accommodation. The President, Mr. T. A. Ramalingam Chettiar made several suggestions to the Government and placed alternative proposals to revive the normal functioning of land mortgage banks. But so far no satisfactory response has been forthcoming.

Since the Advisers to the Governor took the place of the Congress Ministry, the Government of Madras seem to have promised to give temporary accommodation to the extent of about Rs. 15 lakhs for the current official year and Rs. 45 lakhs for the next official year; but various difficulties such as fixing rates of interest to be charged to the primary banks and the ultimate borrowers, modifications necessary in the relative documents to be drawn up and allied matters have stood in the way of loaning operations being resumed. The net result is that since 29th September 1939 up to date, no fresh loans have been advanced to the members of the land mortgage banks except to a small extent of Rs. 7 lakhs out of the temporary accommodation provided by the present Government. The 120 primary banks are therefore now mainly engaged in collecting their outstanding loans. We hope that the appeal made by the President of the Central Land Mortgage Bank to the Government to resolve this dead-lock will meet with prompt and satisfactory response.

RURAL CONSUMERS' CO-OPERATION

BY

Miss Margaret Digby,

Secretary, Horace Plunkett Foundation, London.

Many of the pioneers of agricultural co-operation deliberately excluded a rural consumers' movement from their plans, and there are still those who think such an extension of co-operative business illegitimate. There may have been several reasons for this attitude. Undoubtedly many, from Raiffeisen downwards, felt that the village grocer had a useful part to play, or that it was unwise to alienate a class of men who were so closely linked by business and often family ties to the surrounding farmers. This was notably the case in Ireland, where the shop-keeping class was also influential in Nationalist politics. Others have felt that the running of a store was beyond the capacity of a village committee or that the peasant was so nearly self-supporting that his purchases would not support a shop, or again, that this function was being already so well carried out by a rural branch of the industrial consumers' movement that any new organisation would introduce competition rather than co-operation. Later the political differences, which in many countries separated the industrial and agricultural co-operative movement, seemed to remove the idea of retailing household requirements still further from the thoughts of agricultural co-operators.

This state of affairs is not, however, universal, and it is probable that in future it will be less widespread. In Ireland the change came with the War and the real difficulty in getting supplies. Several small rural stores started into existence without the encouragement of the Irish Agricultural Organisation Society; in other cases, the existing creamery opened a store department. In theory, a separate store was the more satisfactory solution. In practice, such stores had to meet great difficulties—lack of capital and experience, competition of private traders, bad debts of members. Some succumbed, others struggled through to considerable success. The creamery stores had the initial advantage of capital, buildings, a trained manager and a local reputation. More important still, their customers came daily to the creamery with their milk, and as the creamery always owed them milk money (paid monthly) it could without danger allow them to buy on credit from the store, knowing that the account would be balanced at the end of the month.

One of the most interesting of the Irish rural stores, that of the well-known Templecrone Society, was started in 1908 by a local man Paddy Gallagher, sometimes known as " Paddy-the Cope " (or " Co-op ") who had worked as a labourer in Scotland and seen the value of the industrial consumer's movement of that country. The country to which he returned was one of the most desolate in Ireland, a strip of wind-swept bog and rock between the mountains and the sea. He organised his store in a community of poor peasants and fishermen, selling their scanty produce and supplying them with the simplest necessities of life. The work grew, a knitting factory was added to give employment to the young girls, a grist mill for the grinding of local oats and imported maize and a steam bakery. The society made its own electricity, which lights the village. It has been the agent of a remarkable change not only in the economic but also in the social conditions of the whole district.

For an example of similar success in a richer community we may turn to Switzerland. The Union of East Swiss Co-operative Societies (known by its German initials as VOLG) celebrated its Jubilee in 1936, with the publication of a remarkable memorial volume and with the announcement that the Union would thenceforth release its member-societies from their pledge of unlimited liability and would continue to carry on wholesale trade on its reserve and its good name, all its extensive plant and buildings having been depreciated to zero. The VOLG is a federation of autonomous societies all with unlimited liability, no share capital and funds derived from reserves and bank overdraft. They are, however, pledged to buy everything from the VOLG, which exercises a good deal of control over them, their selling and accounting methods, lay-out of shops, etc. All local stores are built to one good pattern. Accounts for each society are kept by the VOLG. A strict audit and financial control is carried out by VOLG, and where a local society's official is found unsatisfactory, representations are made to the Society, which in extreme cases is faced with the alternative of dismissing him or leaving the VOLG. No special training of employees, other than by a period of work in a good store, is attempted.

The area over which VOLG operates is one of small farms of 12-15 acres producing wine, corn or dairy produce, according to the district. The farms though small are prosperous, and the standard of living is very high. Further, this is the industrial region of Switzerland, and some members of a peasant household are frequently industrial workers and well paid. Social life in the villages is well developed, with bands, choral societies, dramatic societies, sports and rifle clubs. All this means that a wide range of goods, both agricultural and domestic, must be carried by the co-operative societies. The VOLG keeps a permanent exhibition of samples of all goods stocked, and this is visited by the societies' buyers, the goods selected being dispatched fortnightly in the VOLG's lorries.

The VOLG buys corn, wine, grapes and other fruit direct from individual members, the produce being, however, invoiced through the local society. It manufactures wine, fruit syrups and dried fruit and sells both to the industrial consumers' movement and private trade.

In the Balkans the rural consumers' society is general, though often a rather primitive affair. In Yugoslavia the depression of recent years so reduced the cash income of the peasants that many of them ceased almost entirely to purchase at their stores. This return to a 'natural' economy, as it is euphemistically called, might reach the point when whole villages went to bed at sunset, because they could not afford matches or kerosine, lived on a coarse and indigestible porridge of home grown cereals, smoked dried leaves for tobacco, bartered farm produce for second hand clothes, and instead of seeking the comparative social amenity of the village inn, drank raw, home-distilled spirits to allay the discomforts of an unwholesome diet. Against conditions such as these, one form of co-operation alone can do little, and the tendency has been to supplement the existing consumers' stores with produce marketing societies in the hope that the cash returns of the one might be spent in the other.

In Bulgaria that much criticised form, the general-purposes society, prevails. It is usual to find a single institution providing credit, collecting seasonal produce (especially fruit and vegetables) and retailing agricultural and household goods. Two types of credit are usually available to members, (1) the usual type of productive or occasionally " provident " loan up to about £25, secured by a bill of exchange, and (2) what is called a " consumption " loan up to the same amount, which takes the form of a book of cheques which may be cashed in goods at the consumers' department of the co-operative society, payment being made at a later date, usually after the harvesting of some crop. The consumers' branch sells general goods including foodstuffs (especially in districts where industrial crops are grown) boots, hardware, fertilisers, but not as a rule clothing, since societies find it hard to keep pace with changes in fashion and the competition of the village tailor. Dividend on purchase is paid, except to non-members who are, however, free to purchase at the same cash price as members. A number of societies pack, grade and finally export perishable fruit like table grapes, strawberries and raspberries. One or two have installed a small canning plant. During the summer, members bring in surplus fruit and vegetables which are canned, stored and resold during the winter to suppliers at the price of the tin (about 2d) or at a slightly higher rate to those who have not contributed produce.

This type of mixed society has been criticised, especially by the Co-operative Commission sent some years ago by the League of Nations to Bulgaria. The arguments are broadly these: The League of Nations experts pointed out the risks involved in mixed trading, finance, supply and services, the tax on managerial ability and incapacity of peasant committees effectively to check the possible confusion of book-keeping and finance. The Union replied that most villages cannot produce efficient personnel for more than one society, that even if different departments show different degrees of success, the society will be in a position to gain on the swings what it loses on the roundabouts, and finally, that a co-operative society should be something more than a mere string of business enterprises, should in fact be the social centre of the village, with its hall for education and pleasure and the conscious aim of furthering the cultural development of the peasant.

In Russia the rural consumers' movement has a different but no less important role. In the period of the New Economic Policy (1921-8) Russian co-operation appeared to be developing on lines similar to those of the rest of the world—an urban consumers' movement, a rural consumers' movement, workers' productive societies and agricultural marketing and processing societies catering for a huge population of peasant producers, virtually owners of their holdings. With the initiation of the Five Years Plan, the picture gradually changed. First individual peasant economy gave place to collective farms to which the functions of agricultural supply, processing and marketing were thereupon transferred. The agricultural movement, strictly so-called, vanished wholly. Later, the urban consumers' movement was assimilated to the system of state trading. Two branches only remained: the workers' productive societies and the rural consumers' movement.

In a country like the Soviet Union, where the population is still overwhelmingly rural and where no other form of trade is permitted except the open-air markets attended by the peasants themselves, the consumers' movement is inevitably of very great importance, since it is the single channel by which manufactured goods, including processed foodstuffs, can reach the peasant consumer. According to official statistics there were in the Soviet Union in 1935 rural co-operative consumers' societies to the number of 23,300, with a membership of 50,000,000 persons and a turnover probably equal in spending power to about £200,000,000.

As in other countries, the rural consumers' society is based on the shareholding member. By a method unlike that of other countries, the share is calculated in proportion to the wages of the prospective member or to his share in the collective farm output. A deposit is made and the remainder paid up over about two years. There is also a small entrance fee and members may place deposits with the society. Membership is open to all except a few classes considered politically objectionable. Societies are governed in the usual way by a general meeting which is held quarterly to receive reports of the work of the society and once in two years to elect the president and committee. The committees are small and paid and the president is the official responsible for the work of the society. Each society sends a delegate to a district meeting at which the officials of the district union are elected. The district unions in turn elect the regional unions and they the Central Union or Centrosoyus. Each union is responsible both for the supply of goods wholesale and for the auditing and control of organisations of the grade immediately below its own. The current of authority thus rises by successive elections to the apex union before descending again through the functions of audit, trade and finance, to the primary society.

The structure of the consumers' movement does not differ greatly from that of other countries. What is more singular is its functioning. This is conditioned by two circumstances. In the first place, it is the *only* machinery by which the output either of state factories and mills or of the workshops of industrial producers' co-operative societies can be distributed to the consumer. In the second place, it is operating, so far, in conditions of scarcity. To secure the swift and equitable distribution of a supply of goods still inferior to the demand, a central plan is drawn up and transmitted through the unions to the primary societies. Each society receives every month a schedule setting forth the number of pounds of butter, barrels of flour or pair of boots which it must sell during the month to come, how many new branches and of what type it must open, what social amenities it must provide. Any achievements in excess of the programme are praised. Failures are condemned and are attributed not to a failure of customers to buy or to competition (which does not exist) but to inefficiency at some point in the organisation, or to graft.

It is obvious that however much the Russian village store may resemble, outwardly and in the estimation of its members, that of other countries, its internal problems are totally different. They are in fact the problems of a commissariat rather than of a commercial venture with all the elements of competition, salesmanship, and even finance eliminated. There is nothing distinctly agricultural about the technique, but the societies have retained several agricultural ties. They are in the first place extensive buyers from the collective farms and from individual peasants both on their own account and on that of the State. In addition they are themselves frequently farmers on a large scale. Former great estates, after passing through a period of government exploitation, have in several cases been handed over to consumers' co-operative unions to be carried on with hired labour, the produce passing to government factories or direct to the societies in the union.

The countries described are only a few of those in which rural consumers' societies are developing or (as in the case of Denmark) have long been established. Their importance is likely to grow not only because they are practicable and valuable, but because the changeover, even in primitive agricultural countries, from subsistence to cash farming is everywhere becoming more rapid. The peasant is being thrown upon the market as never before, and it is useless to see that his marketing is carried on by modern co-operative methods, if the cash which he receives has to be expended in a store kept by the type of private shop-keeper who is first cousin, if not own brother to the usurer of old. In fact, co-operative marketing is often impossible so long as the peasant is indebted for his household needs to a shop-keeper who may also be a produce merchant, and the problem is not one which co-operative credit can always solve, since debts of this type are only by a very liberal interpretation productive.

Another aspect of the problem has recently come into prominence. It has been realised (in some quarters for the first time) that the food-producing peasant is often as much a victim of mal-nutrition as the industrial worker, and that not only the quantity but the quality of food is at fault. If the new rural consumers, whom cash-farming is bringing onto the market, are to be supplied with cheap and wholesome food are not to squander their new spending power for the enrichment of a few middlemen, some system of greater social responsibility and higher real efficiency than that of private trade will have to be called into being. The establishment of a rural consumers' movement is not easy either under the usual competitive conditions or in the peculiar circumstances which have been created in Russia; but it is a task which can no longer be dismissed as outside the field of agricultural co-operation.

CO-OPERATIVE ORGANISATIONS AND PUBLIC INTERVENTION

BY

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The International Committee for Inter-Co-operative Relations—set up by the International Co-operative Alliance and the International Confederation of Agriculture—in collaboration with the Co-operative Department of the International Labour Office has recently published the result of a very interesting inquiry for the purpose of determining the relations between co-operative and public action in the economic field.[1] The inquiry secured the help of 27 States, not only in Europe but in the U. S. A., New Zealand, South Africa, Canada and Japan. Much help was given by the International Co-operative Alliance which gave valuable information from its members' experience.

26 countries sent 35 interesting monographs and a systematic summary was published by the Labour Office, taking the information and material received from each country, one after the other, and sometimes supplemented by information from other sources.

This publication is divided into four parts:

1. Principal measures of intervention by the public authorities affecting most vitally the Co-operative Organisations.
2. Participation of Co-operative Organisations in the framing, execution and supervision of these measures.
3. The Effect produced by these measures on Co-operative Organisations and on National Economy.
4. Attitude of the authorities with regard to the Co-operative Movement.

Principal Measures of Intervention.—From the view point of the agricultural people two important questions come to the front: The price of their products and remuneration for their work and the marketing of all products. Here again we find different methods for fixing prices. In some countries, prices are not fixed but subsides are granted so that the cost of production is lower. Elsewhere special organisations

1. Co-operative Organisations and the Intervention of Public Authorities in the Economic Field. (International Labour Office, Geneva, 1939)

are set up in order to do the marketing for the farmers. These different methods depend largely upon the nature of the various commodities.

Most prices are fixed or based on a minimum. In some cases, when the minimum price is not reached in export trade, the government or the special organisations pay the difference between the fixed minimum price and the amount received by the farmer.

Other methods determine the farmers' remuneration. Sometimes the marketing of the products is guaranteed by a special society and in some cases even the farmers' remuneration is guaranteed.

Prices are fixed and decided upon by various bodies and people. Special Committees are organised for the purpose, but sometimes the task remains entirely with the Government offices. In most cases, however, the State authorities are the sole people who can fix prices.

Things vary considerably if consumers have any influence, either on the Directing Boards or among the authorities set up to fix the prices. All they can do is to protest, once the prices are fixed and published!

The Market Equilibrium.—The reason for all these measures given is that the equilibrium between the supply and the demand for agricultural commodities no more existed. The statement does not go into details as to how this equilibrium was lost, but it tells us how the equilibrium was regained.

Agricultural products are seasonable. All of these latter will encounter times when they will have to be sold at lower prices, while at other times they may have to raise their cost considerably. The authorities have tried to fix a price in such a manner that it remains approximately the same the whole year round. This, of course, is only possible when subsidies are allowed. Sometimes cheap loans are granted, as it is better for the farmer to store his products and sell them at a better time. Storage is facilitated by the building of warehouses. In order to help the farmers sell their crops, special taxes are paid in some countries, to help in the buying. Still another method is the fixing of prices for different times of the year.

Sometimes the State takes over the whole marketing including all the risks which are involved. The prohibition of import is one of the popular methods for helping farmers.

Organisations are sometimes set up in order to restrict the quantities and organise the market in various ways. Farmers often have to sell their products at a defined market and are not allowed to sell anywhere else, or they have to produce other goods such as fresh milk turned into butter or cheese which is easier to store.

Another method is the restriction of production. We have seen in former times that whole fields of coffee have been destroyed, other times farmers have been asked to change their production from one crop to another.

Collecting and Marketing.—This is the vast field where agricultural productive co-operative societies have gained by collaboration. It depends at first on the importance of the societies in the economic life of the country and on the political circumstances of the Governments. After the war, however, farmers have been represented in governments, or at least they have been in good relations with them. They have not only had a great influence on the economic life of all countries but they have been a conservative factor whose duty it was to prevent a revolutionary evolution everywhere.

Quite often the agricultural societies have taken the initiative to ask the government to organise marketing or fix prices. Having received proper advice, it required but one more step to put the advice into practice.

In some countries Governments have granted these tasks only to co-operative societies, and the farmers have taken the necessary steps to organise marketing through their own organisations. The societies then gained a sort of monopoly to carry out the task on their own lines. But even although other organisations have been set up, the co-operative societies for farmers have had very important tasks to fulfil and their influence has been greater than of any other section of the population.

The Place of the Consumer.—As we have already said, in most countries the consumers' influence has always been a very small one. Only in France and Czechoslovakia, where certain conditions gave more influence to consumers, was the situation different. In Czechoslovakia the workers and the farmers have always formed part of the Government and in France both the Agricultural and Consumers' Movements have been absolutely neutral, but owing to the number of parties in the Parliament, they have gained more influence than if they had been related to one party only.

In most of the other countries delegates from consumers' societies can only be nominated as members of the Board of Directors, and sometimes can only obtain membership of the Consultative Councils. It is one of the greatest difficulties for the distributive societies to get the same share in all bodies as have the productive societies.

In several instances important leaders of co-operative societies have been asked to come into the leading bodies of the special organisations set up by the State. But a long evolution is still necessary before consumers get the same influence as producers. It is due to the very limited interest which public life has shown towards the question of consumption, though it is after all the vital way to health and happiness of peoples.

What Co-operators think of this Evolution?—The inquiry reports that it was felt in most countries that State interference was a great help for them, and had good effects on the whole situation. On the other hand it was felt that it emphasised the experimental and purely palliative nature of measures introduced without any pre-established plan.

The societies have certainly been benefited, as have the producers by the relief brought about by the measures which were taken. Some say that their evolution was encouraged and their independence not affected. Others, however, have different opinions. In some cases various parts of their activities suffered through restrictions. Reports have been received showing that certain branches of their activities were stopped.

There are other opinions in which are expressed fears and doubts. When prices are fixed too high it is a danger both for the consumer and the producer. Farmers will increase their production and the exportation of these goods will become more and more difficult. Consequently prices will again drop and pressure will be brought on the authorities for help. It is a game which has no end!

The Consumers' Societies involved in the new evolution complain that their activities in the economic field and the part which they already are taking in the general organisation of trade are too often under-estimated or overlooked. Thus they lose opportunities to use their capacities for work to its full extent and consequently their expansion is restricted.

Agricultural societies are on the whole more favourably inclined to State intervention than Consumers' Societies. This different attitude depends upon the collaboration and understanding existing in these two sections of co-operative organisation.

Conclusion.—After a description of the signification of the Co-operative Movement and its leading ideas, practical conclusions are given.

Co-operative Societies have never asked for predominance but only for equal treatment with other parts of the economic life of peoples. They earnestly wish that the public authorities' actions shall not prevent the evolution of co-operative organisation of any kind. In this field they claim special treatment and measures.

They claim their share in this system because they believe that they form a very important part of the new planned economy. However much a plan is State organised the part played by co-operation cannot be reduced. It can give great help to this new evolution.

The report states that co-operation is neglected and that there is a danger of the new evolution taking up quite new problems. The Co-operative Societies will offer their help, but they will not lose their liberty nor lose their aim of making a new evolution of their own on the lines of their ideals and principles.

We can understand from this report how important it is that the Co-operative Societies should get influence in the leading bodies of the State, so that they can look after the interests of the people in a greater measure and give even more help to them than they do actually.

MARKETING OF POTATO IN THE UNITED PROVINCES

A CO-OPERATIVE SCHEME

BY

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Potato is an important crop of the hilly districts of U.P., such as Naini Tal, Almora and Garhwal. All along the Kumaon hills it is very extensively grown and is the main source of livelihood of the farmers who harvest it twice a year and in many cases do not grow any other crop.

Production.—A small quantity of potato grown in the hills is consumed locally but a major portion goes to the markets of Tanakpur, Haldwani, Ramgarh, Kotdwara and Bhowali, etc., from where it is despatched to the different parts of the plains. The people of the plains use the hill potato (*pahari aloo*) up to the end of November, after which the crop in the plains is ready. It is estimated that about 10 lakhs of maunds of potato pass to the plains through Haldwani Mandi alone. About 4 lakhs of maunds go from Tanakpore and 50,000 maunds from Bhowali.

System of Marketing.—Like other agricultural commodities, the marketing of potato is entirely in the hands of middlemen. Flourishing *mandis* have sprung up in potato zones, which act as assembling centres and feeders to bigger markets linked up in their turn with the chief markets of the plains such as Bareilly, Cawnpore, Lucknow and Calcutta. The farmers, if they have time, usually take their produce directly to the market and sell it to the wholesale dealer. The more common practice is to sell the produce to the *kacha Arhatiyas* or *pucca Arhatiyas'* agents who go from village to village. Credit is supplied lavishly to the farmers by the *Arhatiyas* who bind them to sell their produce through them. As much as 75 per cent of the price expected in the market in the next season is generally advanced. Loans are further granted at different times both for productive and unproductive purposes and more often for maintenance. They are deducted from the sale proceeds of the produce when finally sold. Thus very little remains with the farmers after deductions for loans have been made and they have to borrow again to carry on.

It is also very common on the part of the *Arhatiya* to advance over 60 per cent of the anticipated price of the commodity to the grower not indebted to him at the time he brings his produce. After having received part payment the grower goes back only to come after some days to receive the balance. The *Arhatiya* sells the commodity in the absence of the grower and often gives much less than what he has sold it for. The common excuse given for such low prices is that the stock rotted out and had to be sold in the market at lower rates. Very often the worst happens when the *Arhatiya* sells a part of the produce, pockets the proceeds himself and informs the grower that his produce was rotting badly and hence had to be thrown away in order to save the rest.

Besides the above, there are many other disabilities from which the growers suffer. Arhat charges are high and easily range between three to five annas per maund. A number of market charges such as *Taulai, Bharai, Karda, Kara,* porterage and *Goshala*, etc., have to be paid. Such fraudulent practices as unfair weighment, arbitrary deductions, and pilferage, are also prevalent in almost all the markets. The cumulative result of all this, therefore, is that they have to part with about 10 per cent of their produce and for the rest they have to accept whatever price the Arhatiya gives. The strategic weakness of growers is in their lack of knowledge of the current market prices, in their position as a bargainer, and their treatment at the hands of buyers in the markets. Even if they were better placed in these respects they are not free to contract as by being heavily indebted to *Arhatiyas* they pledge themselves to sell their produce to them at whatever prices they choose to offer. In Naini Tal and Almora districts almost all the potato growers are thus morally bound to the *Arhatiyas* and seem to think that there is no escape from them.

Co-operative Organisation.—The problem, therefore, is how to free the potato growers from the economic bondage of the *Arhatiyas* and enable them to get a just price for their produce. The most effective method for ensuring this is the organisation for the purpose of sale. Group marketing is more efficient than marketing by individuals inasmuch as it eliminates wastes and competition and secures the highest possible price for the produce.

A scheme for the purpose of giving an impetus to the cultivation of potato and organising facilities for marketing it in the hilly districts of Naini Tal and Almora has, for sometime past, been under the consideration of the Co-operative Department. Detailed survey was recently made by the Potato Marketing Inspector—a new post created by the Government—and it was ascertained that there was enormous scope for co-operative marketing among the potato growers and that large savings could be effected to them.

The scheme consists of selecting a dozen of good villages, say, within a radius of 5 miles round about a *mandi*. The farmers will be induced to join a Co-operative Marketing Society which may be organised in each village. The principal object of the society will be to store and conserve the seed potato of improved variety introduced by the Agricultural Department, to market the table potato in order to secure a fair and reasonoble price for the members and to check the fraudulent practices of the *Arhatiyas* and others. The ultimate aim is to see it emerge into a multi-purpose society undertaking all the functions of the village such as better living, credit, marketing and better farming.

The societies thus formed in the neighbouring villages will be affiliated to a Union at the *mandi*. The members of societies will bring their produce to the Union which will store it in the godown maintained by it and effect the actual sale when prices are favourable. The Union will charge a nominal commission of, say 0-1-6 to 2 as. a maund for its up-keep. It is to be seen that this figure is very low compared with the charges of *Arhatiyas* over and above the several fraudulent practices that they and their agents indulge in. Before the produce is stored, it will be graded according to the size and quality of the potato in order to permit delivery of a particular variety in the markets. The Union will keep itself in touch with the current market rates, weather forecast, acreage anticipated under cultivation next season and such other factors as govern the price trend. Assistance of Commission Agents will be taken in this respect. In case it is found that a particular *Arhatiya* is willing to pay or can secure reasonable prices for the stored potato, the sale may be effected. Efforts will be made to secure orders for direct supply through the help of the departmental staff posted at the chief potato markets of the plains.

The scheme as set forth above has now been put into operation in order to catch the summer crop. To begin with, two centres have been started for potato marketing *viz.*, one at Bhowli and other at Garampani, and 25 societies have been organised in the villages lying within a radius of 5 miles from each of them. Necessary staff and funds have been placed at the disposal of the Potato Marketing Inspector to go ahead with the work. The Assistant Registrar of Co-operative Societies at Bareilly has been instructed to approach the Haldwani Co-operative Bank to finance the scheme while the departmental staff posted at important towns in the plains has been directed to meet the potato merchants and try to get orders for the supply of potato. It is expected that over 10,000 maunds of potato will be marketed at each of the two centres during the current year.

The villages in which the Co-operative Societies have been organised are also under the agricultural improvement scheme and the staff of the Agricultural Department is pinned down there for intensive work. It has, therefore, been decided to hold frequent discussions with the officers of the Agricultural Department and the Provincial Marketing Officer in order to evolve a joint plan of action and avoid any duplication of work. There is a seed store of the Agricultural Department at Garampani and it has been allowed to be utilised for storing seed potatoes brought by the members of societies.

As the scheme proves successful, work at other *mandis* such as Tarikhet, Almora, Bhimtala etc., will be taken up and a Union at each of them will be organised. The area of operation of the existing societies near about Bhowali and Garampani centres will be further extended in order to bring more villages within the scheme and give its benefit to a larger number of people.

A MULTIPURPOSE SOCIETY IN ACTUAL WORKING

BY

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The Alamuru Co-operative Rural Bank Ltd., in the East Godavari District, which is the first of its kind in the Madras Presidency, was registered on 1–2–38 and opened on 27–2–38 by the Hon'ble Sir T. Prakasam Pantulu, the then Revenue Minister of the Madras Government. Its area of operations extends over 11 villages within a radius of about 5 miles from the headquarters, Alamuru. The total population of these villages is about 32,000 and their area is about 20,000 acres. All these villages have got good water supply for cultivation from the delta canal system of the river Godavary. Paddy is the main crop in this area, but sugarcane, plantain, tobacco, chillies and pulses are also grown here.

This bank differs from the other rural co-operative credit institutions in three important respects, namely:—

i. The liability of the members is limited,

ii. The area of operations extends over more than one village, and

iii. The activities are not confined to lending money to members only; the objects are diverse, namely, supplying manure, seeds, implements etc., for agricultural purposes; supplying hand-pounded rice and hand-woven cloth to the members, promoting adult education and other rural uplift measures.

In order to understand the necessity for an institution of this type, we must go back to the history of the co-operative movement in this area in the previous decade. Though a few societies had been started in this region towards the end of the great war of 1914–18, rapid progress was made only during the decade 1920–30, as can be seen from the tables in the appendix. These details refer to societies in 8 villages in the jurisdiction of this bank. We find that during this decade the number of members increased from 688 to 1594, share capital from Rs. 6,208 to Rs. 29,608, reserve fund from Rs. 214 to Rs. 17,613 and outstanding loans from Rs. 48,527 to Rs. 2,94,290. But several factors brought about a set-back to the movement since the beginning of the great depression of 1930, which unfortunately synchronised with the failure of one of the biggest village societies in this area with a working capital of over

Rs. 50,000 out of which nearly Rs. 30,000 was misappropriated. Alarmed by this event, the central bank took precautionary measures in enforcing collections and was nervous in sanctioning further loans during the depression. The societies in their turn pressed their members for collection and restricted loans. But the precipitous fall in agricultural prices reduced the repaying capacity and the value of the assets of the members. When the societies pressed them for their dues and restricted the granting of further loans at a time of falling incomes and values of lands, most of them had either to sell their assets or borrow elsewhere to clear off their obligations. All rich members were scared away by the fear of the enforcement of the unlimited liability and left those societies for good after paying their debts. They obtained short term credit from the money lenders or loan and sale societies and long term credit from the land mortgage banks. Poor members could not borrow money for want of credit. This resulted in a fall in membership and transactions of all the societies, and by 1936-37 the membership went down to 629, share capital to Rs. 8,763 and outstanding loans to Rs. 56,063. About the same time the co-operative department advised these societies to write off the accumulated penal interest. But in previous years the principal collected from members was utilised to pay the interest on the loans. Thus this and the lower margin on smaller transactions went to swell the number of societies working at a loss. The accumulation of overdues and other irregularities during the early years of the depression were also partly due to the lack of any paid agency to look to the day to day transactions.

The failure of the movement owing to multifarious circumstances after a promising start led the co-operators of the area to seek new methods to rehabilitate the movement. The existence of a multiplicity of institutions to cater to the different needs of the rural population, e.g., primary societies for credit, stores for supplying household requirements, loan and sale societies for pledging produce and marketing it, etc., was found to be unnecessary as they were bound to overlap each other with respect to the personnel of management. Also each society individually could not afford to maintain efficient paid agency. Hence with a view to combine the different activities in one institution with efficient paid agency and a good board of management this new society with a wider area of operation was started. With the sad experience in some unlimited liability societies and the successful working of limited liability institutions like land mortgage banks and loan and sale societies, it was found that creditworthy people could not be induced to come back into the movement unless the new society was of the limited liability type.

The objects of the bank as per by-laws are:—

1. To borrow funds from members or others to be utilised for loans to members for useful purposes.

2. To propagate and supply pure seeds.

3. To find a sale for the produce of its members as their agent through a sale society, if one exists, to which the society is or can be affiliated, or through its own efforts.

4. To disseminate among the members a knowledge of the latest improvements in agriculture by actual demonstration carried out by each individual member on his own land according to the advice of the agricultural department.

5. To purchase seed, manure, implements and other agricultural requirements for sale or distribution to members and to supply domestic requirements of members.

6. To maintain a stud bull.

7. To act as the agent for the joint purchase of the agricultural and domestic requirements of members.

8. To take up such other work as may be conducive to the agricultural advancement and prosperity of the members.

9. To encourage the taking up of subsidiary occupation by members.

10. To promote health and hygiene among members in accordance with the advice given by the public health department and to give medical aid.

11. To reform bad customs prevalent among members, to prevent the waste of money and inculcate habits of thrift.

12. To provide educational assistance to the children of members.

13. Generally to encourage mutual help, self-help and co-operation among the members.

14. To open reading rooms and libraries and conduct adult education classes for members, and

15. To act as an exchange bank for the benefit of members.

Loans are sanctioned on (1) pledge of gold; (2) mortgage of lands and other immovable properties; (3) standing crop combined with surety of another member and (4) joint liability of 2 or more members. These mortgage bonds are of the continuing type, valid for 12 years during which period the members can operate on their account as on cash credit. When sanctioning loans, care is taken to see that they are used for productive purposes only, e.g., for agricultural operations, payment of land revenue, domestic expenses, business, education etc. Sometimes the loans are given in kind *viz.*, the supply of manures. The period of the loan depends upon the purpose and varies from four months to five years. In order to avoid the recurrence of overdues great care is taken to assess properly and fix the repaying capacity of each member before any loan is sanctioned.

The progress made by the bank during the two years since its starting can be seen from the following tables:—

Year	1937–38 (from 1-2-38)	1938–39	1939-40 upto 31-12-39
Number of members	95	239	378
Paid up share capital	745-0-0	3,148-0-0	4,457-0-0
Borrowings and Deposits:			
Members	8,692-0-0	1,895-0-0	1,475-7-0
Non-members	7,398-0-0	12,021-0-0	19,660-7-0
Central bank loans	—	36,156-0-0	35,058-0-0
Loans issued:			
Number	96	450	282
Amount	20,765-4-0	64,982-0-0	31,178-0-0
Loans outstanding:			
Number	75	316	498
Amount	16,066-0-0	52,236-0-0	59,075-0-0
Overdue loans:			
From society to bank	—	—	—
From members to society:			
Principal	—	—	620-0-0
Interest	—	—	100-5-0
Net profit	64-7-0	687-3-0	—
Reserve fund	—	34-3-0	—

Number of members classified according to profession on:

	30-6-39	31-12-39
Agriculturists	201	227
Teachers	3	5
Labourers	16	106
Merchants	13	16
Petty traders	3	14
Other employees	3	10
	239	378

	30-6-39 Rs.	31-12-39 Rs.
Borrowings and deposits:		
Central Bank:		
Short term	7,997	3,776-0-0
Long term	25,466	29,250-0-0
Cash credit	2,693	2,032-0-0
Members:		
Thrift deposits	787	1,196-0-0
Current deposits	—	279-7-0
Non-members:		
Fixed deposits	11,665	17,695-0-0
Current deposits	1,464	1,965-7-0
	50,072	56,193-14-0

Loans issued from 1-7-39 to 31-12-39 classified according to value:

Below 50	141	4,486
Above 50 Below 100	53	3,365
Above 100 Below 200	42	5,039
Above 200 Below 250	13	2,889
Above 250 Below 500	27	10,185
Above 500	6	5,214
	282	31,178

Loans classified according to purpose (1-7-39 to 31-12-39):

Purchase of land	18	5,340
Payment of kist	2	140
Cultivation expenses	80	9,723
Trade	29	4,270
Domestic expenses	68	1,305
Purchase of cattle	14	930
Petty debts	66	7,345
Education and other purposes	5	2,125
	282	31,178

Nature of Security	At the beginning of the year No.	Amount Rs. A.	Issued during the year No.	Amount Rs. A.	Total No.	Amount Rs. A.	Repaid during the year No.	Amount Rs. A.	Balance at the end of the year No.	Amount Rs. A.
1937-38 (from 1-2-1938)										
Crop ...	—	—	29	4,984 0	29	4,984 0	10	2,369	19	2,615 0
Gold ...	—	—	47	8,939 4	47	8,939 4	11	2,181	36	6,758 4
Mortgage ...	—	—	20	6,842 0	20	6,842 0	—	149	20	6,693 0
Total ...			96	20,765 4	96	20,765 4	21	4,699	75	16,066 4
1938-39										
Crop ...	19	2,615 0	88	11,049 0	107	13,664 0	47	7,328 0	60	6,336 0
Gold ...	36	6,758 4	251	28,597 0	287	35,355 4	150	18,112 4	137	17,243 0
Mortgage ...	20	6,693 0	111	25,336 0	131	32,029 0	12	3,372 0	119	28,657 0
Total ...	75	16,066 4	450	64,982 0	525	81,048 4	209	28,812 4	316	52,236 0
1939-40 (upto 31-12-1939)										
Crop ...	60	6,336 0	69	7,426 0	129	13,762 0	56	5,960 0	73	7,802 0
Gold ...	137	17,243 0	101	8,985 0	238	26,228 0	120	13,954 0	118	12,274 0
Mortgage ...	119	28,657 0	109	14,241 0	228	42,898 0	10	4,425 0	218	38,473 0
Joint loan ...	—	—	3	526 0	3	526 0	—	—	3	526 0
Total ...	316	52,236 0	282	31,178 0	598	83,414 0	186	24,339 0	412	59,075 0
Grand Total (from 1-2-38 to 31-12-39) ...			828	1,16,925 4			416	57,850 4		59,075 0

It will be noted that though the bank depends to a great extent for finances on the Central Bank, it has been gaining the confidence of the public and attracting deposits. More than 95 per cent of the loans are for amounts less than Rs. 500 and half are for amounts of less than Rs. 50. A large part of the loans are on mortgage, which serves as a cash credit. Next in order come gold loans and crop loans. The latter are mainly seasonal, being lent during harvest and kist seasons. They are repaid 5 or 6 months later, when the prices rise giving a small profit for the member. Since January 1939 the Bank has been acting as an agent to Messrs. Parry & Co. for selling chemical manures in its area; and during the last transplantation season it supplied to its members 1000 bags of manure at a cost of Rs. 5,000 and also lent money to purchase 1,000 bags more elsewhere. It is also acting as an agent to the Andhra Branch of The All-India Spinners' Association to sell khaddar cloth to its members and since October 1938 nearly Rs. 1,700 worth of khaddar was sold.

With a view to improve the economic condition of the Harijans, who were formerly working as labourers in the Lanka lands, islands in the delta of the Godavary, an extent of 259·28 acres was taken on lease from the Government, paying an annual rent of Rs. 1,850, and was given to the members for joint cultivation. There is a scheme for the construction of a co-operative colony with 25 houses and proposals were sent to the Revenue Department to acquire about 2½ acres of land for building these houses. It is proposed to obtain all provisions and other requirements of the members of the colony through the society. To improve the quality of the cattle of the members, a stud bull and a he-buffello are maintained. To promote adult education, a reading room is opened and propaganda lectures on health, sanitation etc., are delivered with magic lantern slides. As a result of this propaganda this year the animal sacrifice to propitiate the local deities has been stopped for the first time.

Medical aid is rendered to the sick by the local Rural Reconstruction Homeopathic dispensary. Recently the Director, Nutrition Research Laboratories, Coonoor, has deputed an investigator to study the nutrition problem in the area. Public meetings were held separately for men and women, and the importance of these problems was explained to them. Fifty members of the society have been supplying the details of their diet daily to six workers who are working under the guidance of the investigator. After the completion of this survey and the analysis of the statistical data, steps will be taken to educate the members on the deficiencies in their food and the manner in which it has to be balanced.

Thus the management of the society is trying to put into force the various objects of the society. So far, greater stress has been laid on

supplying credit and agricultural requirements of the members. Owing to the fall in prices and the restriction of credit after the passing of the Agriculturists' Debt Relif Act, supply of money for agricultural and other domestic expenses has become the primary necessity. Two years is too short a period to carry out all the objects. The management are conscious of their shortcomings and the many directions in which improvements are necessary. Two important lines of work to be undertaken are (1) marketing of the produce of the members in bulk under the auspices of the society and (2) developing the stores side. It is hoped to start these different activities one by one and make the institution useful to its members to the greatest possible extent.

APPENDIX

1920–21

S. No.	Members	Share capital	Reserve fund	Outstanding loans
		Rs.	Rs.	Rs.
1.	221	2,290	154	17,353
2.	—	—	—	—
3.	101	777	16	6,323
4.	—	—	—	—
5.	118	959	18	8,000
6.	61	312	1	2,000
7.	65	428	1	3,840
8.	122	1,523	24	8,011
	688	6,289	214	45,527

1929–30

S. No.	Members	Share capital	Reserve fund	Outstanding loans
1.	464	9,901	9,137	1,04,399
2.	98	652	152	4,340
3.	190	2,838	1,700	21,437
4.	77	1,554	534	14,193
5.	112	3,164	2,324	34,523
6.	233	1,365	1,030	13,487
7.	105	1,283	673	9,128
8.	315	8,851	2,063	92,783
	1,594	29,608	17,613	2,94,290

1936-37

S. No.	Members	Share capital Rs.	Reserve fund Rs.	Outstanding loans Rs.
1.	251	5,974	15,106	44,742
2.	41	173	350	473
3.	35	200	3,451	342
4.	12	15	1,244	48
5.	64	1,448	3,043	9,475
6.	134	514	1,606	982
7.	14	34	1,451	1
8.	78	405	6,085	—
	629	8,763	32,336	56,063

Note: S. No. Index:

1. Alamuru 2. Tatapudi 3. Chintaluru 4. Gummileru
5. Jonnada 6. Penikeru 7. Kalavacherla 8. Mandapeta

CONSOLIDATION OF HOLDINGS IN THE UNITED PROVINCES

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The evils of a system of scattered and fragmented holdings are too well-known to need any detail elucidation. It has been the bane of the agricultural system in India. It has prevented agricultural improvements and impeded progress. It has depressed the standard of living, helped unemployment and it has increased the costs and wastes of cultivation. It has made it difficult for India to adopt the methods of scientific agriculture which have revolutionised the systems of cultivation in the West. The system is responsible for a large waste of land in boundaries and a needless waste of time, money and effort. It involves large losses in human and cattle power. It prevents intensive cultivation, encourages agrarian disputes and litigation and makes protection of crops against theft and cattle almost impossible. Cases are not rare when even wells are partitioned by screens or bars at the top. Cultivation becomes costly and difficult. The cultivator's energy and attention are divided and no permanent improvements are possible under the circumstances. All enterprise is chilled and cultivation is reduced to a gamble.

The Problem before the Country.—The Agricultural Commission in 1926 made an exhaustive enquiry into the problem and it found the position serious in almost all the provinces of India. But the position in the United Provinces was actually found to be the worst as compared with the rest of India. Basing its calculations on the Census Figures of 1921, the Commission found that the number of cultivated acres per cultivator was as follows[1]:—

Bombay	..	12·2	Bengal	..	3·1
Punjab	..	9·2	Bihar and Orissa	..	3·1
Central Provinces	..	8·5	Assam	..	3·0
Madras	..	4·9	United Provinces	..	2·5

The United Provinces thus stand at the bottom of the list. The above figures actually relate to 1921. The actual figures at the present

1. Report of the Agricultural Commission, 1928, Chap. V, p. 133.

time—in 1939—must be even worse than the above. As compared with India, the average holding in some of the European countries shows a remarkable contrast :—

Denmark	.. 40·0	Acres	France	.. 20·5	Acres
Holland	.. 26·0	Acres	Belgium	.. 14·5	Acres
Germany	.. 21·5	Acres			

Necessity of Consolidation.—The consolidation of holdings is an indispensable condition of agricultural improvement. Without an economic holding the farmer cannot utilise his resources properly. As Sir Malcolm Darling—who is one of the greatest of living authorities on Indian Co-operation and rural economics—very forcibly pointed out[2] —" So striking indeed are the benefits (of consolidation) that in my judgment, if all the ordinary measures of rural reconstruction were put into one scale and consolidation of holdings into the other, consolidation would outweigh the others ". Consolidation of holdings into compact blocks will enable intensive cultivation to be carried on. It will pave the way to the introduction of scientific agriculture. It will make cultivation easier by saving waste of time, labour and money in moving from field to field from one end of the village to the other. It will encourage the investment of capital in land, lead to the sinking of more wells, save losses of land wasted in boundaries, introduce more valuable crops, bring waste lands under cultivation, minimise quarrels and prevent disputes regarding boundaries, irrigation and cattle trespass. It will thus help to reduce litigation, provide better watch on crops and prevent destruction of crops by stray cattle and wild animals. Cultivation will become less costly and more profitable under improved methods of farming. It will increase the facilities of communication and create a new community spirit in the village. It will also provide parks, school grounds, playing fields, tanks, cattle yards, manure pits, village roads and other amenities of social life in the villages.

Methods of Consolidation—Various methods have been tried in the different provinces of India to solve the problem. The Bombay method of refusing to recognise in revenue records subdivisions below the fixed minimum practically proved a failure. The Punjab method of checking subdivisions by placing restrictions on the alienation of land was more successful. The limitation of succession to a single heir may be the ideal remedy but it will go so violently against the deep-rooted traditions, customs and social system of the people that no government would ever think of it and it is beyond the range of practical politics.

2. Report, 21st. U. P. Co-operative Conference, 1937, p. 27.

Keatinge's proposal to register " economic " holdings in the name of the holder and to make it legally impartible is open to grave objections[3] and it has little chance of being adopted on a wide scale in the country. Sir Chunilal Mehta's scheme, embodied in the Bombay Small Holdings Bill of 1927, met with considerable opposition in various quarters and it had to be ultimately withdrawn. The European method by which one heir, usually the eldest son, buys out the rest can hardly be adopted against the age-long social system of the people. The extreme poverty of the people and the absence of alternative occupations in India also make the European method wholly unsuitable in this country. The system of preferred heirs in Germany or the law of primogeniture in England are unsuited to India and, as such, they are outside the range of practical politics at the present moment

The best solution is the co-operative consolidation of holdings which has already worked wonders in the Punjab since its introduction in 1920.[4] The Punjab has been exceptionally lucky in its Registrars. With such enthusiastic missionaries of co-operation as Calvert, Darling and Strickland, the Punjab has gone ahead in many lines of co-operation—particularly in the co-operative consolidation of holdings. The comparative homogeneity of soil and the simplicity of its tenure have also helped consolidation immensly in the Punjab. The Punjab is essentially a province of peasant proprietors. As a result of patient and determined work, the Co-operative Department there has achieved striking results. The Movement has now become very popular and the work of consolidation, which began on a very modest scale, is now acquiring momentum. More than 800,000 acres have already been consolidated in the Punjab, and there are now more applications for consolidation that can be suitably handled by the Department.

The Government of the Central Provinces in addition to the Co-operative Consolidation of holdings as in the Punjab—has gone a step further by legislating for compulsory consolidation on a limited scale and under suitable safeguards. The C. P. Consolidation of Holdings Act was passed in 1928. More than 500,000 acres have already been consolidated in a few years' time at a cost of only 4 annas an acre. The success of consolidation work has been phenomenal in the Central Provinces and the Punjab.

Progress of Consolidation in the U. P.—In the field of consolidation in the United Provinces, the Co-operative Department—along with a

3. *Vide* Report, Agricultural Commission, 1928, Chap. V, p. 137.

4. *Vide* Strickland—Agricultural Journal of India, March 1927 and Reports; Co-operative Department, Punjab, in recent years.

few private individuals—has done the pioneer work. So far, the work has been carried on without any special legislation, by means of voluntary persuasion alone. The initial step was taken by Pandit S. B. Misra, who was Registrar of Co-operative Societies in the U.P. some years back. He was deputed by the Government to make a special enquiry into the problem and after a careful enquiry he submitted a valuable report in 1924, which may be regarded as the starting point of the Consolidation Movement in the Province. Government welcomed the idea of consolidation by voluntary and co-operative methods. They held that it would be a mistake to force the pace and they therefore rejected all idea of compulsion. The first experiment was made in the Meerut Division and propaganda was started in 1924-5 for popularising the idea of consolidation in the three districts of Saharanpur, Muzaffarnagar and Bulandshahr. The first society in U.P. was registered in the Saharanpur district in the same year and since then, the work has steadily but slowly developed.

The first attempts were bound to be on a small scale and a good deal of spade work had to be done and propaganda had to be carried out before the cultivators could realise the immense possibilities of consolidation. In some districts—e.g., in Saharanpur—the idea spread rapidly while in others—e.g. in Bulandshahr—it grew slowly. The work everywhere was seriously handicapped from the very beginning by the lack of necessary staff. By 1927-28 we had only six societies in which holdings had been actually consolidated. The Registrar, in his annual report, deplored the lack of progress and found that the chances of success were very poor. The work languished for a time for want of trained and adequate staff. The Government sanctioned an Inspector for the work but no suitable man was available for the post. The question of obtaining an expert from the Punjab to train our new men or to send some of our own men for training there had to be seriously considered.

By 1929-30, work was taken up in the Bijnor District as well, but there were only 2 Supervisors for the work in the whole province and the cost to the Union was Rs. 1,894 during the whole year. The work in Bijnor District grew rapidly and by 1930-31, the total number of societies increased to 25. Government made a grant of Rs. 1,200 only for the work during the year, while the total cost to the Union in 1930-1 was Rs. 2,455. The funds at its disposal did not permit it to expand its activities and the work consequently suffered. In 1931-2, the Registrar reported that one great difficulty was the cultivator's desire for soil of every class for the proper rotation of his crops. An average village consists of 3 classes of soils, viz., clay loam, sandy loam and rice land. The cultivator naturally wants all the 3 classes for his cultivation. He clamours for his share in every class of soil. Irrigation facilities are also unevenly distributed in different parts of the village and hence the allotment of equi-marginal irrigation facilities is a stupendous task. All this makes it difficult to gather all the fields of a cultivator in one compact block and work has to be limited to putting his total fields of *one particular class* into one block. Thus, he would have as many separate blocks as there are kinds of soils in the village. This is good so far as it goes. It is certainly better than what formerly existed. At the same time it must be admitted that it is far from the best solution of the problem.

Reasons for Slow Progress.—By 1931-32, all told, 3,566 acres had been consolidated in 23 villages of Bijnor District. The number of holdings before consolidation was 14,055, and after it 1,015. Moradabad came into the field in 1932-33 but work was handicapped for want of funds. Government gave a small grant of Rs. 1,200 per annum in 1929-30 and in 1930-31 but it gave no grants in 1931-32 and in 1932-33. Work badly suffered for want of more staff. In spite of it, the Union carried on the work and in 1933-34 we had 53 societies in the province spread over the three districts of Bijnor (27) Moradabad (8) and Saharanpur (18). There were 3 Supervisors employed in the work out of a total of about 250 Supervisors in its cadre. Of the three, 2 were maintained by the Union and 1 was financed by the Court of Wards. With such inadequate staff and with such poor government grants it was idle to expect brilliant results. The expenditure incurred in 1934-35 for the work was only Rs. 1,609 for the whole province. In the U.P., the societies are registered only when the proposals for consolidation are complete and have been accepted by every member, and possession has been actually transferred under the scheme. The whole work is done by persuasion. The Registrar wrote in his Annual Report for 1934-35: "To one acquainted with the spirit in which partition suits are fought for fractional distribution of every kind of sub-soil and of every caste of tenants, it is amazing that there should be any consolidation".

By 1935-36, we had 82 societies and the benefits of consolidation were gradually appreciated by the people themselves. The idea was becoming more and more popular. The work had a promising future but the entire effort at consolidation was concentrated in three of the western districts of the province out of a total of 48 districts, which shows that there was an uneven regional distribution of the work in the province. This was largely due to inadequate staff and the lack of funds. In 1936-37, Government again renewed its grant which enabled an increase in the number of Supervisors engaged in the work. With the increased staff, it was then possible to start the work in three new districts, viz., Agra, Budaun and Rae-Bareli. It is perfectly clear that if the work is to be expanded Government must offer much more liberal assistance than what it has done so far.

The Present Position.—The latest position of the consolidation work in this province is that we have now got 150 societies and the total area consolidated up-to-date is over 56,000 bighas at a cost of 5 to 6 annas per bigha which is remarkably low. The total number of plots before consolidation was 56,706 and this has been reduced by consolidation to 5,434. We have now 21 Supervisors engaged in the work in the place of 2 we had so long. Work is now being carried on in 13 districts of the province, viz., in Bijnor, Moradabad, Bareilly, Budaun, Bulandshahr, Agra, Saharanpur, Rae-Bareilly, Muzaffarnagar, Etawah, Meerut, Fatehpur and Sultanpur. An Inspector for Consolidation of Holdings has recently been sanctioned. In 1938-9, Government sanctioned a recurring grant of Rs. 12,500 per annum. With an increased government grant and with an increased staff it is now expected that the work will expand rapidly and that in the next few years we shall have substantial results to show.

The Advantages of Compulsion.—We must concede, however, that up till now the total output of our consolidation work through the agency of co-operation has been neither striking nor substantial—as compared with some of our sister provinces. At the same time, we can claim that with the very limited resources at our disposal, so far, we have made a fair beginning. Two factors have greatly retarded our progress. The first is the inadequacy of our staff. For years and years we had to remain content with only 2 Supervisors for the work in a province consisting of 49·6 million people and 112,191 square miles in area. Like the proverbial drops in the ocean, they could do little to achieve solid results. It is only very recently that we have employed 21 Supervisors for the work. Even this number is quite inadequate for a vast province but it is certainly better than what we had so far.

The second factor which made for slow progress is the inherent limitation of the method of voluntary persuasion and the total absence of compulsion. As the unanimous consent of all the members is a condition precedent to the registration of a society, it has very often happened that the obstinacy of one or two members has frustrated or upset the patient and laborious work of months together. There was no law to compel such men to be reasonable even when the rest of the village wanted it. They refuse to listen either to appeal or to reason. Voluntary consolidation has undoubtedly great advantages but it has

some serious defects as well. It is a common experience amongst consolidation workers in all provinces that unless and until some form of compulsion is applied it would be quite possible for just one or two men to prevent indefinitely any work along the line. Co-operation is a sovereign remedy but it works very slowly. If we are to depend solely on co-operation to solve the problem we shall have to wait indefinitely for it. Hence it has been found necessary in most countries to reinforce co-operation by a limited dose of compulsion under proper safeguards. In large parts of Europe—as also in Japan—compulsory consolidation has been introduced and it has proved a great success. Similar laws have also been passed in some of the Indian States, e.g., Baroda and Gwalior. In the U.P., the Government, after watching the results of voluntary consolidation for about 15 years at last came to the conclusion that some form of compulsion was eminently necessary and desirable. Further, the exchange of tenancies—on which voluntary consolidation rested—needed the consent of the landlords. It was open to the landlords to wreck prolonged efforts without adequate justification. The difficulties of consolidation in the U.P. on a voluntary basis are much greater than in the Punjab due to the variety of soils and differences in tenures and Zemindari rights even within the same village. There are many different kinds of tenancy rights and the equivalence and adjustment of such rights in the exchange of holdings always create a difficult problem. Hence, persuasion has its limits and it has to be supplemened by adequate legislation.

For these reasons, the U.P. Government have recently passed a new legislation, viz., the U.P. Consolidation of Holdings Act (VIII of 1939) and it is expected that the new law will give a considerable impetus to the Movement in the near future. Although it has introduced a limited amount of compulsion yet we must always recognise that we cannot, and we ought not to, rest on compulsion alone. Compulsion must be a supplement to propaganda and education. It cannot be a substitute for it. At the same time, it is clear that whereas, formerly, the unanimous consent of all the cultivators was necessary in order to carry out consolidation, it will now be possible—as soon as the Act comes into force—to do it if only one-third of the holders agree to it.

The U. P. Consolidation of Holdings Act, 1939.—The new law seeks to provide for the development of agriculture through consolidation, which is defined as the re-distribution of land between the cultivators in such a way as to make the cultivated areas more compact. The proprietor of a village or mahal of the lambardar or the cultivators of more than one-third of the cultivated area in a village may apply for consolidation to the Consolidation Officer to be appointed by the Local Government. The application is to contain a list of the holdings with their areas. On receipt of the application the Consolidation Officer shall affix a notice of the applicant in a prominent place in the village and shall also serve copies of the same on the lambardars and other co-sharers of the proprietor and call upon the cultivators or co-sharers to show cause within one month why a consolidation order should not be passed. After hearing such objections as may be submitted by any cultivator or lambardar or co-sharer, the Consolidation Officer shall proceed to make an order of consolidation. The Collector, on his own initiative, may also direct consolidation proceedings—through an Assistant Collector of the first class—after due notice to the parties concerned. Such an Assistant Collector shall have all the powers of a Consolidation Officer under the Act.

Consolidation work is an expert's job and it requires the services of trained men. If applications for consolidation are freely allowed the staff may be hopelessly inadequate for the purpose. Hence in the Punjab and the Central Provinces the statutory provisions apply only in those districts which are specially notified. In the U.P. in order not to confine consolidation to a few districts where only a Consolidation Officer has been appointed or has been specially empowered for it, power has been given to the Collector to direct consolidation on his own initiative. This will allow consolidation work to be carried out everywhere.

The Consolidation Officer may before preparing his scheme apply to the Collector for a re-survey of the area or the correction of the village map and village register and the re-examination of the record of rights in all cases where he has reasonable doubts about their accuracy. After they are tested and corrected the Consolidation Officer shall visit the village and after consulting all the parties concerned prepare an outline scheme of consolidation. In preparing this scheme, he shall make every attempt to ensure that, as far as possible, each cultivator is given land suitable for the cultivation of the principal crops grown in the village and that the valuation of the holdings allotted to a cultivator is equal to the valuation of his original holdings. Where this is not possible, monetary compensation shall be awarded to equalise values so that the cultivators who get more value for their original holdings are to pay compensation to those who get less.

After the scheme is prepared it shall be published both in the Consolidation Officer's office and in the village, where it can be inspected by anybody and any objection to it may be filed within one month from the date of publication. Such objections shall be considered and decided by the Consolidation Officer in the village in the presence of the parties themselves and the scheme shall be modified as may be found necessary in the light of the objections submitted. This is a very important provision because the legislature felt that the consolidation scheme cannot be satisfactorily framed except in the village and in consultation with the cultivators after they had sufficient time to discuss among themselves how a consolidation can best be made. The work demands infinite patience and the maximum of sympathy and tact. No man should be left to grumble and the grievance of every one should be removed—as far as it is humanly possible to do it. As Kaji put it: " When you touch the cultivator's land, you are touching something which is very dear to him; he is surrounded, as it were, with a cactus hedge of prejudices, customs and traditions which it is very difficult to break through without trampling on his feelings ".[5]

The final scheme thus prepared shall then be submitted to the Collector for confirmation. Any party can appeal to the Collector against the order of consolidation or any order relating to compensation or any other order under Section 13 within two months. The Collector after deciding all the appeals shall either confirm the scheme or refer it to the Board, when he thinks that the scheme needs modification and the Board shall modify the scheme as it thinks fit. Afer the scheme is confirmed, the Collector shall issue a proclamation and the scheme shall then take effect from the 1st of July next.

If a cultivator has made any improvement on any land, such land shall, as far as possible, be allotted to him. If this is not possible, he shall be awarded suitable compensation for it. The consolidation scheme shall not be confirmed until such compensation is actually realised from the cultivator to whom such land is allotted. Such compensation shall be recoverable as an arrear of land revenue.

Safeguards in the New Law.—When the new scheme finally takes effect, all old proprietory or other rights shall be deemed to have been extinguished and new rights shall be deemed to have been created according to the final scheme of consolidation. Notwithstanding any other law for the time being in force, where land allotted in exchange for other land is subject to any lease, mortgage or other encumbrance, such lease, mortgage or other encumbrance shall be transferred and shall attach to such other land as may be specified in the consolidation scheme. Thereupon the lessee, mortgagee or other encumbrancer shall cease to have any right in or against the land from which the lease, mortgage or other encumbrance is so transferred. To make the

5. H. L. Kaji—Co-operation in India, P. 130.

consolidation effective, the jurisdiction of civil courts is barred and no person shall institute any suit or other proceedings in any civil court with respect to any matter arising out of consolidation proceedings.

The cost of consolidation shall be determined by the Consolidation Officer and it shall be distributed between the persons affected in accordance with the rules to be made by the Board. Such costs shall be recoverable as an arrear of land revenue. To encourage consolidation, the law has provided that no court-fee shall be payable on any application under the Act. The Punjab Government had gone much further by remitting half the land revenue for 2 harvests as an inducement to consolidation. This concession lasted for 3 years. Such a concession has not been given in the U.P. so far, but there is nothing to prevent the government from granting it by executive order at any time they like.

The Board shall have power to make rules for the proper working of the Act and, in particular, it shall prescribe rules to determine the procedure to be followed in making a consolidation scheme, and for the disposal of objections, for the valuation of lands and holdings, for the transfer of leases, mortgages and encumbrances, for all works in connection with demarcation and survey and, generally for giving effect to the provisions of the Act.

Conclusion.—Such are the provisions of the new law that has recently been passed. The Act has not yet been enforced but it is hoped that the work will now proceed rapidly in the U.P. and that consolidation will have substantial results to show in the near future. It is clear that voluntary consolidation through the Co-operative Department or compulsory consolidation through the new Act will both work on the positive side of the problem, viz., the consolidation of holdings already scattered and fragmented. The preventive side of the work must be equally—if not more—important, viz., the prevention of holdings now consolidated from being fragmented again in the future by the process of inheritance. Unless this is provided for, we would only be ploughing the sands on the seashore and all our work would lead to no permanent results. The country which is preparing to spend a large sum of money and effort to repair the mistakes of the past must, first of all, ensure that the same mistake is not repeated again and again in the future. Our laws would be futile, co-operation would be useless and the strenuous attempts at reform would be completely wasted out if we do not ensure that the mistakes of the past shall not be repeated again. To that end, unfortunately, we have not made much progress yet. The Bombay Small Holdings Bill of 1927 sought to do it by prohibiting future fragmentation below a minimum level but unfortunately the bill had to be withdrawn. In England the law of primogeniture is a great protection against fragmentation. The Law of Napoleon in other parts of Europe also provides for it by giving the eldest brother the right to buy out the younger ones. In Denmark, the reconstituted holding can be sold but it cannot be sub-divided under the law. A similar provision would be desirable in India also, but it would be so much against the genius, customs and traditions of the people that it would be very difficult to provide for it. We cannot force the pace, but at the same time we must be clear that half remedies are practically useless. What we have provided for at present is only a half remedy. The subsequent indivisibility of the reconstituted holding is essential to permanent progress. In order to provide a complete and effective remedy, it is necessary that public opinion must first be sufficiently educated before such a violent change in our laws of inheritance can be successfully adopted. It will really be for the people to decide if they would be prepared to pay the price by changing the social and religious basis of inheritance for an economic benefit of supreme value through consolidation. The process will take time—it may be a long time—but let the issues involved in the problem be made perfectly clear. We cannot afford to grope in the dark. Whatever we decide to do in the future, let us do it with a clear perception of the realities of the situation.

CONSOLIDATION OF SMALL HOLDINGS IN THE BARODA STATE

BY

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The most important problem in the agricultural economy of the Baroda State, as elsewhere in India, is that of the increasing subdivision of agricultural land and that too in scattered holdings. The agricultural land in the State has been divided in small pieces a very long time, and these pieces continue to be subdivided on inheritance or when the owner has to sell or mortgage them.

Prior to 1905, the revenue rules permitted subdivision up to 3 bighas (a bigha is about 4/7 of an acre) for *Jaryat* lands and one bigha for *Bagayat* lands. In that year, the Revenue Department, for the convenience of the cultivators, amended the rules and permitted the subdivision of the dry lands up to 1½ bighas and of the wet lands up to half a bigha. Thus while looking to the convenience of the shareholders, its economic effects were ignored. Probably the economic injury involved in the sub-divisions of agricultural land never occurred to the Revenue officers of the time. Even then the rules were not fully effective, for they could not prevent subdivisions decreed by the Judicial Courts.

The Committee of 1917.—In 1917, a Committee was appointed by the Baroda Government to consider what steps could be taken to stop the excessive subdivision of agricultural holdings. It submitted a Report in July 1917, with the following recommendations:—

(A) For Prevention of Further Minute Sub-Divisions.—

(i) The existing limit of permitting sub-divisions of agricultural land, to the extent of 1½ bighas of *Jirayat*, ½ of *Bagayat* or *Kyari* land, should be raised to 8, 3 and 1½ bighas respectively, and the needful amendment should be made in section 83 of the Rules made under the Land Revenue Code.

(ii) The Law of Inheritance need not be interfered with; but whenever the partition of agricultural land among the heirs leads to smaller divisions than the limit of 8 bighas of *jirayat*, 3 bighas of *bagayat* and a bigha and a half of *kyari* land, its money value may be realised by giving it to higher bidder amongst the heirs and in case, none of them is willing to have it, amongst outsiders; money thus realised may be distributed among the heirs. Section 262 of the Civil Procedure Code may be amended accordingly.

(iii) The Law of Pre-emption may be applied to agricultural lands below the area of 8 bighas of *jirayat*; 3 bighas of *bagayat* and 1½ bighas of *kyari* lands, so that when such pieces are about to be sold, they can be sold only to the neighbouring *khatedar*, or after taking his first refusal.

(iv) The minimum dimensions of an economic holding may be fixed after having regard to local conditions of land, nature of cultivation, etc., for each district. When new waste lands, *bid lands*, etc., are to be given for cultivation by auction, they should be divided into plots of economic size and sold on condition that divisions below this limit will not be recognized.

(B) For Union of Small and Scattered Fields—

(i) Voluntary exchange of contiguous fields belonging to different holders should be encouraged by

(1) exempting them from the usual Stamp and Registration charges, and

(2) making it compulsory on *Vahivatdars* to advise the people to effect them and to bring them about, as much as possible, with the help of the members of the Village Panchayat, leading Zamindars, farmers and other respectable and influential residents.

(ii) When land relinquished or attached is to be given for occupation it should be either sold by auction only amongst those whose fields are contiguous; or if there is only one such person it may be given to him, if he is willing to have it, for such amount not exceeding 3 to 5 times of its annual assessment or its market value, whichever may be higher. It should be given to out-siders only when those whose fields are contiguous do not wish to have it.

(iii) A Permissive Act may be passed to effect consolidation of the existing small and scattered holdings, on the principle of original ownership.

In accordance with the above recommendations an Act for the Consolidation of Scattered Holdings was passed on 16th December 1920. The land Revenue Code was also amended, laying down a restriction by which *Jarayat* land could not be divided below 8 bighas, *Bagayat* land below 3 bighas and *Kyari* land below 1½ bighas. The Act for the Consolidation of Scattered Holdings is a permissive one and may be applied by notification to any village where 2/3rds of the *khatedars* holding at least one half of the total occupied land of the village desire it. Under the Act, nobody is to be deprived of his lands even if it is less than what may be necessary to make an economic holding. All that is aimed at is the consolidation into one piece of the several small and scattered pieces in the village area. In doing so, each *khatedar*, is to receive a new piece of land, of precisely the same area and value as that of his previous scattered pieces put together. The rights of mortgagees, tenants and others are not to be affected. They are to have the same rights on the new consolidated holdings as they had on its component parts. The only restriction imposed is that after consolidation, there could be no subdivision of a piece of land below 8 bighas in *Jirayat,* 3 bighas in *Bagayat* and 1½ bigha in *Kyari* lands.

The Committee of 1922.—As no substantial advantage was taken of the Act, the Government thought of the adoption of a policy to arrest subdivision of land beyond specific limits and appointed a committee in 1922 to advise Government as to the best means of prompting the object in view. The committee submitted its report and made the following among other recommendations:—

A. (1) An officer should be appointed on special duty for the purpose of educating and moulding public opinion in favour of the policy, explaining the advantages of the Consolidation Act; that he should, as a beginning, make a thorough survey of a few villages in selected Talukas to show how the Act will operate and demonstrate to the people its results.

(2) Rules under Section 22 of the Act should be immediately prepared and the facilities and assistance, the Government is prepared to give, should be declared.

(3) The Registrar of Co-operative Societies should be asked to organise societies for the consolidation of holdings as in the Punjab.

B. (1) Government should give facilities and encouragement to the consolidation of existing small holdings by

(*a*) exempting agreements of exchange entered into for this purpose (new holdings to remain impartible) from stamp duty and registration fees.

(*b*) creating a right of pre-emption in favour of co-sharers or co-owners and neighbours, while effecting the transfer of uneconomic pieces.

(2) Government should discourage and arrest the further fragmentation of land by

(*a*) extending the provisions already existing in the law about sale, etc., in suits about partition of immoveable property not paying revenue to Government to immoveable property paying revenue to Government.

(*b*) enacting that no document, purporting to be a deed of transfer of land below the fixed standard, should be accepted for registration, except in the case when the transfer is to a co-owner or a neighbour.

(*c*) enacting that when new waste land, *bid lands*, etc., are to be given for cultivation by auction, they should be divided into plots of economic size not less in area than the standard area fixed by Government and sold on condition that divisions below this limit will not be recognized.

(*d*) enacting that when land relinquished or attached is to be given for occupation, it should either be sold by auction amongst those whose fields are contiguous or if there is only one such person it may be given to him, if he is willing to have it for a reasonable amount. It should be given to outsiders only when those whose fields are contiguous do not wish to have it.

The Government accepted most of the recommendations of the Committee and directed the Registrar of Co-operative Societies to organise societies for consolidation of holdings as in the Punjab. As a further step in the direction, provision was made in the Partition of Immoveable Property Act to prevent fragmention below prescribed limits of large holdings at the time of partition between co-parceners. These limits were the same as provided in the Land Revenue Code.

As there was still a lacuna left for fragmentation on transfers through sale and mortgage, an Act regarding the prevention of Fragmentation of Agricultural Holdings was passed by Government in 1933. Under this Act, neighbours and co-parceners were given a right of purchase of the adjoining lands under the prescribed limits and intending sellers were required to inform the neighbours of their intention to dispose of their lands. This measure merely embodies the application of the well-known principle of the law of pre-emption, which obtains among Mahomedans and by custom among Hindus in some parts of Gujarat.

Thus the methods employed in the State are as under:—

(1) Action taken by Revenue officers under the Land Revenue Code and the Consolidation of Holdings Act.

(2) Action taken by the Civil Courts to enforce the provisions of the Partition of Property Act.

(3) Suits filed by neighbours under the Act to prevent fragmentation of agricultural holdings.

(4) Voluntary action through the Co-operative Societies.

The total number of land-holders in the State is 354,154 out of which

104,411 hold land measuring upto 5 bighas.
157,160 hold land measuring upto 25 bighas.
82,016 hold land measuring upto 100 bighas.
8,800 hold land measuring upto 250 bighas.
1,344 hold land measuring upto 500 bighas.
423 hold land measuring above 500 bighas.

Consolidation Societies.—There are at present 79 Co-operative Societies registered for consolidation of holdings, with a membership of

2,675 persons. These have till now been successful in reducing only 12,040 blocks measuring 50,415 bighas into 10,753 blocks.

Under the Act preventing fragmentation, notices were issued to the neighbours, and if any of them was willing to pay the same price as the intending non-contiguous holder, the lands were registered in his name. The number of notices issued during the past four years amounted to 27,389, but only 129 persons availed themselves of this facility. Thus as the utility of the law was found to be negligible in proportion to the notices issued, the law was repealed last year.

The progress of consolidation has been very slow. People are not willing to part with their old lands. The question of consolidation is a difficult one, but at least theoretically a conviction is steadily growing amongst the people about the advantages of consolidation and prevention of fragmentation. This conviction is bound to have practical effect sooner or later.

CONSOLIDATION OF HOLDINGS IN THE KASHMIR STATE

BY

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The Kashmir State covers an area of 80,900 square miles. Two-thirds of the land is all plain, divided into small strips which could be consolidated.

About twelve years ago, the work of consolidation was started in the State and 93 societies were formed in the different villages. The mutations have in almost all cases been sanctioned by the revenue authorities, and the possession of the consolidated land has also been taken by the member villagers.

The peasant in Kashmir is not a big land-holder; his land is mostly divided in parts on account of the division in the property that is made under the prevailing law of inheritance in the country. It becomes difficult for the peasant to carry manure from one plot to another which is at a distance. The flow of water carries away the manure from one plot to the other belonging to his neighbour. The owner of the small plots has to waste many a day in anxiety, when the assessment of crops is made, or when he has to irrigate his lands scattered in different places.

All the 93 societies formed in the State have benefited the peasant to a great extent, and it has often been observed that one man could do the work of supervision on the consolidated area, whereas the land belonging to another that is scattered in several places has to be supervised by all members of the family.

Experience of the working of consolidation of holdings has shown that the peasant likes the idea, and he likes to see his scattered plots gathered into one or two near about. He has, however, become nervous by the introduction of different panchayats in the village. He is afraid to give his consent readily to this work, and often doubts the integrity of the official doing this work. The peasant seems to be under the impression that some portion of his land may be snatched away by this method, and his fear may be correct, if strict supervision is not exercised.

As the consolidated villages have been benefited, the Kashmir Government has helped the movement by introducing legislation by which consolidation can be enforced on 20 per cent disagreeing members if 80 per cent vote for consolidation of the village holdings.

When consolidation operations are started in a village, strict supervision is essential to see that the classification of land is entered rightly and a field book is prepared in accordance with the plan drafted to consolidate the village, so that no one is put to unnecessary loss. It was observed that the person put in charge to consolidate a village worked without a definite plan, till in several cases the possession was refused and it was found that injustice was actually done; but in villages where supervision was exercised from the beginning, no difficulty cropped up and the mutations were sanctioned by the revenue authorities without much difficulty.

Before the mutations are presented to the Revenue authorities actual possession of the consolidated land must be taken over by the members and transfers must be made complete.

Difficulties do come up when there is lack of fore-thought; otherwise the peasant does not create any unpleasantness. Great care has to be taken about the sentimental attachment that a member has for the property left to him by his fore-fathers, and he has to be persuaded to go in favour of another land which he does not know. The peasant has, therefore, to satisfy himself that he is not a loser in the reallocation.

It has been observed that in consolidated villages produce increased and land covered by the bunds demarcating different plot is brought under cultivation. The peasant encloses his consolidated plot and thus gets a safeguard against the encroachment made by others. The disputes that arise out of the demarcations have been put a stop to.

While we have given a general idea of the benefits of the consolidated plots, a reference to a particular case may also be interesting in this connection. In a village where the consolidation operations had been going on for some time, some difficulties were presented and the work could not be completed. On measurement of land again, besides other things, it was found that assessment of the rent was collectively charged higher than what was due. On a further investigation it was found that about forty or fifty years back, at the time of Revenue Settlement, either through mischief or through an oversight a wrong figure in the total was given, and so the increase which came to thousands of rupees was collected from the peasants of the village; but it has now been remitted by the Revenue Department as the mistake was rightly pointed out.

While people talk of rural uplift, the writer is of opinion that the reconstruction of villages can be best brought about by the small uneconomic holdings being consolidated as far as possible. The roads can be built up and village after village can be laid out after a model, and this will afford the villagers facilities to mix together and live better.

CONSOLIDATION OF HOLDINGS IN MADRAS

BY

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Madras has taken the lead in India, and is maintaining it, in several branches of co-operative activity; but consolidation of holdings is not one of them. For over twenty years this subject has been talked about in this province but little has been achieved. So far, about 15 consolidation societies have been registered; only half-a-dozen are said to be active. Two of these are outstanding and have consolidated about 500 acres in the North Arcot District. This is a good beginning. But we are far behind the Punjab where one million acres have been already consolidated and the pace is quicker now. Since consolidation began there, 4,000 new wells are reported to have been sunk and 650 old wells repaired. Applications now exceed the capacity of the available staff, which consisted of 25 Inspectors and 240 Sub-Inspectors in the last co-operative year. Parties are prepared to pay a part of the cost of consolidation. Success to a smaller extent, but far more than in Madras, has been achieved by co-operative means in the United Provinces, N.W. Frontier Province and in Baroda and Kashmir States. The Central Provinces resorted, like many other countries in the world, to legislation with power to coerce a cantankerous minority in a village who would not consent to have their holdings consolidated while the majority owning at least half the land agreed to the proposal. Naturally quicker was the pace of consolidation there, though the act was enforced in only one Division, Chhattisgarh. The area consolidated has exceeded that of the Punjab, which has since enacted legislation with power to compel minorities; but co-operative consolidation also continues, which offers scope for a comparative study of the two methods.

Why is it that Madras lags so far behind, though the subject had been mooted more than twenty years back? Fundamental doubts have been raised as to the need for consolidation of holdings in Madras by a section of administrators who hold that the evils of fragmentation are not so serious in this province as in the Punjab or the United Provinces. A rapid review of the opinions held and the basis on which they were founded may serve to explain our poor record.

Views of Revenue Officers and the Board of Revenue.—Even in the rest of India the subject of fragmentation received scant attention before the great war of 1914-18, while the excessive sub-division of land, due to the pressure of population and the laws of inheritance, had been viewed with grave concern by the Famine Commissions and other committees of enquiry from 1880 onwards. It was during the last war, though the war itself had nothing to do with it, that the problem of fragmentation began to be discussed seriously, though with it was often coupled that of sub-division. The most prominent to raise the question were: Mr. G. Keatinge, the Director of Agriculture in Bombay; Prof. H. S. Jevons of the Allahabad University and Dr. Gilbert Slater of the Madras University. In 1916 Mr. Keatinge brought forward a bill in Bombay for the reform of existing holdings into impartible economic holdings. It had to be dropped on account of opposition. The subject was taken up in the Madras Legislative Council in 1917 by a non-official member and the Government referred the whole question of the minute sub-division (including fragmentation) of agricultural lands, along with the bill of Mr. Keatinge and some suggestions of Dr. G. Slater, to the Board of Revenue for remarks. The Board in its turn referred the memorandum of the Government to a number of Collectors and the Director of Agriculture for opinion.[1]

Nine out of the twelve Collectors and the Director of Agriculture consulted by the Board were of the view that subdivision (both of holdings and of particular fields, *i.e.*, fragmentation) was on the increase. They recognised the evils of such a situation; but all except two doubted the wisdom of legislation, even of the permissive type and even for restripment and consolidation of holdings and their retention, as long as the ryots concerned were not convinced of the need for any such reform. The Collector of Bellary did not think that "fragmentation is as yet a very serious difficulty in this particular district" though opinion among his officers was divided. The Collector of Malabar thought that "consolidation was keeping pace with fissure", for while among Hindus there was not much partition of land, many of the Moppillahs who inherited small bits of land were disposed to sell them away to bigger adjoining holders of land and try their luck in small industries for which they had a flair. The Collectors of Kistna and Salem took the trouble of collecting and presenting some data in support of their views that the evils were on the increase and needed some checking. The Collector of Trichinopoly gave "typical instances" in some ryotwari villages showing how "fields of 2 or 3 acres have been split up into numerous minute sub-divisions of a few cents each." The number of fragments had more than doubled in several villages and in some much more in the course of a settlement. He pointed out the

1. Fort St. George Gazette, 28th January 1919, pp. 156-185.

immense inconvenience and loss to the ryots and the waste of water to the Government in the fields under the Cauvery channels, "where various stages of agriculture might be seen going on simultaneously at almost any season of the year." The general trend of opinion among agriculturists was, as one Collector put it: "In the end the ryots came to the conclusion that the proposal of creating economic holdings was quite sound (sound in theory, I presume) but not at all practicable." The instinct of the administrator was not to interfere in the affairs of the ryot, except to the extent of assessing and collecting revenue. "The desire to deal with the land as he likes, subject to reasonable taxation, is in the very fibres of the Indian ryot and I do not believe that any Indian administrator could thwart this instinct with safety."

The Board of Revenue in reviewing the opinions of the Collectors and submitting its own views to the Government admitted the tendency of holdings to grow in number and become too small and scattered and therefore uneconomic; but it was definitely against any measure which sought to make holdings impartible. While the arguments advanced by the Board were effective so far as checking sub-division was concerned, they were by no means valid against the prevention of fragmentation of holdings. Unfortunately the same word, sub-division, was used in both senses, though the latter is the more usual sense in which it is used in the terminology of the Revenue Department. The Board no doubt blessed the idea of consolidation of fragmented holdings on a voluntary basis and gave it later a trial in the resettlement of the Trichinopoly district, but found the ryots averse to any deviation from the time-honoured practice of insisting on the 'sub-division' of every plot (*i.e.*, fragmentation) of the holding. The Government came to conclusion that "so long as sub-division had to go on . . . . . any attempt at consolidation of holdings was bound to fail" and directed the experiment to be discontinued. They looked to methods of persuasion and co-operation to effect consolidation, even as the Punjab was beginning to show the way; and a leaflet was published by the Publicity Department on co-operative methods in consolidation.[2]

The Townsend Committee and the Royal Commission on Agriculture.—The Townsend Committee on Co-operation in Madras accepted the views of the then Registrar that the evils of fragmentation were not serious in this province and there was no demand for such societies. The Committee disapproved of legal compulsion in any form but recommended the encouragement of any voluntary method of consolidation.[3] There was no close examination of the position by the Committee.

2. Royal Commission on Agriculture, Madras Evidence, p. 266
3. Report, p. 55.

The same argument had been advanced by the Registrar before the Royal Commission on Agriculture in the previous year. He said "Fragmentation has not gone to the fantastic lengths reached in certain villages in the Punjab . . . . . The greater bulk of ryots do not possess a number of small fields in different parts of the villages". He also added that consolidation was rendered difficult by the fact that villages in general do not contain large areas of land of uniform quality and facility for water supply and drainage. Mr. H. Calvert, a member of the Commission and the pioneer of the consolidation movement in the Punjab, pointed out that "no one in the Punjab knew to what fantastic lengths fragmentation had gone until an enquiry was made."[4] And for Madras inquiries in half a dozen villages in one district could not serve as a correct basis for generalisation for the whole Presidency. Nor was it a helpful attitude for a member of the Board of Revenue to take that "fragmentation is not a burning question yet." Mr. Calvert replied: "Surely in India things do not become burning questions; they simply lie for hundreds of years"! The secret of success in the Punjab lay in intensive enquiries and persistent propaganda.

The Report of the Royal Commission on Agriculture on the subject of holdings seems somewhat complimentary to Madras and may partly account for our self-complacency. The Commission reported, it should be on the strength of what was stated of Malabar, that "in parts of Madras fragmentation has not proceeded so far as elsewhere. The reasons for this would seem to be that the joint family system has survived to a greater extent in that province than in any other".[5] This inference is not supported by evidence tendered outside Malabar. In fact joint family management of land even in Malabar was at that time getting into disrepute and attempts were made to help the breaking up of the system in British Malabar on the lines of recent legislation in Travancore. Again, over the whole Presidency, the Government were keen on reducing the number of joint pattadars, or at any rate on securing an exact registry of the actual owners of plots of land held jointly, i. e., by a number of co-shares. This was done with a number of objects: to facilitate the collection of land revenue, to enable each ryot to know what he has to pay, to check dishonesty on the part of village officers and to keep land disputes out of the civil courts. In fact the policy of the Government was to assist actively the sub-division or break-up of the joint patta lands which were an 'unmitigated nuisance' both to the Government and to the ryot. Joint holding did not generally mean joint cultivation; it was more a case of the restriction of individual freedom than one of co-operation in farming.

4. Agricultural Commission, Madras Evidence, pp. 616, 640 & 650.
5. Report, p. 134.

The Special Officer who enquired into Agricultural Indebtedness in the Presidency in 1934-35 reported that joint pattas—'a common feature of South India'—were "definitely on the decrease, a sign partly of the disintegration of the joint family and the growing urge for partition," due also to 'the ceaseless efforts' of the land Records and Revenue staff to keep the register of actual holders up-to-date. At the same time, the report drew pointed attention to the tendency for "the small holder to make way gradually for the large landholder who absorbs the lands of the cultivating small farmer but seldom cultivates the land himself".[6] Therefore, whatever the state of ownership, so far as cultivation is concerned, subdivision and fragmentation persist. A revenue holding, as the Officer says, is 'a conglomeration of fields and subdivisions in a single village.' The big holder has his holding as fragmented as the small one and makes little attempt to consolidate it. He leases most of the holdings to different tenants in scraps, and himself cultivates, at best, a few acres with farm servants. Sometimes he has to leave as waste bits of land for want of suitable tenants or supervisors.

Un-official Enquiries.—In *Some South Indian Villages* edited by Dr. Gilbert Slater, and published by the University of Madras in 1918, some information is available on the subject of fragmentation, as well as subdivision of land, in the villages chosen for study, which lie scattered all over South India. Most of the holdings were found to be not only small in size—wet lands below 5 acres and dry land below 10 acres —but they were badly fragmented. The majority of wet land plots were of less than 1 acre in size and there were very few who owned compact blocks. The anxiety to secure contiguous plots by purchase or by lease was little in evidence. Dr. Slater was himself struck by the inconvenience and loss resulting from fragmentation by the waste of land and of water and by the lack of opportunity for improvement. It was impossible to get a plough into some of the paddy plots; and wells were ruled out on dry land fragments. But he believed "the evil does not appear to be so marked as in the United Provinces and that the inconveniences do not seem to be considered a matter of much importance. It is in fact largely a question of waste of time, and waste of time does not matter much unless it is at the critical period of the agricultural year".[7] He was nonetheless oppressed by the lack of data, for he concluded "with regard to this question also, the only definite conclusion I have come to is that more information is required."

6. W. R. S. Sathianathan's Report, pp. 5 and 6.
7. Pp. 243-44.

Some more information has been secured on the condition of fragmentation in a recent resurvey of the same villages by research students of the University. The evil of subdivision has grown definitely worse in every village; the number of petty holdings has increased; while there is little evidence of any increased intensity of cultivation. As for fragmentation, except in one dry village where two-thirds of the owners hold compact blocks of small size, in other villages, fragmentation is found not only in small but also in big holdings. The average size of a plot is less than half an acre and the waste of time involved is real. There has been practically no case of *parivarthanai* or voluntary exchange of plots of land, which was supposed to be common in olden days. On the other hand, while twenty years back many pattadars, especially in dry areas, cultivated their lands themselves, the bigger ones with the help of farm servants, the most noticeable change now is the tendency on the part of many to rent out the fragments on fixed leases, but not all to one cultivator. There has been little attempt at consolidation of cultivation on the part of lease holders; they have not secured adjacent plots for cultivation from different owners, which might serve as a corrective of fragmentation in ownership.

These villages, however, were not chosen as representative of South India; nor were they large in number and picked out at random for investigation. Therefore, the generalisations may not be true of the Province as a whole. But so far as we know, there has really been no adequate enquiry, official or non-official, on the subject of fragmentation of holdings in this Province. There is no use relying on inferences from isolated studies or general experience or mere impressions, which result in conflicting views on fundamental issues.

The Case for Fragmentation.—It is often argued that fragmentation is inevitable, and also equitable, in a province like Madras, which has a greater variety of soils and of water resources than the Indo-Gangetic plain with its alluvial loom, more or less homogenous stretching for miles and miles, and its canal systems. We have often, it is said, in one and the same village alluvium, black cotton soil, red, sandy and saline soils, of various degrees of fertility and reacting differently to river and well water. This diversity facilitates and necessitates the cultivation of a variety of crops, which any farmer would like to grow for himself not only to cater to his different needs but with a view to spread the risks from pests and uncertain weather. Again, some waste or pasture land, if not alsó wood land, is considered as an essential appurtenance to arable land, not only in this country but in all other countries. In this country in particular, whatever be the size of a man's holding and however compact it may be, division into smaller plots with bunds all round is absolutely necessary for rice culivation

as water has to be impounded for a period. This it is that prevents the ploughing up of the land by tractors and the use of harvesting machinery even in the few cases where owners have extensive stretches of land. It is also pointed out that the cultivation of intensive crops like plantains, betel and vegetables cannot be carried on by any one person unaided except in a plot of less than one acre, unless hired labour is employed, which brings with it certain disadvantages. There is, finally, the feeling that at present men of the poor labouring classes have a chance of acquiring small bits of land from out of their meagre savings and work on them part of the time and supplement their low wages.

The above arguments in favour of fragmentation deserve careful consideration at the hands of agricultural reformers; but some of them have a familiar ring to students of rural economics. They have been advanced all over Europe where consolidation has taken place or is still proceeding, and they were said to be advanced in China too, where a law for consolidation was passed n 1930.[8] In the Punjab too, in the sub-montane tracts of five districts, the quality of land, the facility of irrigation and the dangers of erosion and flood are said to vary field to field. Naturally consolidation made slow progress in that area. But "this suspicion gradually faded away as men realized that the irrigation of contiguous fields and their protection from flood are much easier than when the patches are dispersed. Even second class has been willingly accepted in place of superior land, in order to bring the whole holding together". But this is not necessary if owners do not want it, as it is quite possible to divide the whole land into a few separate blocks and give one field in each in place of the old fragments.[9]

Surely it cannot be difficult to divide any South Indian village in the plains into three or four blocks of arable land with different degrees of fertility or lying in different levels or irrigated by different systems, and proceed to reallocation of holdings in such a way that nobody need be refused any particular kind of arable land of which he had owned a fragment unless it was too small and it was better to allot a compact holding of workable size in one block. As for waste land or pasture or wood land, no reformer contemplates the pooling of all of them together just as no one would mix up wet and dry and garden lands. Every owner of plots in these lands is bound to carry on much better, if he gets a compact field in each in place of a number of fragments. It is indeed the only chance of making improvements in them. The enclosure of one's own holding, which is thereby facilita-

8 R. H. Tawney, Land and Labour in China, pp. 39-40.
9. C. F. Strickland, Consolidation of Agricultural Holdings, p. 10.

ted, is an almost essential condition of the improvement of animal husbandry as every student of agricultural history knows only too well. The open field system in Europe did not permit this and hence it was doomed to disappear, although it seems to die a slow death even there.

Consolidation of Holdings in Europe.—The open field system that we find in our country is worse than what prevailed in Europe, for there the fields of a village were divided into three or four large blocks in each of which only one particular crop in a system of rotation would be permitted to be raised, though a holder might have a number of strips or fragments in each block. In no block was there a medley of crops in different stages of growth as we find here, especially in wet land areas. The old binding routine of the open-field system is said to have disappeared in parts of Europe but not yet replaced by enclosure and consolidation. There is, however, no doubt of the conscious feeling in those countries that it is only a transitional stage they are passing through and the goal is consolidation.

England took the lead not only in consolidation but in enlargement of holdings in the middle of the 18th century. The enclosure movement, as it was called, was a long-drawn affair and was completed only by about the middle of the 19th century. But while it enhanced the reputation and profits of English agriculture until the seventies of the last century, when the competition of America and other new countries became formidable, it was responsible for the decay of the old yeomanry and the growing distaste of men in the country for agriculture, especially as industry was an alluring alternative.[10] The association of the enclosures with the creation of big estates and the memory of the misery caused thereby to the poor may perhaps account for the reaction some Englishmen feel towards any reform of fragmentation and open field in India. But outside England the attempt to put an end to common tillage and scattered strips was not accompanied by any aim to enlarge holdings.

The Code Napoleon, permitting equal inheritance of land among all sons, had had the opposite tendency; it led to the excessive subdivision of holdings, especially as there was little new land to reclaim. Denmark at first and other democratic countries afterwards discouraged the big estates and encouraged the creation of peasant holdings. Denmark was also the earliest and the most successful in the Continent to put an end to the old system of open field and scattered strips. This is said to have been accomplished in the course of forty years, while England took more than a century to complete it.[11]

10. G. Slater. *Growth of Modern England*, pp. 117-128.
11. E. Jensen, Danish Agriculture, p. 93.

Germany started much later, by about 1850, when the English enclosures had been nearly completed. The law for rearrangement of the fields was enacted in some of the States of Germany, but it was mostly a dead letter. Prussia took up the reform seriously only in 1872, to overhaul and rearrange the whole or some part of any common field, provided a bare majority of the owners demanded it and the assembly of the Circle approved it. But the country had plenty of scattered holdings even in the dawn of the 20th century, though the old binding routine of the open field was dead long before. A great historian writing of Germany before the last War observes: "This reform was in all stages of completion except in Brunswick, where it was essentially complete; it was most incomplete in South West."[12]

France has had no enclosure movement. Peasant property, which displaced the open field common husbandry, has usually been 'dispersed.' "French economists and statesmen have lamented this dispersion, but a policy of consolidation has never been pressed on by Government as it has been in many other continental countries." So wrote Clapham of France before the last War.[13] In a post-war Agricultural Survey of France, an expert of the United States Department of Agriculture finds that holdings are still not only excessively subdivided but also fragmented. A holding of 2·5 acres may be scattered in two or more localities. He observes: "Peasant families cling tenaciously to their land. The characteristics of each tiny field are known, and family traditions have been built up as to the methods of tilling and caring for these bits of property. As regards the lands of France, habits, customs and practices change much more slowly than in our own country."[14] It was in the reconstitution of war-devastated regions, where old landmarks had been destroyed that the law making it possible for a holder to receive a single plot of land equivalent to the total acreage held previously in several pieces had the greatest success. But in the whole of France one-third of the farms are still too small and fragmented. That conditions are not worse is due to the notorious restriction of births among the French peasant proprietors. There are but two children on an average per family and one-third of the families have each one or no children!

Switzerland provides the best instance of the formidable difficulties presented by an old mountainous country to consolidation of holdings.

12. J. H. Clapham, Economic Development of France and Germany, pp. 20-23.
13. *Ibid.*, p. 164.
14. L. S. Michael in Tech. Bulletin, No. 37, U. S. Dept. of Agriculture, pp. 33-34.

41 per cent of the farms are less than 7 acres in size and 83 per cent are under 25 acres. They are most of them fragmented. The average for all Switzerland is 14 seperated fields to a farm. In 9 geographical divisions of the country, there are 40 to 120 separated parcels to the farm. The small and medium sized farms have more fragments than large farms. The distance between fragments is 1 or 2 or 3 miles. The Swiss Peasants Union succeeded in getting a federal law passed in 1912, which provides for consolidation of holdings if two-thirds of farmers in a district owning at least half the land are agreed. The Federal Government offered to contribute towards expenses an amount equal to that of the Canton and Parish combined. But very little progress is said to have been made. By 1925, when an American expert surveyed the position, only 50,000 acres had been consolidated. He attributes the hesitancy of such a progressive people like the Swiss to two causes: (1) the cost of the scheme per acre towards which the owner paid about Rs. 60 and the authorities Rs. 130. (In the Punjab it is only Rs. 1-12 in all per acre and in the Central Provinces 4 annas!). The prohibitive cost in Switzerland is partly due to topographical conditions. (2) Sentiment plays a large part, as in India and elsewhere. "Much of the land has been in the same family for generations. The owners have inherited an affection for each of these strips. There is the natural suspicion that the land he possesses is just a little better than the one which he will receive by consolidation." It is natural for a modern American to conclude: "Strip farming is a persistent relic of the mediaeval age. Its extinction seems to be a slow and painful process."[15]

The process has hardly begun in Madras. How much more slow and painful it may turn out to be in our environment may be better imagined. The extent of acuteness of the evil can be known only by investigation. The problem cannot be argued out of existence. There is ample evidence of fragmentation and its injurious effects in Madras; only they need to be measured and dealt with. Scattered holding is not a curse peculiar to our country; it is an incidence of peasant proprietorship all over the old world. But it has been more systematically tackled in most countries. Co-operation has not figured as the method of solution elsewhere. To the Punjab goes the credit of the pioneering attempt at consolidation by co-operation. Even there it is now recognised as a transitionary stage leading ultimately to legislative coercion of obstructive minorities. The State has the right to subordinate the 'rights' of farmers to the interests of farming.

15. Asher Hobson in Tech. Bulletin No. 101, U. S. Dept. of Agriculture, pp. 10-13.

REVIEWS

PRINCIPLES AND PROBLEMS OF INDIAN LABOUR LEGISLATION. By Rajani Kanta Das. Published by the University of Calcutta.

Dr. R. K. Das was a pioneer in the field of investigating Indian labour questions and has devoted practically his whole life to the study of labour problems and conditions. He has laid all students of Indian labour problems under heavy debt to him by his pioneer researches into labour conditions in plantations and factories and into the history of Indian trade unionism. His work as an official of the International Labour Office almost from its establishment has given him a wider perspective, from which he is able to survey the problems of Indian labour from the broad international point of view.

Dr. Das has contented himself in this book, which embodies the substance of the special Readership Lectures at the Calcutta University, with dealing on one aspect of labour, namely, the field of labour legislation; but that field is undoubtedly the most important in India. After tracing briefly the history of legislation both in its general and particular or specific forms, he draws attention to the large areas still open to legislation and puts forth a strong plea for a comprehensive labour code which will render justice to the workers without in any way undermining the prosperity of industry.

Students interested in legislative procedure, i.e., in the manner in which actually legislation is enacted and all the processes through which a bill passes including the preliminary stage of investigation and enquiry will find in Chapter II of this book an extremely useful account of the constitutional processes of a legislative enactment. Quite rightly the author stresses the importance of prior enquiries and investigations before legislation is embarked upon and approves the method adopted in India of appointing committees of enquiry and Royal Commissions for extension of industrial legislation. Dr. Das is perhaps unduly critical of the Royal Commission on Labour (1929-31) and accuses them of a lack of a basic principle in their recommendations and of a narrow view in certain matters. But he ignores the fact that the Royal Commission was interested in immediate action and early measures of reform and therefore did not dwell at length upon so-called ultimate principles. But if some principle were necessary, it could be seen in their emphasis on "gradualness," which whether one approves of it or not was to them a basis principle.

The third chapter dealing with certain fundamental principles of labour legislation embodies the author's own ideas of what those principles ought to be. According to him labour legislation should be grounded on (a) social justice, (b) social welfare, (c) national economy and (d) international solidarity and he elaborates each one of these motive forces. This chapter represents the author's special contribution to the subject and should be read by all interested in the well-being of labour.

In the fourth chapter Dr. Das discusses certain special problems. He considers that despite considerable progress labour legislation still lags behind the national requirements of India and pleads for (1) development of a definite labour policy with a view to establishing a basic labour code embodying minimum conditions of health, safety and standard of living to the workers, (2) development of industrial labour and (3) the organisation of the State function. Regarding (2), Dr. Das advocates active measures for the growth of a permanent class of industrial workers and questions the wisdom of the Royal Commission on Labour in recommending steps to preserve the link between the workers and their village homes on the ground that until that link is cut off, the many useful recommendations of the Commission themselves and the legislative measures that might be adopted in India would all be merely wasted. It is doubtful if all would agree here with the author who is so much interested in this class of industrial labour as to create one if it be absent. Regarding (3), Dr. Das draws pointed attention to the dangers of sectionalism in legislation and is a strong believer in Central or Federal labour legislation. The dangers of unequal development of legislation and of unequal protection to workers are so real and serious that the broad principle of labour legislation should be laid down by the Federal authority, leaving to the Provinces and States freedom only within specified fields.

In a short concluding chapter the author examines the social significance of a sound labour code which although established by legislation would become a sub-conscious part of the behaviour of the employees, workers and the public. Although the benefits of the labour code may in the first instance be confined to workers in organised industries, the author takes the view that the labour code would set up a new example to other working classes for the achievement of those benefits. In this way all classes of workers would come to enjoy the advantages of a comprehensive labour code.

Principles and Problems of Indian Labour Legislation is a book which should be commended as a valuable contribution by an undoubted authority on the subject and gathers up the result of a life-long study devoted to labour legislation in India.

P. S. LOKANATHAN.

INDIAN ECONOMICS VOL. I. By G. B. Jathar and S. G. Beri (Oxford University Press, VI Edition, 1939, Rs. 5).

This encyclopaedic work on Indian economics, which the late Dr. Gilbert Slater acclaimed as 'the best general treatise on its subject hitherto published' has been revised and brought up to date in this the sixth edition. This volume deals mainly with the problems of population, agriculture, labour organisation, rural indebtedness, co-operation, land revenue and industrial policy. The authors have endeavoured, with their inexhaustible energy and vigilance, to keep pace with the tempo of economic development and planning consequent on the rise to power of the Congress party in the majority of the provinces. Recent developments in hydro-electric power, irrigation, the new problems of the sugar industry, the work of the Imperial Council of Agricultural Research and the market surveys published under its auspices are among the new topics dealt with in this edition. Bombay, the home

province of the authors, has naturally received a larger share of their attention in respect of not only existing institutions and actual achievements but also of Legislative measures aborted and just conceived.

It might look ungenerous to pick holes in a work of such magnitude and general utility. But we are anxious to see the next edition free from even minor faults. It is difficult to be up to date in every detail but grave omissions need to be rectified. For instance, in consolidation of holdings Baroda has made good since 1926. Kashmir has done better; North West Frontier Province and United Provinces are doing well though they have had a later start. The record of the Central Provinces, with the semi-compulsory method, is higher than that of the Punjab and the area consolidated is eight times that of 1931.

Readers of the book may get the information that on almost every subject the last word has been said by the Royal Commission on Agriculture or the Banking Committees of the last decade. These reports, excellent as they were when they were published, cannot continue to be pressed into service to the exclusion of valuable later reports. Practically no use is made of the findings of the enquiries of Sir J. Russel and of Dr. N. C. Wright. The report of the latter on dairy industry in India deserves to be ranked as a classic on the subject and made fuller use of and not be merely referred to. On rural indebtedness the findings of the Banking Committees seem still to hold the field though there have been later enquiries, e.g., Mr. Satyanathan's enquiry in Madras. The authors have added a useful and critical summary of recent debt legislation in the various provinces.

The Co-operative Movement is allotted 66 pages in which many major problems are discussed with a fairness and impartiality which must have caused not a little embarassment to our authors, since they are anxious to avoid offending either the official or the non-official. The attempt to steer a middle course on every issue makes conclusions appear halting and platitudinous. There are a few problems which they do not discuss; for instance, the question of liability, on which a controversy is raging in the co-operative world. Unlimited liability has become, in the view of many, not 'a rock of strength but a dangerous sham' and should be displaced by guaranteed limited liability. Anyway unlimited liability cannot work in a multi-purpose society organised for a wider area than a village. On land mortgage banks, the story of Madras stops with 1935 while that of Bombay is brought up to date, though the former has 8 times the number of primary banks and 13 times the transactions of the latter. Nor are the loan and sale societies of Madras so negligible now as to be curtly dismissed in a sentence.

The portions dealing with central banks and provincial banks require a very drastic revision as the body of the book, apart from stray foot notes, gives no idea of the grave situation in which many of them find themselves. Hearty support is accorded to the Reserve Bank's advice of bringing in private businessmen into boards of co-operative banks, as though commercial banks were run by those gentlemen and not by their capable officials, who would be ready to serve co-operative institutions as well. It is not so much central direction as local vigilance and co-operative outlook that we badly need.

K. C. R.

CO-OPERATIVE CONFERENCES AND MEETINGS

PROCEEDINGS OF THE JOINT SESSION OF THE STANDING COMMITTEES OF THE INDIAN PROVINCIAL CO-OPERATIVE BANKS' ASSOCIATION AND THE ALL INDIA CO-OPERATIVE INSTITUTES' ASSOCIATION.

Held at the premises of The Madras Provincial Co-operative Bank, Ltd., Mylapore, Madras on 27th and 28th October 1939.

A Joint Session of the Standing Committees of the Indian Provincial Co-operative Banks' Association and the All-India Co-operative Institutes' Association was held at Madras in the premises of the Madras Provincial Co-operative Bank, Ltd., Luz Church Road, Mylapore, Madras, on Friday the 27th October 1939 at 4 P.M. under the presidency of the Hon'ble Mr. V. Ramadas Pantulu, President of both the Associations. The session was attended by many delegates from Provinces and States. Sir T. Vijiaraghavachariar, the Chairman and many of the members of the Committee on Co-operation in Madras, the Registrars of Co-operative Societies, Madras, Bengal, Central Provincess, Cochin and Bhopal and some prominent co-operators of Madras attended the session. A list of delegates and visitors who attended the meeting, is appended.*

The Hon'ble Mr. V. Ramadas Pantulu (President), in opening the proceedings said :—

I beg to extend to you, the representatives of the Co-operative Movement in India, a most hearty welcome to this city on behalf of the All India Co-operative Associations of the Institutes and the Provincial Banks. This is the first time that you hold your joint session in Madras.

We are meeting under the shadow of a great international conflict of arms, whose reactions on the political and economic destinies of this country, it is difficult now to foretell. Co-operators all over the world cannot but view the international situation with the gravest concern. I have no doubt that you will begin your business session by passing a suitable resolution condemning the failure of the civilised governments in Europe "to restore understanding and fraternity in international relations" and to avert the war and reaffirming our conviction that the "co-operative system of economy and its social ideals represent the future basis of civilisation and the surest guarantee of peace" to quote the words of the International Co-operative Alliance. Near at home

* *Vide Appendix A.*

also, dark clouds are gathering on the political horizon of India. The first chapter in the constitutional experiment of provincial autonomy under the Government of India Act, 1935 is perhaps coming to a sad end, with eight of the Provincial Governments going out of office. I hope and trust that India and Britain will yet persevere to come to an honourable understanding so as to make co-operation between the two countries possible.

The date fixed for your joint session, though it might not have been convenient for some of you, was specially chosen so as to synchronise with the season when this city will be the scene of varied activities of co-operators of South India. The Committee on Co-operation appointed by the Government of Madras to enquire into the various problems connected with the Co-operative Movement is now sitting in Madras. Our thanks are due to that committee for having invited us to meet them this morning to ascertain our views on some important problems. The Madras Provincial Co-operative Union is holding its annual general meeting tomorrow morning and celebrating its Silver Jubilee tomorrow evening. The twenty-third session of the Madras Provincial Co-operative Conference is meeting the day after tomorrow. You will thus be brought into contact with co-operators from all parts of this Province and the latter in their turn will be brought into contact with co-operators coming from the other Provinces and States of India. I hope this will provide a suitable opportunity for all of you to exchange your thoughts and narrate your special experiences to mutual advantage.

PROVINCIAL AUTONOMY AND CO-OPERATION

Addressing you in the last week of March 1937 when you assembled at Delhi, just on the eve of the introduction of Provincial Autonomy, I expressed to you the hope that with the abolition of the distinction between the reserved and transferred halves and the transfer of all spheres of administration to Ministers responsible to the Legislature, the Development Departments would be placed on a stronger and better footing and that some tangible advance would be made in the direction of making Co-operation a really potent factor for the economic rehabilitation of the masses. I rested that hope on the likelihood of the removal, under the new dispensation, of the handicaps from which the nation-building departments suffered under the old regime. These handicaps were two-fold—financial and political. I expected the financial handicap to be removed, at least partially, by the transfer of the earning departments and finance to ministers responsible to the legislature. The political handicap arose from the reserved halves being dominated by an alien bureaucracy, which smelt politics in all schemes of nation-building, including schemes of co-operative organisation of the peasants and workers and the inculcation of a stern spirit of self-help and self-reliance among the people, with a view to their economic uplift. No reform or readjustment of the social order was possible without creating in the minds of the masses a certain sense of discontent with their existing standards of living and their outlook on life and no foreign administration would look upon that process with equanimity. So the popular Governments conducted by ministers responsible to the people were expected to address themselves at once to the most urgent problems of socio-economic reform, which involved risks which the old governments were afraid to face, in a new spirit and from a different angle of vision.

More than direct financial and administrative aid to the movement we set greater store on the resultant effects on co-operation of measures inaugurated by the popular governments to increase the margin of income of the agriculturists and enhance their purchasing power which will enable them to put controlled credit to better productive use and repay their loans more punctually and with greater ease.

I intended to avail myself of this occasion to review briefly the action so far taken by the popular governments in the several provinces on these lines in order to assess how far our expectations and hopes have been realised or are likely to be realised in the near future. But in view of the unfortunate developments that have taken place and that in eight out of the eleven Indian provinces popular ministries are going out of office, this is an inopportune moment to bring under review their activities in their all too short duration of office. I, however, hope that they will emerge out of the impending struggle victoriously and will come back to their places to pursue and complete their unfinished programmes and resume the task of nation-building with greater vigour and determination.

REHABILITATION SCHEMES

(a) State action.—You are aware that in certain Provinces, the movement is in a very precarious position. A heavy responsibility therefore rests on the Provincial Governments of those Provinces to rehabilitate the movement. The movements in Bengal, Bihar, Orissa and Berar deserve special and immediate attention of their Governments. It is gratifying to note that the Government of Bengal have done comparatively better than some other Governments in regard to arresting the further deterioration of the movement. They have already helped to prop up, at least partially, the Provincial Co-operative Bank by providing for some of its losses and also placing at its disposal this year funds for fresh finance, without which the movement cannot be revived. There is yet a great deal to be done. The central banks, whose realisable assets seem to be less than their liabilities, must be reconstructed as quickly as possible to prevent further loss to their creditors and depositors and to regain public confidence. The Registrar has put up a fairly workable scheme the main features of which are set out in the current issue of the *Indian Co-operative Review* which is circulated to you to-day. I hope the Government of Bengal will deal with the least possible delay with the Registrar's scheme.

The Government of Bihar have been more slow to move in the matter of rehabilitating the movement in that Province and with every day's delay the movement in Bihar is deteriorating rapidly. It is estimated that the Provincial Bank and the central banks in Bihar have been consuming about Rs. 1,000 per day of the money of the depositors and creditors, for these institutions have been living on capital for some years past—some even on their borrowed capital after exhausting their owned capital. The Government have been making protracted enquiries and occasionally obtaining the opinion of experts. At long last, at the instance of the Congress Party in the Assembly, the Government appointed a special Board of Experts to advise them on the problem of rehabilitation, and the Board have recently sent up a unanimous report of their conclusions the contents of which I am not now in a position to disclose, for as the Chairman of that Board I am expected to treat the report as confidential till the Government of Bihar publish it. Let us hope that the Government will take speedy action on that report. In this connection, it must be stated that even before the Board of Experts was constituted, the Government issued a very helpful press communique announcing their intention to stand fully behind the Provincial Co-operative Bank and followed it up with some measure of financial assistance. This has already had some reassuring effect on the creditors and depositors of the Provincial Bank. But it is obviously impossible to set the movement on its feet again, unless the help to the Provincial Bank is placed on a more concrete footing from the banking stand-point, and the central banks and the primary societies are also reconstructed with the help of requisite financial assistance. I hope that the Bihar Government will find the recommendations of the Board of Experts helpful in these directions.

In Orissa, the Government set up an enquiry and an elaborate report has been submitted to the Government by Dewan Bahadur K. Devasikhamani Mudaliar, who conducted the enquiry, for the reconstruction of the movement there, specially in North Orissa. The two central banks in South Orissa at Aska and Berhampore are still under the Madras Provincial Co-operative Bank and their position is comparatively more sound financially. I hope that the Government of Orissa will do something quickly to deal with the movement in North Orissa. It is said that a land mortgage bank has been recenly set up. It is no doubt a helpful step in the right direction; but the more urgent need of the movement in the Province is the establishment of a Provincial Co-operative Bank and resumption of financing of the village societies, either directly through the Provincial Bank to be constituted or through central banks to be reconstructed. It is true that the financial resources of the Orissa Government are extremely slender. But the requirements of the movement there are also correspondingly small, and it should not be difficult for the Orissa Government to obtain financial accommodation from the Government of India or some other sources to set the movement on its feet again.

In Berar, the Government of the Central Provinces have been engaged for an inordinately long period in the examination of the departmental schemes, appointment of committees and other familiar red-tape methods, while the situation has been worsening every day. The Government have issued a press communique on the report of the Berar Co-operative Enquiry Committee (Gole Committee), which was appointed by them, without publishing that report itself. The proposals of the Government are subjected to severe criticisms from various quarters. It is a somewhat curious document and its various parts cannot be easily reconciled. The Government unequivocally and emphatically disclaim in para 7 of their communique any responsibility, either legal or moral, for the rehabilitation of the movement in so far as it involved any financial commitments. I must say that the Government have over-stated their case.

Coming to the actual proposals of the Government, I must say they are wholly inadequate to rehabilitate the Movement. I agree with the Government in regard to their proposals to scale down the liabilities of the members in the societies and to bring down the claims of the depositors in the central banks. But unless some relief is given to the depositors with the aid of the Government, the scheme cannot be worked. The Government's offer to guarantee interest at 3 per cent on the depositors' claims after they are scaled down takes us no where. The Government, in offering to make up the cost of management of central banks up to a maximum of Rs. 50,000 per year for three years have laid down conditions which few central banks can fulfil. So, both the items of help offered by the Government are illusory. The Government's

proposals in regard to the disposal of the lands purchased by central banks and societies follow in the main the Burma scheme of handing over the lands to defaulting members or to other members and in the last to the members of the public who are solvent and capable of paying the rents fixed on hire-purchase system. Even to carry out the Burma scheme, some substantial financial backing has to be given to central banks by way of long term loans. From our experience in Madras, I am of opinion that without such financial backing the question of disposal of lands can hardly be taken up. I hope the Government of the Central Provinces will reconsider the whole situation in the light of the realities of the position of the movement in Berar and formulate some suitable scheme for the rehabilitation of the movement.

(b) Co-operative action.—In this connection I would like to refer to one or two matters which bear upon the rehabilitation of the Co-operative Movement in so far as action on our part is required, and the role which the Provincial Co-operative Banks can usefully play in such schemes. A study of the problem by me in some of the Provinces has convinced me that without substantial relief being given to indebted members of the primary societies, the movement cannot be effectively rehabilitated. In Bihar, for instance, I have found that interest which is being charged at rates varying from 12 to 18 per cent is sometimes added to the principal, renewed bonds being taken for the consolidated amounts, on which similar high rates were being charged. The accumulated arrears of interest in Bihar and some other places has come up to the principal or even exceeded it. If the law of *Damdupat* were applied there to those who have been paying at these rates, many would stand wholly released from their debt. No reform of the movement is possible with such a clientele in the societies and banks. So, the question of writing off all arrears of interest and even scaling down of principal, wherever necessary, should be immediately taken up. I have found in some places considerable reluctance on the part of central banks to agree to such a course. But they must realise that members who are so heavily indebted and who have been in arrears for years cannot by any means be suitable clientele for them for future finance. If indebtedness is brought down to a level which will enable the members to repay during a suitable period, there are some reasonable chances of reviving and expanding the movement; otherwise not. Central banks in areas which are under rehabilitation will be acting in their own interests, if they write off all arrears of interest and portions of the principal amount as well, in most cases. It will be easier to persuade their creditors and depositors to make adequate sacrifices by bringing down their own demands to the level of the realisable assets from members, if such action is taken. Merely keeping large and fictitious assets in books and doing nothing to help the depositors to realise at least portion of their investments will result in a complete break-down of the movement.

Again any idea of safeguarding the financial interests of central banks and through them of their creditors by enforcing unlimited liability against members of primaries, I think, must be definitely abandoned. In my opinion, all chances of reviving the movement will be lost if undue reliance is placed on the efficiency of coercive recoveries. The example of the central banks in Berar must serve as a stern warning to Co-operators elsewhere. The central banks and societies in Berar now find themselves, as a result of large scale selling up of their members in their zeal to effect recoveries, in the position of owners of estates, which they are unable to manage. There, the central banks have to pay a land revenue of about Rs. 1 Lakh every year on the lands purchased by them and they are advancing this amount in some cases out of borrowed capital to keep the lands on which little or nothing could be realised.

There is yet another measure of relief to members of primaries which cannot be delayed. There is a universal cry for relief by bringing down the rates of interest charged to the agriculturists by moneylenders and other credit agencies. But, so far co-operative societies have not shown their own willingness to come into line with the general line of reform of moneylending so insistently demanded. If 6¼ per cent for instance, is considered in Madras to be a legitimate rate to be charged to agriculturists and any rate above it is deemed illegal in the case of other creditors, I do not see why co-operative societies should be allowed to charge more. If a uniform rate cannot be attained for all provinces, we can at least aim at a uniform standard, that standard being the rate made legally permissible to be charged to agriculturists under debt relief legislation and moneylenders' acts in force in various provinces.

The question of our borrowing and lending rates has a very intimate connection with our future financial arrangements. The organisation and conduct of our provincial and central banks have in their turn a similar bearing on our borrowing and lending rates. It is therefore necessary for us to endeavour to put our provincial and central banks on as sound a footing as possible so as to make them healthy feeders of village societies with productive credit at reasonable rates of interest. Without strenuous and conscious effort on the part of co-operators this object cannot be achieved.

RELIEF OF RURAL INDEBTEDNESS AND FUTURE CREDIT

The Provincial Governments have given proofs of their desire to deal with the problem of rural indebtedness. Acts for conciliation and

scaling down of debts of agriculturists, regulation of moneylending and the like have been passed in most of the provinces. If these measures are put into full operation and work well, they will no doubt give some relief to members of co-operative societies who form a large class of debtors, at least in so far as their outside debts are concerned, that is to say, in regard to their indebtedness to agencies other than co-operative credit societies. But these measures only deal with one aspect of the problem, which may be called the negative aspect. They are intended to put down usury and mitigate the evil of contracting debts on onerous terms. No one can doubt that improvident borrowing for unproductive purposes is a great evil; but it is equally important to remember that the provision of capital and credit for productive purposes is an indispensible necessity in our rural economy. The measures so far taken by the provincial governments have had the effect in most areas of drastically curtailing credit hitherto available to the villager. But so far practically nothing has been done to create agencies to take the place of the sowcar or mahajan. This is an important and constructive side of the problem of rural credit, and the longer the provincial governments delay in tackling it, the worse will become the position of those who produce national wealth from land and who derive some subsistence from such subsidiary occupations as still survive. In order that such ameliorative measures should bear their full fruit, there must be careful planning on the part of provincial governments. Our economic system is like a clock-work, which cannot be kept going by merely pulling out the impaired parts without substituting better ones for them. I hope that the claim of the agriculturists to be provided with the means to raise from land national wealth will receive due and prompt attention. Everyone concedes that co-operation is the best means of organising the masses both for associated effort at production and the economic betterment of the individual farmer. But nobody seems to have a living faith in this doctrine, for I have not so far been able to find any evidence of the desire on the part of provincial governments to give Co-operation its due place in their schemes of economic planning, if they have any. The blame cannot altogether be laid at the door of the governments, for we co-operators have ourselves not devoted sufficient time and attention to the study of the fundamental nature of the problem and formulate suitable schemes for the consideration of the governments.

RESERVE BANK AND THE CO-OPERATIVE MOVEMENT

Great hopes were raised in us by setting up the Agricultural Credit Department of the Reserve Bank of India as an aid to the future organisation of Rural Credit. So far, that department has issued five bulletins and two circulars, which have a bearing on the co-operative movement. I have already dealt with their bulletins both in the discussions at our gatherings and in the pages of the *Indian Co-operative Review*. I do not therefore, wish to refer to them here again. The circulars of the Reserve Bank of the 14th May 1938 and 12th June 1939 regarding the terms and conditions on which accommodation can be obtained by provincial co-operative banks, and the financial reorganisation of the co-operative banks, respectively, must have caused considerable disappointment to co-operators. These circulars contain very little that is helpful to the co-operative banks. The terms and conditions on which financial accommodation is to be given are such as few co-operative banks can comply with and the suggestions regarding financial reorganisation are in many cases not practicable and do not take due note of the peculiar characteristics and special requirements of co-operative credit agencies. I have dealt with this question at some length in the last issue of the Indian Co-operative Review. I hope that this session of the Standing Committees will express its considered opinion on these circulars.

Now that all hopes of the Reserve Bank of India helping the provincial co-operative banks with financial accommodation on reasonable standards of security and safeguards, which are possible under the circumstances, having practically gone, it is suggested in some quarters that we might organise an Apex Bank for the whole of India to serve as a financing agency and balancing centre for the various provincial co-operative banks. We have not had time to examine this very important question, and I have no doubt that it will engage your attention though not at this session at least in future sessions.

INCOME-TAX LAW AND CO-OPERATIVE SOCIETIES

At the last meeting of the Standing Committees which met at Jubbalpore you decided to present a memorandum to the Government of India in regard to the anamolous and indefensible position of co-operative banks in regard to incometax and supertax under the new incometax Act and authorised me to do so. You are aware that co-operative banks now fare worse than joint stock banks and companies in this respect. To give one instance, for the year 1939-40, the Madras Provincial Co-operative Bank will have to pay as incometax and supertax a sum of Rs. 98,000 while it need pay only Rs. 61,000 if it were a joint stock bank. The other provincial co-operative banks which make profits liable to supertax stand in a similar position. I presented recently a note on the lines of the memorandum decided upon at Jubbalpore to the Central Board of Revenue and had interviews with Mr. Shreehi and the Finance Secretary to the Government of India. The matter is now receiving the attention of the Central Government.

NEW ORIENTATION

Before I conclude I just wish to make a reference to the schemes now under consideration in almost all the provinces to give a new orientation to the co-operative movement. The essence of these schemes consists of making the village society wider in its scope and intent so as to not only bring every villager resident in the area of operations of the society within the sphere of its influence but also to deal with his several needs in a more comprehensive manner than we now do. Productive efforts will be supplemented by the organisation of the markets for the sale of the produce raised. There is then an idea of co-ordinating the activities of the co-operative societies with those of organisations which deal with village administration—statutory village panchayats and the like. In short the aim of this new orientation is to lift the village co-operative society from its accustomed role of a money lending shop into a live agency for the integration of village life, village economy and village polity. But these schemes have not received final shape in any province and are mostly in the stage of formulation. It is therefore desirable to suspend our judgment till we are able to collect reliable data and devote close study to them. Our secretaries may, therefore, be requested to prepare a comprehensive memorandum on the schemes in embryo in the several provinces and to put up that memorandum for our discussion at a future session of our Committees. I hope that co-operators will not drop the schemes to give new orientation to the movement on the lines indicated above, consequent on the popular ministries in some provinces going out of office. The reform and development of the Co-operative Movement must be taken more and more into their own hands by co-operators and their dependence on governments must be gradually abandoned or reduced to the absolute minimum necessary.

I do not wish to take up any more of your time. I once more welcome you to our city and hope that you will find your stay amongst us pleasant, and your deliberations fruitful.

AGENDA OF THE INDIAN PROVINCIAL CO-OPERATIVE BANKS' ASSOCIATION

The Agenda of the Indian Provincial Co-operative Banks' Association was then taken up for consideration. In doing so, the President said that with regard to the item relating to the circulars of the

Reserve Bank of India re: Reorganisation of the Co-operative Movement on banking lines and the terms and conditions on which accommodation could be obtained by co-operative banks from the Reserve Bank, the Managers of the Provincial Co-operative Banks had met the previous day and formulated certain proposals. They might be requested to place the conclusions arrived at before the Standing Committees the next day for their consideration. This was agreed to.

Item No. 4 of the agenda relating to consideration of proposals of the Government of Central Provinces and Berar for the Rehabilitation of the Co-operative Movement in Berar as contained in their communique issued on the Gole Committee Report was also adjourned to the next day. The President said that he had heard much for and against the proposals of the Government. He would therefore suggest that the meeting might hear the C. P. delegates and thoroughly discuss the scheme the next day, so that some concrete proposals might be put forward for consideration and adoption by the Government. This subject also formed item No. 19 of the agenda of the All-India Co-operative Institutes' Association. The suggestion was accepted.

With regard to item No. 7, viz., consideration of the advisability or otherwise of enrolling the apex land mortgage banks as members of the Association, the President stated that apex land mortgage banks came within the definition of 'Provincial Co-operative Bank' under the Reserve Bank of India Act, and there was no harm in admitting them as members of the Banks' Association. Already, the Madras Co-operative Central Land Mortgage Bank, Ltd., was a member of the Association, and any other Provincial Land Mortgage Banks, if desired, might be admitted as members. The matter was not pressed.

AGENDA OF THE INSTITUTES' ASSOCIATION

Item No. 1.—The President said that the meeting could not formulate definite proposals, as schemes for introduction of multi-purpose societies and reorganising credit societies on a wider basis in the several provinces were mostly in the embryo stage. He would therefore request the Secretaries to elicit information on the subject from the affiliated Institutes and Provincial Banks and prepare a memorandum for the consideration of the Standing Committees at a later date. The following resolution was accordingly passed:—

Resolution No. 1.—*This meeting requests the Secretaries of the two Associations to prepare a memorandum of the schemes now under consideration in the various Provinces for the introduction of the system of multi-purpose societies or for reorganisation of the primary societies on a wider basis and elicit the opinion of the affiliated Institutes and Provincial Banks thereon for consideration of the Standing Committees at a later date.*

Item No. 2.—The members made several suggestions regarding the necessity of providing short term finance to members of land mortgage banks.

Khan Bahadur A. M. Arshad Ali (Registrar of C. S. Bengal) said that suitable provision for short term finance of such members should be made either from the land mortgage banks or from the agricultural societies.

K. B. Mallik Noor Mohammad Khan (Punjab) stated that the experience of the past of dual finance had been very bad and should not be followed.

The President.—In Central Provinces and Bengal they are making experiments with regard to making short term finance available to members of land mortgage banks. We should therefore await the results of these experiments before we frame any resolution.

Mr. S. G. Deodhar (Bombay).—It would be inadvisable in my opinion to await the result of the experiment. The Associations should be in a position to give a lead in this matter instead of permitting the different provinces to make experiments at the cost of public funds and then come to the conclusion that the experiments have failed.

The President.—It cannot be considered to be the duty of the Association to enforce its views on any province. What we can do is to collect information on the results of the experiments made in different provinces and then frame suitable resolutions or recommendations applicable to all parts of the country.

The Registrar of C. S. (Central Provinces).—In Central Provinces we do not allow redeemed members of land mortgage banks to borrow afresh, but we permit them to form into fresh credit societies irrespective of the places they reside.

Sir M. G. Deshpande (Central Provinces).—Members of land mortgage banks mortgage all their assets to the land mortgage bank and if they cannot borrow for their current needs from any place, their position will be very bad. Some agency must be found to satisfy the short term requirements.

Several members were of the opinion that conditions differed from province to province and it would therefore be hazardous for the meeting to express any definite opinion on the subject. The following resolution was therefore adopted :—

Resolution No. 2.—*The meeting having heard the suggestion made by the delegates from Central Provinces and Bengal in regard to land mortgage banks advancing short term loans, specially crop loans, resolves to watch with interest the experiment made in those two provinces.*

While on this subject, the President requested the Registrar of Co-operative Societies (Bengal) to give the members present an account of the expansion of the credit movement in Bengal. He had heard that over 6,000 societies were registered in about three months.

The Registrar of Co-operative Societies (Bengal).—From an enquiry as regards the position of the assets of the individual members I find that out of Rs. 369 lakhs invested in the societies with the members, only Rs. 249 lakhs could be realised from the members, and as regards the arrear interest I said that no portion of this should be realised. It should be written off and the interests should be reduced to 7½ per cent. On this I have drawn up a scheme which I have submitted to the Government; and I have shown in that scheme that in 20 years' time if the Government allow us to float debentures to pay off the depositors, I shall be able to pay the Government in 20 years at the rate of Rs. 20 lakhs a year. Collection in Bengal is about Rs. 38 lakhs including both principal and interest. I can therefore very easily pay Rs. 24 lakhs annually to the Government against the guarantee of debenture-holders. It is a question for the consideration of the Government.

In the meantime when the Bengal Legislative Assembly in the budget session last year gave an assurance to depositors, an announcement was made on Co-operative Movement. This announcement was made on the 15th March, 1938. The Government requested the depositors to keep their money in Central Banks and the Provincial Bank and said that the Government would be prepared to advance money for new business. The Government also allowed me to go ahead and form new societies to remedy stagnation. We drew up a programme that the villages could be covered with crop loan societies and we formed so many new societies. We were very anxious about giving loans; and we have advanced to the tune of Rs. 20 lakhs. New credit societies have been started in different villages but not in the same villages in which the old societies exist. To the latter, it is provided, that no fresh finance is to be made unless they repay the previous loans.

There was no distinction between short and long term before. Normal credit of a man should be assessed carefully and then money should be given to him. No attention was paid to this and hence the present condition of the movement. We are now separating long and short term.

Mr. Deodhar, (Bombay).—I like to know whether it is rehabilitation or expansion.

Registrar, C. S. Bengal.—It is expansion, but it will contribute to the rehabilitation of the movement.

Mr. Zaman, (Bengal).—A scheme for rehabilitation has already been submitted to the Government and it is under examination. In the meantime we are starting new societies and the scheme is already a success. We have realised more than half the amount invested in rural societies. I think the entire amount will be coming back to us by the end of December.

The Registrar of C. S. (C.P.).—I want to know whether the pledge given by the Government of Bengal amounts to promise to depositors of payment of their deposits in Central Banks.

The Registrar of C. S. Bengal.—No. After enquiry, I have found that about 20 per cent of the assets would be lost and that must be borne by the depositors.

The President.—The Government of Bengal have been making an annual grant of Rs. 2 lakhs to the Bengal Provincial Bank to wipe out its losses in jute societies, amounting to about Rs. 24 lakhs. So far as new financing is concerned, the Government have placed at the disposal of the Provincial Bank a sum of about Rs. 13·5 lakhs, which is supplemented by the Provincial Bank by about Rs. 6·5 lakhs and the entire sum of Rs. 20 lakhs was advanced to the newly started primary societies as crop loans for a period of nine months. It is gratifying to note that these loans are being advanced and collected with care and caution. This will put fresh life into the Movement, and it is hoped that the Provincial Bank will, with greater assistance from Government, be able to make available larger sums as crop loans in the coming years.

As regards the expansion of the Movement, the President sounded a note of warning. Our past history must be a lesson for the future. While he wished that every village should have a co-operative society and every resident therein should be brought within its scope, he was of the opinion that societies should grow out of a genuine desire on the part of the rural masses for whose benefit they are started, and not be an imposition from without.

The Standing Committees adopted a resolution on this subject, while dealing with the problem of Rehabilitation of the Co-operative Movement in Berar (Vide resolution No. 11).

Item No. 3.—The following resolution was adopted:—

Resolution No. 3.—*This meeting is of opinion that when debentures are issued for financing land mortgage banks, due provision should be made for the creation of sinking funds or debenture redemption funds.*

Item No. 6.—The meeting recorded the following resolution:—

Resolution No. 4.—*This meeting is of opinion that co-operative acts should be so amended as to make the co-operative loan a prior charge on the crops subject only to any revenue or rent charges.*

Item No. 10.—The following resolution was adopted:—

Resolution No. 5.—*This meeting requests the Provincial and State Governments to give adequate financial aid to co-operative societies for the construction of godowns in villages for storing of agricultural produce on the security of which loans are to be advanced.*

Item No. 11.—The following resolution was passed:—

Resolution No. 6.—*This meeting requests the Provincial and State Governments to make adequate grants for the development of co-operative societies for the production and marketing of handloom products.*

Item No. 14.—The following resolution was adopted:—

Resolution No. 7.—*This meeting recommends to all Provincial and State Governments to take suitable action to strengthen the movement by helping the financing banks to advance on a more extensive scale short term crop loans to the rural societies.*

At this stage the meeting adjourned, and reassembled at 12 noon on the 28th October 1939. The Hon'ble Mr. V. Ramadas Pantulu was in the Chair.

SECOND DAY'S PROCEEDINGS

Item No. 16.—Mr. Bhattacharji (Bengal) said that each Provincial Government was spending certain amount under the head of rural development. That amount might usefully be spent through the co-operative organisations, who may take up and work the scheme. If

co-operative sale depots were established in each province, the movement could be developed on a large scale.

The President said that rural development schemes affected not only the co-operative movement but also the rural population as a whole. The movement, confronted as it was with its own difficulties, should not embark on such wide schemes. The co-operative banks and societies had their own problems to face. The Movement was in a moribund condition in many of the provinces and each province was trying its own scheme of rehabilitation to make the Movement stand on its legs.

With regard to the establishment of co-operative sale depots, so far as Madras was concerned, they had a system of loan and sale societies, which advanced loans to their members up to 60 or 70 per cent of the market value of the produce pledge to them. The Government also granted to them advances for purposes of construction of godowns, one fourth of which would be treated as subsidy and the balance of three fourths as a loan at 3½ per cent.

Mr. Bhattacharjee said that a separate Rural Reconstruction Department had been set up in Bengal and a sum of Rs. 15 lakhs was provided for expenditure through that department. The co-operative societies did some useful work in this direction and he was of the opinion that the work of rural reconstruction should be carried on through the Co-operative Department.

Sir M. G. Deshpande (Central Provinces) was of the opinion that co-operators should confine themselves to finance only.

Mr. S. K. Chatterjee (Bengal) said that the Co-operative Movement was meant for the benefit of the agriculturists as a whole. In order to improve the condition of the agriculturists their earning capacity must be increased and the villagers life must be tackled as a whole.

After some discussion, the following resolution was adopted.

Resolution No. 8.—*The Standing Committees request the Provincial and State Governments to provide adequate funds and give other forms of help such as technical advice and initial assistance for starting co-operative societies, which will undertake development of agriculture supply of agricultural requirements and sale of agricultural produce.*

Item No. 18.—The following resolution was adopted:—

Resolution No. 9.—*This meeting resolves that the Provincial and State Governments be moved to establish dairy farms and milk societies under co-operative system on an extensive scale, to improve cattle breeding and supply of pure milk in* *the country and to afford such farms and societies financial aid by grant of credit in the initial stages.*

Item No. 19.—This item also formed subject No. 4 on the agenda of the Indian Provincial Co-operative Banks' Association :—

The President gave an account of the position of the Movement in Berar. About half the societies were under award or liquidation and practically the whole of the amount due from them was overdue. The total liabilities of the Central Banks amounted to about Rs. 106 lakhs, while the assets were about Rs. 90·5 lakhs, consisting of about Rs. 22 lakhs of cash and liquid assets, lands acquired valued at about Rs. 30·5 lakhs; and other debts classed as good amounted to Rs. 37·8 lakhs. The extent of land acquired was about 60,000 acres. Of the total liabilities, about Rs. 65 lakhs was owed to the depositors and about Rs. 35 lakhs to the Provincial Bank.

He would suggest a scheme of rehabilitation which would have to be undertaken in two parts—one with reference to the outside depositors and the other with reference to the Provincial Bank. So far as the depositors were concerned, firstly they might be asked to forego *for the present* twenty five per cent of their claims, i.e., roughly about Rs. 16 lakhs. In regard to the balance of 75 per cent or 12 annas in the rupee, steps should be immediately taken to pay them six annas in the rupee, or roughly a sum of about Rs. 25 lakhs would have to be found. Of this sum the Central Banks must find Rs. 10 lakhs from their liquid resources and the balance of Rs. 15 lakhs must be provided by the Provincial Government as a loan to the Provincial Co-operative Bank, without asking that Bank for any particular form of security or making it liable for the loss if any. The interest on this loan should not exceed three per cent. There would then be a balance of about Rs. 25 lakhs to be paid to the depositors, and for this they would have to wait for the realisation of the assets by sale of lands and recovery of outstanding loans. They should, however, get debentures for this fraction, with interest at three per cent, to be guaranteed by the Government. The Government need not guarantee payment of principal.

Coming to the Provincial Bank, a sum of about Rs. 35 lakhs was due to it. The Provincial Bank must bring down this claim by six lakhs and; though according to information available, that Bank was prepared to write down Rs. 10 lakhs. The Bank had accumulated a Bad Debt Reserve of about Rs. 6 lakhs and could safely write down its claim to this limit. The Provincial Bank should also give up its priority in favour of the Government, till the loan of Rs. 15 lakhs referred to above was discharged. This would be a greater service to the Movement than writing Rs. 4 lakhs more.

An intensive examination of the loans in primary societies should be undertaken and relief to the utmost extent possible should be given to indebted members. The extent of relief would obviously be a matter to be decided after the examination is made and must vary from area to area. It is for the Department of Co-operation and the Central Banks to arrive at some definite conclusions in regard to this matter, after necessary investigation.

Finally, with regard to future management, the Government must come to the rescue of the Central Banks and find money for expenditure both in order to give effect to the scheme of rehabilitation and to keep the banks and societies going in future. For this purpose, a sum of Rs. 1 lakh will have to be given as subsidy for next five years.

With regard to future finance, the Provincial Government must arrange for a cash credit accommodation to the extent of about 5 lakhs for the Provincial Co-operative Bank either with the Imperial or Reserve Bank. This is necessary, because for some time to come the public cannot be expected to invest any more funds in the Central Banks in their present position.

Mr. Gole, Chairman of the Co-operative Enquiry Committee appointed by the Government of Central Provinces to enquire into the working of the Movement in Berar, then addressed the meeting. He said: "You must have heard long ago of the state of affairs in Berar. In fact, we have been blamed for having advanced loans to a exhorbitant extent to individual members. I am sure that the advances were made against property, the value of which was much more at the time. These loans were advanced in 1925 to 1927. Since then no big loans have been advanced. The market value of lands was then Rs. 400 to Rs. 500 per acre. Cotton was selling at that time at Rs. 250 per kandy, but the price of cotton last year went down to Rs. 40—50 and that of land to about Rs. 150 to 200 an acre. For the last several years they had annual failure of crops and a heavy fall in prices. This has not only affected the agriculturists but the Government as well. Added to their heavy debts, the agriculturists had no means even of cultivating their lands with the result that whatever they cultivated they could not even recover the expenses of cultivation out of the harvest. There was heavy accumulation of overdues, and the Banks and societies were compelled to acquire lands to the extent of about 55,000 acres, which they are unable to manage and the income from which is not sufficient to meet the Government revenue. Even at the lowest estimate of Rs. 100 per acre, a sum of about Rs. 54 lakhs is locked up in lands, and the assets of banks and societies have thus become frozen. This is the condition for the last several years. We have to retain these assets with some future hope of appreciation in the value of land.

Cultivation of these lands by the banks is almost impossible. We approached the Government to help us in the management of lands. They had promised some help, but when the time for actual advancing of the money came, the Government have stated, as will be seen from para 7 of their communique that there was neither legal nor moral responsibility on their part. I have requested the Government to come to the help of the Central Banks as the Co-operative Movement has suffered not only in Berar but in almost all the provinces, and the Minister in charge there promised to accommodate the banks as far as possible. Unless the Government come to our rescue it is not possible to get on. The banks are losing nearly Rs. 900 per day. The Government should not keep silent. Matters should be expedited. In other provinces, I find that the Governments concerned have given the assurance that they will stand behind the Movement. In our province, the Government have not been kind enough to take any step in this matter. Although the communique expressed the pious wish that the Movement should be revived, there is no help forthcoming from the Government.

There is an assurance in the communique that the assets will not be touched for payment of interest. You will find from the Committee's report that there is an annual recurring deficit of Rs. 2 lakhs. Even if a large portion of this is wiped out, still there will be a deficit of Rs. 1 lakh. The Government should give the Movement a grant of this sum. The public must be given an assurance that so far as the assets of the banks are concerned they will not be depleted for purposes of payment of interest. Of the depositors, about one fourth are widows and minors and charitable institutions. These were given the hope that Co-operative banks were quite sound. If the Government now want to shake off all responsibility, it will be a serious blow to the depositors concerned.

As I have already said, we are now faced with the problem of management of lands. If you co-operators assembled here find out some way in which these lands may be disposed off profitably, we shall be much obliged. Taking all the aspects of the present condition of the Movement in Berar into consideration, I think that the suggestion of the President is more practical, because it will revive the actual work of the banks as for as possible. If Government comes to our rescue, we shall make the best effort to induce the depositors to forego a portion of their claim.

Mr. T. A. Ramalingam Chettiar (Madras).—Since the representatives from Berar accept the suggestion of the Chairman, it is probably not altogether necessary for others to speak. It struck me that the Movement in Berar is experiencing two difficulties. One is accumulation of lands, and you have about 55,000 acres of lands to be disposed of.

Only by some long term arrangement you can dispose of these lands. But your depositors will have to wait for repayment of their deposits. Again, your central banks are all institutions dealing in short term loans. We in this province still consider that we cannot afford to mix up short term and long term credit in the same institution, and we are proposing that short term and intermediate term credit should be provided by central banks and long term credit by land mortgage banks. So the result will be that in order to find the necessary long term money and keep the societies function normally, some agency must be found. It seems to me that unless the Government undertake to sell these lands on hire-purchase system and advance some long term money to the movement, treating it as a takavi loan, the position cannot be improved. Instead of asking for ten or fifteen lakhs, if you ask for the price of the lands in your hands, it will help you to some extent. Moreover, as has been stated by the President, the Provincial Bank must be prepared to forego a portion of their claim. The present rise in prices may help you to some extent to tackle the problem of frozen overdues.

Rao Bahadur Khare (Berar) said that the depositors had invested their funds in the movement for over quarter of a century and it would be unfair that they should be asked to forego anything. In the attempt to revive the Movement, resort must be had to the proposal of asking the depositors to forego something, only if there is no other go. But his submission was that if the lands appreciated in value, such appreciation should be utilised to pay back the depositors the amount foregone by them. Even though the amount foregone for the present to meet a temporary expediency need not carry any future interest, every attempt should be made to pay back the amount, if that was possible.

Mr. D. V. Rege. Registrar of C. S., C. P.—Mr. Gole has said that in other provinces the Governments have promised help and financial assistance but the Government of Central Provinces have not done so. The situation in other provinces may be different. In our province, the Government think that they may not be in a position to undertake financial assistance. The depositors of co-operative banks in Berar may be about 2000, and perhaps the Government may consider that in order to help the 2000 people, it may not be just and proper to burden the general tax-payer. These depositors had deposited their money in co-operative banks on account of the high rates of interest they offered. When advice was given to these banks to reduce the rate of interest, they flatly refused to do so.

The Government prepared a scheme and agreed to guarantee half the principal amount of the debentures. Mr. Gole had discussed the scheme with the Minister and suggested that instead of guaranteeing half the principle, it would be better to guarantee the interest on the debentures. All these discussions had taken some time. The Government said that the scheme of rehabilitation outlined in their communique should be placed before the central banks and their shareholders and if accepted by them would be gone into. If the suggestion was not accepted, the only course open was liquidation of the banks. The main idea was to tackle the situation without imposing any additional burden on the tax payer as far as possible.

The President, from my study of the position, I think four of th central Banks, Akola, Amraoti, Khamgaon and Malkapur are bad Liquidation of these four banks may have to be resorted to, i rehabilitation is not found possible.

What about the societies in the area of these banks as well a others? We must immediately undertake an examination of the indi vidual loans in all these societies. If some of the societies are very bad, they may have also to be liquidated. If there is any chance of reconstruction, the members thereof should be classified into two groups—retained members and eliminated members. Eliminated members will not be entitled to future finance and their dues must be recovered as early as possible. With regard to retained members, they may be treated differently. The instalments of the loans may be revised according to their repaying capacity and time may be given up to 20 or 25 years for payment, and the future rate of interest to be charged on the loans should exceed 6¼ per cent.

If unfortunately any of the banks are to be liquidated, steps should be taken immediately to start new banks. If however, that is not found possible, the Provincial Bank must step into the field and start branches to finance the retained members. I would prefer the restarting of central banks; and only if it is not found possible the opening of branches by the Provincial Bank is necessary. The former course is preferable as it will enable the movement to absorb financial shocks, if any. As I have already stated, the government must find some money for crop finance through the Provincial and central banks, for unless new finance is forthcoming, it may not be possible to collect the old outstanding loans.

Khan Bahadur Mallik Noor Mohammad Khan (Punjab) endorsed the scheme put forward by the President.

Mr. Rege (Registrar of C.P.) said that if four central banks were liquidated, there was no necessity for any loans from Government.

Sir M. G. Deshpande (C. Provinces).—The President has suggested that the Bad Debt Fund of the Provincial Bank should be adjusted towards the dues of the Berar Banks. The bad debt fund of the Provincial Bank has been constituted from out of the profits earned from interest paid not only by the Berar Banks but also other banks. To give a concrete instance, supposing the Reserve Bank advances a loan to the C. P. Provincial Bank and constitutes a bad debt fund from the interest realised on the loan, can the C. P. Provincial Bank ask for the writing off of the loan to the extent of the bad debt fund created by the Reserve Bank? Obviously not. I shall, however, place the suggestion of the Chairman to write off Rs. 6 lakhs before our shareholders.

Regarding starting of new central banks, I may say that there is some difficulty at present, as the public have lost confidence. In the initial stages, it may be very difficult to start new banks. So the societies at present working should be affiliated to the Provincial Bank. I shall place this suggestion also before my Directors.

Mr. Gole.—The Chairman has suggested the liquidation of four central banks, if that is inevitable. Two of the banks—Akola and Amraoti—are the biggest banks. The working capital of the Akola Bank is about Rs. 26 lakhs and that of Amraoti is about the same. The Provincial Bank has advanced to these four banks a sum of about Rs. 27 lakhs out of the 35 lakhs due to it by all banks put together. So the liquidation of these banks would have far-reaching consequences.

Mr. W. B. Lakhe (C. P.) also said that it would be very difficult to rehabilitate the movement in Berar, if the four banks were liquidated.

The following resolution was then adopted by the meeting:—

Resolution No. 10.— *After giving careful consideration to the several suggestions made for the rehabilitation of the co-operative Movement in Berar, the communique issued by the Government on the Report of the Committee of Enquiry and the resolutions passed at the meetings of central banks and of depositors of central banks, this meeting resolves to formulate the scheme appended hereto and to recommend to the Government and the Provincial Co-operative Bank of Central Provinces to examine the same without further delay and take suitable action thereon.*

SCHEME OF REHABILITATION OF THE CO-OPERATIVE MOVEMENT IN BERAR

The financial position of the primary societies and the Central Banks in Berar is set out in detail in the Gole Committee report.

The Government communique on that report briefly summarises it as follows: "About half the societies in Berar are under award or liquidation, and almost the whole of the amount due from them is overdue, and over 80 per cent is under recovery from members and societies under coercive proceedings. The total liabilities of all the 12 central banks amount to Rs. 106·72 lakhs, while the total assets aggregate Rs. 90·58 lakhs, consisting of cash and liquid assets amounting to Rs. 22·19 lakhs, immovable property valued at Rs. 30·52 lakhs, and debts classed as good amounting to Rs. 37·87 lakhs. The total deficit of all the banks amounts to Rs. 16·14 lakhs and if the liability to shareholders is not taken into account the deficit is Rs. 10·12 lakhs. The area of land in possession of the central banks amounts to 49,712 acres and that in possession of societies to 4,798 acres, the multiple value of which is estimated to be Rs. 25·57 lakhs and Rs. 2·77 lakhs respectively. Except Pusad, Darwha and Mehkar banks, whose profits were only nominal, the remaining banks were running at a loss, the annual income falling short of the expenditure by Rs. 2·7 lakhs. The assets of 5 banks were less than the liabilities and the other 7 banks on paper showed some excess of assets over liabilities. This was the position on 30th June 1938. It has probably undergone a change for the worse since in some respects." Of the liabilities of the Central Banks, roughly a sum of about Rs. 65 lakhs is payable to their depositors while the investments of the Provincial Bank in them amount to roughly Rs. 35 lakhs.

The scheme outlined hereunder is based on the following fundamental considerations:—

1. Any scheme of rehabilitation should have as its primary aim the improvement of the condition of the members of the village societies and relieving them from the heavy burden of accumulated co-operative debt by scaling down the same to the level of their capacity to pay.

2. The machinery for providing rural credit should be thoroughly overhauled and the flow of productive credit to the agriculturists should be ensured in future on a better system. This has become all the more necessary by the drastic curtailment of credit to the agriculturists as a result of debt relief measures and other factors.

3. The depositors who placed their resources at the disposal of the movement and thus benefited the agriculturists by providing sources from which rural credit has hitherto been drawn should be given a fair deal and every effort should be made to see that they get sixteen annas in the rupee of their deposit, if it is possible to do so. Any sacrifice that they may be required to make should be one of last resort, after exploring every avenue to meet their claims.

4. Without some tangible financial assistance from the Government it will not be possible to do justice to the depositors or to rehabilitate the movement, and the Government can do a great deal to restore public confidence in the co-operative institutions once more by the evidence they give of their solicitude to the movement in the form of some suitable assistance given at this juncture.

5. But the demand from the state for assistance should impose as little burden as possible on the general tax-payer for the commitments of the provincial governments are many, and help to the co-operative movement is one of the socio-economic programmes for the betterment of the masses. But such help from the public Treasury is justified for it does not merely mean help to certain institutions and their creditors but to the entire rural economy in general which will be revitalised by the revival and expansion of the Co-operative Movement.

The scheme of rehabilitation may be set out under the following heads: (1) Depositors of central banks; (2) The Provincial Bank's investments; (3) Central Banks; (4) Primary Societies; and (5) Future management and finance

I. DEPOSITORS OF CENTRAL BANKS

The depositors may be asked to write down *for the present* 25 per cent of the amount due to them, that is roughly Rs. 15 or 16 lakhs. We advisedly say for the present, for if ultimately there is a surplus of realisable assets under the scheme of rehabilitation, there is no reason why such surplus should not be paid to the depositors eventually to make up their loss represented by writing down the 25 per cent. In the case of banks whose realisable assets are actually in excess of their liabilities, this is a real concession. Our recommendations only postpone the payment of the 25 per cent until it is ascertained that there will be surplus assets after meeting the other claims as indicated in the scheme. In regard to the other 12 annas in the rupee of their deposits, steps should be taken to pay them six annas in the rupee immediately and ask them to wait for the payment of the balance of six annas till available assets are realised. For this fraction of 6/16th of their deposits, they will get debentures on which interest at three per cent will be guaranteed by the Provincial Government (without guarantee of principal) the only security for principal being the realisable assets. We shall revert to this a little later. It must be stated that the Government guarantee of interest (if there is a deficit) should not be fulfilled by depleting the assets but must be met by Government from its own funds.

Besides liquid resources of the central banks, the other assets consist mainly of lands purchased by central banks and societies and loans outstanding in the societies. The central banks will be required to find Rs. 10 lakhs from their liquid resources for paying the first instalment to the depositors. This sum of Rs. 10 lakhs will roughly represent a little less than one half of their liquid resources, which amount to a little over Rs. 22 lakhs. The lands purchased by the central banks are about 55,000 acres in extent. It is difficult to estimate the market value which they may fetch when sold, for it depends not only on the integral value of the lands but on their marketability and the demand for them. But it is expected that on a conservative estimate, they will fetch about Rs. 30 lakhs. This amount may be realised only in the course of some years, for this large extent of land cannot be put on the market for sale all at once. It will have the effect of depressing prices besides involving other difficulties. It is, however, expected that they can be disposed of in the course of about seven years. If the present land values continue or improve it should not be difficult to realise even something more than this amount in less than seven years.

In this connection, we must say that the best mode of disposal of lands should be adopted and the scheme does not commit the central banks to any particular method. Where it is possible to find outright purchasers, lands may be disposed of by immediate sale as and when purchasers are available. Where they can be only disposed of on hire-purchase system, that method may be adopted. Again, if there are any creditors who are prepared to take lands in entire or partial discharge of their claims, they may be given the lands. Other modes of disposal may also be explored.

In regard to the loans outstanding in the societies, it is even more difficult to make an estimate with any precision or even approach to accuracy. It must be largely a matter of conjecture as to what is good asset and what is not. The Government Communique puts the debts classed as good at a little less than Rs. 38 lakhs. This figure may require further scrutiny after scaling down the loans to the level of the paying capacity of the members and placing the securities behind them on a sound footing. In any case these loans can be recovered only by means of payments extended over 20 or 25 years. So, the assets in the form of lands and outstanding loans are not immediately available even for part payment to the creditors.

If the creditors are to be paid six annas in the rupee immediately, a sum of about Rs. 25 lakhs may be required. Deducting the sum of Rs. 10 lakhs which is to be drawn from the liquid resources, we have still to find a sum of Rs. 15 lakhs. We recommend to the Government of the Central Provinces to lend this sum to the Provincial Co-operative Bank at Nagpur, without asking the Bank for any particular form of

security or making it liable for the loss if any. The interest on this loan should not exceed three per cent or the Bank rate. The Government will have a priority for payment of their instalments as and when the proceeds of the sale of the lands and collections of loans in societies come in. It must also be stated that the entire loan of Rs. 15 lakhs will not be required at once. If a cash credit to this extent is arranged for the Provincial Bank the money will be drawn as and when it becomes necessary in the process of rehabilitation. It will take some time before this loan can be fully utilised for the purpose mentioned above.

The difficulty that is created by the Provincial Bank being a secured creditor and the lands being mortgaged to it can be got over only by the Provincial Bank agreeing to give up its priority in favour of the Government, a course which we shall recommend when we deal with the Provincial Bank. The period of the Government loan need not be co-extensive with the period allowed to the members of societies to repay their loan. We think a loan for about fifteen years would be quite enough. The proceeds from sale of lands will come in before that period. The creditors will thus get immediately Rs. 25 lakhs out of the Rs. 50 lakhs that will be due to them after they write down four annas in the rupee as already stated. For the further sum of Rs. 25 lakhs, they will have to wait for the realisation of the assets by the sale of lands and recovery of outstanding loans. But during the period the Government loan is subsisting, only such portion of the assets as remain after paying the instalment due to the Government will go to the Provincial Bank and the creditors.

A question may arise as to the proportion in which this sum of Rs. 25 lakhs thus found for immediate payment of 6/16 of the deposits is to be distributed among the various central banks. We consider that the sum may be distributed pro-rata, that is, in proportion to the total amount of deposits held by them. We consider this an equitable procedure, because our scheme contemplates that all depositors should be ultimately paid sixteen annas in the rupee, if realisable assets make it possible and we have asked depositors in all central banks, without discrimination, to write down for the present 25 per cent of their total claim and similarly asked the depositors of all central banks to receive this four annas at the end when it is found there are ultimate surpluses of realisable assets. So, we think the only equitable procedure is that of distributing the sum of Rs. 25 lakhs in proportion to the deposits held.

An alternative mode of financial assistance by the Government which may suggest itself is the Government taking over the lands purchased by the central banks and societies and giving the movement their estimated value of Rs. 30 lakhs and settling the lands on hire purchase system, recovering the instalments from the lessees as arrears of land revenue. This is the Burma scheme. We have not recommended this scheme for it may prove disadvantageous both to the central banks and the Government alike. When the lands are disposed of under favourable conditions, the central banks may be able to realise more than Rs. 30 lakhs. If a scheme of rehabilitation can look to the Government for a smaller measure of relief (a loan of Rs. 15 lakhs under proper safeguards) as in our scheme, there is no need to ask the Government to find twice that sum, with the entire responsibility to recover that sum from the lessees thrown on the Government.

II. The Provincial Bank

A sum of about Rs. 35 lakhs is due to the Provincial Bank from the central banks. We recommend to the Provincial Bank to write down a sum of Rs. 6 lakhs and bring down their claim to Rs. 29 lakhs. The Provincial Bank was, according to our information, prepared to write off even Rs. 10 lakhs. But we are not asking the Bank to do it for two reasons. Firstly because we do not wish to touch the capital of the Provincial Bank or its other resources in view of the fact that it should be the chief financing agency and should be in a strong financial position. We have fixed the amount at Rs. 6 lakhs because it roughly corresponds to the special bad debt reserve already accumulated by the Provincial Bank in addition to its statutory reserves. This bad debt reserve is intended to write off bad debts and to that extent, it may safely be utilised. We are aware that this bad debt reserve is intended not only to meet losses from bad debts in Berar but also in other parts of the Central Provinces where also some of the Banks are not in a sound financial position. But in accordance with the conventions and rules observed in regard to writing off bad debts and drawing on available reserves for such purposes, we will have to utilise the bad debt reserve to deal with definitely ascertained bad debts from time to time. There is nothing uncommon in this procedure. Our second reason for not asking the Provincial Bank to make a larger sacrifice is that we propose to recommend to the Provincial Bank to forego its priority in favour of the Government till the loan of Rs. 15 lakhs which the Government is requested to advance, is discharged. This will be a greater service to the movement than writing down its investments by four lakhs more. If the Provincial Bank immediately brings down its claim to Rs. 29 lakhs and also agrees to forego its priority in favour of the Government in the manner stated above, we hope that our scheme of rehabilitation will have a fair chance of success.

III. Central Banks

The scheme of rehabilitation must necessarily deal with the central banks and the primary societies as well. In regard to the central banks, the position seems to be that four of them, Amraoti, Akola, Khamgaon and Malkapur, are in a worse condition than the rest of the eight banks. One of the eight banks seems to be good and is not involved in any financial crisis. The other seven are comparatively better than the four banks mentioned above and can be reconstructed. We hope that if our scheme in regard to the depositors and creditors and the Provincial Bank is accepted by the Government and the Provincial Bank, there may be no necessity to liquidate even any of the four central banks mentioned above. If our scheme fails by the reluctance on the part of any of the interests concerned to render suitable help or make adequate concessions the responsibility for liquidating the Movement must be assumed by them.

If, however, any central banks have unfortunately to be liquidated in the last resort, the Provincial Bank should undertake the financing of societies in the area of the liquidated banks, till such time as co-operators of Berar are able to establish new central banks in such areas. It will take considerable time to re-establish central banks there. The provincial bank is the only agency to step in during the interval.

IV. Primary Societies

Much depends upon how the primaries are rehabilitated and reconstructed. This in our opinion is the foundation of the whole scheme of rehabilitation. There must be a thorough examination of the individual loans in the several societies and relief to the utmost extent possible should be given to indebted members. It may be that the arrear interest will have to be completely wiped off and possibly a portion of the principal amount may have to be scaled down. The extent of relief in this direction is obviously a matter to be decided after an examination of each individual member's loans and must vary from area to area. It is for the department of Co-operation and central banks to arrive at some definite conclusions in regard to this matter, after necessary investigation.

After such an examination of individual loans the members of societies should be divided into two categories—" retained members " and " eliminated members." By eliminated members we do not mean that any body should be struck off the rolls of membership. All that we mean is that such members will not be brought under the scheme of rehabilitation by giving them extensions for recovery of loans, because their cases are definitely bad. Every effort should be made to recover loans due from them after giving them the relief mentioned above, as quickly as possible, but not necessarily or in all cases by immediate coercive processes. We think that a period of one to five years according to the merits of each individual case, may be prescribed for the recovery of the dues from the eliminated members. They should certainly not be entitled to fresh finance. In regard to retained members, their loans should be placed on a new footing. All short and intermediate loans have become frozen and practically become long term loans as a matter of fact. They must get about 20 to 25 years and revised kists must be fixed for them. The reconstructed central banks must be put on a sound footing by restricting their membership to good societies with retained members. Definitely bad societies and effects of eliminated members must be brought under some scheme of quasi liquidation which may require a special agency to be employed till the process of rehabilitation is completed. The Government may have to be approached for the cost of this agency.

We recommend that unlimited liability should be only enforced where it is absolutely necessary to do so. We would have preferred the abandonment of such liability altogether. But in the peculiar conditions of Berar, we feel that the creditors and depositors of central banks may raise some objection to any of the legal rights to which they are entitled being abandoned. But in making contribution orders for enforcing unlimited liability, care should be taken to issue such orders for sums in excess of amounts actually borrowed by a member, only when he is found guilty of fraud, mismanagement or is otherwise responsible for causing loss to the society.

Legal Obstacles.

There are many details which we have not filled in. For instance it may not be possible to give effect to some of our proposals without necessary legislation. The utilisation of Rs. 10 lakhs out of the total liquid resources as suggested by us may require legislative sanction. The need for legislation may arise, because under our scheme pooling of such liquid resources may become necessary, that is to say, the liquid resources of a plus bank may have to go to relieve the distress in a minus bank. This is now not permitted under the co-operative law. But we hope that the whole scheme will be worked with the consent of the several interests concerned, in which case no legal difficulty would arise. But if ultimately it does arise, it should not be difficult to get over these legal impediments by suitable legislative or executive action.

It is true that we are encroaching on the legal rights of depositors. But ultimately, the only legal right the depositors have is to ask for liquidation of the central banks and to wait for recovery till the liquidator realises the assets. The assets are represented by lands and loans outstanding in the societies. Every one who is familiar with the processes of awards and liquidation know what it means to realise the assets. In the circumstances of Berar, depositors are likely to be prejudiced much more by this course than the course which we have suggested, which after all involves a sacrifice of four annas in the rupee and waiting for realisation of assets under more promising conditions, for the payment of six annas in the rupee, the other six annas being paid immediately. As we have already stated, for the portion of the deposits represented by the six annas in rupee for which the depositors will have to wait for some time, they will get debentures the interest on which at three per cent will be guaranteed by the Provincial Government. As the depositors are being helped to realise ultimately at least twelve annas in the rupee and as the Government and the Provincial Bank are coming to their rescue, it should not be considered objectionable from any standpoint to pass legislation, if necessary, in the direction indicated. For instance, no depositor can be asked legally to wait for 25 years or even for a day after the deposit matures to make a demand for the return of the deposit. So, a sort of moratorium may have to be declared by legislation to prevent the depositors and creditors of central banks from making a demand, except in accordance with the terms of the rehabilitation scheme. There are other directions in which legislation may be necessary.

V. FUTURE MANAGEMENT AND FINANCE

There are two other aspects of the scheme of rehabilitation with which also we wish to deal. One is the question of future management. Both in order to give effect to this scheme and to keep central banks and societies going in future, the Government must come to the rescue of the central banks and find money necessary for expenditure. We consider that a subsidy of Rs. 1 lakh per year for the next five years will be necessary, and we recommended that this subsidy be given without prescribing exacting conditions which central banks may not be able to comply with.

The next question is about future finance. The Provincial Bank and the Government are the only sources from which funds for future finance can be drawn at least for some time to come, because the public cannot be expected to invest any more funds in the central banks in their present position. Future finance can be ensured by the Provincial

Government agreeing to arrange for a cash credit accommodation to the extent required to the Provincial Bank through the Imperial Bank or the Reserve Bank on the guarantee of the Government if the Provincial Bank requires such financial backing. We understand that a credit limit not exceeding Rs. 5 lakhs would be enough for the present and the Provincial Bank can itself find the funds necessary if it can draw up to a maximum limit of Rs. 5 lakhs on this account as and when necessity arises. If fresh finance is advanced with care and caution and due attention is paid to regular recoveries we do not foresee any risk of the Government or the Provincial Bank losing any portion of the money so made available. It all depends upon the future management of the banks. The proposal of constituting the future boards of management of central banks with representatives of the Provincial Bank, the Government and the Central Banks is a fairly workable one. If, however, the Government, in order to safeguard its own interests, wants to take over the management of central banks in a more effective manner we leave the matter for the decision of the Government.

There is one question connected with future finance which requires mention. In the present circumstances of Berar, we think that the assets represented by the future loans should be completely separated from the assets represented by the old loans for various purposes. One such purpose will require legislation. In law, the creditors of central banks—the old depositors and the Provincial Bank—will be entitled to claim that these new assets of the central banks represented by future loans should also go in discharge of their claims *pari passu* with those of the new creditors who will be the Government and the Provincial Bank. This will be fatal to our scheme of rehabilitation as a whole. So, legislation may have to be undertaken to the effect that the new assets represented by future loans would not be made available to the old depositors and creditors in central banks, but these assets will be utilised only for the discharge of loans advanced by the Provincial Bank or by the Government through the Provincial Bank for future finance.

The separation of assets represented by fresh finance (crop loans) from old assets of central banks may however be effected without legislation, if the Provincial Bank constitutes the central banks, through which the crop loans are advanced, as its agents. Then the assets represented by those loans will not be the assets of the central banks, which are merely agents. This is a question of suitably drafting an agreement between the Provincial Bank and central banks.

It is now difficult to say whether, even if the recommendations made above are agreed to by the Government, the Provincial Bank and other interests concerned, it is possible to save all the central banks from liquidation. But every effort should be made to see whether the scheme drawn up could not be implemented without liquidating any central bank, for the repercussions of liquidation are very serious. But if the scheme is not adopted or even if it is adopted it is found that all the banks cannot be saved, then as a last resort, such banks as cannot be saved may be liquidated, provision for finance to societies being made as already suggested.

The Standing Committees also adopted the following two resolutions in connection with the Rehabilitation of the Co-operative Movement in Bengal and Bihar:—

Resolution No. 11.—*This meeting approves the general outlines of the scheme of Rehabilitation of the Co-operative Movement in Bengal submitted by the Registrar of Co-operative Societies to his Government and requests the Government of Bengal to examine it with a view to take necessary action as speedily as possible.*

In this connection while this meeting is in favour of expansion of the movement, it desires to record its considered opinion that such expansion should proceed on cautious lines and without undue haste.

Resolution No. 12.—*This meeting requests the Government of Bihar to examine the report of the Board of Experts on the rehabilitation of the Co-operative Movement in Bihar recently submitted to the Government and to take suitable action thereon as quickly as possible.*

At this stage, the Standing Committees took up for consideration the proceedings of the meeting of the Managers of the Provincial Co-operative Banks;* which dealt with the circulars of the Reserve Bank of India re: conditions to be satisfied by co-operative banks for obtaining financial accommodation from the Reserve Bank and reorganisation of the Co-operative Movement on banking lines. The following resolution was recorded by the meeting:—

Resolution No. 13.—*This meeting thanks the Managers of the Provincial Co-operative Banks for making available to the Standing Committees the proceedings* of their meeting which contain useful comments on the proposals made by the Reserve Bank of India in their circulars dated 14th May 1938 and 12th June 1939. This meeting resolves to circulate the proceedings to the several Provincial Co-operative Banks for their opinion with a view to formulate their reply to the Reserve Bank.*

* *Vide Appendix B.*

The following further resolutions were also adopted by the Standing Committees :—

Resolution No. 14.—*This meeting requests the Secretaries of the two Associations to collect the Markets Acts passed by the various Provincial and State Governments and submit the same to the Standing Committees in order to suggest to the Governments concerned the lines of necessary legislation for establishing Regulated Markets wherever it is necessary.*

Resolution No. 15.—*This meeting requests the Secretaries of the two Asssociations, in collaboration with Mr. K. Velayudhan Pillai, to draw up a scheme for implementing Resolution No. 9 of the Joint Session of the Standing Committees held in Jubbulpore in April 1939 regarding Organisation of a Band of Life Workers to serve the Co-operative Movement in India.*

Resolution No. 16.—*This meeting resolves to refer the resolution* proposed by Mr. Lahiri to the President for writing a suitable note thereon and circulate the same to the members of the Standing Committees, for consideration at a later meeting.*

Resolution No. 17.—*The continuance of the publication of the* Indian Co-operative Review *at Madras during the year 1940 and the incurring of necessary expenditure in connection therewith are sanctioned.*

Resolution No. 18.—*The invitation of Mr. D. P. Dastur, Manager of the Sind Provincial Co-operative Bank to hold the next meeting of the Association at Karachi is noted with thanks. The President is authorised to fix the place and date of the next meeting after consulting the convenience of the members.*

Resolution No. 19.—*This meeting requests the President and Secretaries to arrange for a co-operative study tour for about six weeks throughout India at some convenient time after the middle of January 1940 and to draw up a programme of the tour. Those who join the tour will bear their own expenses.*

* That in view of the critical position of co-operative organisation in many of the Provinces and States and with a view to avoiding chaos and confusion, this meeting considers it desirable that a proper lead be given by this Association to co-operative public opinion all over the country, by taking suitable steps for the preparation of a well considered scheme :—

(*a*) for rehabilitating the existing organisations as far as possible;

(*b*) indicating the course of action to be followed with reference to new organisation; and

(*c*) laying down a policy of de-officialisation.

Khan Mohammad Bashir Ahmed Khan, Secretary of the All India Co-operative Institutes' Association, proposed a vote of thanks to the authorities of the Madras Provincial Co-operative Bank for having permitted the use of their buildings for the holding of the meeting of the Standing Committees, to the co-operators of Madras for making arrangements for the meeting and for the stay of delegates and the boy scouts for their help and service. The meeting then terminated.

(APPENDIX A.)

Meetings of the Standing Committees of the All-India Associations—Delegates and Visitors.

MADRAS ..	1. The Hon'ble Mr. V. Ramadas Pantulu (*Chairman*). 2. Mr. T. A. Ramalingam Chettiar. 3. Dr. P. Gurumurthi. 4. Mr. L. Gangadhara Sastri. 5. Mr. N. Satyanarayana. 6. Mr. S. A. Venkataraman, Registrar. 7. Rao Bahadur M. Giriappa, Joint Registrar 8. Sir T. Vijiaraghavacharya, Chairman, Madras Committee on Co-operation. 9. Dr. B. Pattabhi Sitaramayya. 10. Prof. P. J. Thomas, Economics Department, University of Madras. 11. Mr. K. C. Ramakrishnan.
THE PUNJAB ..	1. Khan Mohd. Bashir Ahmed Khan. 2. Khan Bahadur Mallik Noor Mohd. Khan. 3. Mr. Mulraj. 4. Mr. Mohd. Quasin.
C. P. & BERAR ..	1. Sir M. G. Deshpande. 2. Mr. W. B. Lakhe. 3. Rao Sahib Udai Singh Bisen. 4. Rao Bahadur N. M. Khare. 5. Mr. P. L. Gupta. 6. Mr. Gole. 7. Mr. D. V. Rege, I.C.S., Registrar. 8. Mr. G. A. Bhonsle.
BENGAL ..	1. Mr. S.K. Lahiri. 2. Mr. S. K. Chatterjee. 3. Mr. W. Zaman. 4. Mr. Bhattacharjee. 5. Khan Bahadur A. M. Arshad Ali, Registrar.

U. PROVINCES	..	Mr. S. P. Andrews Dube.
BIHAR	..	Mr. V. M. Thakore.
BOMBAY	..	Mr. S. G. Deodhar.
SIND	..	Mr. D. P. Dastur.
INDORE	..	1. Mr. W. T. Karambelkar. 2. Mr. G. G, Hardikar. 3. Mr. S. W. Fadnis. 4. Mr. N. G. Kothari.
BHOPAL	..	Mr. Mohd. Asghar Ansari, Registrar of Co-operative Societies.
TRIVANDRUM	..	Mr. K. Velayudhan Pillai.
COCHIN	..	1. Mr. N. S. Rama Iyer. 2. Mr. K. Narayana Menon, Registrar.
COORG	..	Mr. Kariappa.

APPENDIX B.

Proceedings of the Meeting of the Managers of the Provincial Co-operative Banks held on the 26th October, 1939, in the premises of the Madras Provincial Co-operative Bank.

PRESENT:

1. Mr. Dastur, Sind Provincial Co-operative Bank (*Chairman*).
2. „ G. A. Bhonsle, Central Provinces.
3. „ Mulraj Bhai, Punjab.
4. „ T. Raghavendra Rao, Madras.
5. „ G. G. Hardikar, Indore.
6. „ W. T. Karambelkar, Indore.
7. „ V. M. Thakore, Bihar and Orissa Provincial Bank.
8. „ Deodhar, Bombay Provincial Co-operative Bank.

1. Mr. Dastur was proposed to the chair unanimously.

2. The sense of the Meeting was that it was very useful to have meetings of Managers of the different Provincial Banks and as far as possible such Meetings should be held with the Meetings of the Indian Provincial Banks' Association for formal discussion of certain important matters relating to Provincial Banks and Co-operative credit in general.

3. It was also decided that as the circular of the Reserve Bank dated the 14th May, 1938, had been subsequently considered by the Standing Committee of the Association, which submitted a memorandum, and as the Reserve Bank has after the submission of the memorandum, issued its circular of June, 1939, the latter circular may be taken into consideration.

At this stage, the Hon'ble Mr. V. Ramadas Pantulu came to see the Managers and was invited to take part in the discussions.

4. The meeting was of opinion that no rule applicable to all the Provincial Banks could be framed enforcing maintenance of cash balances of 10 per cent. of the total deposits, as recommended by the Reserve Bank in its circular of June, 1939, as the nature of the deposits varied from Bank to Bank.

The meeting, however, was of opinion that the percentages prescribed in Section 277-B of the Indian Companies Act for Joint-Stock Banks of their demand and time liabilities, namely, 5 per cent. of demand and 1½ per cent. of time in liabilities would be adequate for Provincial Co-operative Banks.

5. The meeting was of opinion that so far as Provincial Banks were concerned, the percentage of investments prescribed in circular of June, 1939, of the Reserve Bank, namely, 30 to 40 per cent. of the total deposits in gilt-edged securities be accepted.

The meeting was further of the opinion that Banks accepting deposits for five years or more should be at liberty to exclude all deposits due after five years for the purposes of calculation of this percentage.

6. In the view of the meeting, the fluid resources prescribed for Provincial and Central Banks by the respective Provincial Governments appeared to be adequate and required no change.

7. The meeting was of opinion that advances by Provincial Banks should not exceed 60 per cent. of the total deposits.

8. The meeting was of the opinion that all fresh crop loans should be made recoverable latest from the proceeds of the crop raised out of such loans and the period of repayment should not necessarily be restricted to nine months.

9. The meeting agreed with the Reserve Bank that Provincial and Central Banks should separately show in their balance sheets long-term advances.

10. The meeting was of the opinion that Provincial and Central Banks should ascertain their bad and doubtful debts and make sufficient provision for them in the balance sheets every year.

11. The meeting was of the opinion that Provincial and Central Banks should maintain a proportion of borrowed capital to their owned capital, as prescribed by their Local Governments.

12. The meeting was of the opinion that the proceedure laid down by the Reserve Bank to be followed by Co-operative Banks for obtaining financial accommodation from Reserve Bank was such as would make it impossible for most of the Banks to avail of any substantial aid from the Reserve Bank so as to expand agricultural credit in India as envisaged in the Reserve Bank Act.

The meeting was further of the opinion that for the purposes of expansion of agricultural credit in India, Provincial and Central Banks in India should organise their own resources with financial aid from Provincial Governments, if necessary, in order to be independent of the Reserve Bank.

THE SILVER JUBILEE CELEBRATION OF THE MADRAS PROVINCIAL CO-OPERATIVE UNION HELD ON 28TH OCTOBER 1939.

The Silver Jubilee of the Madras Provincial Co-operative Union was celebrated with great eclat on the evening of the 28th October 1939. It began with a tea party. A distinguished gathering of co-operators consisting of members of the Co-operative Enquiry Committee, Fraternal delegates from other Provinces and States who had come in connection with the meetings of the Standing Committees of the Indian Provincial Co-operative Banks' Association and the All-India Co-operative Institutes' Association and most of the prominent co-operators in the city were present. The meeting began with a prayer by the Mylapore and Adyar Scouts. The Hon'ble Mr. V. Ramadas Pantulu, President of the Madras Provincial Co-operative Union, welcomed the guests in a speech which is published below. The Hon'ble Mr. T. Prakasam, Revenue Minister of the Government of Madras, presided over the function and emphasised the role of co-operation in Village Reconstruction in a speech, which is summarised below. Mr. S. V. Ramamurti, I.C.S. Member, Board of Revenue, Madras, delivered the Jubilee address (also published) which pleaded for a real co-operation of vision, faith, capital and labour—the four constituent elements of a well organised society.

The special pandal put up in the premises of the Madras Provincial Co-operative Bank at Mylapore was packed to the full in spite of inclement weather. The Secretary read the messages received from prominent co-operators outside Madras. Copies of the Silver Jubilee Souvenir Volume were distributed to all members present and the Souvenir itself contained the messages received from prominent co-operators in Madras and outside the Province.

With a vote of thanks to the Chair this pleasant and successful function came to a close.

Welcome Address by The Hon'ble Mr. V. Ramadas Pantulu.

The occasion which brings us together here is, as you know, the celebration of the Silver Jubilee of the Madras Provincial Co-operative Union. The history of the Union is intimately bound up with the rise and growth of the Co-operative movement in this Province during the last two decades and a half. In the Souvenir presented to you to-day, the story of its origin and development is briefly chronicled. To some of you that story may not seem impressive, and the achievements to the credit of those who have been responsible for the conduct of the affairs of the Union in the quarter of a century that has elapsed may not appear particularly notable. But this institution, which has stood the test of time, has made its own contribution, however humble it may be, to the development of the Co-operative Movement in this Province and the spreading of the gospel of co-operation, its principles, ideals and aims among the people of South India. It has to its account steady and unostentatious work. Among its original founders were men of outstanding position in public life of the Province like Dewan Bahadur M. Audinarayanaiah, Prof. K. B. Ramanatha Iyer, Dewan Bahadur C. P. Rajaratna Mudaliar. Mr. C. V. Krishnaswami Iyer and Mr. T. Adinarayana Chettiar, who are, alas, no longer with us. It is a matter for gratification that some of the original founders are still with us, namely, Messrs. M. Shiva Rao, V. S. Ramaswami Sastri, R. Ananda Rao and O. M. Venkatanatha Iyengar, who continue to take interest in the Co-operative Movement and are its active votaries. Among the former Presidents of the Union, who have preceded me, we have men of much eminence as Mr. T. R. Venkatarama Sastri, Sir K. V. Reddi Naidu and Rao Bahadur A. Vedachala Iyer, who are still devoting their lives to the service of the country and the people. The list of those who have come under the influence of the Union and who contributed to its success is indeed a long one, and you will have some notion of the valuable services they have rendered to the Co-operative Movement if you care to peruse the pages of the Souvenir. I have no doubt that you will join me in expressing our grateful appreciation of their services, for we shall be failing in our duty if we do not give due recognition to their varied activities in the cause of rural development in general and the Co-operative Movement in particular.

The Madras Provincial Co-operative Union differs materially from its sister institutions in other parts of India, both in its constitution and its aims and objects. It never tried to assume any administrative functions. It took no responsibility for services like inspection, supervision or audit of its affiliated societies. It has been content to play the role of a propagandist and educational organisation, and in this field it has some tangible output of useful work to show. It has, however, failed in its constant and persevering endeavour to deofficialise co-operative education by transferring it from the hands of the official agency to a suitable co-operative agency. The Union is still a mere conduit pipe to transmit the subsidies received from the Government to concerned institutions and carry out the instructions of the Government and the Registrar in regard to the conduct of the training and educational courses. The whole question of the future co-operative education is now engaging the attention of the Committee on Co-operation appointed by the Government of Madras, and it remains to be seen whether there will be any change in the traditional policy of the Government in this most important sphere of co-operative activity. We have tried the official system of co-operative education during the last 35 years, since the inception of the movement in 1904, and I must say that it has proved a failure. I am convinced that even if we try it for the next 350 years it will be no better. I, therefore, make an earnest plea before the co-operators assembled here to endeavour to emancipate co-operative education from the shackles of officialdom and entrust it to well organised co-operative institutions.

Among the activities of the Madras Provincial Co-operative Union and its services to the people of this province, its pioneer work in the field of rural reconstruction deserves special mention. For a number of years, it has conducted over half a dozen rural reconstruction centres, of course with the co-operation and financial aid of the Madras Provincial Co-operative Bank and the local co-operative central banks. You will find an interesting account of that work in the pages of the Souvenir. Activities connected with the rural reconstruction programme have brought home to the minds of the people the fact that co-operation extends far beyond the supply of credit and collection of loans. The Provincial Co-operative Union has tried to visualise the ideal that in future co-operators will be engaged less in the task of turning over vast money by way of loans and more in the reconstruction of village life through the application of the principles and practice of co-operation.

The Madras Provincial Co-operative Union has been a useful centre of co-operative activities, where co-operators from the Tamil, Andhra, Kerala and Karnataka lands had opportunities to meet together and collaborate. It has a recognised position in the movement as the accredited exponent of non-official co-operative opinion in this Province. It helped to impart vigour and stimulate a sense of independence among non-official co-operators in the pursuit of which it had to fight many battles, some of which it won and some lost. If the Co-operative Movement in this Province to-day is even to a small extent in the hands of those for whom the movement is intended and those in charge of co-operative institutions here enjoy some little measure of freedom from official control and scope for initiative the credit for it to some extent must go to the Provincial Co-operative Union and its organ, *The Madras Journal of Co-operation.*

In the peculiar conditions of this Province, where people speaking four different important languages like Tamil, Telugu, Malayalam and Kanarese are thrown together into one administration, it has become the duty of the Madras Provincial Co-operative Union not merely to create a metropolitan rendezvous for the movements in the four linguistic areas but also to help them to develop their own organisations through the medium of their respective linguistic unions and journals. It is inevitable that the mother-tongue should be the legitimate and appropriate vehicle for the propagation of co-operative thought ideals, principles and methods among the people. So, the Madras Provincial Co-operative Union had to tackle a two-fold problem of organising central effort as well as developing decentralised effort on linguistic basis. I claim that its efforts have been attended with a fairly satisfactory measure of success.

A stage has now been reached when it is generally felt that the Madras Provincial Co-operative Union cannot continue to function on the old lines. With the development and strengthening of the movement in the four linguistic areas and the reorganisation of the several language federations into strong central bodies for those areas, the position of the Madras Provincial Co-operative Union will necessarily have to undergo a suitable change to fit in with the altered conditions. It is now difficult to say what form the future constitution of the Union will ultimately assume. Speaking for myself, I favour the transformation of the Madras Provincial Co-operative Union in due course into an alliance of the Co-operative Movements in the four linguistic areas, and rechristening the Union as *The South India Co-operative Alliance*. In the formation of this alliance, we need not restrict ourselves to territorial divisions based on the distinction between British India and Indian India, that is to say, the Provinces and the States. There can be, and in my opinion ought to be, a strong Kerala Union comprising not only the British districts of North and South Malabar but also the adjoining States of Cochin and Travancore. Similarly there can be a strong Karnataka Co-operative Union for the Kanarese speaking portion of the Madras Province, the Coorg and the State of Mysore. The Tamil and Andhra areas which are contiguous and sufficiently large in themselves do not present any difficulty. In the All-India Co-operative Associations we have already a federal organisation or federation of the Co-operative Movements in the Provinces and States. I do not see why we should not reconstruct and federate our four linguistic co-operative organisations in South India on a similar plan and make the future South India Co-operative Alliance a central organisation for the language federations so reconstituted. I shall not pursue the matter here any further. I have simply thrown out a suggestion for the consideration of co-operators concerned.

I conclude with the hope expressed by one of our most distinguished Registrars, Mr. D. N. Strathie, to whom the Co-operative Movement in this Province owes a great deal—the hope that as a result of our labours in the past and the zeal and disinterested devotion which we shall bring to bear on our daily work in the future, the movement will produce a body of unselfish workers—co-operative missionaries—who will "spread the gospel of brotherly love and mutual help in the villages, inculcate ideas of cleanliness and health, fight against pernicious customs and bring nearer the day when 'a loftier race than ever the world hath known shall rise',

> "with flame of freedom in their souls
> and light of knowledge in their eyes".

Speech of the Hon'ble Mr. T. Prakasam, Revenue Member, Government of Madras:—

Mr. T. Prakasam in the course of his speech, said, that at one time he was feeling the co-operative movement would spread over the whole country and relief would be given to the people in the remotest corners in the villages; but the progress had been checkmated. One of the causes for it was the economic distress of the world which started ten years ago in 1929-30. The real cause of the sufferings of the people in India was the monetary system that had been introduced here by the British Government and the manner in which it had been enforced in this land.

Proceeding, Mr. Prakasam said that there were also certain inherent defects in the system itself which would not allow the Movement to progress rapidly. The Co-operative Act that was passed was such that it did not give fullest possible freedom. He regretted in this connection that attempts made by prominent people like Nicholson for introducing the Raiffeisen system in our country were not crowned with success.

Not only the Co-operative Societies Act was defective; the defect was also in the system of Government. "To-day on the eve of my vacating my office which I have been holding for two years and three months, I can tell you that the system under which we were functioning as Ministers, has been such that it would retard the progress, even if Gods come down to do things quicker and to do things as fast as possible. It is a system that has been built up for such a long time, in its own way a perfectly safe system so far as Government is concerned".

Ever since he took up office, Mr. Prakasam observed, it had been his dream to see that villages were reconstructed and reorganised so that each village might be able to stand by itself and no villager would be compelled to go outside for any help. A Co-operative Enquiry Committee had been appointed by the Government. Fortunately, it was not a Committee appointed by legislators. So even though the present Congress Government was going out the Committee need not go out. The Minister said that he was hoping that the Report of the Committee would come soon and a Bill would be prepared, along with a Village Panchayat Bill, so that they might start village reconstruction work.

Commemoration Address by Mr. S. V. Ramamurthy, I.C.S., Member, Board of Revenue, Madras:—

We are met to-day to celebrate the Silver Jubilee of the Madras Provincial Co-operative Union. It was started in 1914 by a band of leaders several of whom we are glad to see in charge of the movement in this Province. Among the office-bearers, Mr. Venkatasubbayya has been a Joint Secretary from 1915 and the Hon'ble Mr. V. Ramadas Pantulu has been President from 1926. Mr. Venkatasubbayya, as a member of the Servants of India Society, has given to the Union the benefit of careful study, unassuming patriotism and devoted labour, the tradition of which the Servants of India Society has derived from its great founder. Mr. Ramadas has given a life time of energy to the co-operative movement. He has brought to bear in its service his gifts of intellect and persistent endeavour, his breadth of outlook as well as his passion for thoroughness. I have no doubt that continued leadership such as this has contributed to the unity of direction and sustained effort that has marked the life of this Union.

When I read the history of the Union which the Joint Secretary sent me, it seemed to me remarkable that the need for a co-operative society, which had to exercise its vision to gain faith and pass on its faith through education and propaganda, should have been recognised so early in the growth of the co-operative movement in Madras. The Union has searched for new lines of growth. It has taken its share in the evolution of central banking, of land mortgage banks, of new and important types of non-credit societies such as the co-operative insurance society, and of methods of rural reconstruction. It has spread its faith through its Journal, through training classes for co-operators and rural workers, and through personal propaganda. It is pleasing to note that there has been co-operation between the Co-operative Union on the one hand and co-operative banks and societies on the other. The Union derives appreciable monetary help from the Provincial Bank. Its members are co-operative societies.

Back of all this is the official Department of Co-operation which helps to maintain and develop co-operative activity and keep up a healthy connection between that activity and the life in general of the community. The substance and method of co-operation in this Province are being settled by a Committee of experienced co-operators and administrators under the Chairmanship of our esteemed friend, Sir T. Vijiaraghavacharya, who is an administrator by profession and a co-operator by temperament. Considering the labour which the Committee has devoted to its discussions, I look forward to an encyclopaedia on co-operation which will render possible a spacious reconstruction of the movement in this Presidency.

To-day I shall turn my attention to the general anatomy of co-operation and its claim to be considered the microcosm of an intelligent world.

The body of the co-operative movement is furnished by co-operative societies. They are individual groups of men, co-operating mainly for mutual economic support but also for other social purposes. Supported by these and sustaining them are co-operative banks, where the capital of the co-operative movement finds its union with the universal capital of the country. Next above are the institutions which embody the co-operative faith, which they sustain by the actual working of banks and societies and which they infuse into banks and societies. Part of the activities of the Provincial Co-operative Union falls into this category. The activity of the Co-operative Department also falls into this category. Professed co-operators including co-operative administrators are intellectual capitalists. Part of the activities of the Provincial Co-operative Union falls under vision, the search for new lines of development, experiment on such lines and the acquiring of new faith which is then passed on. The highest ranks of the Co-operative Department culminating in the Minister may be concerned in vision rather than faith only.

The anatomy of the Co-operative Movement yields four categories.—Vision, Faith, Capital and Labour. Vision is intellectual labour, as faith is intellectual capital. But capital and labour in co-operation do not conflict but find mutual sustenance and adjustment. Co-operative Banks find their support largely in co-operative societies and exist mainly to help their labours. Co-operative vision is exercised to sustain and develop co-operative faith. The Provincial Co-operative Bank helps the Provincial Co-operative Union with finance for its labours and for education and propaganda. Differentiation of functions does not imply dissociation. Nor is this differentiation a frozen one. The same person may exercise different functions or change his functions. I can imagine Mr. Ramadas seeing visions of co-operative growth. I can see him as a repository of co-operative faith. He is also a repository of co-operative capital. He is a co-operative labourer too.

How alike is this anatomy to the anatomy generally of Indian society, except that the partitions are fluid in the former and have become frozen in the latte[r].

Indian society has been designed so as to serve both dynamic and static ends. You have the stratum of society the function of which is to exercise vision, which strikes roots in faith; next the stratum which exercises faith, which tapers into vision. Then comes the stratum which deals primarily with capital, growing from labour and next the stratum which deals primarily with labour, building up capital. Vision, Faith, Capital and Labour—these are the Chaturangas of Indian Society as of Co-operative Society. The end strata are both dynamic, namely, vision and labour. The two middle strata are the static parts of society—namely, faith and capital. The design of Indian Society has shown signs of considerable strain in the altered circumstances of the present age. May I suggest that the co-operative world which is built on a similar design may yield, through its experience, lessons for reconstructing and re-vitalizing Indian society. The ideal of one for all and all for one which furnishes the motto of co-operators is one which lies at the heart of Indian life and has to be infused freely throughout its body.

Not only has society in India lessons to learn from the co-operative world but the whole world is in need of such lessons. In this little planet, a negligible particle in the gorgeous arena of the created world, there is surely need for co-operation. Men have been painfully toiling towards it but there is often a set back. It is no use ignoring the differences between different individuals. What one has to do is to recognize the unity amidst all such differences. Co-operation is the spirit, where differences form the body. Perhaps the co-operative movement of the last few decades functioning mainly in the economic sphere but slowly extending to the social, will sprout as the seed of a multi-purpose co-operative life—economic and political, social, cultural and spiritual—which shall organize itself in a regional or world commonwealth.

The Provincial Co-operative Union is thus experimenting in the midst of an experiment. It is the leader of a movement which may itself lead the world. Let us unite in wishing the Union on the occasion of its Silver Jubilee a fresh lease of life and energy in the service of the country and the world.

THE 23RD MADRAS PROVINCIAL CO-OPERATIVE CONFERENCE.

Madras, 29th October, 1939.

The XXIII Madras Provincial Co-operative Conference was held in the pandal erected for the purpose in the premises of the Madras Provincial Co-operative Bank, Mylapore. The function began with a prayer by the Mylapore and Adyar Scouts. The Hon'ble Mr. V. Ramdas Pantulu, President of the Provincial Co-operative Union, welcomed the delegates assembled in a speech published below. The Hon'ble Mr. V. V. Giri, Minister in charge of Industries and Development Departments, unfurled the Co-operative Flag and made a speech on the occasion. Mr. Ramadas Pantulu requested Rao Bahadur S. V. Narasimharao Pantulu, the President-elect, to take the chair. The President occupied the chair and then called upon Sir T. Vijayaraghavachariar, Chairman of the Committee on Co-operation in Madras, to declare the Conference open. Sir T. Vijayaraghavachariar did so in a felicitious speech. Mr. Narasimharao Pantulu then delivered his learned and thought-provoking address, extracts from which are given below.

The whole Conference then went into the Subjects Committee and discussed the various resolutions of which notice had been given. The discussion in the Subjects Committee was quite frank, animated and full, and therefore it was agreed that in the open Conference the resolutions should be merely read and passed. Accordingly, when the delegates met in the open Conference the Secretary on behalf of the President read the resolutions one after the other and almost all of them were passed without much discussion. The only resolution that caused some heated discussion was Resolution No. 19 about the Committee's resolution on the pooling of the Reserve Fund of the movement. Mr. Ramadas Pantulu, who did not at first want to take part in the discussion on the resolution, did so later and made a short speech explaining the general features of the scheme. Mr. T. A. Ramalingam Chettiar put forward what might be termed "the opposition point of view" and in the end the resolution was passed by a majority.

The President in his short concluding remarks congratulated the Conference on the excellent resolutions passed and hoped that the Congress Ministry which had just resigned their office would come back into power and be able to implement all these resolutions.

The Secretary of the Provincial Co-operative Union proposed a hearty vote of thanks to the Hon'ble Mr. V. V. Giri, to Sir T. Vijayaraghavachariar, to Rao Bahadur S. V. Narasimha Rao Pantulu, President of the Conference, to all the Fraternal delegates from other Provinces and States, to the delegates to the Conference, to the authorities of the Provincial Co-operative Bank who permitted the use of their buildings and compound, and to the volunteers.

Welcome Address by The Hon'ble V. Ramadas Pantulu, President, Madras Provincial Co-operative Union.

I beg to extend to you on behalf of the Madras Provincial Co-operative Union a most hearty welcome to the twenty-third session of the Madras Provincial Co-operative Conference. We are meeting in the gloom cast over the civilised world by the gravity of the present European conflict. We are also meeting under the shadow of a constitutional crisis at home. We have set much store on the transference of power in the provinces from governments which were not responsible to the people or the legislatures to the accredited representatives of the people. We hoped that after the removal, at least partially, of the financial and administrative handicaps under which the old governments suffered, a new fillip would be given to the nation-building departments. It must, therefore, be a matter of sincere regret to us co-operators that in eight of the eleven Indian Provinces, the popular ministries have to go out of office. Let us, however, hope that they will soon emerge out of the present deadlock victorious and with greater strength and determination for the pursuit of their nation-building activities.

It is usual on such occasions for the welcome address to deal with some of the pressing co-operative problems of the day. But I must depart from this practice on the present occasion mainly for the reason that a Committee on Co-operation appointed by the Government of Madras is now sitting to enquire into almost every aspect of the co-operative movement in this Province and to give it a new orientation. It has only recorded so far its tentative conclusions on some of the matters referred to it and it is still in the midst of its labours. It will therefore be not right for me to anticipate its final conclusions or to discuss questions which are engaging the serious attention of the Committee at this stage. I am under a special disability in this behalf on account of myself being a member of that Committee.

There is however, one aspect of the co-operative problem to which I think I ought to refer on this occasion. Among the matters referred to the Committee, the revision of the Co-operative Societies Act, I consider to be the most important. This task has not so far been tackled by the Committee, but it will no doubt soon come to it. I am of opinion that the Co-operative Societies Acts in force not only in this province but elsewhere in India should be completely rewritten. They are archaic and have outgrown their usefulness. The movement has been worked in accordance with the provisions of these acts for the last thirty-five years and we are perhaps worse off to-day than when we started with the Act of 1904. The preambles to these acts set out their aim as measures to facilitate the formation of societies for the promotion of thrift and self-help among agriculturists, artisans and persons of limited means, with common economic needs and so on and so forth. But provisions for implementing these aims and sentiments occur nowhere in the body of these measures which are mainly intended to provide for registration, audit, inspection and liquidation of co-operative societies of all kinds and to define the extent and nature of the several forms of official control over them partly by express enumeration in the statute and partly by the rule-making power to be exercised by the executive governments. They are more processual than substantive measures, as we lawyers call it. The powers of the Registrar are the same in regard to all the societies without any differentiation between them whatever may be their nature and functions—be it an apex bank, an urban bank, a primary society, a land mortgage bank, a propaganda institute, a training school a production society, a marketing society, a consolidation society, a consumer store or a better living society. The societies are officially known by their number in the Registrar's roll just as convicts in a prison or units in a police force; for what matters for the purpose of the co-operative law is their subjection to common discipline and drill. In other words, the Co-operative Societies Acts are all drawn up with the Registrar as the centre of the picture and not the society. This idea naturally dominates all proposals for the curing of the defects in the working of the societies or reforming the movement and the annual reports on the working of co-operative societies in almost all provinces therefore show a family likeness in this respect. Wherever a Registrar finds that the institutions in his charge failed to function properly, he asks for more powers to deal with them and for an increase of his staff to cope with his additional work resulting from such enlarged control. It is somewhat paradoxical that the movement should have degenerated to a larger extent in provinces where the Acts are more drastic than elsewhere. For instance, the Bihar Co-operative Societies Act is perhaps the most reactionary piece of legislation in co-operative law in India and yet it has not served to save the Movement in that province from virtual collapse. I therefore hope that the Government of Madras who propose to revise their co-operative law will not make the mistake of thinking that a tightening of official control over the movement and subjecting the co-operative institutions to tutelage and spoon-feeding in a larger measure will improve the movement in this Province. Such action will in fact have the contrary effect, for self-respecting and independent co-operators will no longer look at the movement; non-official initiative and enterprise will be discouraged, if not killed and sense of responsibility will be destroyed among those to whose care the institutions should normally be committed. I give this warning betimes. If on the other hand, our co-operative Acts are framed on the basis that "co-operation" is a movement of the people and not merely a department of administration, they will help to promote the initiative of those for whose benefit the movement is intended and tend to strengthen the institutions in diverse ways. I therefore feel that the co-operative societies acts in India should be made to approximate more nearly to the Friendly Societies Act in England and the Registrars should be left with the statutory powers of registration, liquidation and perhaps audit for some time. Audit should, in due course, be wholly dissociated from the department which is itself responsible for the administration of co-operative societies.

In regard to registration of bylaws and their amendments, I feel that the spirit of the provisions of sections 10 and 12 of the Act has not been correctly understood. These provisions are not intended to give the Registrar power to substitute his own judgment and discretion for those of co-operators who organise the society. Where the provisions of the Act are complied with and the bylaws or amendments conform to the Statute and the rules thereunder, normally the Registrar should not force his own views on the societies. It will result in the substitution of the judgment of one man for the considered opinion of those who desire to organise, promote and work a society.

There has of late been a tendency to make a serious departure from the well settled policy so far observed in this province, namely of not including in the committees of co-operative institutions nominees of the Government or of the Registrar—either officials or non-officials. We in Madras have always been of opinion that the statutory control vested in the Registrar under the Act and the rules and the conventions that have grown up in regard to the exercise of these powers are ample to keep the Registrar and the Government in touch with the actual working of the societies and his direct participation in or interference with the management through his nominees is both uncalled for and undesirable. Except in extraordinary cases, for instance where the normal machinery has broken down or where the Government has large and direct financial interests in any society, nomination to committees of societies should be prohibited by suitable amendment of the Act.

Beyond rigidly defined and greatly restricted statutory powers, there should be no departmental interference with and control over co-operative institutions. Such interference and control are, in my opinion, in the least degree conducive to develop co-operation as a factor in the reconstruction of our rural and urban economy. I reiterate my firm conviction that if co-operation is to occupy its legitimate place in our nation-building activities, the co-operative law of the country has to be entirely re-written from an angle of vision and standpoint radically different from that on which it now rests.

It may be said that the plea for de-officialisation of the movement loses its force with the installing in power in the provinces of popular and responsible governments. I do not accept this view. It is not the ministers who actually guide and control the movement, but the permanent officials. Ministries only lay down general policies. Again whatever may be the political complexion of the provincial governments under whom they work the permanent officials cannot, I think, bring to bear on their task that social vision and touch so essential to organise the peasants and workers for a new order, which involves a radical change in the outlook on life. The point does not need elaboration.

I must not be understood as saying that some measure of teamwork has not been possible in the past between the non-official and official agencies. But such adjustment has been possible in spite of the Acts and not with their aid. A good Registrar may make a bad Act work well but a bad Registrar may work a good law bad. The future of the movement should not be left to the chances of the play of such personal factors.

I must point out that even in free countries which enjoy the fullest measure of self-government, co-operators never countenanced State control. No State however democratic it may be in theory is wholly free from the influence of anti-social and vested interests, while the co-operative movement is essentially socialistic in its outlook and implications and in fact seeks to develop among its members a spirit of economic revolt against capitalism, landlordism and the like which operate as serious obstacles to the emancipation of the worker and the peasant. Let me give two small quotations from eminent co-operators belonging to two of the countries enjoying a republican form of government. Dr. James Warbasse dealing with co-operation in America says, "there can be no such thing as state-controlled and administered co-operation. It is an impossibility . . . . . . It is hyprocracy for a government to represent that it is doing co-operatives a kindness to take them under the limb of the State. It is the sort of protection that smothers." Sir Horce Plunkett says much the same thing. A. E., the great Irish co-operator, preached that the "problem of creating an organic life in Ireland, a harmony of their people, a union of their effort for the common good and for the manifestation of whatever beauty, majesty and spirituality is in them must be one which they themselves must solve for themselves". Such a consummation is unthinkable so long as the reins of the co-operative movement are held tight by men who are steeped in bureaucratic traditions and methods.

I must now say a word about ourselves. If to-day the co-operative movement is largely in official hands, it must be to a great extent attributed to our own indifference, inefficiency and disunion. We must shake off these weaknesses and assume real control of the movement. It is easy to form a society but not to conduct it well. As a thoughtful writer puts it, "Difficulty about compact does not lie in *making* them though that is often difficult enough, but in *keeping* them alive and fruitful after they are made." Political, religious, social, communal or sectarian quarrels are violently opposed to the integrity of co-operative compact. I therefore appeal to you to take prompt and effective steps to arrest all such fissiperous tendencies.

I now request Rao Bahadur S. V. Narasimha Rao Pantulu to take the Chair and Sir T. Vijiaraghavachariar to open the Conference. Sri Narasimha Rao Pantulu, our President-elect, is an old soldier in the army of co-operators and has to his credit substantial and unostentatious services to the movement, and he is one who is eminently fitted to occupy the chair on this occasion. Sir T. Vijiaraghavachariar needs no introduction to an Indian audience. His varied activities in several departments of administration, his mastery over subjects connected with agriculture and rural economics and his wide and life-long sympathies for the peasants of this country are well known. As the Chairman of the Committee on Co-operation appointed by the Government of Madras, he is engaged in an exhaustive, patient and critical study of all aspects of the movement in this province. We could have made no better choice of one for inaugurating the deliberations of our Provincial Conference at this peculiar juncture in the history of our Movement.

Speech of the Hon'ble Mr. V. V. Giri Minister for Labour, Industries and Co-operation, Government of Madras.

In unfurling the Co-operative Flag, Mr. V. V. Giri paid a great tribute to those who had worked the co-operative movement during the last 35 years and stated that there were at present 12,000 societies working in the field of co-operation, of which about 2,000 societies were "A" Class societies doing work in the right direction. If the rest of the societies were also enabled to do proper work, the needs of all the villages in our Province would be served. His ambition was that there must be at least one pucca society for every unit of 5 villages. For this purpose there must be paid workers for every society. If the movement was organised in that direction, persistent and continuous work would be ensured in the field of co-operation. As Minister in charge of Co-operation, Mr. Giri continued, his experience was that there were some people who were using the societies for village politics, personal politics and politics in general; and he expressed the idea that the co-operative movement should not be mixed up with such politics. The co-operative movement stood for the highest ideals and it represented the great principle 'Each for all and all for each'. The movement, he said, required energy, sincerity, persistence and character for its success.

Proceeding, Mr. Giri referred to the Committee on Co-operation appointed by the Government to re-organise the co-operative movement in this Presidency, and hoped that the recommendations of the Committee would be of such a nature that would contribute to the revival of village industries in village life. The co-operative movement, he observed, had a great part to play in the industrialisation of the country, especially in the revival of cottage industries. There would be no relief to rural people until and unless the cottage industries were revived with the help of co-operative societies. The mere enactment of the Debt Relief Act would not enable the people to get rid of their indebtedness and better their economic condition, and unless there was an earnest co-operative effort to help the agricultural people in taking up subsidiary occupations, the economic problem of the country could not successfully be solved. In conclusion Mr. Giri hoped that co-operators would seriously take up this question.

Opening speech of Sir T. Vijayaraghavachariar, Chairman, Madras Committee on Co-operation:—

Sir T. Vijayaraghavachariar, Chairman, Committee on Co-operation, while declaring the Conference open, justified the appointment of the Co-operative Enquiry Committee by the Government of Madras. At the outset he paid well deserved tributes to his colleagues in the Committee who gave him generous and ungrudging help. Many of them had spent a life time in co-operative work and what they did not know about co-operation was not worth knowing. The Committee had members versed both in the theory and in the practice of co-operation.

Continuing, Sir T. Vijayaraghavachariar said that his friends, co-operators from the other Provinces of India, had put him the question, if the reason for the appointment of an Enquiry Committee was that co-operation was in a bad way in Madras. His answer to them was that, if anything, the movement was much stronger in Madras than elsewhere, and that Madras had weathered the storms of the agricultural and economic depression more successfully than several other Indian Provinces. The real reason for the appointment of the Committee was that the Congress Government in Madras felt that a re-orientation of the movement was necessary. The Hon'ble Mr. Giri in opening the first session of the Committee had explained clearly the object which the Government had in view, which was to give a new life, a fresh direction and an inspiring ideal to the movement. Some time after it had commenced its labours, the Committee had an interview with the members of the Government, and in this it had been pointed out, especially by the Hon'ble Mr. Prakasam, that the Government was anxious that the Committee should consider the possibilities of co-operation renovating village life in its entirety. Government had under consideration a bill for revising and expanding Village Panchayats. They awaited the report of this Committee before they made up their minds about it. The idea was that the Panchayats and the agricultural co-operative socie-

es should between them fill the entire area of rural life and economy. The Panayats were to be in charge of that part of it which was to be regulated by legistive compulsion, and the co-operative societies with all that was to be accomplished y voluntary effort.

The spokesmen of the Government had thus pointed out that their aim in ppointing the Committee on Co-operation was to bring about the rehabilitation f village life in all its aspects and to make village life worth living. He admitted at there was an urgent need for revising the rural life in India. The poverty in e villages was appalling and the misery was intense. Unless timely measures ere undertaken by the Government to remove the poverty and misery, and unless he general conditions in villages were improved by means of reforms, revolutionary ethods would be adopted some time or other by a peasantry who had been awakned from their pathetic contentment. If Government was not able to do it people ho are outside the Government, outside the pale of law and order, would take it p in their hands, although it would not be pleasant to them. Revolution would ake the place of evolution. Pursuing his arguments still further, he said: "Some eople say that the Indian genius is opposed to Bolshevism; some others say it is pposed to Fascism. But I deprecate any such attempt at a specious theory that ndian genius is opposed to this and that and thus try to avoid the lines of human sychology. If we do not undertake the task in a drastic and radical way and hange entirely the outlook of the movement and make it a through-going one, we re bound to meet with the one extreme of Bolshevism or the other extreme of Fascism." Co-operation was the voluntary effort of the people for the people. It was nly in dealing with this problem effectively that co-operation could play its part effectively. He thought it was timely and to the credit of the Madras Government to constitute a Committee to deal with this problem. There was no subject connected with village problems which was not being tackled by the Committee. The deliberations of the Committee, he further hoped, would be commensurate with their labours.

The speaker deplored the absence of young men and women from the movement and said that if the movement was to be given a new orientation they should bring into their movement a very large number of young men and women imbued with a generous enthusiasm for improving the lot of their fellows. Proceeding, Sir T. Vijayaraghavachariar said that the co-operative movement was based not so much on the assets of the members as on moral foundations, and those engaged in the movement must possess character. In the days of its infancy the movement had the services of enthusiastic, selfless workers, who carried a missionary zeal into their labours. But just as when a religion grew the missionary spirit was replaced by routine and ritual, so as the co-operative movement made rapid strides in this Presidency, the early enthusiasm had disappeared and there was a risk that the ethical side of the movement would be overlaid by routine and apathy. It was essential to the successful re-orientation of co-operation that it should have recruits inspired by high ideals and a zeal for their countrymen's service. Business methods in the conduct of societies were necessary, but character was essential. Intelligent and educated young people must be prepared to live among villagers and work with them for improving their status. The renovation of society must be brought about by the inculcation of moral ideals. People were now being inspired with new ideas for their political and economic re-generation. In spite of depression, economic, moral and political, there was scope for good work and he hoped young men and young women would come forward to take the work of village reconstruction.

Presidential Address of Sri Rao Bahadur S. V. Narasimha Rao, Kurnool.

The inauguration of Provincial Autonomy and the advent of a popular ministry responsible to an elected Legislature has brought to the forefront questions relating to agriculture and rural uplift, on the proper solution of which depend the material advancement and prosperity of our great country. We, the non-official co-operators assembled in this Conference, cannot but appreciate the prompt and timely measures so far undertaken by our popular ministry for imparting some solace to the heavily indebted peasantry of the Province. The enactment of the Agriculturists' Relief Act and the establishment of Debt Conciliation Boards in all the districts have given a ray of hope for the future to the poverty-stricken agriculturist, sunk in the mire of unredeemable indebtedness. The gradual introduction of Prohibition throughout the Province is sooner or later bound to have its wholesome effect on the economic efficiency and stability of our rural population. All such measures, however, are mere palliatives which do not affect or solve, to any appreciable extent, the main problems of agricultural indebtedness and poverty which have become all the more intense and serious as the result of the economic depression which set in about the latter part of 1929.

I believe it is no exaggeration to state that the co-operative movement in our Province has on the whole progressed on fairly efficient and satisfactory lines, in spite of the numerous obstacles and impediments it had to contend against from time to time, though it cannot be gainsaid that it has not been able to serve its main purpose to the extent and in directions we all wish it to. The reasons for this apparent failure of the co-operative movement in our country to fulfil its fundamental objects are not far to seek. Co-operative institutions for the most part rarely adopted true co-operative principles and practices in their day to day working owing to lack of their correct and proper appreciation by the personnel in charge of such institutions. Co-operation in our country even to this day is understood by the ordinary unsophisticated villager as no more than a simple money-lending agency wherefrom money could be procured for his productive or unproductive needs under comparatively easy conditions. Agriculturists who were already in debt began to borrow freely from the co-operative societies wherever and whenever they were started, without much regard to their repaying capacity. Rural co-operative societies, whose fundamental object and purpose lay in seeing to the gradual lessening of the heavy burden of indebtedness of the agriculturist, only contributed in several cases to swell the volume of his indebtedness in the period of boom for agricultural commodities during and after the great war. And with the economic depression coming in the wake of the period of boom, the position of the agriculturist depending for his existence almost entirely on the land under his cultivation and enjoyment has become rather very precarious. The heavy overdues and the consequent unsatisfactory position at present of several of the rural credit societies in the districts are in a considerable measure due to the unco-operative methods followed by them in advancing loans to their members. It would be too much to expect co-operative institutions working under such unhealthy conditions to devote any attention to the beneficient and constructive sphere of activities pertaining to the movement. Our present Provincial Government which is keenly alive to the needs of the poorer masses has rightly taken up for active consideration the cause of the poor villager and hopes to devise ways and means to make life worth living for him. And we co-operators, true to the articles of our faith, have to render all the co-operation we can to the Government in the fulfilment of the high and noble ideals of the movement. The Government in its

turn must give all the help and encouragement it can to the co-operative movement to enable it to effectively discharge its great responsibilities in the direction of the social and economic upheaval of the rural communities.

Debt Relief.—Mere scaling down of debts has not been very much helpful to many a poor agriculturist, as he is not able to find the resources required to discharge even the scaled-down debts when hard pressed by his creditors. Some assistance no doubt is being rendered under the Agriculturists' Loans Act by the Government, and Land Mortgage Banks in the areas of their operation have also been rendering good service in the way of easing the burden of agricultural debt to some extent. Debt Conciliation Boards again are not quite so helpful, as the decisions given by them have no compelling force and as the scope for harrassment of the debtors is not taken away by virtue of their awards. All the same, they are rendering useful service in some at least of the cases coming up before them. These measures, however, in the very nature of things, do not touch the fringe of the problem. It may perhaps be a large order if I venture to state that substantial financial accommodation from the Government would alone enable the agriculturist community to rehabilitate itself on a fairly stable basis and to progress on sound and healthy lines suited to their environment. Long-term loans, redeemable over a period of not less than twenty to thirty years, issued on a more extensive scale through Government agency under the provisions of the Agriculturists' Loans Act, or through the agency of the Land Mortgage Banks, in all appropriate and deserving cases which are not past redemption, should considerably help to ease the burden of many an agriculturist, who without such help forthcoming in the near future is likely to lose his all. Extended relief operations under either or both of the said agencies would mean larger finance. And finance is undoubtedly the thorny problem that confronts the administrator in all his beneficient and wholesome measures of social amelioration. I am afraid the co-operative institutions can hardly expect to get any financial accommodation from the Reserve Bank for the relief of agricultural indebtedness under the conditions and restrictions stipulated by its authorities. Government can hardly find sufficient funds from out of its annual revenues in any one single year to meet all the capital sum required for this purpose. I should think, one possible solution lies in the Government undertaking to discharge the liability of scaled-down debts to the creditors in all suitable cases by annual payments in fixed instalment in the course of some years, recovering the amounts to be so paid from the agriculturist debtors annually like land revenue payments. Government may undertake such liability only in proper and suitable cases in areas not served by land mortgage banks, where the total debt of an individual agriculturist exceeds Rs. 3,000. In other deserving cases, agriculturist loans would have to be systematically disbursed annually throughout the districts for the next few years, to reduce the burden of the heavily indebted smaller ryots. Suitable legislation would be necessary if Government should agree to undertake to discharge the liability of the agriculturist debtors in annual instalments. The creditors may well regard such legislation as somewhat expropriatory and revolutionary. But the Government in the interests of the greater good of large numbers of our population have to adjust the conflicting claims of different sections of the population to the least possible detriment of any single interest, and enact suitable measures likely to bring about a general amelioration in the social and economic conditions of the community.

Seasonal Finance.—Seasonal Finance which partakes of a system of controlled credit, is a duty to be properly undertaken by our rural credit societies. Forecast loans based on the carefully ascertained requirements of the season would have to be obtained by the rural societies from the Central Banks in time to enable them to disburse the amounts to their members as short-term credit till the ensuing harvest. The agriculturist should not be forced to resort to the professional money-lender for his pressing seasonal needs. Healthy rural economy should be fostered in the economic life of our villages by the activities of well-organised co-operative societies throughout the country side. We should thus have a net work of co-operative societies in our rural areas to organise sound agricultural finance on firm basis. Agricultural societies of all classes and of all grades of solidarity functioning in the Province, which has 52,000 villages, number but 14,184 according to the administration report of the Department for the year 1937-38, of which 10,520 were ordinary credit societies and 101 were land mortgage banks. And about 15,000 villages in all are covered by co-operative societies. The Department and the Central Banks would have to take effective steps to organise societies, suitable to local conditions on a country-wide scale, so that every village with a population of 1,000 and above may, as far as possible, reckon an efficient co-operative society among its valued institutions. And group societies for two or more contiguous villages, where each one of such villages cannot possibly run a society successfully, may well be constituted to cater to the needs of the villages comprised in the group. It need hardly be emphasised that the availability of proper human material of the requisite character and public spirit should form the main consideration in organising new societies. I am led to think that with the growth of a sense of civic consciousness among the intelligent sections of the rural population in recent years there could be found sufficient talent of the proper quality in most of our villages to run popular institutions on approved standards of integrity and efficiency. With careful guidance and supervision of the central financing institutions the rural societies can well play a very useful role in financing and organising rural economy on sound business lines consistent with the fundamental principles of co-operation. It should be the aim of efficient rural societies to take into their fold all house-holders in their areas and thus inculcate the gospel of co-operation all round among the rural communities.

Land Mortgage Banks for Rayalaseema.—The Rayalaseema area among the dry regions of our Province, mostly lying within what has come to be known as the 'Famine Zone' of the South Deccan is, as is well-known, periodically subject to seasons of drought and consequent scarcity, and its ryot population who are in equal, if not greater, measure immersed in destitution and indebtedness are not now enabled to get the benefits accruing from land mortgage banks by the very reason of the unfavourable conditions assigned to them by nature. Even among the dry areas lands of superior quality and high fertility can be found, like some of the rich black cotton soils of the Deccan districts, which in propitious years yield enough to sustain those depending on them for a succeeding season of drought. I find the Committee on Co-operation on a careful consideration of the several factors bearing on the question has unanimously resolved to recommend the constitution of land mortgage banks in dry areas. The difficulty that may arise in the collection of instalments due from the borrowers in famine years was not left unnoticed by the Committee and appropriate suggestions to meet such eventualities were also embodied in their recommendation. I trust the Government would see its way to accept the recommendation of the Committee in this behalf with such modifications as may be found necessary in giving practical shape to the proposal.

Subsidiary Occupations.—The Committee on Co-operation has also exhaustively discussed the question in all its different aspects during its deliberations, and

some definite proposals have been suggested for adoption which if acted upon should materially help to increase the resources of the village artisan and industrialist by supplementing their meagre income from their agricultural holdings. Co-operative institutions should take a lead in the matter by organising wherever feasible and possible all such crafts and industries in the areas under the jurisdiction on a co-operative basis. Financing agencies should encourage the growth of co-operative effort in rural industrial development by rendering the needed financing assistance and helping the organisation of marketing facilities for such rural industrial products. The Industries Department should actively collaborate with the Co-operative officials and workers to achieve satisfactory results in the direction of the revival of rural industrial occupations. Efficient marketing requires as a pre-requisite wide and extensive publicity. The publicity required for the marketing of the products of such industries would, I believe, be facilitated to some extent by the District Commercial and Industrial Museums, which are now being started at each district headquarter centre with the active support and encouragement of District Officers. I think every such museum should have an emporium attached to it where the articles exhibited in the museum would be available for sale.

Land Revenue Reform.—The high incidence of land taxation in the ryotwari areas and the rack-rent systems prevailing in the Zamindari tracts of our Province have no doubt had a large share in swelling the volume of agricultural indebtedness and poverty. A radical change in the systems of land revenue assessment and fixation of rent in the ryotwari and zamindari areas respectively of our Province has long been overdue. It is comforting to find that the Hon'ble Revenue Minister of our Government has promised legislation to give effect to his proposals for land revenue reform with a view to secure adequate and substantial relief to the heavily indebted peasantry of the Province. I believe it would be in consonance with fair and just principles of taxation under progressive systems of public administration to exempt from payment of land revenue all small ryots, whose total uneconomic holding does not bear more than two rupees assessment and to introduce a lower rate of land assessment for landholders whose holding does not bear more than Rs. 25 assessment in ryotwari areas. These concessions may be shown to cultivating landholders alone, as the Darling Committee on Land Revenue Reform in the Punjab has now recommended. And Government may then consider the feasibility of the levy of a tax on larger agricultural incomes if it should be found necessary to make up the loss of revenue occasioned by the exemptions and concessions to be given to smaller landholders. In a world drifting to Socialistic conceptions of life the arrest of tendencies leading thereto can only be effected by remedies calculated to bring about a radical readjustment in the socio-economic conditions of the different strata of society. Unless and until such readjustment and reconstruction take place sectional conflicts are bound to arise in the community, which in their turn must produce discontent and disharmony among an otherwise peaceful population.

Loan and Sale Societies.—More sustained efforts would have to be undertaken and better organised co-operative institutions would have to function throughout the Province to make the marketing of the principal commercial and food crops a reality and a blessing to the hard-pressed agriculturist. The general inadequacy of storage and transport facilities, prevalence of somewhat high interest rates in market finance and the ever recurring financial needs of the middle class agriculturist are among the great drawbacks from which the producers of primary products generally suffer. The Government and the co-operators should accordingly take interest in the matter of provision of proper storage facilities for the main agricultural commodities at all convenient centres throughout the Province. There were but 118 co-operative loan and sale societies with a membership of 17,276 individuals and 1,660 societies at the end of the year 1937-38, and it may also be stated that several of these societies have not got their own godowns to store the articles kept in their custody. The loan and sale societies, if properly financed and efficiently conducted, should prove of immense advantage in providing timely credit to the agriculturist and in securing fair return to his industry and enterprise. The active co-operation of the Agricultural Department would be essential for getting the maximum benefit from our loan and sale societies. The grading according to quality of the principal commercial products like groundnuts and cotton can be advantageously effected and accurate information about changing market conditions can well be furnished by trained agricultural officers so as to secure proper prices for the articles sold through the societies. There should in my opinion be one well-conducted loan and sale society for a group of villages within a radius of 15 to 20 miles. It may not be possible to bring into existence a large number of societies in the Province in the near future without endangering the stability of the movement itself. But efforts can well be put forth to have one good society at a convenient centre in each one of our revenue taluks in the immediate future.

The question whether rural credit societies can well undertake the work of loan and sale societies and thus help in the regulation of rural finance has often engaged the attention of co-operators. Rural credit societies should certainly aim at fostering true co-operative ideals and instincts and inculcating habits of collective action and enterprise among the rural populace, if they fulfil their duties and responsibilities with right understanding and in a spirit of earnest endeavour. It would be undesirable, however, to permit rural credit societies generally to take up the heavy responsibilities connected with the proper functioning of loan and sale societies. Loan and sale societies require in the persons managing and controlling their work not merely integrity and public spirit but sound business acumen in addition, so that they may be run on approved business standards to ensure the continued confidence of their members and constituents. Combination of the functions and activities of an ordinary rural credit society with those connected with a loan and sale society may also lead to complications in very many cases when the directorate is not quite up to the mark as regards talents and integrity. Even the Reserve Bank, while approving the taking up of the sale of food crops by our rural credit societies, does not view with favour the assumption by them of duties connected with the sale of commercial crops. It would in my opinion conduce to smooth working and better business outturn if, instead of allowing rural societies generally to take up this somewhat ardous work, loan and sale societies ear-marked for a definite purpose, are to be concentrated in convenient commercial or industrial centres in the districts.

Co-operation and Rural Reconstruction.—I believe well-planned rural reconstruction on a systematic and sustained basis can only be brought about through the agency of the several development departments of Government working in conjunction under the direction and guidance of the provincial Minister in charge of the portfolio or under the supervision and control of a Rural Development Commissioner specially appointed for the purpose. Trained workers serving as rural guides are absolutely needed to regulate uplift activities in our villages on sound lines. Some of our educated young men coming from rural parts and struggling hard for a living occupation would, if trained for the purpose, certainly prove efficient and useful rural reconstruction agents. Co-operative institutions of all classes should certainly co-operate with the different departments of the administration in furthering the cause of rural reconstruction within their respective jurisdictions according to their capacity and resources. Rural credit societies have a special responsibility in the matter inasmuch as they are the institutions which, if properly managed and popularly conducted, should have a living contact and touch with almost the whole village community. Even under the existing constitution of rural credit societies their bye-laws give them ample scope to undertake social ameliorative work of any kind coming within the ambit of rural uplift activities, if they are so patriotically or philanthrophically minded. We cannot in the very nature of things expect to have an appreciable number of multi-purpose societies of a comprehensive character throughout our rural areas sufficient to meet the requirements of the vast field of rural reconstruction work. A band of enthusiastic workers, inspired by high ideals of public service, would be required to run such institutions successfully. While we may rightly wish to see such workers in abundance in the country-side, we cannot well ignore the realities of the situation in our desire for progress. And with the re-vitalised and re-invigorated village panchayats envisaged to function on a statutory basis, in pursuance of the legislation proposed to be taken up by the Hon'ble Revenue Minister of our Government, looking after the civic and cultural progress of the village communities, I think co-operators may for the present concentrate their efforts on organising active and efficient credit societies in almost every decent-sized village or for groups of contiguous villages, if otherwise expedient, to foster the economic and social advancement of the rural population and to help in the great beneficent work of rural reconstruction, as far as they can shoulder the responsibilities connected therewith.

Unlimited Liability.—My own personal conviction, born of the limited experience I can lay claim to in the field of co-operation, leads me to think that unlimited liability is quite unsuited to the genius and traditions of our people. Our illustrious countryman, the late Mr. G. K. Gokhale, who was not only a selfless politician of rare attainments but a sound economist of acknowledged repute, said in the course of the discussions on the first Co-operative Societies Bill in the Imperial Legislative Council 36 years ago, that 'unlimited liability is to the ryots in many parts of India an entirely foreign idea' and expressed the opinion that it might deter people in most parts of the country from joining such association. Whatever be the merits of the question, I know many a worthy and desirable man of substantial material possessions in our rural parts hesitates to join the rural credit society and contribute his quota of service in the cause of rural uplift on account of this rule of unlimited liability. And when we see the number and extent of contribution orders that are now being issued year after year by the Department on the liquidation of societies, it should not be surprising if well-to-do non-borrowers in villages refuse to be drawn into the movement for helping their less-favourably placed brethren. It appears to me that it would not help us very much to be guided by mere ideologies in attempting the solution of a practical problem like this without regard to local conditions and circumstances. When we consider the extent to which the rule of unlimited liability in the constitution of rural societies has been helpful to the ordered progress of the movement in our Province, it cannot but be admitted that it has rather retarded than fostered the healthy growth of the movement along useful lines in our rural areas. I think the Committee on Co-operation has come to the right decision in this vital matter affecting the future progress of the movement by enunciating its view that limited liability should be the ordinary rule for all agricultural credit societies, subject to exceptions that may be recognised by the Registrar.

Rehabilitation of Societies.—Bad societies awaiting liquidation at the end of the year 1936-37 were no less than 1,564 and their exact number at the present time may not be much less, if not slightly greater. It would well nigh be impracticable and impossible to gather fresh material and strength enough of the desirable quality and standard for starting new societies in places where societies have been liquidated in the recent past. It would thus be seen that some appropriate and necessary ways and means have to be devised to set most of the D class societies on their feet once again and see that they function in future on approved lines. The proposal of our veteran leader, Hon'ble Mr. Ramadas Pantulu, in regard to this important question, though characterised by him even as revolutionary, appears to me to be quite in the fitness of things and deserves the careful attention of all well-wishers of the movement. His proposal in the main with some modifications has been accepted by the Committee. In effect it endorses the fundamental principle of the co-operative movement 'Each for all and all for each' by giving practical proof of the same in actual working. It aims at wiping off the definitely ascertained irrecoverable debts of the primary societies and reimbursing the societies from out of the total of the reserve funds of all the primary societies and the Central Bank to which they are affiliated by pooling the said reserves into a common trust fund for this specific purpose to be administered under the control of the Registrar. This is certainly not a permanent arrangement but a temporary expedient formulated to get over the present crisis facing the co-operative organisations of the Province, which may have its repercussions on the future progress of the movement. An arrangement of the kind now suggested for giving fresh life and vitality to the existing hopelessly bad societies can never be intended to be a normal feature of the process of consolidation and rectification of bad societies. The malady or disorder now affecting the so-called D class societies of the Registrar's classification is unquestionably serious enough to require treatment of a special character, so that they may function once again as efficient units of the co-operative system. The proposal in question necessarily appears to favour wilful neglect and improvidence at the expense of thrift and prudence, the cardinal virtues preached by co-operation, when good societies are asked to forego a portion of their reserves, built up through long years of patient toil and careful management, for the benefit of their less prudent neighbours. I believe, we, the co-operators of the present age, have to take a long perspective of things and to regard ourselves as trustees for the future of our movement. Service and sacrifice in the common cause should be our beacon lights. I trust Government would not hesitate to undertake legislation to achieve the main end in view, with such modifications as may be found necessary in the proposals put forward by the Committee in regard to this question.

Individual Share-holders in Central Banks.—The constitution of Central Banks is a subject on which this Conference may well pronounce its considered opinion in view of the vital constitutional changes foreshadowed in pursuance of the resolutions of the Committee, whose deliberations are almost nearing completion. One of the recommendations of the Committee in regard to the future constitution of Central Banks suggests that individual share-holders should have no more place in them, so as to make Central Banks pure type banking unions composed of affiliated societies alone and the federal structure of the credit movement more co-operative. I am not so optimistic, as the Committee evidently is, to believe

that time has come for the elimination of individual members from the Central Banks. My personal knowledge and conviction force me to think that we cannot in the interests of the movement afford to take this important and far-reaching step at this juncture. It appears to me somewhat incongruous and ununderstandable how, if the federal structure of the credit movement demands the elimination of the individuals from the Central Banks, the Provincial apex bank, the premier credit institution of the Province, can be allowed to have individuals among its members, as the Committee has unequivocally decided. Apart from the incongruity, I would lay emphasis on the fact that the time is not yet quite opportune for eliminating individuals from the Central Banks. Recovery from the serious set back to the co-operative movement in the districts occasioned by the economic depression is yet on the way; and fundamental basic changes in the organisation of the premier credit institutions of the districts may prove in the long run detrimental to the sound and healthy progress of the movement in the Province. It need hardly be stated that almost all our Central Banks owe their foundation to the initiative and effort of a few prominent enlightened individuals at the headquarter stations of the banks and that the fairly satisfactory position in which they now stand is almost entirely due to the zeal and enthusiasm of a few individual directors at the headquarters. Central Banks are necessarily located either at district headquarter stations or at centres of civic enlightenment and progress in the districts. And men of culture and public spirit would be available in sufficient numbers at such places to take up the responsibility of guiding the affairs of these institutions successfully with right understanding so as to inspire the confidence of the investing public. It must also be admitted that a considerable proportion of the deposits in these institutions flow from the professional and trading classes at the headquarter stations. It is in no sense or spirit of disparagement of society representatives, among whom are to be found many an enthusiastic and warm hearted co-operator, that I am giving expression to my view that the time may not yet be ripe for handing over the management of these financing banks to the exclusive control of the representatives of institutions which stand in the position of debtors. In considering the policy of elimination of individual members from the Central Banks, Mr. C. F. Strickland in the latest edition of his valuable treatise 'Co-operation in India' observed that "though theoretically correct it may lead to laxity in direction or to excessive official interference if the middle-class helper is excluded from the larger banks before the representatives of societies are fully competent to replace them." While not eliminating the individual members altogether from these financing institutions, the representation for individual share-holders on their directorate may be reduced to the narrowest possible limits. The power of co-optation of experienced co-operators to the Directorates recommended by the Committee may not be of much practical value as the discretion to co-opt or not is to be left entirely to these Central Banks. It appears to me desirable under all circumstances to have for some time to come the steadying influence of, what may well be termed, unbiased individual element in the direction of these financing institutions.

Separate Apex Bank for Andhra Districts.—It is well worth proper consideration whether under the altered conditions and circumstances of the co-operative organisation and system to come into being at no distant date one Apex Bank for the entire Provincial area, having two main linguistic divisions with characteristic economic forces and factors operating in the respective divisions, can efficiently function to the fullest advantage of the movement. The discussions in the Committee revealed a clear and unequivocal cleavage of opinion between the two divisions on some momentous problems it had to deal with. Though there has been for the last 25 years a common Provincial Union looking after co-operative education and propaganda throughout the Province, both Andhradesha and Tamil Nadu have had their separate Federations for propaganda purposes for some years, enlightening the public on matters of co-operative concern through their respective vernacular journals and otherwise. Besides the Conference we are now assembled in, representative of the whole Province, both Andhra and Tamil Nad have been having their separate periodical conferences, discussing the problems which have a special significance for their respective areas. I am led to think that it would conduce to better organisation and wider usefulness if two separate Apex Banks, one for the Andhra districts and the other for the remaining districts of the Province, should be constituted, so that each one may chalk out the lines of work for the progressive realisation of the ideals of the movement in harmony with local conditions and peculiarities. This question can have absolutely no concern or connection with the larger issue of linguistic provinces about which we are not called upon to express any opinion. The question is therefore one which rightly deserves consideration on its own merits.

Probable Effects of War.—The terrible devastating European war that has now begun may, if prolonged for a few years, have far-reaching consequences and repercussions for good or evil—let us all wish for eternal and lasting good—on the political, social and economic order and systems of the several countries of the civilised world which we cannot now have the least forevision of. Any violent disturbance of the economic order cannot but have its serious effects and consequences on our movement which is but an aid to the economic well-being and progress of the community. And any fundamental reactions which the unhappy continuance of the war may bring about in the existing political fabric of our present provincial administrations, the majority of which represent the advanced political thought of our country, may tend to retard for the time being the hopeful progress of our popular movement towards the fulfilment of its great purposes. But co-operation, whatever be the prevailing system of administration in a country where the political and social conditions are not in a chaotic or revolutionary state, can well pursue its even course and shed its beneficent influence all round, if correctly appreciated and zealously practised by its disciples. Let us all fervently hope and trust that the outcome of the present disastrous conflict thrust upon the world by a greedy and heartless war-monger will be a new world order of peace, progress and collective security built on solid foundations and based on the highest and noblest precepts of human conduct and morality.

The Mission of Co-operation.—Co-operation in our Province has just undergone a most critical and searching examination at the hands of a Committee of well-known co-operators headed by a distinguished Chairman, respected alike for his profound knowledge of diverse administrative problems as for his breadth of vision in regard to their application and solution. And we may well expect at no distant date appropriate legislation and suitable executive action to implement the recommendations of the Committee for the future guidance and progress of the movement. Co-operators, who have an abiding faith in the noble ideals and high purposes of the movement, have to maintain aloft the banner of co-operation in all their corporate activities for the benefit of the community. Our popular movement all the world over stands for the principles of Democracy, Freedom and Peace and endeavours to bring about the regeneration of society through its economic principles and social ideals. Co-operation finds no barriers of caste, creed or colour. It is essentially and fundamentally a democratic and unifying movement which knows of no distinctions based on birth or social status. Freedom of association for common purpose and for the unfettered development of the human family is a cardinal principle of faith underlying the basic structure of our movement. Co-operation is thus not only an economic doctrine of universal application but a political and social creed of the greatest moment for nations as well as individuals. With co-operation as our faithful ally, we, who are proud to own this far-famed and historic land of ours as our mother-country can well march on to our rightful place in the Commonwealth of free nations.

Resolutions passed at the Conference.

1. That in the rectification of bad societies, affiliated to Co-operative Central Banks, whose debts to the Central Bank and outsiders can be discharged by setting off the share capital held by the society in the Central Bank (on which the Central Bank has a lien under Sec. 22 of Co-operative Societies Act) and the reserve fund of the society invested in the Central Bank, it is resolved to request the Registrar to permit the adjustment of such share capital and reserve fund to Central Bank loans without liquidation.

2. That as a further step of rectification resolved to recommend to the Central Banks that if there be a deficit of bank loan even after the adjustment of the said share capital and the reserve fund to the loans due to the Central Bank, the Central Bank may, if such loans are found irrecoverable, consider the advisability of writing of such loans, in preference to liquidation of the society and enforcement of unlimited liability.

3. That in view of the hardships experienced by the agriculturists in raising requisite money for share capital before taking a loan and in view of the absence of such pre-requisite conditions in respect of other lending institutions including Government also, resolved to request the Registrar to register amendments proposing to raise the limit of borrowing to twenty times the paid up share capital in respect of unlimited primary societies wherever it is not already so.

4. This Conference requests Primary Societies, Central Banks and the Registrar to find out ways and means for the proper development of non-credit work and cottage industries in primary societies and requests the Registrar as a first step to frame a bye-law allowing Primary Societies to take agencies of any manufacturing concern provided there is no risk for the society and the sale is restricted to members only.

5. This Conference requests the Government to reconsider the standard of fluid resources required to be maintained by Central Banks and Urban Banks and revise them in view of the fact that the standard is unnecessarily high and causes hardship and inconvenience.

6. Resolved to recommend to the Central Land Mortgage Bank the procedure of floating Debentures of 25 years and restrict the period of lending to 20 years, creating thus a margin of 5 years, to cover inevitable defaults in payment and consequent extensions.

7. This Conference is of opinion that compulsory insurance is unnecessary for non-combustible produce pledged with loan and sale societies in respect of loans exceeding Rs. 250, provided there is collateral security given and the borrower takes the risk.

8. This Conference requests the Registrar and the Government to organise societies for the development of cottage industries and for the distribution of electricity and allied services.

9. This Conference is of opinion that the bye-laws of the loan and sale societies in the moffusil be so modified as to include all the relevant provisions of the bye-laws of the Provincial Marketing Co-operative Society.

10. This Conference requests the Government to modify the present rules as to giving contracts of public works, so as to give preference to co-operative and labour societies, provided that the tendered rates by such societies are not more than 5 per cent in excess of the most favourable rate tendered by others.

11. (a) This Conference is emphatically of opinion that the interest charged by government on old loans issued prior to 1935 is very much excessive and the same should be reduced to the present rate of 4 per cent without charging any penal interest.

(b) That this resolution be communicated at once to the Committee of Enquiry.

12. This Conference considers that it is unjust and improper to abolish Local Co-operative Unions.

13. This Conference resolves that it is essential to have affiliation to Local Unions for propaganda, supervision and control of all the co-operative institutions including Depressed Class and special types of societies, even Land Mortgage Banks providing different rates of Supervision Fund for different types according to the quality of the work done by them.

14. (a) That in as much as the payment of half the normal rates of fees for the furnishing of encumbrance certificate entails considerable financial strain and hardship to the poor members applying for loans, mortgaging their property, this Conference requests the Government to order that encumbrance certificates be supplied free in the case of mortgage loans from co-operative societies of Rs. 200 and below.

(b) That the building societies be given the same concession as Land Mortgage Banks.

15. The Conference requests the Executive Committee of the Madras Provincial Co-operative Union to examine the present position of the non-official co-operative employees and make suitable recommendation before the end of the co-operative year, with a view to improve the condition of their service with special reference to security of tenure, pay and prospects.

16. This Conference requests the Government that the Executive Officers, Secretaries and Managers of Central Banks and Urban Banks be invested with the powers of the Registrar now delegated only to Officers deputed for duty in non-official co-operative institutions and that Directors of Central Banks and Supervisors may be invested with powers of Sale Officers for speedy disposal of business.

17. This Conference recommends to Central Banks to employ paid propagandists for co-operative education and propaganda.

18. This Conference requests the Government to withdraw the rules recently published regarding construction of buildings by co-operative societies.

19. This Conference considers it undesirable to pool the Reserve Fund of all societies as contemplated in the resolution on the subject of the Committee of Enquiry. (30×8).

20. This Conference requests the Registrar in deputing officers of the Government for service in the co-operative institutions to consult the institutions concerned.

21. (a) This Conference requests the Co-operative Enquiry Committee to declare that it is not desirable to impose on members of limited liability societies any qualification or restriction with regard to their becoming Directors;

(b) and that it is not proper to deprive them of their right to partake and vote at the General Body Meetings by reason of default committed by them in payment of loans due to the society. (18×4).

THE 10TH LAND MORTGAGE BANKS' CONFERENCE, Madras, 18th November, 1939.

Address by Sri T. A. Ramalingam Chettiar, President, Madras Co-operative Central Land Mortgage Bank, Ltd.

I have very great pleasure to welcome you to this Conference of Land Mortgage Banks on behalf of the Board of Management of the Madras Co-operative Central Land Mortgage Bank.

We have again got to our credit a year of steady work well done. It is a matter of congratulation for those connected with the Central Bank and the Primary Banks that the Land Mortgage Bank movement in the Province has progressed satisfactorily and cautiously and serves as a model to be followed by other Provinces. The movement was started with the policy that all parts of the Province should be served by Land Mortgage Banks. Steady progress has been made in this direction and the area to be covered still is very small. There are now 120 banks working in this Province. The paid-up Share Capital of the Central Bank has risen to Rs. 8 lakhs and the several reserves have accumulated to about Rs. 3.5 lakhs. The loans outstanding amount to about Rs. 2 crores. This steady and satisfactory progress is due to the hearty co-operation of everybody concerned—the Government, the Registrar, the Board of Management of the Central Bank and the managements of the Primary Banks.

The Government have raised the maximum amount of their guarantee of principal and interest on the issue of debentures of the Central Land Mortgage Bank to 250 lakhs. They have been giving temporary accommodation for the issue of loans during the last nine months and the amount due to the Government on this date is Rs. 28,85,550. They have been maintaining the services of the Co-operative Sub-Registrars without payment, in addition to the concessions they have given in stamp fees and registration fees. They are charging for the services of the Deputy Registrars during the last 3 years. For all this help co-operators are grateful to the Government.

We used to issue debentures throughout the year as we required money. We were luckily able to get all the money we required by this process. At the instance of the Reserve Bank of India the Government insisted on our changing the method of issue of debentures and asked us to issue debentures only once or twice a year at the times and on conditions advised by the Reserve Bank and offered to give temporary accommodation up to the limit of our requirements every month on condition that we repaid the advances as soon as our debentures were floated. For this temporary accommodation interest was to be charged at the bank rate which prevailed at the time the advance was made. I have no doubt the advice was well-meant and was given in the interest both of the Bank and the Government which had also to raise money in the open market by floating loans at convenient times.

This change in the procedure has unfortunately caused us serious trouble. The Government on account of their financial position have now intimated to us that we will have to float debentures and repay the advances taken from them, that they cannot advance money by way of temporary accommodation hereafter and that the rate of interest on the outstanding advances should be varied according to the bank rate. They have asked us to repay their advances first with the result that further loaning had to be stopped. The Bank was, therefore, forced to stop all disbursement of loans with effect from the 29th September 1939. All the conditions required to be fulfilled before resuming loaning are impracticable in the present state of affairs so far as we are concerned. The Central Bank and the Primary Banks issue loans at a fixed rate of interest and the equated payment to be made by the borrower depends on the rate of interest fixed. So the rate of interest cannot be varied. Any variation in the rate of interest will also affect the repaying capacity of members. The insistence of the Government on our paying Government advances first makes it impossible for us to continue our work. The Reserve Bank advised us early in the year to float our debentures in October but in October the financial conditions have so changed that it is impossible for us to float any issue of debentures in lump in the open market. We have now resumed the old practice of issuing loans in driblets keeping the list open until it is fully subscribed. We have been able to raise, with the co-operation of the Local Bodies and the co-operative societies and the kind help given by the Inspector of Local Bodies and the Registrar of Co-operative Societies, about seven lakhs of rupees. The amount already advanced by the Government and other funds utilized, which will have to be made good, amount to nearly 40 lakhs. If we have to raise these 40 lakhs and pay off first and then only start new transactions it will be a very long time indeed before we start giving loans. I made the suggestion to the Government that they might take debentures to the extent of their advances not subscribed by the public within a reasonable period. The Government have provided in the Budget, Rs. 75 lakhs for the purpose of giving temporary accommodation to the Central Land Mortgage Bank. I presume they have provided for this in the loan they floated sometime back and in their Ways and Means arrangements. I suggested that the Rs. 75 lakhs may be made available to the Central Land Mortgage Bank for covering the above said advances already made and to pay off the other funds utilised for loaning and to give accommodation as hitherto for normal transactions. With this arrangement the Bank will be in a position to carry on its transactions upto the end of the year 1940. I hoped that the Government could, in view of the fact that the Agriculturists Relief Act has been passed and the Debt Conciliation Boards are working vigorously, agree to this proposal. But they have declined to accede to the request on account of their present financial conditions created by the war. On the other hand they want us to raise money by issuing debentures in driblets as before and pay back the advance taken from the Government first. This has created an impasse.

I have suggested various alternatives to the Registrar and the Government, some orally and some in writing, to get over this impasse. I also suggested a conference for considering ways and means of getting over the present difficulty. On account of the pre-occupations of the Premier, it was not possible to arrange for the conference before the Congress Government resigned. It is necessary that the President of the Central Bank, the Registrar and the Government should without much loss of time discuss at a conference the present position and decide the future course of action. The people are suffering for want of credit and the lead given for saving the people from indebtedness by legislation and other acts of the Government will be seriously handicaped if the normal working of the Land Mortgage Bank is not continued. There have naturally been complaints all over the Province on account of the stopping of fresh loans. It is necessary that grant of loans should be provided for without delay.

During the year representations were made to the Government advocating legislation to meet various difficulties. The suggestions made by the last Conference were also sent up to the Government. The Government have passed an amendment to the Land Mortgage Banks' Act giving power to the Registrar and those authorised by him to call for production of documents from creditors and others. They have also provided by rules framed under the Agriculturists Relief Act a procedure by way of application by a creditor or a debtor under which a debt due from a creditor to a debtor, as to the amount of which they cannot agree, may be adjudicated by a court. It is ascertained that the Government are considering the other suggestions made by us.

Amendments proposed in relation to the Estates Land Act and the Land Tenures in Malabar are in abeyance pending legislation regarding the estates and the enquiry of the Malabar Land Tenures Committee.

The Primary Banks have paid all their dues in full to the Central Bank as usual. In certain areas on account of the cyclone or the prevalence of famine conditions, it was felt that some extension of time for payment of instalments would be necessary and the Primary Banks pressed for the same. The Central Bank was not able to accede to the request of the Primary Banks as it is raising debentures for 20 years and lending for the same period and any extension of time will seriously affect the financial position of the Central Bank. While the grant of extension in ordinary circumstances and in individual cases cannot possibly be allowed the question of granting extension in extraordinary circumstances like cyclone and famine has to be provided for. One method suggested for giving this relief is for the Central Bank to raise depentures for a slightly longer period than the term for which they lend, taking power in the conditions of issue of debentures to repay at the option of the Bank after a period fixed as now. This is a matter which will have to be considered by the Bank, the Trustee and the Government with reference to future issues of debentures.

The Primary Banks have been managed satisfactorily and well in almost all cases. But I am sorry I have to warn the Banks of the tendency I found in some of them to introduce party politics in them or to form cliques which create trouble and lead to mismanagement and inefficiency if not to a practical stoppage in the transaction of the Banks concerned. Canvassing on the same scale as in Local Bodies is being resorted to in some places. I also feel anxious about the future of some of the Banks as some of the office bearers try to exploit their position for their own personal ends. Co-operation is intended for mutual help and service. If it is utilized for personal aggrandizement or party advantage there will be an end to Co-operation in this Province.

The Government have appointed a Committee to enquire into the working and reorientation of the Co-operative Movement in this Province. The Committee is considering the ways and means of extending the scope of the movement and make it more useful to the people. I hope that the recommendations of the Committee when finally drafted and sent will help the steady progress of the movement in the Province.

The Congress Government and Mr. Giri as Minister in charge of Co-operation in that Government have been always helpful to us as were indeed their predecessors in Office also. I hope the Congress party will soon be in power again and help us in coming to a satisfactory solution of the many difficulties still facing us. In the meanwhile I appeal to the interim Government in which I am glad to note, Co-operation is placed in the hands of our old friend and former Registrar Mr. Hood, who was not a little responsible for the organisation and safe launching of the Central Bank to consider our present position with sympathy and help us to carry on the normal working of the Bank. I ought to take this opportunity to tender my greateful thanks to both Mr. Austin and Mr. Venkataraman for their constant courtesy and helpfulness during all the time I have been the President of the Central Bank.

I now request Mr. Giri to open the Conference.

Opening Address by Sri V. V. Giri, Bar-at-law, M.L.A.

I am deeply sensible of the honour you have done me in asking me to open the Conference of the representatives of primary land mortgage banks and feel thankful for your invitation. The only justification, it seems to me, for entrusting this function to me, apart from Mr. Ramalingam Chettiar's usual kindness, is perhaps the fact that I held the portfolio of Co-operation while in office. The office I held admittedly gave me an opportunity of knowing something of the activities of the Central Land Mortgage Bank and its affiliated banks and of hearing the representations made by co-operators about their working, and the few remarks and observations that I propose to make to-day are therefore based upon what I have gathered while I was in charge of the portfolio rather than upon a close study of the working of the banks and their problems.

Let me at once say that Madras has had the pride and privilege of establishing the land mortgage banking system on a sound basis and it has been the subject of study and of appreciation by other provinces. The land mortgage banks were, as you all know, started as an experimental measure in 1925 in a few select districts to tackle the question of long-term mortgage credit. But as they worked with varying degrees of success, depending on local initiative and ability to tap funds, and as their work was rendered difficult in the absence of a centralised agency to raise funds on favourable terms in the money market, the Central Land Mortgage Bank was formed in 1929, and your work really began from the inception of this bank. It was heartening to me to go through the administration report of the Bank and to note the progress made by it during the one decade it has been in existence. At the end of the first year of its working, the Central Land Mortgage Bank had about 19 primary banks affiliated to it and its paid-up share capital was Rs. 70,000; and the loans issued by it in the first year did not reach even half a lakh. During this one decade, the number of primary banks increased sixfold; its paid-up share capital was eleven times its first year's capital; the loans issued during the period were about Rs. 2 crores and Rs. 30 lakhs while the loans outstanding on 30th June 1939 were about Rs. 1 crore and 90 lakhs; and its reserve fund and bad debt and depreciation reserves exceeded 3 lakhs. This is a record of work on which all concerned with the management of the bank can congratulate themselves. Permit me to say at this stage that the progress which land mortgage banking has made in this Province is in no small measure due to the indefatigable efforts, prudence and care with which Sir M. Ramachandra Rao laid its foundations and the practical and business-like manner in which Mr. Ramalingam Chettiar and his colleagues on the Board have been carrying on its administration. To all of them we owe a deep debt of gratitude. I should not also fail to mention the sympathetic interest which the successive Registrars and Governments took in the development of the Bank and the help they have rendered to further its interests.

While what has been done so far by the land mortgage banks in the Province is really deserving of appreciation, we should not forget that the dead weight of rural indebtedness is pulling the ryot down and there is still a great need for relief. The volume of indebtedness in this Province was estimated at about Rs. 200 crores. The world-wide economic depression and the precipitous fall in agricultural prices have hit the ryot most, and it is the case that the volume of rural indebtedness in terms of agricultural prices is really much more than has been computed by economists. It was clear when we took up office that the position called for immediate attention. One of our first acts was the passing of the Agriculturists' Relief Act, in order to rehabilitate agricultural industry and to give relief to indebted ryots by compulsorily scaling down their existing debts and reducing the rate of interest on their future debts. Secondly, we have also constituted 'Debt Conciliation Boards'—there were only five boards previously which were not working effectively—at the rate of one for each revenue division in the Province except the Nilgiris. We also provided a sum of Rs. 50 lakhs in the budget for 1938-39 for the distribution of loans to agriculturists for the relief of indebtedness though advantage was not for many reasons taken of this provision. There is no doubt that owing to the debt relief legislation we undertook, there was a demand for more banks and for loans. During the short period we were in office, we increased the guarantee of the debentures from Rs. 125 lakhs to Rs. 250 lakhs and directed the formation of about 30 more primary banks. There is now no district which does not have a land mortgage bank. We also sanctioned the appointment of eight additional Co-operative Sub-Registrars to attend to the increasing work in the banks. Our intention was to have one bank for each revenue taluk or two taluks, according to the circumstances of the case, so that the whole Province may be covered with mortgage banks within as short a period of time as possible and I hope this objective would govern the policy of whatever Government might be in power during the future years.

This reminds me of the representations made to me by a large number of co-operators in the Ceded Districts for accelerating the organisation of mortgage banks in dry areas. I know this question bristles with practical difficulties. The Department and the Central Land Mortgage Bank have already started banks even in dry tracts, where definite sources of irrigation either from tanks or wells are available and where there is a certainty of crops; in other areas which are precarious, no banks have been formed. I am aware that this policy have been dictated purely by business considerations. For one thing, land banks depend for their funds upon debenture money. The debenture-holder must be paid on the due date and the business of the bank should be so carried on that the confidence which the investing public repose in the soundness of these debentures might not be upset. Agriculture in purely dry areas is a 'gamble in rain', and borrowers cannot in the nature of things be expected to repay their instalments regularly. It is really this apprehension that has rightly deterred the Central Land Mortgage Bank and the Registrar from starting banks in such tracts. Enquiries have also shown that the incidence of indebtedness is not high in dry tracts. Nevertheless, the ryots there too are in need of relief and it will be well if some arrangements by way of extending the period of loans, providing for bad agricultural years, could be devised for affording relief to the ryots in those areas. I notice from the proceedings of the Committee on Co-operation that they have tentatively suggested a temporary diversion of a portion of the Famine Relief Fund for meeting the obligations to the Central Land Mortgage Bank during periods of distress arising from drought, floods or cyclone and for reimbursing the money in good years. This is a suggestion worth examination and let us all hope that some satisfactory solution of this problem will be arrived at and mortgage banks organised in the less fortunate tracts of our Province.

I have often heard it said that the mortgage banks have hardly done anything to promote agricultural industry except substituting one creditor for another and passing on the accumulated unproductive debt from the private money-lenders to organised banks. I do not entirely agree with this view. It is true that a good deal of rural debt in our country is unproductive, and no agricultural industry can bear it even under normal conditions. To the extent to which land mortgage banks enable the rural debtors to ease the interest burden—it is a notorious fact that most of the debts carry usurious rates of interest—and make the savings available for productive purposes, to that extent do the banks render service to the ryots. In European countries, we are informed, most of the mortgage debt, though the incidence is equally high, is productive and that is a sign of agricultural prosperity. Even so it is necessary that our mortgage banks should supply credit to the peasantry to enable them to carry out permanent land improvements and methods of cultivation. I find from the regulations framed by the Central Land Mortgage Bank, that it can make loans for the construction of wells, tanks and other works for the supply, storage or distribution of water or for the renewal or reconstruction of these works or such other works as the Board may from time to time decide upon. You are aware of the great advance made in the supply of electricity in this Province; and I feel there are possibilities for utilising the electric power for the promotion of agriculture. How far land banks can be helpful in helping the ryots with long-term money for such productive purposes is a matter which repays careful study.

Sometimes a statement is made that the demand for long-term mortgage money for land improvements is hardly made, if at all, and the demand for funds is almost exclusively for the clearence of prior debts. It is difficult to reconcile this statement with the allegation that loans are not made for land improvements. This is, however, a matter which the Central Land Mortgage Bank would do well to investigate at least in the areas of primary banks where some progress has already been made by way of clearance of prior debts of agriculturists. The collection of such data would be helpful to the bank in its administration. I also feel that adequate propaganda in this matter has not been done by either the primary banks or the Central Land Mortgage Bank. The impression that these banks are intended only for advancing long-term money for the discharge of prior debts should be removed from the minds of the people by sufficient propaganda by the employees of the bank and by distribution of leaflets to the ryots. I understand that in America a good deal of propaganda is done by the Farm Credit Administration and leaflets written in a popular style about the objects of the banks, types of loans, interest rates, repayment provisions, eligibility, credit standards etc., are printed and distributed on a large scale to the farming classes. I think that any money spent in this direction by the Central Land Mortgage Bank and primary banks will be amply repaid both by way of adding to their popularity and of increasing their transactions.

Another statement made now and then is that Land Mortgage Banks have not been making small loans to small agriculturists. I am informed that this is not really the case in respect of all the banks. There may be difficulties in making loans to small ryots; for one thing, they may not in all cases satisfy the business

tests as to security, repaying power, etc., preliminary to the grant of loans; for another, it may not perhaps pay the banks to undertake this business, as the administrative expenses involved in the scrutiny and valuation of lands in connection with the sanction of such loans may not be adequately covered by the fees realised from the applicants for loans. This should not, however, stand in the way of satisfying the requirements of the lower middle-class ryots and of giving relief to them also. I find that of the loans disbursed during 1938-39 amounting to Rs. 58½ lakhs, those below Rs. 500 were about Rs. 1½ lakhs and those between Rs. 500 and Rs. 1,000 were a little less than Rs. 6½ lakhs. As I have said, there may be difficulties in the matter but it is not impossible to overcome them and to meet the needs of smaller agriculturists. I trust this will engage your consideration.

During my tours in the districts, the one common complaint that I received related to the delays in the sanction of loans by Land Mortgage Banks. The criticism loses, in my opinion, some of its force as a certain degree of delay is inevitable because detailed enquiries are necessary into the sufficiency of the security offered by the applicants for loans, valuation of the properties and examination of their title to them etc; and such enquiries in the nature of things are laborious and slow. Sometimes the delay is due to the reluctance on the part of the creditors of the applicants to furnish documents available with them and relevant for a consideration of the questions of prior charges, titles, etc. It was my privilege to have piloted through the legislature an amendment to the Madras Co-operative Land Mortgage Banks Act, enforcing the attendance of any person for giving information or producing documents in his possession or power before the officers or persons authorised by the Registrar in this behalf, and I trust this will go a long way to minimise the delays. I also understand that in certain cases, the delays are caused by the refusal on the part of the creditors to take payment of the debts as scaled down in accordance with the provisions of the Agriculturists' Relief Act. In the absence of legislative provision enabling the mortgage banks to deposit the amount of debts due in Civil Courts on behalf of their members, it is stated that in some cases the loans sanctioned and remitted to primary banks were returned to the Central Land Mortgage Bank. I am sure that the Government will soon consider the need for legislation to get over this difficulty.

You may perhaps expect me to refer to the orders passed by the Ministry before we resigned office, suspending temporary accommodation by the Government to the Central Land Mortgage Bank. You are aware that on the advice of the Reserve Bank of India, the Bank undertook to float debentures once or twice a year when monetary conditions were favourable instead of floating them off and on in driblets and the Government agreed to give temporary accommodation to the Bank till it was able to obtain funds through the flotation of debentures. But owing to the abnormal conditions created by the War, the Bank could not float debentures in bulk as advised by the Reserve Bank and the Government permitted the bank to issue debentures in driblets as hitherto and discontinued the temporary accommodation to it.

As regards the rate of interest on temporary accommodation, I may state that the Government have been borrowing from the Reserve Bank of India paying interest on outstandings at such rate as may be fixed by the Bank from time to time. Similar procedure was considered necessary and revised orders to that effect were issued, though in the initial stages the same rate as that prevailing at the time of the sanction of the advances was charged. Under normal conditions these orders will not affect the margins of the Central and the primary banks.

I hope that the Bank would be able to get all the money it requires by the flotation of debentures. If, however, owing to the tightness of the money market, there is not an adequate response from the investing public, I am sure the present Government in consultation with the Registrar and the Bank will devise some satisfactory arrangements to place necessary funds at its disposal to enable the Bank to carry on its business. It is possible that, in any case, the present war conditions might temporarily affect the business of the Bank as well as other economic enterprises of the country. But this, I hope, will be a temporary phase.

I may finally state that the rural problem is a vast and complicated one and the help which land mortgage banks have been affording to agriculturists is only a palliative; it cannot by itself solve the problem. We do require Agriculturists' Relief Act, Debt Conciliation Boards and Land Mortgage Banks, but what is more necessary is a comprehensive agricultural policy and reform through a co-ordination of the activities of all the departments of Government concerned with the welfare of the village population. Good rural communications, rural water supply, provision of rural medical aid and sanitation, introduction of improved agricultural methods and technique, a satisfactory system of marketing arrangements for the sale of agriculturists' produce, supply of credit and regulation of the relationship between the money-lenders and the ryots as well as between the land lords and tenants, improvement of cattle and adequate provision for rural veterinary service, etc. are several aspects of the agricultural policy on which we are engaged while in office and before evolving which we had unfortunately to quit office. We are not, however sorry for having come out of office in response to the call of the country, but to whomsoever it may be given to carry on the Government in the future years, let us all fervently hope that a comprehensive agricultural policy will be evolved and that the material and moral advancement of the agriculturists will be greatly accelerated. I am sure that in a scheme of agricultural reform of this kind, the co-operative movement in general, and land mortgage banks in particular will have a great part to play. I do not think that our attempts at the redemption of agricultural indebtedness will succeed unless they are followed up by a marked change in the mental and moral outlook of the ryot. One of the basic conditions of any scheme of debt redemption is that the debtor should agree to give up for the future habits of improvidence and uneconomic expenditure. Unless land mortgage banks try to take this into account and work so as to bring about this change in the debtor, they cannot hope to prove the real and permanent solution of the difficulty, and I have every hope that land banks in this Province will strive to achieve this objective.

One word more before I conclude. I find that of late the working of primary banks here and there is unfortunately marred by personal misunderstandings and factious spirit. Mr. Ramalingham Chettiar too has drawn pointed attention to it. This is a tendency which should be checked by all well-wishers of the movement. Co-operation offers a common platform for the economic betterment of the people and transcends all considerations of caste, creed or community. It is a sacred movement, in which personal or party differences should be subordinated to the common interests of the greatest good of the greatest number. I appeal to all co-operators to work the banks with mutual good will and harmony and translate into action the ideals for which the movement stands in a spirit of humility and service.

I have great pleasure in declaring this conference open and wish it all success.

Resolutions passed at the Conference.

1. *Ways and means of checking subsequent alienations.*—There is a growing tendency on the part of members of Primary Land Mortgage Banks to alienate hypotheca without the previous permission of primary banks, the Central Land Mortgage Bank and the Registrar. What are the measures which should be taken to check it?

Resolution.—(1) The circular proposed will meet the difficulty. (2) In cases of unauthorised alienation where the alienee does not become a member and execute an agreement the power of sale should be exercised."

2. Facilities for investment and withdrawal of funds of Primary Banks where recognised banks have not got their offices:

In Primary Land Mortgage Banks situated beyond the easy reach of the branches of the Imperial Bank of India or other recognised banks, what are the arrangements that should be made for investment and withdrawal of the funds of Primary Land Mortgage Banks? (Is it necessary that Primary Land Mortgage Banks should be permitted to open banking accounts with the local treasuries?)

Resolution.—"The Government may be requested to allow the opening of account with the sub treasuries where there are no other banking facilities."

3. *Annual revaluation.—whether necessary*: Is it enough if revaluation of mortgaged properties in Primary Land Mortgage Banks is done once in 2 years instead of annually as is now done?

Resolution.—"Revaluation once in 2 years is enough."

4. "This conference is of opinion that in order to facilitate securing information regarding zamindari rents paid by borrowers, the Government is requested to issue suitable instructions to zamindars to furnish required information to primary banks at their request."

5. "Resolved to address the Government to amend the Land Mortgage Banks Act so as to provide that obligations in favour of foreign Governments by way of payment of water tax should not be considered as charge or encumbrance on the property."

6. *Resolution.*—"The question of amending the Act to do away with the two assignments may be considered."

"I. G. be addressed with reference to the last,* especially with reference to changes in the rate of interest."

7. "To allow the secretaries of the primary land mortgage banks to take allowance from the primary land mortgage banks when they are working at a profit."

8. *Resolution.* "A suitable by-law to grant bonus may be introduced" (in the by laws of primary banks).

9. "Resolved that the by-laws of the Primary Land Mortgage Banks be amended making provisions for Common Good Fund, Building Fund, etc."

*This conference while agreeing with the policy that unnecessary rectification deeds should as far as possible be avoided requests the Registrar to withdraw the circular No. 6683/39, dated 19-9-39 and address the I.G. of Registration not to treat the rectification deeds as abuse of the concession and charge fees and also modify the direction that such charges if paid should be recovered from the staff since it would be penalising the low paid staff for accidental slips or omissions."

10. "To ensure that there are no encumbrances prior to the one executed by borrowers in favour of primary land mortgage banks and prevent possible fraud by borrowers by creating documents bearing dates prior to the date of the bank's encumbrance, and getting them registered subsequently, resolved that steps be taken to get amended section 47 of the Indian Registration Act, so as to make the operation of the documents commence from the date of registration and not from the date of execution, so far as priority of the claims is concerned."

11. 'Resolved that the President, C. L. M. B. be empowered to sanction loan applications not exceeding Rs. 2,000 as recommended by the Co-operative Enquiry Committee."

"Resolved that the Co-operative Sub-Registrar be empowered to send loan applications for sums not exceeding Rs. 2,000 direct to the Central Land Mortgage Bank after they are sanctioned by the Primary Land Mortgage Bank."

Resolution: "Await the recommendations of the Committee."

12. "To request the Registrar of Co-operative Societies to exempt all the primary land mortgage banks which are working at a loss from audit fees."

13. "Resolved that in a village where there is a complete failure of crops and full remission is granted, only the interest from the borrower may be collected. The collection of the principal may be postponed for a period not exceeding 3 months from the due date, during which period no penal interest is charged. The Central Land Mortgage Bank may also extend their time for collection of the arrears from the P.L.M.B. in such cases."

14. "The Revenue Board will be requested to give priority to applications for sub divisions through L. M. Banks."

15. "Whereas the orders passed by courts on applications made to them under the rules framed under the Madras Agriculturists Relief Act, 1938, are deemed to be decrees only for purposes of appeals and second appeals and whereas no provision is made by which the creditors can be compelled to receive the amounts ascertained and give full discharge of the debt, this conference requests the Government that a rule be made giving the orders aforesaid the force of a decree so that banks may on behalf of the debtors pay the amount into the court and obtain satisfaction of the debt from the courts."

16. "The Government be moved to amend rule under the Civil Procedure Code and the Revenue law so as to make publication in the L.M. Bank notice Board necessary for sales."

17. "Resolved to clarify that the bank is entitled to interest under section 16(1) up to the date of confirmation of sale or up to the date of actual receipt by the bank at the rate stipulated in the mortgage bond by adding "up to the date of the confirmation of the sale" after word 'sold' and before the word 'thirdly in section 16(1) of the Land Mortgage Banks Act."

18. "Resolved to request the Government to make it obligatory on the part of village officers to furnish the extracts of such village accounts and records as are available with them and pertaining to the lands proposed to be mortgaged when asked for by the co-operative sub-registrars and the supervisors of primary Land Mortgage Banks."

19. "This conference requests the C.L.M.B. and the Registrar of Co-operative Societies to allow the co-parceners of the family to divide the loan when they partition their properties. This may be allowed if the co-parceners execute separate mortgage deeds and assignment deeds at their own cost."

20. Resolved that the Primary land mortgage banks be authorised to receive deposits and issue loans not exceeding Rs. 500, from out of their own resources wherever and whenever possible. The primary banks may issue such loans with the approval of the Deputy Registrar for Land Mortgage Banks and such loans shall be cover for such deposits received or such portion of the subscribed capital utilised for that purpose.

Resolution.—"Can't be allowed."

21. "Resolved that representation be given to the primary banks in the conciliation boards working in their areas and the government be addressed."

22. "This Conference requests the Government to pass such orders as to allow the Supervisors of Land Mortgage Banks to take lease and sale statistics for the villages which are in their area of operations from the concerned offices of the Sub-Registrars of Assurances as the present practice of collecting statistics by the Co-operative Sub-Registrars for Land Mortgage Banks causes much delay and inconvenience in the disposal of loan applications."

THE MADRAS PROVINCIAL CO-OPERATIVE BANK LTD.

Annual General Meeting, 26th November, 1939.

Speech by The Hon'ble V. Ramadas Pantulu, President.

In presenting the statement of accounts for the year ended 30th June 1939 and the recommendations of the Executive Committtee in regard to the distribution of profits under the byelaws for your adoption, I desire to make a brief statement on the present financial position of the Bank.

Working Funds.—As on 31st October 1939, our time and demand deposits stood as under—

Time deposits.—	Rs.
Fixed deposits ..	64,80,650
Central Banks' Reserve Fund deposits ..	32,22,997
Provident deposits ..	4,79,635
Employees' Provident Fund deposits ..	97,685
Debentures of the Bank ..	2,14,600
Total ..	104,95,567

Demand deposits.—	Rs.
Current deposits ..	54,05,173
Prudential deposits ..	16,10,964
Overdraft from Imperial Bank ..	9,24,933
Call deposits ..	4,00,000
Total ..	83,41,070

Of the total deposits of Rs 188·36 lakhs at our disposal as shown above, we pay one per cent on Rs. 54·05 lakhs, 1½ per cent, on Rs. 4 lakhs, 2½ per cent on 70·53 lakhs, 3 per cent on 51·86 lakhs and 4 to 6 per cent on the balance of about Rs. 7·92 lakhs. The average rate of borrowing is thus 2·9 per cent., excluding demand deposits, which cannot be counted upon for loan transactions.

So far we have not found it necessary to offer rates higher than those quoted above, and there is every prospect of our being able to continue to get the required funds at these rates.

Investments.—The investment position of the Bank as on 31st October 1939 stood as follows:—

	Rs.
Loans to Societies and Central Banks and depositors (fully secured) ..	64,32,827
Overdrafts availed of by individuals and institutions (fully secured) ..	10,58,647
Investment in Government Promissory Notes ..	126,61,330
Investment in Central Land Mortgage Bank Deb. etc. ..	17,01,607
Total ..	218,54,401

Our average earning rate is 3·7 per cent, and it will thus be seen that the financial operations of the Bank are on a sound and stable position.

Owned Funds.—After making the distribution of profits the owned funds of the Bank will amount to Rs. 33,39,566 as per details below:—

	Rs.
Share Capital of the Bank ..	6,55,800
Reserve Fund of the Bank ..	18,25,000
Depreciation Reserve ..	8,00,000
Building Fund ..	58,766
Total ..	33,39,566

It will thus be seen that our reserves amount to four times the paid up share capital of the Bank.

Out of the loans outstanding against central banks and societies, a sum of about Rs. 12 lakhs is outstanding from the Vuyyuru Co-operative Agricultural, Industrial and Credit Society, including the accommodation given for the current season. I am glad to say that the Society has substantially reduced its commitments under borrowings for block expenditure. Excluding the loans secured by the pledge of sugar in stock and temporary overdraft for seasonal expenditure, a sum of roughly Rs. 10 lakhs is due to us, of which a little over Rs. 5 lakhs is secured by assignment of first mortgages of very valuable lands and the balance secured by other assets of the Society, that is to say, buildings, plant, machinery; etc. besides the joint and several personal liability of the directors. Satisfactory arrangements have been made for the repayment of this amount. The price of sugar is rolling high and there is every prospect of the loan being repaid more rapidly than we once thought it was possible. It is also gratifying to note that the Society has been making efforts to extend the cultivation of cane so that the Factory may work more satisfactorily in coming years.

Our Loan Policy and Long Term Money.—We have at present no money which is of longer duration than two years. But of late, we have been disbursing loans for periods extending up to five years. The curtailment of credit, as a result of the debt relief act and other measures for relief of indebtedness, and the temporary stoppage of long term loans by land mortgage banks have resulted in greater demands being made on us for long term accommodation. In any case, I feel that we shall not be able to go beyond seven years in exceptional cases, the normal long term period being three to five years. If we wish to develop our long term business, we must take deposits for more than two years, for it will be unsafe to embark on long term business with our short term funds. We have necessarily to pay higher rates for long terms deposits, which in its turn involves our charging higher rates on long term loans, thus differentiating between long and short term accommodation. I hope it will not be necessary to do so. I trust that the central banks will, as far as possible, pursue a policy of encouraging short term loans for cultivation expenses and for marketing of produce.

For intermediate purposes, loans should as far as possible be limited to three to five years. If the central banks adopt this policy, the Provincial Bank can continue to accommodate them at three and a half per cent, and in spite of the difficulties of the money market created by war conditions, our organisation can function normally.

Reserve Funds of Central Banks.—Of late, enquiries are being made from more than one quarter about the central banks withdrawing their reserve funds from the Provincial Bank and investing them in the debentures of the Central Land Mortgage Bank. The reason for this enquiry is that while the Provincial Bank pays three per cent on these reserve fund deposits, the rate of interest on the debentures of the Central Land Mortgage Bank has been recently raised to 3½ per cent. It will be necessary for you to know the position. The Registrar formerly permitted the Central Banks to invest a portion of their reserve funds in the debentures of the Central Land Mortgage Bank up to a limit of fifty per cent. Consequently we waived our right to two years' notice for the divertion of funds into debentures of the Central Land Mortgage Bank. On date we hold debentures to the extent of about 17 lakhs of which Rs. 1 lakh is from our reserve fund. The balance of 16 lakhs invested in the debentures roughly amounts to 50 per cent of the reserve fund deposits of central banks, which stand to-day at Rs. 32 lakhs. If the central banks want to withdraw their reserve funds for investment in the debentures of the Central Land Mortgage Bank, it means there will be a sudden depletion of our long term money, which will to a certain extent embarrass our loaning policy. This bank will therefore be not well advised in waiving two years' notice in regard to future withdrawals of reserve fund deposits of central banks.

Looking at the question from the central banks' view point, I consider that it will be unsafe for them to invest more than 50 per cent of their reserve funds in the debentures of the Central Land Mortgage Bank. Gilt-edged securities of the Provincial Government carrying three per cent interest are quoted on the stock exchange at about Rs. 90 per cent, and the debentures of the Central Land Mortgage Bank cannot be expected to fetch more in the open market. They are likely to get much less. That means there will be a capital depreciation of about ten per cent on these debentures. It is a substantial loss to the creditors and depositors of the Central Banks. The position in regard to the Provincial Bank's investment in such debentures stands on a different footing. The average borrowing rate and the average yield on investment of the Provincial Bank spread out on all its investments rise and fall with the money market conditions and on the whole do not involve any special loss. So, it is much safer for the Central Banks not to withdraw their reserve funds from the Provincial Bank, which has already invested a sum equivalent to 50 per cent thereof in the debentures.

Expansion of Business.—The Provincial Bank and the Central Banks acting together must now give a vigorous lead to the Co-operative Credit Movement in this Province. There are innumerable ways in which they can serve the economic interests of the agriculturists. Produce loans should be further developed. Special attention should be paid to the development of Co-operative Marketing of agricultural produce. Loans against produce given through Loan and Sale Societies and village credit societies need not be differentiated. They may be put on the same footing, as we are charging the same rate to Central Banks whether the loans are advanced to finance loan and sale societies or ordinary village credit societies. The system of forecast loans may be developed, so far as such loans are required for loans on the pledge of produce. Forecast loans for normal co-operative credit are in my opinion not workable and the present practice must be continued.

New Orientation.—You are aware that the Committee on Co-operation has just concluded its sittings and it is expected to produce its report in about three months' time. The Committee has recorded many conclusions which are expected to give a new orientation to the Movement. Many of its recommendations can be implemented without legislation and with the resources now available to the Movement. As soon as the report is published, we may have to meet and draw up our programme to give a new orientation to the Movement.

THE SOUTH INDIA CO-OPERATIVE INSURANCE, SOCIETY, LTD., MADRAS

Annual General Meeting, 25th November 1939.

Speech by the Hon'ble V. Ramadas Pantulu, President.

Your Directors have the pleasure to present to you the Seventh Annual Administration Report on the working of the Society for the co-operative year 1938-39 along with the revenue account, audit certificate and other statements prescribed by the Co-operative Societies Act as well as the returns due to the Government of India in accordance with the provisions of the Indian Life Assurance Companies Act (VI of 1912). Your directors are happy to state that the year under report was one of marked progress in the Society's business. The business secured shows a satisfactory increase over that secured in the previous year. We completed a paid-up business of about Rs. 25·5 lakhs in the year and added to the Life's Fund a little under Rs. 1·5 lakhs, after meeting and providing for all claims and surrenders that arose during the year. The statement given below shows the progress the Society has made since the commencement of its business in 1932 up to the end of June 1939.

Statement showing the progress made by the Society from the inception till 30th June 1939.

Year.	Proposals Received.	Policies Issued.	Premium Income.	Life Fund at the end of the Year.
	Rupees.	Rupees.		
1932-33 (15 months) ..	8,74,100	6,33,500	28,493 1 0	2,503 12 1
1933-34 ..	8,96,950	6,66,850	52,107 1 0	11,459 5 11
1934-35	11,77,100	8,62,350	83,946 11 0	41,879 7 11
1935-36 ..	14,16,750	10,99,150	1,22,204 6 0	1,24,368 1 2
1936-37 ..	15,92,450	12,04,375	1,47,963 1 0	1,83,896 10 10
1937-38 ..	24,99,175	19,75,225	2,25,439 7 0	2,83,955 4 1
1938-39 ..	33,29,450	25,46,075	3,00,579 2 0	4,27,183 7 11

In order to comply with the provisions of the Insurance Act we have to change our business year from the co-operative to the calendar year. So, we must close our accounts for the current year with 31st December 1939. This will thus be an year of six months work. So far the inflow of business since July is satisfactory having regard to the unfavourable conditions brought about by excessive rains and other physical factors. We hope to be able to complete a paid up business of Rs. 10 lakhs before the end of December 1939.

With the completion of the Co-operative Year, 1938-39, the Society has entered on the second stage of its career. The new Insurance Act of 1938 has come into force on 1st July 1939. The Society has made considerable changes in its constitution as well as its rules of business so as to be able to not only comply with the provisions of the new Insurance Law but also to improve its efficiency and usefulness to the public. The Society has now returned all its share capital on which dividend or bonus or interest was payable. Thus a sum of Rs. 34,800 has been removed from the liabilities side of its balance sheet. A very modest membership fee which is merely a rupee in the case of individual policy holders and Rs. 25 in the case of co-operative institutions has replaced the share capital. No dividend or bonus or interest is payable on this membership fee. This has resulted in a sum of Rs. 9,867 being added to the assets side of the balance sheet. So, from the financial standpoint, this change in the constitution gives added strength to the already sound financial position of the Society. In this connection we desire to acknowledge our indebtedness to the co-operative institutions for the commendable co-operative spirit they have shown in agreeing to take back their share capital without payment of any dividend or bonus, which was a source of considerable financial help to the Society in its initial stages and for their continuance as members of the Society and for electing their delegates to serve on our Board.

The terms and conditions of the policies and prospectus have also been thoroughly revised and brought into conformity with those that obtain in sound and leading insurance concerns. In many cases, the changes made by us mark an advance over some of the best insurance concerns in India. The aim that has been kept in view all through is to render more efficient service to the policyholders. As a result of these changes, the representation to the policyholders has been increased. The modifications in our tariff are negligible. We have made no change in the premium rates on any of the plans of Endowment. They remain just as they have been at the commencement of the business of the Society. A slight increase is made in the premium rates on Whole Life Plans, mainly on the ground that they were originally fixed at too low a level and in the opinion of the Actuary a small increase is necessary in order to enable him to certify that the rates are such as to enable the Society to work on safe and sound lines. With this certificate of our Consulting Actuary, Prof. K. B. Madhava, we have now applied for registration of the Society under Section 3 of the Indian Insurance Act. We are awaiting the receipt of the certificate of registration from the Superintendent of Insurance.

The two main aims which actuated those who organised and promoted the Society are: (1) the desire to serve the lower middle classes and the poorer classes by encouraging policies for small sums—from Rs. 100 upwards; and (2) to keep the premium rates as low as possible consistently with sound working so as to ensure to the policy holders a certain and an immediate bonus each time they pay their premiums to keep their policies in force. These aims are pursued with determination and vigour. The average size of our policies during the year under report is about Rs. 850 and our premium rates are still much lower than those of most companies which have their operations in South India. Even the revised rates on Whole Life plans compare favourably with those of most other companies.

Coming to our investment policy, we can claim to be both sound and progressive. We have to pursue two definite aims in connection with our investments. We are required by the Insurance Act to invest 55 per cent of our investments in approved securities. In choosing approved securities we must see firstly that we obtain the highest possible return, since our terms for life insurance and the bonus to policy holders depend on our income from investments, and secondly as far as possible our insurance premiums are kept within the movement. Besides gilt-edged stock in which we hold the bulk of our Life Fund we have invested a sum of Rs. 1,02,600 in the debentures of the Madras Co-operative Central Land Mortgage Bank which are approved securities. The Madras Committee on Co-operation, whose report is awaited with interest, has under consideration co-operative building schemes and the like which require long term money. If the Government give effect to those recommendations and make the securities on which funds for such purposes are raised, trustee securities, of the approved type, a large proportion of our Life Fund can be made available for co-operative enterprises, consistently with the provisions of the Indian Insurance Act. In regard to the remaining 45 per cent, your Board of Directors have decided that a sum not exceeding 20 per cent may be invested on the security of first mortgage of immovable properties of policyholders who will receive special treatment, if the loan so contracted is equal to the amount of the policy held by the borrower in the Society. So far a sum of Rs. 36,257—3—9 has been invested in such loans. Our revenues which are available for short investment are invested mainly in Co-operative banks approved by the Registrar. In order to provide against possible loss by depreciation on our securities, we have started the building up of a depreciation reserve or an investment fluctuation fund. Bye-law No. 45 dealing with distribution of profits has been suitably amended so as to divert the whole of our surpluses mainly as additions to life fund and such portion as is available after providing for the declaration of the desired bonus, to the investment fluctuation fund. We have on date a sum of Rs. 6,433—15—0 in this fund. It is our desire to add to this fund at each valuation, so that in course of time we may provide ample reserves to cover future depreciation in the market value of the approved and other securities.

The organisation of the Society is being gradually extended consistently with our resources. Our policy has been not to take credit for any organisation expenses to be written off in course of years, but to cut our coat according to the cloth and adjust our expenditure on organisation to the income of the year. It is the desire of your Directors to plant in each district of this province an effective organising agency. Outside the province, we are experimenting in the United Provinces and the Punjab with a sub-office at Lucknow and an agency office at Delhi. The results cannot be said to be very encouraging. At the same time they are not disappointing. So far, the total paid up business received from this source is in the neighbourhood of Rs. 2,88,425. These Provinces hold out promises of yielding good business if we improve our organisation. We have decided not to extend our operations to the province of Bombay or Bengal which are the home lands of the Bombay and Bengal Co-operative Insurance Societies, for there should be no competition in co-operative enterprise. It is my desire to bring co-ordination of effort between the three insurance societies, particularly with the Bombay Society, which opened its office in Madras also. The least that can be attempted is to demarcate the spheres of activities of the Societies outside their own province so that there may be no conflict between them and to secure to each of them the full advantages of the assistance of official and non-official co-operators in those areas. In the sphere of re-insurance also, much can be done by mutual co-operation.

Last year, I referred to certain proposals to extend our business into some new spheres of beneficial service notably two pension schemes and unemployment insurance. Nothing has materialised. The unemployment insurance scheme may be definitely taken to have been dropped with the exit, for the time being, of the Congress Ministry. The pension schemes are still under discussion and I find from the press reports that the Widows' Thrift Fund, under which an annuity based on the amount invested will be paid monthly to the investor from her 45th year for a period of 15, 20 or 25 years, has been approved by the Government. If the Government give us the necessary encouragement, our Society can without any alteration in our constitution or other financial or administrative difficulties take it up. I stated repeatedly on previous occasions the future development of the Society on sound co-operative lines mainly depends on co-ordination of effort between the various limbs of Co-operative Movement. But it is a matter for regret that much evidence of such co-ordination or mutual co-operation has not been forthcoming so far. To take one instance, the advantages of linking up insurance business with the business of Co-operative land mortgage banks, which are so obvious have not so far been appreciated. I hope with the steady progress the Society is making, its advantages to the other parts of the Co-operative Movement will be gradually appreciated and that in the near future the Society will work as an integral part of the Co-operative movement.

We desire to express our grateful thanks to the Registrar and his Department for the encouragement and assistance given to the Society and the interest they have evinced in its working and progress.

13TH CONFERENCE OF REGISTRARS OF CO-OPERATIVE SOCIETIES, NEW DELHI, 11TH, 12TH AND 13TH DECEMBER, 1939.

Opening speech by the Hon'ble Kunwar Sir Jagadish Prasad, Member of the Governor-General's Executive Council.

GENTLEMEN,

It is a great pleasure to me to welcome you again to this Conference. When I last had the opportunity of presiding over your deliberations I referred to the unfortunate fact that these meetings had not been sufficiently frequent, and I expressed the hope that in future the intervals would not be so great. You will all realise, I am sure, that on this occasion I had to consider seriously whether, having regard to the unsettled state of affairs, I should not ask you to postpone this Conference. But it is obvious that the war will have a profound effect on the economic life of the people of this country. It is, therefore, of the first importance that those interested in the Co-operative Movement should meet at the earliest opportunity to discuss the effects of the war on the Movement.

Apart from the economic aspect, it seems to me that there are other compelling reasons why increased attention should be paid to the Co-operative Movement at this critical stage in our history. We are all anxious that men of different religious creeds should learn to work together for common ends, to help each other, and in the very process of helping, discard some of the aloofness, much of the selfishness, and what is more, a good deal of the sectarian fanaticism which is the bane of much of our daily life. The Co-operative Movement can, in my view, play a vital part in making the intercourse between various communities living in the same locality friendly and humane, because it is based on mutual trust and mutual service, and not on mutual suspicion and distrust. In forming societies whether for credit or for purchase or for sale, or for any other recognised economic object, let us not forget, whether that be our avowed purpose or not, that we are promoting in a marked degree in this country an aptitude for meeting and working together in a spirit of mutual service and of mutual trust. Co-operative Societies can well become powerful centres from which to radiate the spirit of tolerance and service so essential for a stable political system. And the need for such tolerance was never greater than at the present moment.

I do not propose to weary you with trite remarks about matters on which you are experts. There are, however, one or two points to which I wish to call your special attention. At the outset let me say how glad I am—and I am sure you will all feel the same—to welcome again such trusted veterans in the Co-operative field as Sir Malcolm Darling and Mr. Ramadas Pantulu. It has been no small exertion and sacrifice of time for them to attend and I should like to say how heartily we shall welcome their experience and invaluable advice. I should like also to make special mention of the Reserve Bank. I had hoped that Mr. Nanavati would be able to attend. Unfortunately, that is impossible; but we have with us Mr. Ambegaonkar, who needs no introduction to any of you. There is no need for me too remind you of the illuminating bulletins which have been issued at various times by the Agricultural Credit Department of the Reserve Bank. We are all grateful for their assistance, of which many of you may not be aware, in compiling and arranging the agenda for this Conference.

There has recently been a good deal of debt legislation which has scaled down old debts. This process may have, in some instances, restricted the ordinary sources of credit. On the other hand, there has also been far-reaching tenancy legislation, which, by giving increased security of tenure to the cultivator may improve his credit. This combined legislation places greater responsibility upon Co-operative Societies and those who watch their administration to see that useful, perhaps I should say, productive credit is available as freely as possible; otherwise it may well happen that the tenantry will have a new burden of debt accumulated under more onerous conditions than previously.

It has not been possible so far, for a variety of reasons, to make much headway with co-operation among women. But the importance of the subject is self-evident. When it is remembered that nearly every one in India, even the humblest, must marry, that children come into the world as nature pleases, and that every birth, marriage or death is the occasion for an expensive ceremony, the woman as the guardian of ancient tradition and customs becomes the (I have no doubt in many cases unwilling) instrument of extravagance, instead of being the staunch apostle of thrift. And thrift may on occasion look like a vain enterprise when a life's saving may disappear on the marriage of a son or daughter. Women must become the instructors of men in the virtues of moderation whether the occasion be a festive gathering or a village dispute. I hope a time will come when there will be many women's co-operative societies whose purpose will be not only to reduce unnecessary expenditure but to limit the numbers of those for whom the expenditure is incurred. I am perhaps straying into dangerous fields, but I trust that there will be general agreement that the time has come to make a determined effort to advance co-operation among women. Women's societies need not confine themselves to the inculcation of thrift, but may add useful variety to this somewhat drab theme by including within their scope such objects as cooking, sewing, domestic hygiene, and even music.

I should also like to draw special attention to the subject of the consolidation of holdings. This has been one of the most conspicuous achievements of co-operation in India. The Punjab has given the lead in this matter and in that province alone over a million acres have been reallotted. I trust that this important subject will continue to receive increased attention in all provinces and States.

At the last Conference I gave you some consolidated figures showing the progress made by the Co-operative Movement in the whole of India. Though the figures I can give you now are not entirely up-to-date, they do, I think, show that the progress has been satisfactorily maintained. The working capital has increased from Rs. 97 crores to Rs. 101½ crores. The number of societies in India is now 111,000 of which 96,000 are classed as agricultural. The number of members has risen to 4,718,000 of whom 3,155,000 belong to agricultural societies. I drew attention 3 years ago to the fact that these figures do not of themselves furnish any certain guide to the progress of the movement. We have therefore, to form our judgment upon such other evidence as we can collect. This will be available from the reports of the recent enquiries into the growth and general condition of the Movement which have been set on foot in different Provinces and States. In a country with such varying conditions as India it is inevitable that practice should also vary and the very fact that different methods find their champions in different parts of India is a sign not only that you, the organisers of the Movement, are alive to the requirements of the country but also that your experience is gained from a living movement.

The present seems to be a particularly favourable moment for an all-India drive towards the better utilisation of the advantages which agricultural credit societies can afford. In the last month or two the prices of almost all agricultural commodities have shown noticeable, in some cases, remarkable increase. I am well aware that in some cases these increases have taken place after the bulk of the crop had passed to the hands of the middleman. At the same time, if the higher range of prices continues for some time yet, a substantially increased volume of wealth will find its way to the pockets of the cultivator. This, it seems to me, is just the time when the necessity for inculcating thrift is most insistent. Not only is it the duty of all of us who work and wish for an improvement in the lot of the agriculturist, to do all in our power to see that that wealth is either saved or wisely spent; this also is the occasion when those societies which in the past have been unwise or overgenerous in the credit they have allowed can set themselves upon their feet again. Here is our great opportunity; let us grasp it with a determination that the lessons so bitterly learnt in the past shall now be put to good use. Borrowing will be more costly, the prices of essential articles of consumption may rise. Nevertheless I am convinced that the cultivator has a chance now to rehabilitate himself and I can think of no better medium through which he should be assisted to do so than that of the Co-operative Movement under wise and farseeing guidance. The supply of agricultural credit must for this purpose be linked up with the adoption of better farming practice, the introduction of better ways of marketing the crop and the improvement of the land itself by the provision of facilities for irrigation, drainage, bunding, manuring, and so forth.

It is encouraging to find that almost throughout India there has been an increase in non-credit societies, whether for improvement of livestock, consolidation of holdings, supply of fencing or similar objects. There are now something like 12,000 societies in India for these various purposes. Present conditions offer special opportunities for one of the non-credit type of societies. Those of you who have practical experience of famine will know that one of the surest signs of real scarcity is the large-scale movement and subsequent dearth of cattle. In many parts of Central India now conditions are such that the cultivator can with difficulty only support a pair of plough cattle. The weak and useless cattle have died in large numbers. Much as we regret the cause, here is a chance for the livestock improvement societies to see that in building up the cattle population again only the best stock is used, and rightly used, and in a few years the whole standard of cattle in the areas affected may be noticeably raised.

Whatever the type of society formed, the training of the members thereof in Co-operative principles is of the highest importance. We all know that the true function of Government in this sphere of activity is to supply the initial stimulus and thereafter advice and direction. The Co-operative Movement must be administered in its every day details by the people themselves. For this purpose it is the duty of Government to educate those who take on the administrative responsibilities of societies, unions, banks or whatever it may be. This duty has been fully recognised throughout India and the Central Government themselves lent their support with a provision of Rs. 15 lakhs. That money has now been spent and it is hoped that Provincial and State Governments will continue the educational activities which were started with that assistance. I only wish to impress upon you again the great importance which, now more than ever, must be attached to this question, if we are to take the fullest advantage of the opportunity now open to us.

I should refer again, I think, to the part which the Central Government can play in the development of the Co-operative Movement. All practical steps have to be taken by the various Provincial and State Governments. There are, however, fundamental principles of co-operation which apply the world over. If, therefore, the Central Government can supply the facilities and the arena for a full discussion of the application of these principles and the difficulties arising from special conditions, they are assisting not only in a clarification of the principles themselves but also, I hope, in paving the way to a solution of some at least of the difficulties. It is for you, when you go back, to put into practical effect whatever you may find of value emerging from these deliberations. It is for us to ask you to let us know what it is you have found and how you have made use of it. We have had replies from most Governments regarding the action they have found possible to take on the resolutions passed at the last Conference and we have now been able to circulate a tabular statement summarising these replies. I hope you have all received copies. After this Conference also we propose, with your continued assistance, to prepare a statement of the action taken in various parts of India. Needless to say, the compilation of such a statement takes time. You yourselves, when you go back, have to consider again the full implications of the resolutions which have been passed and it is only when you have worked out your own modifications in practice that you can tell us what action you have in mind. To tell us the result of the action taken needs more time still. Nevertheless, the statements have their own value and if they do nothing else, they do at least form a practical link between one Conference and the next.

Indian Co-operation has to contend against forces that find no exact parallel in Europe—the uncertainty and vagary of the seasons, in a country chiefly dependent on agriculture; the wide fluctuations in prices of agricultural commodities due to world causes, the fragmentation of holdings and the poverty, illiteracy, ill-health and heavy indebtedness of a vast and rapidly increasing population wedded to crippling social customs, and the comparative dearth of competent voluntary workers. In spite, however, of these grave handicaps, there has been a tremendous awakening in recent years among educated Indian men and women as to their responsibilities towards their less fortunate countrymen. A great effort is now being put forth to make life in town and country a little less dreary and sorrowful for the worker and the peasant, and in this great task of sweetening the lives of our people Co-operation should take a decisive and glorious part.

And now, Gentlemen, I shall invite you to begin your deliberations.

Resolutions passed at the Conference.

The following resolutions were passed by the Conference on the 11th December, 1939—

This Conference recommends that:—

(1) The scale of fluid resources fixed for each province should be reviewed in the light of the distribution of working capital, as suggested by the Reserve Bank; the results to be put before the next Conference. In any case the scale of fluid resources prescribed by the appropriate authority should be strictly adhered to.

(2) Primary agricultural societies other than land mortgage banks should only give short and intermediate term loans repayable in a fixed period, ordinarily not exceeding three years and with due regard to the purposes of the loans.

(3) Provincial and central banks should in their balance sheets show the amounts advanced for more than one year and the amounts outstanding for more

than one year. Bad and doubtful debts should be carefully estimated and shown in the balance sheets.

(4) In the balance sheet all unrealised interest should be shown under the following heads:—

(i) Interest recoverable from D class societies (and also E class societies where this class exists).

(ii) Interests recoverable from societies under liquidation.

(iii) Interest recoverable on other bad and doubtful debts.

(iv) Other interest recoverable:—

(a) Interest earned on accounts on which interest is overdue.

(b) Interest on accounts on which interest is already overdue.

(5) The Reserve Funds of Provincial and Central Banks should be constituted out of realised net profits and should either directly or through the Provincial Bank concerned be invested outside the movement in unencumbered trustee securities, approved by the Registrar, other than mortgages of immovable property.

(6) That loans should be advanced in the form of seed, fertilisers and implements where practicable after a survey of requirements.

(7) As regards the guidance, supervision and control by the Provincial Banks over the financial policy of Central Banks—

(i) All Co-operative banks should send a monthly statement of their financial position to the provincial bank, or in the case of Bombay to the Central Banks' Association.

(ii) The Provincial Bank may act as an investment agency for the affiliated Central Banks. Those Central Banks which want to invest their funds in securities direct should consult the Provincial Bank or the Financial Adviser, if any, before doing so.

(iii) The rate of interest in co-operative banks on deposits should, not without the sanction of the Provincial Bank or Registrar, exceed the lending rates of the Provincial Bank on loans given for similar periods.

(iv) The Provincial Bank should have a right to inspect Central Banks and to bring to the notice of the Registrar any serious defects in their working.

The following resolutions were passed on the 12th December, 1939—

(8) This Conference expresses its sense of sorrow and loss at the death of Sir Daniel Hamilton and places on record its high appreciation of the eminent services rendered by him to the Co-operative Movement and further resolves that a copy of this resolution be forwarded to Lady Hamilton.

This Conference recommends that—

(9) Advantage should be taken of the present rise in prices to induce defaulters to pay up their dues, and such repayments may be encouraged by granting rebates. The debts should be adjusted to the repaying capacity of the debtors and instalments fixed for a period not exceeding 20 years.

In order to rehabilitate the Co-operative Movement, long terms funds must be made available to the Movement. The Governments of the Provinces and States should assist the credit institutions in their Provinces or States by providing the required long term funds either in the form of subsidy or loans or both, or by enabling the Provincial Co-operative Banks to raise such funds by floating debentures, the principal and interest thereof being guaranteed by the Government concerned. Such debentures will, if possible, be backed by the mortgages of the lands of the members, to whom the benefits of the rehabilitation scheme are extended.

The Governments of the Provinces and States are requested to take speedy action on the rehabilitation schemes now pending before them, for any further delay in dealing with the problem will lead to the rapid deterioration more and more difficult, if not impossible.

(10) The possibility of encouraging and extending repayment in kind should be explored—especially in economically backward areas.

(11) Every effort should be made, where suitable conditions exist, to organize co-operative marketing with the necessary Government assistance and supervision, especially with a view to securing to the cultivator the full effect of the rise in prices and for this purpose attention should be paid to creation of marketing unions under business management.

(12) Provinces should experiment with multiple purpose societies to ascertain more clearly the conditions under which they are likely to thrive and the form which they should take with special reference to their area of operation, liability and purposes.

(13) Agricultural credit societies, other than multi-purpose societies which are the subject of a separate resolution, should ordinarily continue to have unlimited liability, but scope may be given for experiments by such societies with limited liability.

(14) Persons should not be compelled to join a co-operative society; nor should the decision of such society be binding on non-members except in cases involving the provision of some utility service which at least two-thirds majority of those concerned desire.

(15) A small sub-committee consisting of Messrs Ramadas Pantulu and Gandhi and the Registrars of the Punjab, United Provinces and Bengal be appointed to examine the question of multi-unit societies and suggest suitable measures.

(16) The area of operation of land mortgage banks should not be larger than a district and may preferably be smaller.

(17) Land mortgage banks should encourage and help schemes for the consolidation of holdings especially where land is badly fragmented.

(18) Loans for land improvement should be advanced where-ever possible at a lower rate than loans for other purposes and should ordinarily be given after consultation with the agricultural and other departments concerned

(19) If a person is a member of both a primary credit society and a land mortgage bank, the former should have a priority in respect of the first charge on the crop and the charge of the mortgage bank on the crop should be postponed to that extent.

The following resolutions were passed on the 13th December, 1939.—

This Conference recommends that :—

(20) Debentures should be made irredeemable for a definite period not exceeding 10 years.

(21) The Reserve Bank should purchase a limited amount of the debentures of approved Central Land Mortgage Banks and such Provincial Banks as raise debentures the principal and interest of which are guaranteed by Government and should advance money against such debentures.

(22) Ordinarily mortgage loans other than those for land improvement should not be given for more than 20 years, and the margin between the maximum period of the loan and the period of the debenture should not exceed 5 years.

(23) In all future agrarian legislation and enactments for relief of indebtedness and regulation of money lending, nothing should be done to impair the financial stability of the co-operative movement or to affect it adversely in any other way.

(24) The attention of the Central Government be invited to the fact that co-operative societies are likely to incur heavy losses due to the amendment of section 60 of the Civil Procedure Code and it should be requested that the Code should be amended and the limit for attachment of salaries be reduced from Rs. 100 to Rs. 50 in respect of debts incurred before the amendment came into force.

(25) Provincial and Central Banks should give a bonus to such members of their staff as pass the examination of the Institute of Bankers.

(26) Classes should be held and continued steps taken for the education of members of co-operative societies in the principles and practice of co-operation, and Provincial and State Governments be requested to provide funds for the same.

(27) Further experiments should be made with cattle insurance societies. In any area where it is proposed to make such experiments, a preliminary survey should be made of the incidence of diseases and mortality among cattle.

(28) The improvement of health conditions in village may form part of the normal activities of co-operative societies and in areas where medical facilities are not easily available and not under provision, special health co-operative societies should be organised with, if necessary, financial assistance from Government.

(29) In view of the recent rise in prices :—

(i) Systematic efforts should be made to encourage saving in ways suited to local conditions and particularly on the money-box system and among children.

(ii) Every effort should be made to restore the economic position of the cultivators and to improve the productive capacity of their lands in so far as they have been impaired by the fall in prices.

(iii) Due caution should be exercised in allowing any considerable expansion in credit directly arising from the rises in prices.

List of Delegates.

CENTRAL GOVERNMENT :—

The Hon'ble Kunwar Sir Jagadish Prasad, K.C.S.I., K.C.I.E., O.B.E.,
Member of the Governor General's Executive Council in charge of the Department of Education, Health and Lands.

Mr. J. D. Tyson, C.B.E., I.C.S.,
Joint Secretary to the Government of India, Department of Education, Health and Lands.

Mr. P. M. Kharegat, C.I.E., I.C.S.,
Vice-Chairman, Imperial Council of Agricultural Research.

Mr. A. M. Livingstone, M.C.,
Agricultural Marketing Adviser to the Government of India.

Sir Malcolm Darling, K.C.I.E., I.C.S.,
President, Aliens Interrogation Committee, "A" Internment Camp, Ahmednagar.

Mr. M. R. Bhide, I.C.S.,
Deputy Registrar of Co-operative Societies, The Punjab. (Secretary of the Conference).

RESERVE BANK OF INDIA :—

Mr. K. G. Ambegaonkar, I.C.S.,
Officer-in-charge, Agricultural Credit Department.

INDIAN PROVINCIAL CO-OPERATIVE BANKS' ASSOCIATION & ALL-INDIA CO-OPERATIVE INSTITUTES' ASSOCIATION :—

The Hon'ble Mr. V. Ramadas Pantulu,
President of the Associations.

Khan Mohd. Bashir Ahmed Khan, M.A., LL.B., M.R.A.S.,
Secretary of the Institutes' Association & Secretary, Punjab Co-operative Union.

Mr. N. Satyanarayana,
Member, Standing Committee of the Institutes' Association & Hon. Joint Secretary, Madras Provincial Co-operative Union.

BENGAL :—

Hon'ble Mr. M. B. Mullick,
Minister in charge of Co-operative Credit & Rural Indebtedness Department.

Khan Bahadur A. M. Arshad Ali,
Registrar of Co-operative Societies.

Mr. S. K. Chatterjee,
Director, Bengal Provincial Co-operative Bank.

Mr. W. Zaman,
Honorary Secretary, Bengal Co-operative Alliance, Ltd.

BIHAR :—

Mr. N. Bakshi, I.C.S.,
Registrar of Co-operative Societies.

Rai Bahadur Syam Nandan Sahay,
Managing Director, B. & O. Provincial Co-operative Bank, Patna.

BOMBAY :—

Mr. S. M. Ikram, I.C.S.,
Registrar of Co-operative Societies.

Dewan Bahadur C. M. Gandhi, B.A., LL.B.,
President, Bombay Co-operative Insurance Society Ltd.

Prof. V. G. Kale, M.A. (& GWALIOR).

CENTRAL PROVINCES & BERAR :—

Rao Bahadur Sir Madhorao Deshpande, K.B.E.,
Mr. W. B. Lakhe, B.A.

MADRAS :—

Mr. S. A. Venkataraman, I.C.S.,
Registrar of Co-operative Societies.

ORISSA :—

Mr. E. C. Ansorge, C.I.E., I.C.S.,
Adviser to H. E. Governor of Orissa.

Rai Sahib S. C. Roy,
Deputy Registrar of Co-operative Societies, Cuttack.

Rao Bahadur T. Venkata Krishnayya, B.A., B.L.,
Chairman, Orissa Co-operative Land Mortgage Bank, Ltd.

THE PUNJAB :—

Mr. F. B. Wace, I.C.S.,
Registrar of Co-operative Societies; (Punjab & N.W.F.P.).

Sardar Bahadur Beant Singh,
Deputy Registrar of Co-operative Societies.

K. B. Malik Nur Mohammad Khan.

UNITED PROVINCES :—

R. B. Pt. Radhelal Chaturvedi,
Registrar of Co-operative Societies.

Mr. Siddique Hasan, I.C.S.,
Officer on Special Duty, Co-operative Department, United Provinces

Dr. Dorilal Dube,
Professor, Meerut College, Meerut.

AJMERE-MERWARA :—

Mr. Bhanwar Lal,
Registrar of Co-operative Societies.

COORG :—

Mr. P. I. Belliappa, M.L.C.,
President, Coorg Co-operative Central Bank.

BARODA :—

Mr. T. M. Desai, B.A.,
Registrar of Co-operative Societies.

Mr. M. V. Desai, B.A., LL.B.,
President, Co-operative Land Mortgage Bank, Baroda.

Mr. Dinshaw R. Dabhoo, B.A.,
President, District Co-operative Bank, Navasari.

GWALIOR :—

Mr. P. S. Metha, B.A., LL.B.,
Registrar of Co-operative Societies.

HYDERABAD :—

Mr. Fazlullah,
Registrar of Co-operative Societies.

Mr. Raziuddin.

KASHMIR :—

Mr. Pritam Chandra Rao,
Registrar of Co-operative Societies, Jammu and Kashmir.

MYSORE :—

Rajamantrapravina Mr. K. V. Anantaraman, B.A.,
Second Member of the Mysore Executive Council.

Mr. M. Abdul Hukh, B.A.,
Registrar of Co-operative Societies.

TRAVANCORE :—

Mr. M. Ramachandra Rao,
Land Revenue and Income-Tax Commissioner,
and Registrar of Co-operative Societies.

INTERNATIONAL CO-OPERATORS' DAY

1. MADRAS

The 17th International Co-operators' Day was celebrated on the 4th of November at the premises of the Servants of India Society, Royapettah, under the auspices of the Madras Provincial Co-operative Union. Dr. B. Pattabhi Sitharamayya presided on the occasion.

After tea, Sir T. Vijayaraghavachariar, Chairman of the Co-operative Inquiry Committee, said he wished to correct the statement that there was no room for officials in the co-operative movement. He felt that there was room for both officials and non-officials, provided each had the necessary amount of adjustability. In India the movement was one of rural social reform. Rural reform and betterment required the help of non-officials with a missionary spirit. Non-officials would bring the necessary motive power and the district officials connected with the co-operative movement should render assistance by affording proper facilities, should give advice when sought for and should stand aside when they ought to. Proceeding, he said, that one of the resolutions agreed to by the Co-operative Committee was that the work of co-operative societies should not be confined to any one particular sphere—either marketing or credit—they should have multi-purpose societies. In honest English it meant that the village societies should deal with all aspects of the life of villagers. The ideal set by the Madras Government was that they should try their best to bring about a new re-orientation of the co-operative movement so as to make it an agency for rural reform and rural betterment. The other ideal of the Co-operative Enquiry Committee, the speaker said, was that there should be a co-operative society in at least every large village.

Rao Bahadur M. Giriappa, Joint Registrar of Co-operative Societies, who recently visited Japan and made a study of the co-operative movement in that country, was the next speaker. He observed that we in India had not done much in the matter of providing cheap credit to the really poor people. Poor people, especially women, pledged their sarees with Marwaris and were not able to shake off these debts. Why should we not run some co-operative societies more or less on the lines of the pawn-shops run in Japan, where a number of these shops joined together and employed a man to go round and collect the dues? This was opposed to the practice of the Marwari who was content to allow the debt to continue and go on fetching interest. We had also to develop marketing on a large scale in this country; and subsidiary occupations had to be provided. But for all this growth it was most essential that there should be loyalty among members.

Mr. L. N. Govindarajan, Lecturer, Loyola College who next spoke, said that the co-operative movement had some achievement to its credit in that the rate of interest in rural areas, owing to competition, had come down. The movement, in order that it might achieve its maximum possibilities, should be supplemented by a policy of agricultural improvement. Though, ultimately, the movement would have to be controlled by non-officials, for some time to come, the presence of officials was necessary, as it would ensure the confidence of the public.

The Hon. Mr. V. Ramadas Pantulu, next moved the following resolution:

"This assembly of co-operators re-affirms the conviction that the co-operative system of economy and social ideals represents the future basis of civilisation and the surest guarantee of peace, and calls upon all co-operative organisations, national and international, immediately to formulate the demands of co-operators and employ their forces as citizens, with all the moral and economic influence they possess, in the defence of freedom and the re-establishment of justice and the full recognition of human rights and the restoration of peace.' The resolution was passed unanimously.

Dr. B. Pattabhi Sitaramayya, winding up the proceedings, said that, in the West, co-operation started as a reaction against the tyranny of competition which came into existence in the wake of the industrial revolution. The ideal of "each for all and all for each' was not new to India, but was embedded in the very structure of the ancient Indian social system and philosophy. One reason why the co-operative movement had not taken root in India was because it did not make use of the indigenous genius of the country, but was imposed as an extraneous thing. There was a certain amount of distrust between officials and non-officials, which should not continue.

Marxian socialism was also, added Dr. Sitaramayya, a reaction against the industrialism of the West. The position in India was a difficult one, politically as well as economically, because they were in a transitional stage. But they need not grow pessimistic on that account. In spite of difficulties, the co-operative movement had made marvellous progress. The true solution both for India and the world would be achieved only if competitive civilisation came to an end, and they substituted, in its place, a co-operative commonwealth, in which each nation would develop on its natural lines.

In conclusion, Dr. Sitaramayya said the co-operative movement stood for non-violence. So long as violence held sway, competitive civilisation would exist, and force would be the arbiter of international relations. Therefore, sooner or later, violence should be superseded by non-violence, and the steering wheel, which had brought ruin, must be replaced by the spinning wheel.

Prof. S. K. Yegnanarayana Ayyar proposed a vote of thanks.

—*The Madras Journal of Co-operation.*

2. BENGAL

The Bengal Co-operative Alliance celebrated the 17th Inter-national Co-operative Day in the city of Calcutta by organising a huge procession and a meeting, held in the Senate Hall of the Calcutta University presided over by Hon'ble Mr. N. R. Sarkar, Finance Minister, Government of Bengal. The procession which was attended by members of the Co-operative Societies of the city and its suburbs was led by Khan Bahadur Maulavi A. M. Arshad Ali, Registrar, Co-operative Societies, Bengal, and many prominent non-official Co-operators. It started from Dalhousie Square and paraded through Bowbazar Street, Amherst street, Mirazapur Street and terminated in front of the Senate Hall.

On the request of Mr. W. Zaman, Jt. Honorary Secretary of the Bengal Co-operative Alliance, the Hon'ble Mr. M. B. Mallik hoisted the Rainbow colour Flag, the emblem of International co-operation with the accompaniment of singing of Co-operative anthem sung in chorus by the members of the Co-operative Service Corps.

The Hon'ble Chief Minister, Mr. A. K. Fazlul Huq who could not be present sent a message which runs as follows:—

"In the round of years, the memorable day has once more come when Co-operators all over the world will be celebrating their Annual Day of rejoicing and mutual congratulations. Nothing testifies so much to the Universality of this momentous movement than these demonstrations which year after year record the milestones which the movement has turned on the path of progress. From the bottom of my heart I wish fellow Co-operators the best of luck, and the movement itself all progress and prosperity.

Address of the Hon. N. R. Sarkar, Finance Minister of the Government of Bengal.

When I was invited to preside over this, the 17th International Co-operative Day celebrated by the Bengal Co-operative Alliance Limited, I accepted the invitation with alacrity, because I have all my life been a great believer in the principle and ideals of co-operation. Throughout the major portion of the best years of my life I have been associated with a business, whose very foundations depend on co-operation and the giving of help and succour to one another through a wide-scale spreading of risks, and with an institution in particular whose founders not only drew their inspiration from the general co-operative ideals of the business but also sought to give effect to the co-operative principle even in the actual administration of the concern. I have also always advocated a strengthening of the Co-operative Movement on scientific lines and of co-operation in all its forms, as it has been my firm conviction that in co-operation, properly understood and properly applied, lay the solution of the social and economic problems of the masses in the rural areas.

The co-operative movement has not been confined to the national sphere alone; it has spread its activities to the international sphere also. Although the progress so far made may not be considered very great, yet the formation of an International Co-operative Wholesale Society, collaboration between the different national co-operative banking and institutions and the holding of international insurance conferences are no doubt important landmarks with good promise for the future. In fact, ardent co-operators believe and persumably with good reason that a principle and a movement so pregnant with possibilities in the local and national sphere, should prove an effective solvent of problems and difficulties in the international sphere also. I for one have no hesitation in believing that Freedom, in the truest sense, Co-operation and Peace are indivisible, and that only as co-operation in the international field gains ground and is intensified, can we hope for lasting peace and the triumph of real freedom, in the world.

The conflicts between the nations of today are essentially economic. The capitalist organisation of society, with profit as its cardinal principle, undoubtedly reveals serious limitations. The economic philosophy of capitalism seems bound to lead to clashes between the interests of different capitalist countries. Nor does socialism seem to provide the answer to these difficulties. There appear to be dangers inherent in any society operated from the top, whether they be those of extreme capitalism or of socialism or communism, inasmuch as they endow the few with authority to do the thinking for the many. The communist state of Russia, for example, seems to be sacrificing the individual altogether to the collective state, apparently forgetting that by weakening the individual, the whole, that is, the State, can never be permanently strong. The sheepish conformity of

the many to the will of a strong dictator is hardly the soil in which democracy and freedom can flourish and in which man can attain his full stature. Psychologically considered, both socialism and communism thus contain within themselves undemocratic elements, which arise from entrusting supreme power to a few persons. The Co-operative Movement, it is claimed, is the reverse of this. George Russell, the Irish poet and statesman, popularly known as A.E., very aptly observes,—"The co-operative common wealth is the fourth alternative to state socialism, the servile state, or our present day industrial anarchy." People are driven by the forces working in the society to one or other forms of Government. With undiluted capitalism, the state naturally tends to be servile, and an immeasurable bureaucracy is required to keep the populace in order. If state socialism wins, humanity will have placed all its hopes on one system, and genius, temperament, passion all the infinite variety of human life, will be constrained by one policy. Our present system is rather confused and has its defects which are no less in number. The co-operative commonwealth alone of all these systems seems to allow freedom and solidarity. It allows for personal genius and unhampered local initiative. It develops a true sense of citizenship among its members. It invites democratic processes, in which men and women find their proper places and are free to contribute all they have to contribute, where they are invited by the nature of the organisation itself to contribute the best and most progressive ideals of which they are capable. It is the spirit of mutual interdependence and comradeship in life, continually generated and maintained and inbred into the people which is the foundation on which a great state, a great humanity, a beautiful civilization, can be built. The co-operative associations, properly constituted and organised, alone in modern times are capable of creating this spirit. The existence of poverty in the midst of progress and of plenty, the growing contrast between those who have and those who have not is the riddle of our age, the central fact from which spring the industrial, social and political problems which perplex nations and the world. So long as all the increased wealth which modern progress brings in its train simply helps to make the rich richer and the poor poorer, progress can neither be real nor permanent. It is therefore incumbent on us to devise some method of minimising the tremendous disparity in incomes and economic position existing at present and of raising the level of those particularly low down in the scale.

Socialism, in some of its forms at least, aims at a catastrophic overturning of the existing order and the substitution in its place of what appears to be the vaguest of incomprehensible utopias. Its entire basis being voluntary, co-operation, however, seems to have been able to strike the golden mean; it does not seek to abolish private property and capital or discourage private initiative, but rather proposes to harness capital 'as a hired yet contented servant' for the use of man, and to allow to individual freedom and initiative sufficient scope. It may be pertient to observe in this connection that even communistic Russia and fascist Italy, although wedded to totalitarian and collectivist philosophy, have the economic sphere resorted to the co-operative principle quite largely and with very conspicuous success.

The shortcomings of human civilisation may be said to spring in some measure from the imperfections of human co-operation. The pitfalls of modern civilisation are precisely where man has till the present moment failed to over-come his primitive impulses, his instinct of acquisition and his rapacity; it is there that he has missed the truth and has brought upon himself suffering, privation, strife and War. I do not pretend that it is easy to secure the triumph of the co-operative spirit and the ideals it represents all over the field in the national as well as the international sphere. Not to speak of the international sphere, which is naturally more complicated and difficult, even in much smaller spheres where the scope of autonomous control is much larger, there have often been very great obstacles that block the advance of co-operation and the inculcation of the co-operative spirit. It is therefore quite evident that in a world, torn between the rival ambitions of different states vigorously pursuing the policy of economic nationalism and national aggrandisement, the advance of the co-operative ideal in the international sphere can hardly be rapid or smooth. "Whether the movement can lead a stubborn world decisively along the co-operative road will probably depend more and more not only on its numbers, but also on its power to enlist intelligence, and to develop in all ranks a leadership capable both of creating enthusiasm and producing a strong everyday conviction among the masses of mankind." The task is by no means easy, but the remarkable success of the International Co-operative Alliance, described by some as "a minor league of nations", during the comparatively short period of its active career naturally raises great hopes. In any event at times like ours when such dark clouds over-hang the international horizon, there is, I believe, a surpassing need to preach and propagate the ideals of co-operation between nation and nation and to emphasise the essential identity of the interests of all races and sections of mankind. Let us therefore on this day declare our unwavering faith in co-operation as a principle and a practical system, and appreciate that on its successful adoption depend so largely both on the real freedom and the permanent peace of the World.

It is common knowledge that our own co-operative movement has not been attended with much success, but we must treat our failures merely as the stepping stones to success. Progress is very rarely uninterrupted, or a continuous steady movement; it is rather the result of the overcoming of obstacles and of negation. We must recommence our efforts to build anew the co-operative structure, so that our people will be enabled all the more to live the full life. Indeed the co-operative principle has a special lesson for Bengal, for with her small resources and her diverse needs, the necessity for making a little go a long way becomes all the more urgent. And it is not in that restricted field alone that I see great possibilities for co-operation in this Province. In the social and economic spheres and even in the political sphere, I think, there is a great need and there are great possibilities for co-operation. In all these fields we need to invoke to-day the spirit and principle of co-operation, so that the narrow jealousies and differences which divide and separate our groups, communities and individuals may disappear and in their place may grow up a bond of fellowship and brotherhood which will inspire us to great and noble deeds for the common welfare of all. Our hope and prayers for the growth of international amity, understanding and co-operation would be justified only if at the same time we become determined to approach our own problems at home in the same spirit of understanding, fellowship, cooperation and public-spiritedness. I fervently pray that we may all be inspired by such an ideal and by a unanimity of will and purpose for striving towards the common good, and hope that the future contains more promise of abiding achievement in all fields of co-operation than the past can offer us.

Rai Bahadur Nagendra Nath Mukherjee, President of the Bengal Co-operative Alliance, then moved the official resolution of the International Co-operative Alliance as modified by the All-India Co-operative Institutes' Association.

In seconding the resolution Sj. Marinal Kanti Bose, Vice President of the Indian Journalists' Association and Assistant Editor of the *Amrita Bazar Patrika*. In the

course of his speech said that special significance attached to the day, the 17th International Co-operative Day, which will be observed to day to all appearences, in the largest field of co-operation, namely international relationship, has sustained a ghastly defeat. One should rather talk of war and non-co-operation than co-operation. "Yet", observed Mr. Bose, 'it is in the presence of danger and difficulty that faith burns brightly. The Co-operators throughout the world were to renew their solemn vow that they would make co-operation a success.' The last war did not produce a lasting effect, but he hoped that the present war, in its more devastating effect, would do, and the value of International co-operation would be brought home to all. It is Governments that make war, but they always do it in the name of their peoples. But people do not want to make war. Why then do people co-operate with their Governments in the wars declared by the latter? It is because people are taught from their infancy that certain "isms" are greater than co-operation; even greater than life; *nationalism, patriotism, Imperialism, Fascism, Hitlerism, Communism* and all the *isms* that the ingenuity of man has discovered. Co-operators throughout the world have to eradicate this evil, organise to change the minds of the people and control the Government."

Speaking about the need of co-operation among Indians Mr. Bose said that nature had intended to make Indians one people, but here again the ingenuity of man has discovered that we are so many nations, communities, races, classes etc. Co-operators have to fight against those evil doers, and spread the doctrine of co-operation day in and day out, among the people. Mr. Bose said that in the villages where Hindus and Moslems and others worked together in the fields, discussed together in the Co-operative Societies, the spirit of co-operation was active. The doctrine that man does not live on bread alone is strange to the villagers. He knows that man cannot do without bread. Adapting the words of Karl Marx, Mr. Bose appealed to the Co-operators of the world to unite.

The Hon'ble Mr. Mukunda Behari Mallick, Minister for Co-operative Credit and Rural Indebtedness, in supporting the Resolution gave a vivid description of the great expansion of the movement in recent years in Bengal, inspite of the great crisis that has overtaken the movement all over India. He made a fervent appeal to the Hon'ble the Finance Minister to sympathetically consider all proposals of re-habilitating the movement. He vehemently protested against uniformed and base-less criticism levelled against the movement which impeded all growth and development. He congratulated the Bengal Co-operative Alliance on their great achievment in pushing up the ideal of co-operation in Bengal, and their success in organising this unique function.

A vote of thanks to the chair was proposed by Mr. Sanat Kumar Chatterjee. The Co-operative Orange-growers of Kalimpong distributed oranges to celebrate the Day. The function terminated after the co-operation anthem sung in chorus.

The celebration was filmed by the Publicity Department of the Government of Bengal.

3. UNITED PROVINCES.

The District Co-operative Bank Ltd., Azamgarh celebrated the 7th International Co-operative Day on November 4th 1939 with great enthusiasm at 4 p.m., under the auspices of its Board of Directors. After the recitation of prayers Pandit Baijnath Misra, Managing Director of the Bank, explained the object of holding the function and showed the advantages of co-operation. The same object was also dealt with in an elaborate manner by Babu Brijbihari Lal, Director, who in his speech als explained what is real co-operation, its importance and necessity and emphasised th importance of co-operation for the smooth working of the economic machinery o- the world. Afterwards Mr. Mohd. Farooq, the Circle Officer and Th. Sitaram Singh supervisor also explained the necessity and importance of Co-operation. The Celebration ended with the following resolution being unanimously passed.

This assembly of Co-operators, assembled here comprised in the worldwide membership of the Internaional Alliance,

Recognising the gravity of the present world war, and in the presence of the failure of Governments, either collectively or individually, to restore understanding and fraternity in International Relations, and thus to raise an impregnable barrier against war,

Reaffirms the conviction that the co-operative system of economy and its social ideals represent the future basis of civilisation, and the surest guarantee of peace, and calls upon all co-operative organisations, National and International, to immediately formulate the demands of Co-operators and mobilise their force as citizens, with all the moral and economic influence they possess, in the Defence of Freedom; the Reestablishment of Justice; the Full Recognition of Human Rights; and the Restoration of peace.

CO-OPERATIVE SOCIETIES AT WORK IN INDIA

CENTRAL PROVINCES & BERAR

Extracts from the Report of the Registrar of Co-operative Societies, Mr. C. C. Desai for the year ending 30th June 1938:

Financial Balance Sheet of the Movement.—The financial position of the central banks of the province and the Provincial Bank taken together on the 30th June 1938 is indicated in the rough balance sheet given below:

LIABILITIES	Rs.
Deposits.	
(a) Fixed deposits	150,62,673
(b) Savings deposits	33,80,953
(c) Current deposits	6,90,630
Debentures	4,00,000
Provident Fund of Employees	3,16,551
Loans due to banks outside the Movement	1,09,623
Total liabilities to outside creditors	199,60,430
Paid up share capital	21,02,215
Grand total of liabilities	220,62,645

ASSETS	Rs.
Cash on hand and in banks outside the movement	4,55,617
Surplus in Government Securities	7,35,229
Fluid resource and reserve fund in Government Securities	61,86,449
Demand loans on security of deposits and Government paper	77,224
Deposits in approved banks outside the movement	44,40,149
A. Total liquid assets	118,94,668
Building and stock	7,03,864
Landed property	29,37,326
B. Total fixed assets	36,41,190
Total liquid and fixed assets (A & B)	155,35,858
Good debt outstanding against societies	75,88,015
Grand total of assets.	231,23,873

General Position.—The improvement noticed in the previous year in the economic condition of the agriculturists was unfortunately not maintained during the year under report. There was a decline in both the outturn and prices of the principal crops of the province, viz. cotton, rice and wheat. In spite of the unfavourable circumstances or perhaps because of them, there was a record number (479) of new societies formed which is the most gratifying feature of the year. It cannot be denied that the demand for fresh societies has its roots in the contraction of credit following the wake of the debt relief legislation which has in recent days characterised the relief policy of Government. The belief that co-operative societies would be needed more than in the past to meet the needs of the agriculturists has thus come true. The demand for new societies was common to the whole province, not excluding Berar. There was no relaxing in the severity of scrutiny of proposals, and only those which were creditworthy were allowed to be passed. In Berar, they were all short term credit or crop loan societies and loans were advanced at not more than Rs. 5 per acre and mortgages were taken for all loans above Rs. 50 and in many cases for each and every loan. The bulk of the financing in Berar is now in crop loan societies and the recoveries are satisfactory, though I must sound a note of warning that it is yet too early to judge whether these societies have really benefited by the experience of the past and whether banks even now are taking steps not to allow the grass to grow under their feet in the form of overdues. The demand in Mandla came mostly from backward and aboriginal tracts where the people harassed by local money-lenders preferred to have transactions with a co-operative bank. The supervision over these far-flung societies will be difficult, but the honesty and consciousness of an average aboriginal, whose illiteracy may be taken as a blessing in disguise, may prevent the Bank from coming to grief, if our experience of the movement in Chhatisgarh is any guide.

The balance sheets of co-operative central banks and the Provincial Bank given above will show that the financial position of the movement is still quite sound with over 50 per cent of the liabilities in a fluid form. The banks in Berar continued to be the weak spot in the movement. In Berar the two main problems were financial accommodation and land management. There was a steady drain of deposits which in the absence of better recoveries compelled the banks to fall more and more at the mercy of the Provincial Bank. Apart from this immediate cause of anxiety, the banks had no easy task in managing the vast area of lands that they had to acquire much against their will. Berar now owns as much as 57000 acres of land and pays land revenue of only a little less than one lakh of rupees. The total lease money works out at 1·5 times the land revenue and the total recoveries just equal to land revenue. There is no margin for cost of management or for interest on the capital invested in the lands. This has led to annual deficits in the budgets of banks ranging from Rs. 5,000 to 60,000.

The consequences of uneconomic management of land was not manifest so long as the Provincial Bank was willing to meet the demands of the banks; but this process could not obviously go on indefinitely. Even as early as 1931, Mr. Banerjee, the then Registrar, sounded a note of warning. He said that the cry for loans for repayment of deposits irrespective of the question as to whether it was safe for the Provincial Bank to interlock its short term capital with central banks was raised on a misconception of the true function of an apex bank, and cited the authority of the Maclagan Committee for the proposition that the Provincial Bank could finance only such central banks as it was safe to finance on business principles. This was also endorsed by the Government. To begin with, the Provincial Bank made advances for repayment of deposits as a temporary accommodation, but the demand became increasingly insistent in the later years with the result that to-day as much as Rs. 33 lakhs of the Provincial Bank funds are locked up in central banks in Berar with doubtful prospects of recovery. No doubt the bulk of this loan is secured by mortgages and assignments of lands, but the real difficulty would arise when the Bank wants to convert these lands into cash. The Provincial Bank had continually to tackle this question, and although

it accommodated the banks during the year, it was clear that the time was coming near when the bank would have to cry halt and would have to refuse to lock up any of its short term capital in long term investment. This position actually arrived within four months of the close of the year, with the result that three Banks in Berar failed to repay deposits when they fell due. The Provincial Bank was accused of pursuing an unsympathetic, unco-operative and unapex policy, but the Bank felt it must in the first instance safeguard its own position and secondly ensure that all transactions are justified on strictly financial grounds. Business, and not sentiment, must guide the relations between the apex bank and the central banks.

It will be clear that the revival of the movement in Berar is impossible so long as the question of land management is not satisfactorily settled. This question is engaging the attention of the Committee appointed by the Government since the close of the year. The hire purchase system on the Burma model was brought into force in the area of one central bank and recommended for adoption elsewhere. The scheme was modified in certain particulars, especially in the rate of interest and the number of instalments, so as to be within the repaying capacity of the borrowers. Even with this liberalisation, the scheme has not proved particularly attractive, and so far only 17 members of primaries have taken advantage of it in respect of overdues amounting to Rs. 46,761. Stray cases are reported by other banks but on the whole it can be said that the hopes of solving the twin problems of liquefication of frozen overdues and restoration of lands to ex-owners have remained singularly unrealised.

The land mortgage banks are being increasingly availed of as they receive wider publicity. The policy of having at least one bank in every district has been accepted, and within a year the net work of land mortgage banks for the entire province will have been completed. Mortgage banks functioning as a lever for conciliation and reduction of debts have been a disappointment. The terms of conciliation boards are so liberal and accommodating that the debtors naturally prefer them to mortgage banks. Instructions have been issued recently that the lure of ready cash should be fully exploited and creditors should be beaten down so as to give an instalment much within the paying capacity of the borrower. Also in calculating the liabilities, interest should not be allowed at more than the legal rates, no matter what the stipulated rates might be. In short, mortgage banks should be so manipulated as to ensure maximum benefit to the agriculturist in consideration of the ready cash made available to the creditor without recourse to trouble, litigation and expense.

Agricultural Credit Societies (Limited & Unlimited Liability).—The total number of societies increased by 376 to 4,084 of which 3,414 were in the Central Provinces and 670 in Berar. Of the 670 societies in Berar 13 are crop loan societies with limited liability registered during the year as an experiment. 173 societies were cancelled during the year. The working capital of the societies decreased from Rs. 108,26,940 to Rs. 105,39, 352—in the Central Provinces it fell from Rs.. 55,59,805 to Rs.. 53,02,025. The loans due by members also fell from Rs. 83,27,893 to Rs. 81,26,882 (from Rs. 39,55,477 to Rs. 38,07,519 in the Central Provinces and from Rs. 43,72,416 to Rs. 43,19,363 in Berar). The total cash recoveries of central bank loans due from societies increased from Rs. 6,71,999 to Rs. 6,91,556 in the Central Provinces, while they decreased from Rs. 3,29,160 to Rs. 1,62,629 in Berar. Cash recoveries from members of working societies, however, decreased from Rs. 8,19,442 to Rs. 7,88,873 in the Central Provinces and from Rs. 4,38,278 to Rs. 2,58,422 in Berar.

The total of loans advanced by societies to members increased from Rs. 17,20,905 to Rs. 19,78,121. Cash advances also increased from Rs. 7,53,173 to Rs. 9,32,093 being Rs. 7,50,673 (Rs. 6,26,265) in Central Provinces and Rs. 1,82,230 (Rs. 1,26,908) in Berar. In the Central Provinces, the largest amount was advanced for purchase of cattle, while in Berar the largest amount was advanced for cultivation expenses.

The problem of big borrowers continues to be formidable in Berar, where the movement is facing a crisis. While in Berar the number of big borrowers were 932 or 15·3 per cent of the total number of borrowing members and were responsible for loans amounting to Rs. 34,32,279 out of Rs. 43,19,363, the number of such borrowers in Central Provinces was 247 or 0·61 per cent of the total number and absorbed Rs. 4,40,234 out of Rs. 38,07,519. There is no big borrower at all in the Chhatisgarh banks, where the movement is at its best. These facts throw a flood of light on the working of the movement in the two parts of the province and explain the cause of failure in one and success in the other.

The rate of interest charged by banks to societies varied between 6¼ per cent and 10 per cent. Five banks in Central Provinces and six banks in Berar charged differential rates of interest. The policy of allowing the interest on reserve funds to be used for reducing the rates of interest was continued with the effect that in societies the rates of interest to members ranged between 4 and 10½ per cent. The bulk of members are not required to pay more than 8½ per cent on their loans. Attempts are being made to bring down the lending rate in the case of other members.

Land Mortgage Banks.—The total number of land mortgage banks was 19, including seven registered during the year under report. The following figures will show the working of these banks during the year under report and the previous year:—

	1937-38	1936-37
Number of members	3,107	2,334
Number of applications received	1,479	500
Total amount of loan applied for	Rs. 17,18,537	6,01,570
Number of applications rejected	339	613
Number of applications sanctioned	348	286
Number of applications pending	857	281
	Rs.	Rs.
Loans advanced	3,79,245	2,64,385
Loans recovered	54,481	17,727
Loans outstanding on 30th June	7,16,089	3,85,753
Over dues	6,479	2,076
Cost of management	10,750	7,773
Share capital	85,451	59,274
Deposits (temporarily held from individuals)	63,445	30,064
Provincial Bank Loan outstanding	6,63,068	3,52,573
Working capital	8,12,030	4,42,092

As will be seen from the above statement, 1,479 applications were received during the year as against 500 in the previous year. The increase is due partly to the registration of new banks and partly to the increasing demand for loans in

the older and better established banks. The number of applications sanctioned has also increased. The bank authorities have become familiar with the requirements of the Department and the Provincial Bank, and they do not send up weak and unsound applications, with the result the number of applications rejected has increased. The overdues in ten old banks amounted to Rs. 9,728, from Rs. 6,479 on account of principal and Rs. 3,249 on account of interest. Since the close of the year two banks have completely recovered the overdues and in some partial recovery has been made. So far, no bank has declared any dividend, though two banks have got sufficient realised profit to declare a dividend of about 3 per cent.

The functions of the central land mortgage bank continued to be performed by the C. P. & Berar Provincial Co-operative Bank. It has been decided to take up the question of the establishment of a central land mortgage bank when the land mortgage banks business exceeds Rs. 15 lakhs. The Provincial Bank floated the second series of debentures for Rs. 3 lakhs at 3½ p.c. on 1st Oct. 1937 and it was oversubscribed. The total debentures floated till now amount to Rs. 4 lakhs. Over and above these 4 lakhs, a sum of Rs. 2·63 lakhs, representing the general funds of the Provincial Bank, is locked up in land mortgage banking business.

During the year, the minimum limit of a land mortgage loan was reduced from 250 to 150 and the maximum raised from 10,000 to 25,000 in response to popular demand and with a view to making the benefits of land mortgage banks available to a larger number of agriculturists.

Central Banks.—The number of central banks continued to be 35. The total working capital increased to Rs. 245,81,314 (Rs. 245,46,639). The share capital declined further to Rs. 15,78,195 (Rs. 15,97,438); it fell from Rs. 10,12,112 to Rs. 10,01,734 in the Central Provinces and from Rs. 5,85,326 to Rs. 5,76,461 in Berar. Reserve and other funds, however, further increased to Rs. 53,46,402 (Rs. 51,46,315), out of which a sum of Rs. 33,15,111 was earmarked as provision for bad and doubtful debts. The total loans outstanding against affiliated societies increased to Rs. 130,72,932 (130,14,480). It increased to Rs. 48,49,513 (48,32,770) in the Central Provinces and to Rs. 82,23,419 (Rs. 81, 81,710) in Berar. Bad debts amounted to Rs. 10,75,247 and Rs. 32,85,661 and doubtful debts to Rs. 3,46,009 and Rs. 18,120 in the Central Provinces and Berar respectively. Bad debts decreased in the Central Provinces by Rs. 75,247 while they increased in Berar by Rs. 2,14,268. The estimating of bad debts is a difficult matter in Berar owing to different views held by different people regarding the value of land. A slight variation in land values makes all the difference in the assets of members, societies and banks. Deposits from individuals decreased to Rs. 118,95,206 (122,90,072) for the province as a whole. In the Central Provinces they increased to Rs. 51,08,596 (Rs. 50,70,766); while in Berar they decreased to Rs. 67,86,610 (Rs. 72,19,306). Withdrawals in cash totalled to Rs. 17,88,175 in the Central Provinces and Rs. 39,28,863 in Berar.

The cost of management increased to Rs. 1,06,282 (Rs. 1,08,707) and Rs. 82,943 (Rs. 76,011) in Central Provinces and Berar respectively. The net profits during the year decreased to Rs. 1,26,399 (Rs. 2,59,475). The sharp fall is explained by stoppage of interest by some banks combined with losses consequent upon settlements through debt conciliation boards. 23 central banks were not able to distribute any dividend. Nine banks in Central Provinces and three banks in Berar paid dividends at rates varying from 2 to 6 per cent.

In Berar, the movement is, as graphically described by one of the ex-Registrars on the edge of a volcano. A catastrophe may have occurred at any time and was averted by the help of the Provincial Bank against canons of sound business. On the one hand, to curtail annual expenditure banks had to retire old deposits and on the other hand financial accommodation was difficult to obtain. Land was pouring in through coercive action but it could not be made to pay more than bare land revenue. The only hope of Berar seems to lie in appreciation of land values, for which there are no indications or in early disposal of land combined with financial accommodation until restoration of normal conditions.

Provincial Bank.—The working capital of the bank has increased to Rs. 164,98,915 (Rs. 152,33,198). The net profit amounted to Rs. 46,859. The amount due from central banks and societies on account of loans, cash credits and overdraft accounts increased from Rs. 33,82,391 to Rs. 37,22,434 of which 7,32,305 were due from the Central Provinces and Rs. 29,90,130 from the Berar banks and societies. Except in the case of the Registrar's deposits, there has been an all round increase in the deposits of all kinds. The Registrar's deposits decreased to Rs. 53,22,816 (Rs. 55,99,746), while those from individuals and central banks rose to Rs. 48,75,394 (Rs. 40,37,953) and Rs. 11,77,737 (Rs. 11,01,593) respectively. The savings and current deposits increased to Rs. 24,31,141 (Rs. 22,92,757). Cash recoveries of loan during the year decreased to Rs. 4,87,717 while cash advances rose to Rs. 2,47,530.

The Bank continued to have surplus funds which ranged between Rs. 7 lakhs and 33 lakhs. The share capital and reserve fund of the bank amounted to Rs. 5,24,020 and Rs. 5 lakhs respectively. The provision for bad and doubtful debts has been further augmented by Rs. 34,000 so as to raise it to Rs. 5,84,000, which represents about 75 per cent of the overdues. For the present position of tower of strength to the co-operative movement in the province, the Bank owes a debt of gratitude to its Chairman and Managing Director, Sir Madho Rao Deshpande, K.B.E., whose wise, cautious and careful management has evoked admiration from all interested in the welfare of the movement.

The Federation.—The annual federation congress met at Jubbulpore in Aug. 1937. The congress discussed several important questions such as the Reserve Bank Bulletins, Statutory Report, etc. One of the important rules passed by the Congress was that no member who was a defaulter to the society for a period exceeding 12 months could be appointed to its committee or to the committee of another society, or to represent the society in another society.

The Institutes.—The province continues to be divided into five institutes and all the banks except Wardha have been affiliated to them. The Bank is advised to join the Nagpur Institute and take advantage of its larger resources and varied experience. It is waste of money, time and energy to continue to plough one's lonely furrow. The ninth session of the Berar Co-operative Conference was held at Khamgaon on 11th July 1937 under the presidency of the Hon'ble Mr. Ramadas Pantulu in which several important questions were discussed, such as, formation of a co-operative banking union for Berar, establishment of societies for doing the work of town banks, etc. Government continued to make grants to the institutes totalling Rs. 24,000 as in the previous year. The grant has been enhanced by Rs. 5,000 during the current year.

Non-agricultural societies with limited liability.—Six new societies of this class (clerks' societies) were registered during the year. The number thus increased to 50. The membership also increased to 21,384 (19865). The working capital and loan outstanding have gone up to Rs. 15,72,657 and Rs. 13,37,734 (Rs. 15,25,705 and Rs. 13,08,641) respectively. They made a profit of Rs. 72,661 (Rs. 75,400). These societies are doing well and their number may well be increased.

Non-agricultural societies (other than credit).—The total number of such societies was 89 (53), 18 of which were for purchase and sale (stores), two dairies, 10 industrial associations, 17 housing societies, 14 thrift societies, 5 adult education societies, 9 better living societies, 2 village development societies, 2 cattle breeding societies and 6 general purposes societies.

The membership and the working capital of the stores increased from 880 to 1234 and from Rs. 75,217 to Rs. 77,248 respectively. The sales of goods also rose from Rs. 1,02,151 to Rs. 1,09,466 and profits from Rs. 7,869 to Rs. 9,297.

The Telinkheri Dairy at Nagpur which is managed by the Agricultural Department is flourishing. The other registred at Drug last year has also made a good start. Their membership and working capital were 33 and Rs. 16,995. The sales of goods amounted to Rs. 30,283 and they made a profit of Rs. 870.

The number of housing societies increased by 7 to 17. Their membership and loans outstanding rose to 673 and Rs. 5,79,659 (487 and 5,61,582) respectively. The working capital, however, decreased to Rs. 6,54,477 (Rs. 6,75,806).

Reserve Funds.—The reserve funds of societies of all kinds increased to Rs. 71,55,963 (Rs. 69,75,882). That of the Provincial Bank amounted to Rs. 5,00,000, of the central banks to Rs. 14,25,425, of the primary and other agricultural societies to Rs. 49,96,873 and of other kinds of non-agricultural societies to Rs. 2,33,665. These figures include the reserve funds of societies under liquidation, which amounted to Rs. 23,81,302. Reserve funds constituted 5·8 per cent of the working capital of central banks and 24·4 per cent of primary societies. A sum of 34,55,751 is invested in Government securities and post office cash certificates and the balance of the reserve funds is mixed up in the working capital of banks and societies.

General Remarks.—The attitude of the public towards the movement was one of disappointment. It would even be true to say that there was a feeling of sullen resentment among the members of societies in a major part of the province. The pioneer workers too did not escape this atmosphere of despair and disillusionment. Those who had joined and directed the movement in the good old days prior to the depression were getting somewhat tired of the continuous tale of coercion, failure and crisis and were gradually withdrawing themselves from the movement. It is not that they have lost faith in the basic principles of the movement but they despair of the present and still more of the future. The movement lost all charm when they found that the nursing and association on their part for over 20 years had not enabled indebted members to be free from debt. On the other hand many of those who had joined societies in order to help them while they themselves did not require any loan, were saddled with joint liability, their only fault being slackness and neglect of mutual supervision. Facile credit had been a curse in disguise. Thrift, punctuality, honesty and mutual aid which were their guiding principles in the beginning were as remote as ever. The large scale coercive operations, mainly in Berar, and to some extent in the Jubbulpore division and tracts of the old Hoshangabad division contributed not a little to the unpopularity of the movement. This estrangement of people was visibly seen in land management in Berar where difficulty was found in securing good lessees in the village in which the persons from whom the lands was taken resided and in the difficulty of replacing retiring workers by new recruits.

The relations between the department and the honorary workers continued to be friendly. Each appreciated the others' views and both worked together with the common object of advancing the well being of the movement. The only occasions affording scope for misunderstanding were when banks, especially in Berar expected the Registrar to bring pressure on the Provinciaal Bank to make advances for the repayment of deposits. It is sometimes believed by many that the Provincial Bank is in the hollow of the hands of the Registrar. While there is no doubt that closest and most friendly relations exist between the department and the Provincial Bank, to say that the word of the Registrar is final with the apex bank is to do grave injustice to the independence of thought and decision of the members of the managing committee of the Provincial Bank........The task of the workers, particularly in Berar was not easy or enviable. All credit is therefore due to those who have stuck to their posts and have not thought of deserting the ship at the appearance of trouble.

BIHAR

Extracts from the Report of the Registrar of Co-operative Societies, Mr. N. Bakshi, I.C.S. for the year 1937.

General Progress.—The total number of working societies of all kinds including the Co-operative Federation, and Provincial Co-operative Bank was 7,010 as against 6,899 in the previous year. These included 85 cane growers' societies. Attention was chiefly directed towards the organisation of special types of non-credit societies and cane growers' co-operative societies. Organisation of primary credit societies continued to be very much restricted pending the rehabilitation enquiry, mention of which is made elsewhere.

The Provincial Co-operative Bank.—The working capital of the Provincial Co-operative Bank which stood at Rs. 110,13,000 on 31-12-1936 was reduced to Rs. 102,24,000 as a result of the sale of government securities for refund of deposits. The paid up share capital remained the same as in the previous year, at Rs. 6,11,400. The statutory reserve fund increased by only Rs. 9,500 to Rs. 4,43,900. The bad debt fund increased to Rs. 2,34,800, and the reserve for depreciation in government securities stood at Rs. 96,000. Deposits of all kinds held by the Bank at the close of the year was Rs. 68,94,000 as against Rs. 77,78,000 in the previous year—Rs. 57,32,000 from individuals and Rs. 11,62,000 from central banks and societies. In the matter of fresh advances the bank followed a very cautious policy. The total amount of loans given during the year amounted to Rs. 53,28,000 as against Rs. 53,56,000 in the previous year.

The position of the Provincial Bank has been somewhat weakened on account of the general depression affecting the central banks. As a result of meetings of creditors held by several central banks, it became necessary for the Provincial Bank to forego part of its claim against them on a pro-rata basis like other creditors. Steps are, however, being taken to strengthen the position of the Bank and the matter is already receiving the attention of the Government. Figures for demand and collection of principal from central banks and socities for the last three years are given below:—

	Demand	Collection
1935	41,89,000	3,18,000
1936	43,52,000	1,82,000
1937	46,06,000	79,000

A sum of Rs. 9,76,000 including Rs. 5,78,000 as overdue of the previous year was due for repayment on account of interest; but only a sum of Rs. 1,09,000 was realised leaving a balance of Rs. 8,67,000 as overdue at the end of the year. The investments in government securities stood at Rs. 28,10,000 as against Rs. 36,19,000 of the previous year.

The Bank made a paper profit of Rs. 1,11,660 including a sum of Rs. 79,000 brought forward from the previous year. The net profit of the year was Rs. 30,000 as against Rs. 21,766 in the previous year.

Central Co-operative Banks & Unions.—The number of central banks and central unions remained at 53 as before. The total reserves (including bad debt and other funds) increased by Rs. 24,000 and stood at Rs. 13·57 lakhs. The statutory reserves stood at Rs. 7·35 lakhs. Deposits fell by Rs. 3·26 lakhs to Rs. 84·73 lakhs of which Rs. 4·20 lakhs was held by societies and the balance by individuals. A sum of about Rs. 61,000 was advanced by central banks as loans to individuals against their deposits. The banks have been directed not to advance such loans, when they are unable to meet the due demands of other creditors. The total demand for withdrawal on account of all kinds of deposits in central banks amounted to Rs. 47·01 lakhs against which central banks maintained fluid resources to the extent of only Rs. 6·88 lakhs or 14·6 p.c. Individual members continued to demand withdrawal of deposits in many banks and a large number of them, unable to meet the demands for withdrawals, were obliged to hold meetings of creditors under section 24(A) of the Bihar and Orissa Co-operative Societies Act.

The total advances made to societies by banks during the year amounted to Rs. 3·41 lakhs as against Rs. 3·89 lakhs in the previous year. There was thus a further drop in transactions by about Rs. 48,000 and this is another sign of stagnation that has set in. The total collections during the year amounted to about Rs. 7·87 lakhs, and at the end of the year a sum of Rs. 120·17 lakhs was outstanding against societies. The amount owed to the provincial bank was Rs. 52·26 lakhs. The paid up share capital of these banks amounted to Rs. 16·26 lakhs and working capital to Rs. 166·84 lakhs. The cost of management of these banks amounted to Rs. 3·08 lakhs against 3·26 lakhs in the previous year.

About 20 banks interested themselves in the programme of agricultural improvement. Demonstrations of improved varieties of Dahia paddy, Pusa wheat and sugarcane Co. 213 were made in different centres in the area of one bank. Loans were advanced for sinking of wells, reclamation of land and the like. About fifteen banks participated in the promotion of village sanitation, medical relief, and education. The Bihar Village Welfare scheme, financed out of the Government of India grant is also worked in four centres with success.

Primary Credit Societies with unlimited liability.—The number of this class of societies increased by 19 to 6,552 but the membership decreased by 3,020 and stood at 1,49,797. The working capital and reserves of the societies stood at Rs. 147·41 lakhs and Rs. 26·66 lakhs as against Rs. 150·77 lakhs and Rs. 26·76 lakhs respectively in 1936. The amount of loans advanced during the year was Rs. 2·52 lakhs as against Rs. 3·56 lakhs in the previous year. The cost of management of the societies was Rs. 88,000 as against Rs. 91,000 in 1936. The following statement shows the demand, collection and overdues in respect of principal and interest in these societies:—

	Total demand.	Collection.	Total outstanding at the end of the year.
Principal	106,25,514	8,29,797	97,95,717
Interest	68,24,447	7,79,882	60,44,565

The proportion of interest to principal under the head of total demand is alarming.

Grain Golas.—There were 23 grain golas and one was wound up during the year. The membership of the golas decreased by 2,282 to 7,060. Cash and grain advances to members amounted to the value of Rs. 7,747 as against Rs. 4,243 in the previous year and total repayments amounted to Rs. 10,020. The total amount outstanding was Rs. 40,347 out of which Rs. 8,429 was overdue. All the golas except one earned profits during the year under report.

Cane Growers' Co-operative Societies.—A scheme for the co-operative marketing of sugarcane came into operation in Bihar towards the end of 1935. North Bihar was divided into two circles and two special officers were placed in charge of each circle. Considerable difficulties were at first experienced owing to the lack of co-operation from the Sugar Mills and the Bihar Planters' Association. But gradually through efforts made by the special officers, and my predecessor, Mr. Y. A. Godbole it was found possible to enlist the sympathy of some of the mills and to start work in different areas. During the crushing season, 1936-37 103 cane growers' societies with 2037 members in North Bihar supplied 9·03 lakhs of maunds of cane. 177 societies with a membership of 3,913 operated in the crushing season of 1937-38 and they were able to supply 11·52 lakhs maunds of cane.

In South Bihar, owing to limited staff, very little attention could be paid to the development of this kind of societies. The number of societies, which worked during the crushing season, 1936-37 was 14, the number of members being 167 and the amount of cane supplied about 20,000 maunds. 26 societies with membership of 261 operated during the crushing season, 1937-38.

According to sanctioned scheme, Rs. 30,000 was set apart for advancing loans at an interest of 3½ per cent to cane growers societies. The cane growers' societies have also been helpful in introducing agricultural improvements, village sanitation and in village uplift work gradually. It is gratifying to mention that these societies are very keen on introduction of improved and greater sucrose yielding varieties of cane. A scheme for intensive development of cane production has recently been drawn up. Under this scheme 50 p.c. of the available funds for the free distribution of manure and seed-cane at the disposal of the Agriculture Department will be earmarked for cane growers' societies. Similarly, all seed cane available from the Government Agricultural Farms in the province will first be offered for purchase by the cane growers' societies. Necessary collaboration and contract have been established with the Agricultural Department, and the whole scheme is based on the understanding that co-operative societies provide an excellent opportunity for organised work in compact areas and for enabling the two departments to maintain proper records of work done and to review the results achieved from time to time.

Non-agricultural Provincial Societies.—There were nine such societies as in the previous year, the Posts and Telegraph Societies with 2734 members and Rs. 4,11,583 as working capital being the biggest. The Society earned a profit of Rs. 25,734 during the year. The working of other societies of this class was also generally good. The Bihar and Orissa Police Officers Co-operative Banking Society had the largest share capital of Rs. 90,407 and had reserve and other funds amounting to Rs. 36,335. The society has obtained from the Public Works Department on lease for 20 years a piece of land in the Pata New Capital area, for the erection of an office building.

Employees' Societies.—The number of such societies stood at 70 as in the previous year. The Ranchi Accounts office Co-operative Society has the largest amount of share capital, working capital and reserves, the figures being Rs. 39,610, Rs. 1,22,603 and Rs. 18,436 respectively. The one defect in this class of society is the payment of honorarium to the Secretary or other office bearers. This remuneration has assumed unduly large proportions in several cases, especially in some of the Tisco societies in which an honorarium of Rs. 60 to 70 per month is being given. A circular has been issued by the department pointing out the undesirability of such a practice obtaining in the societies.

People's and Traders' Banks and Urban Societies.—There are 10 such societies and almost all of them suffered from bad management, negligent supervision or dishonesty of staff. The statement below will indicate their position:—

Membership	2,424
Share capital	1,06,588
Reserve fund	59,833
Other funds	28,636
Working capital	7,99,303
Profit	21,385

Weavers' Societies.—There are two weavers' societies in the Patna district, one at Fatwa and the other at Bihar. The society at Fatwa has 22 members. During the year, it earned a profit of Rs. 435 on a working capital of Rs. 672 only. There was no increase in membership of the Bihar Weavers' Society, which stood at 51. It made a profit of Rs. 711 on a working capital of Rs. 10,746 against a profit of Rs. 3,261 on a working capital of Rs. 7,112 in the previous year. The society at Dumka with a membership of 140 and working capital of 3,329 earned a profit of Rs. 1,118. The other societies either made a nominal profit or sustained small losses.

The greatest difficulty of weavers' societies lies in marketing their finished goods and these societies can flourish only if adequate arrangements for marketing are made. The industry may receive a great impetus if all the Government Departments are required to use textiles produced by the weavers of this province. The department have reason to believe that with a minimum guaranteed consumption, co-operative societies of weavers can supply practically all the requirements of different government departments at competitive rates.

Stores.—The Patna Secretariat Co-operative Stores sustained a loss of Rs. 80 during the year as against a loss of Rs. 2,758 in 1936 and Rs. 1,663 in 1935. This store appears to have been grossly mismanaged for some years. The Cycle Stores and the Electric Stores at Bhagalpure went into liquidation and the only surviving store there, viz., the Automobile Association has also been running into losses from year to year, and may have to be closed down. It incurred a loss of Rs. 1,544 on the year's working against a loss of Rs. 1,028 in the previous year. The Ranchi Accounts Office Stores earned a profit of Rs. 3,341 on a working capital of Rs. 19,653, It has accumulated a reserve fund of Rs. 8,038 and has got 170 members on the roll. The Christian Co-operative Stores at Domchanch also completed another year of successful working and earned a profit of Rs. 2,654 on a small working capital of Rs. 6,841. It has got 40 members and a reserve fund of Rs, 3,601. Success of Co-operative stores depends upon the amount of personal interest taken in their working by the members themselves. Deterioration sets in when the general body of members cease to take such interest.

Housing Societies.—The working capital of the Pioneer Co-operative Housing Society at Patna decreased from Rs. 97,414 to Rs, 91,529 but there was an increase in its profits by Rs. 358 to Rs. 2,225. The Housing Society at Bhagalpur has 29 members and a share capital of Rs. 1,250. This society has not been able to transact much business for want of funds.

The Bihar and Orissa Co-operative Federation.—The 19th session of the Federation Congress was held at Bhagalpur in February, 1937. The Federation received a subsidy of Rs. 46,490 from the Government for audit of Societies. The assessment of contribution on banks and societies for audit amounted to Rs. 158,705 and arrear dues to Rs. 2,29,202. The total dues from working societies thus came to Rs. 3·88 lakhs out of which Rs. 1·21 lakhs was realized during the year. The actual expenditure amounted to 1,43,853. The year started with an overdraft of Rs. 2,213 in the Provincial Co-operative Bank and the position was so serious that the audit staff could not get their salaries in time for some months. The amount of overdraft in the Provincial Co-operative Bank was reduced during the year to Rs. 11,616.

The Federation maintained 70 local auditors for the audit of primary societies and 21 assistant and junior auditors for the audit of central banks and non-agricultural societies with limited liability. The Federation continued the publication of the *Bihar Co-operative Journal.*

Co-operative Training Institute.—The institute was shifted to Pusa in October 1937. It was mainly occupied with holding refresher classes for local auditors and bank employees. Classes for the full course of training, covering six months, were held for new recruits. The total number of students trained during the year was 52, of whom 13 only received the full course of training. Evening classes for the benefit of honorary workers as well as paid employees of the societies of Patna were also held at 3 different centres in Patna. Six lectures were delivered at each centre.

Conclusion.—Soon after taking over charge I undertook an intensive study of the financial position of the 53 banks and unions in the province. I also sent out a questionnaire on relevant points to leading official and non-official co-operators of the province. Several helpful suggestions were received and while there was divergence of opinion on many points, every one agreed that there should be some scheme for scaling down the extent of indebtedness to the limit of repaying capacity within a number of years, that the rate of interest on loans to agriculturists should be substantially reduced and that there should be provision for adequate long term capital. On the basis of the tentative conclusions indicated by the study and the replies to the questionnaire, a comprehensive scheme of rehabilitation was drawn up in July, 1937 the main features of which are as follows:—

(1) The first essential is to have an enquiry into the assets, liabilities and repaying capacity of each member of every society in the province.

(2) On the basis of the enquiry those members who are dishonest, uncreditworthy or otherwise unfit to be retained as members of credit societies, should be eliminated, special arrangements being made for collection of what is recoverable from them as early as possible.

(3) In the case of those, who have sufficient repaying capacity, the dues should be scaled down to what they can be expected to pay within a reasonable number of years not exceeding fifteen and only these members should be retained as members of reconstructed societies.

(4) The dues of members of reconstructed societies, after they have been scaled down, should be realised in easy instalments within their repaying capacity, remissions being sanctioned in instalments conditional on payment of the dues according to the scheme.

(5) Provision for small crop loans carrying a low rate of interest, to members of reconstructed societies should be made to enable them to carry on their annual agricultural operations.

(6) In view of the abnormal fall in the price of agricultural produces the rate of interest charged by reconstructed societies should not exceed 6¼ per cent.

(7) Members, to be eligible for the benefits of the scheme, must execute rent purchase bonds or mortgage bonds in respect of their lands as security for the outstanding loans.

(8) On the basis of reconstruction, the gross loss of the central bank or union will be estimated and net loss will be determined after setting off such owned resources as may be available.

(9) With a view to start with a clean balance sheet after reconstruction, the net loss should be met either by the creditors or by the Government, or by both, in such proportion as Government may deem fit.

(10) After necessary remissions according to the scheme have been granted, stringent measures must be taken to ensure recovery on due dates and for this purpose suitable legislative and administrative provisions should be made for speedy disposal of award and liquidation cases.

(11) In view of the substantial shrinkage in the volume of interest bearing assets of central banks or unions after reconstruction and the decrease in the margin between the borrowing and the lending rates, it will be necessary to form bigger banks, by amalgamation, bifurcation, or by combination of both these processes, of the existing banks after rehabilitation, so that the working capital may be sufficiently large to enable the reconstructed banks to maintain an efficient staff and to provide for a little annual surplus for gradually building up the reserves which would substantially disappear in most of the banks after rehabilitation.

(12) Provision should be made for sufficient long-term capital through a Government loan or through debentures guaranteed by Government to be floated by the Provincial Co-operative Bank. Banks should be in a position to obtain capital at a sufficiently low rate of interest so as to enable members to obtain loans from societies at a rate of interest not exceeding 6¼ per cent.

(13) As the process of rehabilitation would involve the elimination of an appreciable percentage of the members, the movement will have to be materially strengthend by the recruitment of new members for the reconstructed societies and the organization of new socities on sound lines. There should be provision for this purpose.

(14) More and more attention will have to be paid to the non-credit side of the movement and for this purpose special organized efforts will have to be made for developing the productive power of the members by promoting better farming, for increasing the surplus cash at their disposal through joint sale and joint marketing and by encouraging thrift.

(15) There should be necessary safeguards, financial, administrative and legislative for the prevention of a recurrence of a crisis similar to what the movement is passing through at present. The safeguards proposed include the definition of the powers, duties and responsibilities of the staff and office-bearers of a reconstructed bank by statutory rules, control of borrowing capacity and rates of interest on banking considerations, creation of a common bank service, creation of a close service for departmental officers, rules of business to be prescribed by statutory rules, a machinery for co-ordinating the activities of different nation-building departments for securing an all-round improvement on the lives of the members of societies, a well-planned scheme for training the departmental staff as well as the members and office-barers of banks and societies.

HYDERABAD.

Review of H. E. H. Nizam's Government of the Report of the Registrar of Co-operative Societies, Mr. Fazallullah, for Fasli 1347 (37-38).

The crops in many districts suffered owing to excessive and untimely rainfall. In spite of this disadvantage the movement continued to make fairly satisfactory progress. With the registration of 298 new societies and the cancellation of 44 old ones, their number stood at 3,373 as against 3,119 in the previous year, while their membership recorded a corresponding increase from 1,05,224 to 1,20,467. Similarly the working capital of the movement as a whole improved from Rs. 2,51,94,081 to Rs. 2,60,98,720, out of which the owned capital was Rs. 1,16,00,068. This shows that societies were loyal to the fundamental co-operative principle of thrift. The paid-up share capital and the various reserves were larger than last year and stood at Rs. 58,72,517 and Rs. 52,45,762 respectively, their proportion to the working capital being 44·4 per cent. The year was not without anxiety to credit societies and banks.

The Dominion Bank emerged financially strong with a paid-up share capital of Rs. 5,07, 405 and reserves of Rs. 10,20,489. The aggregate owned capital of Rs. 15,27,894 compared well with its outside liabilities of only Rs. 26,92,049. There was an improvement in its business with central banks and societies, whom it advanced Rs. 3,71,224 in loans and from whom it recovered Rs. 5,03,006 leaving Rs. 18,46,399 outstanding at the end of the year as against Rs. 19,74,385 in the previous year. It is hoped that with the implementing of the Government order which gives the central banks a preponderance of share-holding over the individuals members, it would be possible for the former to guide the policy of the Bank to the lasting benefit of the credit movement in the State.

The central banks, the older among whom were still weighed down with the overdues of the earlier years, did not on the whole give proof of any appreciable improvement on the last year's position. There were slight increases in the working as well as the owned capital which stood at Rs. 64,35,935 and Rs. 23,89,389 respectively, the latter consisting of Rs. 11,36,613 shares and Rs. 12,52,776 reserves. Loans advanced to societies amounted to Rs. 9,23,280 and exceeded those of last year by about Rs. 2¼ lakhs while recoveries from them in principal and interest totalled Rs. 7,65,526 and Rs. 3,02,198 respectively leaving outstandings of Rs. 46,44,183 in principal and Rs. 10,83,471 in interest. Although the arrears of interest were heavy, there was a margin of Rs. 25 lakhs between the aggregate liabilities and assets of the banks which was an adequate cover for bad and doubtful debts.

The agricultural credit societies increased in number from 2,546 to 2,693, and their membership rose from 52,241 to 56,561. The working capital went up to Rs. 83,44,735 and the owned capital to Rs. 40,38,085. The latter was made up of Rs. 16,52,168 shares, Rs. 2,19,548 members' deposits and Rs. 21,66,369 reserves. Government is glad to note that the owned capital of these societies is 48 per cent of the working capital, and that every endeavour is being made to increase their owned resources by teaching the members the virtues of thrift and savings. For, it must be emphasised that the objective of a village credit society should be the attainment of financial self-sufficiency.

Both collections and advances were better than last year and amounted to Rs. 9,79,508 and Rs. 6,46,181 respectively. Outstandings with members at the end of the year were Rs. 56,96,746 principal and Rs. 24,94,527 interest. The proportion of the overdues of interest to the principal amount outstanding was high, but it is partly explained by the fact that in the case of defaulters payments made by them were chiefly credited to their principal loan account leaving arrears of interest to be recovered later.

It is interesting to know that there is a growing demand for credit societies. Government approves of the Department's policy of guarded expansion, which is necessary in order to counteract the tendency in the rural money-lending class to unduly restrict credit as a result of the recent debt-relief legislation. It will watch with interest the working of rural banks registered with limited liability and the extent to which the well-to-do and monied members of the rural community co-operate in making a success of them. In view of the steady expansion which is taking place there is an admitted necessity for expansion of the inspecting and organizing staff and the proposals of the Registrar in this connection will receive due consideration.

It is gratifying that the **non-agricultural societies** maintained their pace of steady progress. Their number and membership rose from 505 to 612 and 34,103 to 43,800 while the working capital increased from Rs. 47,62,368 to Rs. 51,13,925 and the owned capital from Rs. 31,56,206 to Rs. 33,82,459. The salary-earners societies were conspicuous among them by their continuous growth, which had to its credit a membership of 17,030 and a working capital of Rs. 33,24,646 out of which as much as Rs. 25,66,016 or 77 per cent was owned capital. They were followed in the order of merit by urban banks which numbered 109 and claimed 13,497 members with a working capital of Rs. 10,75,649. Rs. 4,32,303 or 44 per cent of the total capital was owned by them.

Sales societies which remained eight in number with a membership of 766 and a working capital of Rs. 48,491 do not seem to have made progress compatibly with their importance in rural economy. The fact that Government attaches importance to the growth of co-operative marketing is evidenced by the sanction which was accorded to the appointment of a Co-operative Sales Officer after the close of the year. It is hoped that sale societies would be able to give a better account of their working under his supervision, and would succeed in weaning the members of rural credit societies from their dependence on the village bania for the movement of their produce.

Among individual societies which deserve special mention are the **Insurance Society** and the **Mallapally Housing Society**. The former has made a promising beginning and commands a wide field for expanding its business. The Co-operative Union continued to discharge its useful work of education and supervision in rural areas.

The slow progress made in the execution of awards and the orders of liquidators has for some time been engaging the attention of the movement. The proposals made by the Registrar for expediting the progress are receiving the sympathetic consideration of Government.

It is satisfactory to note that the Department succeeded in doing full justice to its statutory duty of the audit of societies.

The Government have much pleasure in acknowledging the assistance rendered to the movement by the officials and non-officials mentioned by the Registrar in his report. On the whole the year has been one in which steady progress has been achieved which has left the movement in a stronger position than at the commencement. For this the thanks of Government are in particular due to Mr. Fazalulla, who has guided the movement throughout the year with marked zeal and energy.

CO-OPERATIVE NEWS AND NOTES

We are glad to record that Syed Sha Ali Hussain, Co-operative Inspector, H. E. H. Nizam's Dominions, has been awarded the research degree of M. Litt., recently instituted by the University of Madras, for his Thesis on *Co-operative Land Mortgage Banks in the Madras Presidency*. It is a matter for congratulation that the first award of this new Degree should go to a thesis on a co-operative subject. Mr. Hussain is also the first recipient of the V. C. Rangaswami Prize, founded in memory of the late Secretary of the Madras Provincial Co-operative Bank by the Bank and his friends and admirers.

* * * * *

The Government of Assam intend to set up a Committee to consider the state of the Co-operative Movement in the province with particular reference to the position of the central banks. The press communique issued in this connection reads: "The entire co-operative movement stands to-day in immediate need of revitalisation and reconstruction. The Government are fully alive to this need and have had under their anxious consideration the question for sometime past. The Government hope and trust that they are not alone in their efforts to rehabilitate the movement and that nothing will be done in the meantime which disturb the *status quo*."

* * * * *

It is understood that the Madras Government have for the present abandoned the proposal to promote the Health Co-operative Societies. Detailed examination of the scheme which was taken up for scrutiny last year revealed to the Government that the proposal would involve duplication of work already being carried on by some Panchayats.

* * * * *

The Madras Government have approved a scheme for a Provincial Widow's Thrift Fund to enable widows to invest their savings or other *money* in an annuity fund. An annuity based on the amount invested will be paid monthly *to* the investor from her 45th year for a period of 15, 20 or 25 years. The South India Co-operative Insurance Society Ltd., was consulted in regard to details of working the scheme; the Society has expressed its willingness to take it up if necessary encouragement was forthcoming from the Government.

* * * * *

In a recent circular issued to all Public Servants' and Employees' Co-operative Societies in Madras, the Registrar desires *to* introduce an element of compulsion in the promotion of thrift and suggests the following model bylaw for adoption by these societies:

"Every member shall subscribe to a thrift deposit, so long as he continues to be a member of the society according to the scale laid down below:—

Members whose monthly salary is Rs. 20 and below			As. 8 per mensem
Do. exceeds Rs. 20 but does not exceeds		Rs. 35	Re. 1 „
Do. do. Rs. 35	do.	Rs. 50	Rs. 2 „
Do. do. Rs. 50	do.	Rs. 75	Rs. 3 „
Do. do. Rs. 75	do.	Rs. 100	Rs. 4 „
Do. is above Rs. 100			Rs. 5 „

These subscriptions shall be collected along with the instalments of share capital, loans, etc., due by the members every month. At the end of every 20 months the accumulated amount shall be converted into a fixed deposit and held to the credit of the member, until he ceases to be a member. Interest shall be allowed on the subscriptions and on the fixed deposits at a rate not exceeding 4 per cent, per annum and may be paid in cash or by adjustment towards the loans due by the member."

* * * * *

A sum of Rs. 13,588 has been provided by the Government of the United Provinces for the training of 150 Supervisors, who will be recruited for the purpose of intensive development of handloom industry in the Province. There will be four centres at each of which about 40 candidates will be given theoretical and practical training in weaving and in co-operative law and practice. Each centre will be in charge of a Co-operative Inspector and a Textile Inspector. The duties of these supervisors, when posted to selected centres after a successful completion of the training, will be to introduce improved handlooms among weavers, to teach them improved methods of weaving and to popularise up to date designs among them, besides organising them on a co-operative basis.

* * * * *

An additional grant of Rs. 12,500, over and above an equal amount already provided for, has been sanctioned by the Government of United Provinces to facilitate and improve the working of ghee societies in the province. It is proposed to recruit additional staff for organising new societies as well as improving the working of existing ones. The Government propose to introduce shortly legislation to protect the ghee industry against adulteration.

* * * * *

In order to keep down prices and prevent profiteering in Bombay, the Registrar of Co-operative Societies who is also the Director of Rural Development has suggested that salary earners' societies, urban credit societies and urban banks should make joint purchases of the members' domestic requirements, on an indent basis.

* * * * *

The Bombay Agricultural Debtor's Relief Bill, having passed through both the houses of the Legislature during the regime of the Congress Ministry, is now awaiting the approval of the Governor-General in Council. The Bill applies to agricultural debtors who cultivate lands personally and whose debts do not exceed Rs. 15,000 and are not less than Rs. 100 and provides for scaling down of debt to the repaying capacity of the debtor. It is laid down that a debtor should be a member of a resource society approved by the Government before debts may be thus scaled down under the Act by a Board constituted for the purpose. It is explained that this provision is intended to give relief to those agriculturists for whom arrangements may be made for crop finance through co-operative societies. Provision has also been made for declaring a debtor as insolvent if he is unable, in view of the inadequacy of his paying capacity, to pay the total amount of debt as scaled down, or who according to the Debt Adjustment Board will not be in a position to liquidate the debts due within a maximum period of 20 years.

* * * * *

At the invitation of the co-operators of Sind, the Standing Committees of the Indian Provincial Co-operative Banks' Association and the All India Co-operative

Institutes' Association will hold their next joint session in Karachi during the Easter week on the 25th and 26th March 1940.

* * * * *

The Cochin Co-operative Land Mortgage Bank completed its fourth year of successful working by 16th August 1939. The paid-up share capital of the Bank was Rs. 75,690 as against Rs. 72,720 of the previous year. The second series of debentures were floated during the year for Rs. 5 lakhs at 4 per cent. These were oversubscribed, and the amount thus raised was utilised to repay the Government overdraft. The rate of interest on the Government overdraft was raised from 3 to 3½ per cent. The total debentures issued by the Bank and outstanding amounted to Rs. 10 lakhs. Loan applications for Rs. 6,55,643 were disposed off during the year and the loans granted amounted to Rs. 3,71,924. The Bank earned a net profit of Rs. 5,511 as against Rs. 6,814 in the previous year.

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We regret to record the death in England of Sir Daniel Hamilton, the Doyen of co-operators of Bengal, and of Mr. V. Venkatasubbiah of the Servants of India Society, Madras Branch and Joint Secretary of the Madras Provincial Co-operative Union. An account of their life and work in the Co-operative Movement will be published in the next issue of our Review.

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ACKNOWLEDGMENTS

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