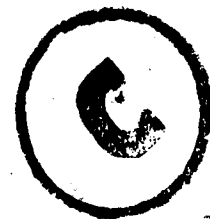


The
Madras Journal of Co-operation

Vol. XXXI

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THE
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APRIL, 1940.

[No. 10]

The Editorial Committee do not hold themselves responsible for views expressed by contributors. Contributors are requested to write legibly and on one side of the paper. Manuscripts will not be returned unless stamps are sent to cover postage. Matter intended for the issue of any particular month should reach the Committee before the 15th of the previous month.

Editorial Notes.

Registrar's Report for the year 1938-39.

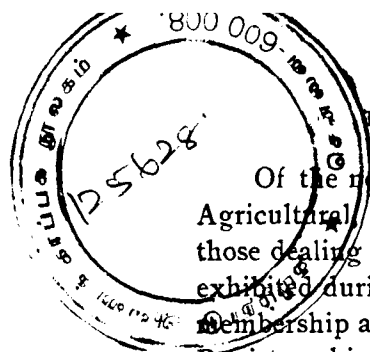
Having dealt with that portion of the Registrar's report surveying the progress achieved under credit section we now turn to the latter half dealing with non-credit section. This falls under two categories—Agricultural and Non-agricultural. The types of societies belonging to these two classes and their number are given below:—

(A) Agricultural Societies.

Loan and Sale Societies	... 134	Land Reclamation Societies...	10
Marketing Societies	... 4	Cattle Breeding "	5
Milk Supply Unions	... 5	Consolidation of Holdings	
Milk Supply Societies	... 49	Societies	16
Sugar-cane Growers		Colonisation Societies	2
Societies and Unions	... 15	Egg Production and Poultry	
Fruit Growers' Societies	... 8	Farming Societies	5
Kudimaramat and Irrigation		Better Living Societies	4
Societies	... 12	Tenants' Societies	290
Agricultural Demonstration		Others	24
and Agricultural Improve-			
ments Societies	... 39		

(B) Non-Agricultural Societies.

Stores	... 85	Printing Societies	... 3
School and Colleges Societies	94	Better Living Societies	... 50
Weavers' Societies	... 174	Thrift Societies	... 21
Cottage Industries Societies.	57	Insurance Societies	... 2
Building Societies	... 126	Fishermen's Societies	... 28
Labour Contract Societies	... 22	Other Societies	... 10



THE MADRAS JOURNAL OF CO-OPERATION

Of the non-credit societies belonging to the class called the Agricultural the most important are Loan and Sale Societies and those dealing with Milk Supply. The Loan and Sale Societies exhibited during the year signs of all round progress. Their number, membership and transactions, all show appreciable increase. The Registrar himself admits that in many of the societies the loan side was given greater prominence than the sale side. We agree with him that both the aspects are equally important and we hope that if better facilities are given for the processing of the agricultural produce and for adequate storage facilities, these societies will show better results next year. The good work done by the Bodinayakanur Cardamom Sale Society and by the Kaveri Delta Co-operative Society which attempted to supply delta rice to the labourers in the Anamalai Hill in preference to the Burma rice now purchased for them deserves special mention.

Loan and Sale societies form a link in a big chain of economic distribution, and these societies have an important part to play in this respect. The Registrar's ambition of starting a Co-operative Wholesale Society for the Province with District Wholesale Societies federated to it is a very laudable one.

In this connection it may not be out of place if we remark that the economics of distribution deserve to be studied with greater care than has been devoted to it. In the earlier days of economic thought which coincided with the era of industrial development, the tendency was to concentrate attention on the economics of production; later on, in some of the industrially advanced countries the possibilities of economics in consumption received as much attention and hence the consumers' co-operative movement. But the interconnecting process of distribution between production and consumption has not been given the importance it deserves. In a recent book called the 'Condition of Britain' the Coles, the joint authors, point out how some of the old industries are being thrown into the shade and more people are being employed in distribution and in trades dealing with the amenities of life. If, therefore, the march of agricultural produce be followed through the various stages before it gets consumed and if the intervening economic activities be organised on a co-operative basis by the promotion of co-operative marketing societies, there is a good future for it in this country.

The Milk Supply Unions of which the most important one is in the city of Madras with similar ones on a smaller scale working at

EDITORIAL NOTES

Coimbatore, Madura, Nellore, Salem and Ellore, form a important class of societies whose significance in the economic and public welfare scheme of the country cannot be exaggerated.

So also the societies organised among Sugarcane Growers. This class of societies plays a very important part in U. P. and in Bihar and in certain other provinces, and we are glad to note that special attention is being paid to it in our province as well. The Registrar's plan for starting a co-operative society in N. Arcot District for the supply of Electrical Motors for purposes of irrigation would be watched with interest.

Consolidation of holdings is a line of activity towards economic improvement of the ryot which is given great prominence in some parts of the country, notably in the Punjab. The absence of a separate Act to regulate the consolidation of holdings is a serious handicap; but it is hoped that with the steps taken by the Registrar to have the Registration Act amended so as to give proper facilities for consolidation, some of the existing obstacles will be removed and good progress will be made in this direction in the years to come.

Turning now to the category called the Non-Agricultural Non-credit Societies, here also we find quite a large variety. Consumers' Stores and School and College Societies form a class by themselves, and we are glad to note that the societies belonging to the latter class have acquitted themselves well during the year. The formation of a Provincial Co-operative Stationery Stores in the city of Madras intended to co-ordinate the working of these individual stores and to help them in the matter of getting their supply of requirements is expected to make these primaries grow and become more and more useful. So far as Consumers' Stores are concerned the T. U. C. S., "Triplicane Stores" stands as a unique instance of a successful store. We agree with the Registrar that the authorities of the T. U. C. S., ought not to be satisfied with the progress achieved, but should strive to make their society grow more and more and make it play a more vital part in the economic life of the city of Madras. The South India Co-operative Insurance Society our readers will be glad to learn, has done very well during the year under report. It

N.B.—It has been brought to our notice that certain sentences in our editorial note in March 1940 on Registrar's report for 38—39 are likely to be interpreted by our readers as signifying that the Registrar has faith in the departmental drive alone for the betterment of the movement. We don't think there is justification for this possible interpretation. We wish to assure our readers our intention was merely to emphasise the importance of Co-operation between the officials and the non-officials rather than to criticise the action taken by the Registrar.

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has expanded slowly, it may be, but very steadily, and we hope with all its consolidated strength it would be in a position to extend its activities in other provinces more than it has been able to do hitherto. We hope similar facilities would be given for the starting of a Co-operative Fire Insurance Society, about which the Madras Provincial Co-operative Bank has done some preliminary investigation. There is ample evidence in the report that special attention is being devoted to develop this hitherto neglected side of non-credit Co-operation and that the Registrar is taking a personal interest and is watching with care its development along healthy lines.

We shall deal in our next issue with Supervision, Education and certain other general aspects of co-operation.

Mr. Ramadas Pantulu on the Movement in Bengal at the Bengal Co-operative Conference Address.

The Provincial Co-operative Conference of Bengal held at Calcutta on the 30th March 1940 was presided over by the Hon. Mr. V. Ramadas Pantulu. We have published elsewhere copious extracts from his presidential address. We have done it on purpose so that our readers may get a correct idea of the sorry plight of the co-operative movement in Bengal and the remedies suggested by Mr. Pantulu in his presidential address.

There is an old Tamil proverb to the effect that the benefit of the shade could be appreciated only by those who have experienced the heat of the sun. Though we are not over satisfied with the present condition of the co-operative movement in our own province, we have reason to congratulate ourselves that it is not worse than it is, especially when we compare it with the condition of the movement in some of the neighbouring provinces, for instance in Bengal or in Bihar or in Central Provinces.

The situation is summed up in one sentence:

"Your Registrar tells us that the figures of cash collections of loans by the Provincial Bank from Central Banks, by the Central Banks from affiliated societies and by the societies from their members have come down to 2, 4 and 8 per cent respectively of the outstanding dues."

It will be clear from the above that the movement in the Province has considerably deteriorated. The causes for this sad condition has ranged, as Mr. Pantulu puts it, "from visitations of gods to the perversities of men." It is small consolation to us that the present

position is "the legacy of our past sins—non-observance of moral precepts of co-operation and the violation of the material precepts of business code."

The immediate problem is how to revive the co-operative system so as to make it function once more as an efficient rural credit agency.

Having stated the problem in this way, Mr. Pantulu goes on to describe the remedies under the three headings of the Provincial Bank, Central Banks and Primary Societies. Upon the Provincial Bank which has had such a glorious past is cast the onerous responsibility of discharging the two-fold task of taking over the outside debts of Central Banks under certain conditions and of supplying required capital to the villagers through Central Banks and societies. He advises a course of caution and is not for starting a separate Central Land Mortgage Bank as conditions are not at present quite propitious for it. He pays a deserved tribute to the Government of Bengal that has come to the rescue of the Provincial Bank, the nerve centre of the whole movement, by granting certain concessions, such as free audit, a subvention of Rs. 24 lakhs to be given at Rs. 2 lakhs a year for 12 years and temporary financial accommodation of over Rs. 13 lakhs to enable the Provincial Bank to give short term crop loans to the societies and, above all, the assurance given by the Government that they will support the Co-operative Movement in the province and will not allow it to fall into any serious danger. Speaking about the Central Banks of the Province 120 in number, Mr. Pantulu told them frankly their number had to be considerably reduced by liquidating some, amalgamating some and merging existing banks in new banks to be started on a suitable regional basis. Dealing with primary societies, he also drew the attention of the Bengal Co-operators to the fact that membership of a society is often too small for its successful working and suggested increase of membership by making the societies serve not merely a single village, but a small group of villages easily accessible from a centre. He also suggested amalgamation of village societies with a view to give large membership and to make enough working capital available to such societies. Those who have been following the deliberations of the Madras Co-operative Enquiry Committee and the views which Mr. Pantulu has been expressing at its meetings will not be surprised to note that he advocated the change of the nature of liability of rural societies from unlimited to limited. He also pleaded for "Controlled Credit", as it is called in this Province eliminating unbusiness like methods and

making societies efficient agencies for the dispensation of rural credit on well-regulated lines.

The scheme of rehabilitation of the movement, Mr. Pantulu said, has to start with scaling down the debt of individual members to the level of their repaying capacity. This scaling down has to be carried on in the case not only of loans due by members to societies, but of the loans due by societies to central banks and by central banks to Provincial Bank. Any change in the economic position of the ultimate borrower, the individual member of the primary society will have its immediate repercussion on the other aspects of the credit movement. Those who are interested may go through the elaborate calculation suggested by Mr. Pantulu in all its details as to how much the Provincial Bank will stand to lose, how much the Central Banks and how these losses are to be met ultimately. As we said at the beginning, the responsibility cast upon the Provincial Bank is heavy and the redeeming feature of the whole situation is the willingness of the Government to stand by the Bank in its hour of trial and need. We hope the scheme of rehabilitation suggested by the Registrar and approved by such a veteran co-operator as Mr. Pantulu will be pushed through by the Bengal Government, and that the movement will be set on its own legs again.

The present practice started last year of giving short-term advances as crop loans is commended by Mr. Pantulu. The Government of Bengal have embarked on a very bold experiment in starting over 6,000 new societies for the disbursement of this kind of loan, but the results have justified the optimism of the promoters. The granting of this loan with the help of Government cash credit, if carried on successfully for a number of years simultaneously with the resuscitation of the Movement along the lines chalked out, will it is hoped, infuse new life into the Movement and rejuvenate it in a short time.

The points raised by Mr. Pantulu in his address about co-operative education are applicable not only to Bengal, but to all Provinces in India. The five points or problems which he raised are of such a fundamental nature that every province would do well to think of the solutions of these various aspects of co-operative education in its own area. We endorse his appeal for keeping co-operative movement above caste, creed or community.

On the whole, the address was very thought-provoking and full of practical suggestions which would be found useful not only by Bengal Co-operators for whose benefit it was intended, but by co-operators in other provinces of the country as well.

Co-operative Education and the P. C. U.'s Contribution.

Under the auspices of the Madras Provincial Co-operative Union a Cultural Association intended mainly for the employees of the various co-operative institutions in the city of Madras has been started with the object of running a study circle. The study circle was formally inaugurated on Sunday the 21st April 1940 by the Registrar of Co-operative Societies, Madras. The aim of this particular institution is definite, though narrow. It wants to continue the co-operative education of the employees of co-operative institutions who might have joined services with or without previous co-operative training. Generally, once these employees get into service they have very little opportunity for continuing their study. They are so busy with the every day routine that there is little time or inclination left for further study and thinking. It is just with a view to prevent this moral and intellectual deterioration and keep the employees as far as possible abreast the times by providing them with facilities for intellectual and cultural progress that this Study Circle has been started. Not only will topics be taken up for discussion, but there will be lectures also by competent authorities and what is more the resources for further study available in the libraries of the various institutions in the city will be pooled together and be made available to those who want to make use of them. There are good libraries of co-operative literature in the Provincial Union, in the Provincial Bank, in the T. U. C. S. and at the office of the Registrar. The aspiring student who wants to keep himself abreast of the times will be given ample opportunities for higher study and research in the library of the P.C.U. which will, if necessary, undertake to borrow books for reference from other institutions and make them available for use.

Co-operative education is such a vast subject and it is to be tackled along many fronts. The employees, official and non-official in the co-operative institutions, have to be given a technical training for the efficient discharge of their duties. The average member has to be given some general training so that he may know his rights and responsibilities as a co-operator. The honorary workers who

are in charge of the management of important co-operative institutions have also to be kept informed of the main trends of co-operative thought in this and other countries. In fact no one connected with co-operation, official or non-official, can afford to say that his knowledge of co-operation is perfect and he does not stand in need of any addition thereto. But taking this comprehensive view of co-operative education which is to be imparted to particular classes of people in a form suited to their capacities and requirements, the question arises as to the agency that has to take up this momentous task. In England the National Authority of the Co-operative Movement has got an educational and propaganda section under whose auspices the Co-operative College of Manchester is working with a full-timed Director as its head. The College conducts training classes of varying durations intended for various sections of people. Even women and children and possible recruits to the movement are not neglected. In this country the University, the Department and the Non-official institutions have to pull together to spread the true spirit of co-operation among the masses, and we are glad that the P. C. U. has given a lead in the matter.

In this connection we would like to lay special emphasis on a matter mentioned by the Registrar in his inaugural address, namely, that District Banks must become centres of co-operative education and culture, and they must take up the task of disseminating co-operative knowledge in the district. Not only should their libraries be made available to the studious public, but arrangements should be made for starting study circles in various centres in the district and the authorities of the district banks should supply the necessary stimulus and guidance for the running of these circles. The P. C. U. would then become the co-ordinating agency of these various educational enterprises, and the need would then be felt for a full-fledged education department of the P. C. U. working under a competent guide. All these may appear to be a dream to-day, but we hope that ere long this would become a reality.

Land Mortgage Banks System of Bombay.

Our Land Mortgage Bank system carefully nurtured in its earlier stage by Sir M. Ramachandra Rao has established a reputation as being the best in India and we find our sister Provinces are attempting to come into a line with us. The address of Sir G. B. Pradhan, the President of the Bombay Provincial Co-operative Land Mortgage Bank, Ltd., delivered at the first Land Mortgage Banks' Conference

at Bombay which is printed elsewhere shows how our general policy is being pursued in Bombay as well. After giving an account of the history of the land mortgage banks in Bombay, the President showed how they are following a cautious policy in the matter of lending. Not only is the valuation of property intended to be mortgaged done by a special valuation officer, but the repaying capacity of the would-be borrower is given its due importance. The Government have evidently kept more control over the Central Land Mortgage Bank and its policy there, than here. They have got practically three nominees on the directorate of the Provincial Land Mortgage Bank, and the Manager of the Bank is an Assistant Registrar of the Department who as a part-time officer is in charge of the administration of the Central Land Mortgage Bank. Though the Bombay Legislature has permitted the Government to guarantee principal and interest of debentures floated by the Central Land Mortgage Bank to the extent of Rs. 50 lakhs, only one series of debentures has been floated uptill now to the extent of Rs. 20 lakhs.

The problems before the Bombay Co-operators are more or less similar to ours. First, there is the problem of margin of profit. The Central Land Mortgage Bank lends to primaries at $4\frac{1}{2}$ per cent while its own debentures carry $3\frac{1}{2}$ per cent interest. Out of the margin of $1\frac{1}{2}$ per cent, an amount has to be set apart for the maintenance of the sinking fund. We are told, therefore, that the Central Bank is left with something less than $\frac{1}{2}$ per cent. of profit and as the President puts it, "it is not possible for any business institution to work at a profit at such a narrow margin." Naturally, therefore he appeals to the Government to grant liberal subsidies to meet the expenses as otherwise "the Bank will not be able to give a moderate return on the share capital, a substantial portion of which is subscribed by the primary banks and co-operative societies of the province." Similarly the primary banks work with a very narrow margin. Their borrowing rates are $4\frac{1}{2}$ per cent. and lending rates 6 per cent. Unless the volume of transaction be much this narrow margin will not enable the primary bank to earn any profit. We are told that many of the primaries that were given an annual subsidy of Rs. 500 during the first three years of their existence have not been able to make both ends meet and that they stand in need of more subsidies from the Government.

The second important problem is the need for more money. They want to float the second series of debentures for Rs. 10 lakhs at

THE MADRAS JOURNAL OF CO-OPERATION

a rate not exceeding 4 per cent. per annum and until the debentures are floated and are fully subscribed they want temporary accommodation either from the Government direct or from the Provincial Bank, which is to be guaranteed by the Government. The amount so accommodated would naturally be paid out of the debentures. We are glad to be told that the Executive Committee of the Central Bank waited in a deputation upon the Adviser to His Excellency the Governor in charge of the Department and he has been pleased to grant the request of the Executive Committee regarding the temporary accommodation asked for. As the President puts it.

"Without this temporary accommodation the Apex Bank will be required frequently to suspend its loan operations and this is bound to give a set-back to the land mortgage bank movement in the Province."

Compared with the movement in our Province, the movement in Bombay is young and not so wide-spread; but we are glad to find that they are following a policy of cautious expansion. We wish all success to the land Mortgage Bank Movement in Bombay.

Rao Bahadur A. Vedachala Iyer
on the Registrar's "Future Programme."

The Registrar, in his article, "Future Programme" published in pages 531 to 534 of the 'Madrass Journal of Co-operation' for March 1940,* speaks aloud of what he intends to do to put the co-operative movement on a sound basis. I may be permitted to give out these observations :—

The Registrar says, "(1) The village credit society has been the foundation of the co-operative banking structure and I believe that the strength of the movement depends on the last analysis upon it. The constitution and management and methods of working are to my mind, well conceived but in actual working the societies have not done as well as one would have expected."

I feel bound to state that these observations of the Registrar are absolutely correct but at the same time, I should point out that the credit originally intended to be given was "credit for all purposes" and this was given free play at the outset but later on, co-operators guided by the department whose interference set in, followed the mandates of the department to confine themselves to credit for specified purposes approved by it with the result that the primary rural co-operative organisations were made to sing to the tune of the departmental officials, especially in the lower grades of the ladder.

In any scheme of the Registrar's drive to rehabilitate the existing organisations, he should envisage the non-official machinery relying purely on its own strength and efficiency with adequately paid staff employed by it and not on the departmental staff and the non-interference of the department in any form whatever should be scrupulously observed.

The grouping of villages and the enlargement of the area of operations suggested by co-operators to enable efficient and satisfactory working of rural primary co-operative organisations with a paid staff is not a wise method as grouping of villages will lessen the co-operative spirit, will stimulate profiteering spirit and will lead to

* Extracts from the Registrars' Report for 1938-39.

faction without any corresponding advantages. It will not be possible to undertake credit for production, distribution and consumption aspects together by such grouping.

In conducting all purposes rural organisations, limited liability will be a more suitable arrangement than unlimited liability. The existing institutions need not be enlarged in their area, but they must be resuscitated with all previous losses wiped out by the central banks from the reserve funds and share capital of the societies.

The sustained drive by the department should be purely "advisory" and not "mandatory". Special societies for "better living", "sale and marketing," "consolidations of holdings," "milk supply" etc. may be practicable and successful in urbanised rural parts. A general-purpose-society in a rural area is a better one if run with adequate and efficient paid staff. One general remark I may venture to offer is to allow these rural institutions to grow as the non-official co-operators wish to expand in the direction of multi-purpose society or specialised activities as they alone should bear the burden of running them efficiently and as they alone should prove their solvency to the institutions co-operative or otherwise which finance them. The departmental officials should tender advice only when sought for and publish the audited figures for securing the confidence of the public.

Co-operation.

BY A. RAJABADAR MUDALIAR

The new Registrar's summary of his views, aims and aspirations reproduced in the Madras Journal of Co-operation for March 1940 ends with his words that "our future efforts must be mainly directed towards ensuring that only men *actuated by true co-operative ideals* run the Village Societies." This is indeed most gratifying. How Mr. S. A. Venkataraman's pious intention is going to be put into practice remains to be seen. He has no control over the elections in Societies according to his model bylaws of Societies. A Society is at perfect liberty to elect as its President any one whom the members want, and members mostly want as President one who would accommodate them in their own ways however irregular and not coerce them to repay their loans or observe other rules. Most Presidents who wish to retain office would naturally refrain from taking any measures which would make them unpopular. The only agency to supervise the working of Societies is the Union. The Village Society President is there in the Union also and is naturally reluctant to take notice of the failures of his own Society and of others. The Central Bank which supervises the working of Unions is unable for similar reasons to take notice of the Unions' failures because the Village Society's President is there also to elect the Central Bank's President and his Committee. Unless and until therefore the present rules are suitably amended to effectively prevent wrong men from running Village Societies, Unions and the Central Banks, the Registrar's hope may, I fear, never be realized. Even the Hon. Mr. V. Ramadas Pantulu is kept in power as President of the Provincial Bank by the suffrage of the Village co-operator. While democracy may be alright for general administration of a country it cannot be adopted except with greatest caution and all desirable checks in institutions where members borrow others' money and mostly default in repaying it.

The Alamuru Co-operative Rural Bank, Ltd.

PROGRESS REPORT FOR THE QUARTER
ENDING 31-3-40.

By N. SATYANARAYANA.

The bank was registered on 1-2-38 by Sri A. Hiridayaswami Deputy Registrar of co-operative societies, Rajahmundry under instructions from T. Austin Esq., I.C.S., Registrar of co-operative societies, Madras, as a special society on multi-purpose basis. The bank was opened on 27-2-38 by Sri T. Prakasam Pantulu, the Ex-Revenue Minister for the Government of Madras. V. N. Kudva Esq., I.C.S., the District Collector presided on the occasion and addressed the gathering on co-operation and rural reconstruction.

The area of operation was extended to 11 villages within a radius of 5 miles of Alamuru. The population of all these villages is nearly 32,000 consisting of mainly two communities Kapus and Kammias who are the main agricultural classes in this area. Settibaljis and harijans form nearly 1/3 of the population who are the two agricultural field labouring classes. There are a good number of weavers also in most of the villages and their main occupation is weaving. Brahmins and Vaysyas form a small minority of inhabitants living in this area. All the villages are deltaic and the main crop raised in this area is paddy. The two commercial crops raised here are sugarcane and plantains. The surplus paddy in this area is marketed to Tadepalligudem in West Godavery district and Anakapalli in Vizag district. The plantains are exported from Dwarapudi railway station to Hyderabad and Secunderabad in the South and Calcutta and Patna in the North.

The bank completed its second year by February 1940. The progress is encouraging as revealed by the figures shown in the annexure No. I.

The bank was started with 12 members and with a nominal share capital of Rs. 12. By the end of the co-operative year 1938 the membership rose to 95 and the share capital increased to Rs. 745. By the end of the second co-operative year June 1939 the membership rose to 239 and the share capital collected was Rs. 3,148. By the end of this quarter, 31-3-40 the number of members is 440 and

THE ALAMURU CO-OPERATIVE RURAL BANK LTD.

the amount of paid-up share capital is Rs. 5,710. The members in the society are shown below according to profession.

Teachers	...	7
Labourers	...	109
Merchants	...	17
Petty traders	...	14
Agriculturists	...	280
Others	...	13
		440

The objects of the Bank.

The bank was registered on limited liability basis with a wide area of operation to finance the agriculturists for all their credit needs such as raising crops, payment of kist, and marketing their produce. The bank is giving credit to the agriculturists for short term finance only on tangible securities such as mortgage of immovable properties, pledge of produce, gold or standing crop. Cash credit is given to members on continuity mortgage bonds up to 50% of the land value. Encumbrance certificates are taken for a period of 12 years. Loans are disbursed promptly after proper scrutiny of the title fixing the credit worthiness of the member. These mortgaged properties are assigned to the central bank to obtain credit in the same manner as the Primary Land Mortgage Banks do to obtain loans from the Central Land Mortgage Bank. These safeguards and precautions are taken as it is the first agricultural society started on limited liability basis in rural areas. Members are given loans on pledge of gold and produce for raising crops and these loans are repayable in nine months. Loans on standing crop also are sanctioned for shorter period with two surities of respectable character and solvency. These loans are collected after the harvest is realised by the members.

The progress made as regards the loaning transactions of this bank under various heads is satisfactory. Credit worthiness of each member is fixed at the time of his admission. His borrowing limit is fixed according to his repaying capacity and on the value of the security he offers. The member can operate upon his cash credit account whenever he needs money up to the limit of his borrowing. The member gets credit accommodation in the bank up to 50% of the land value, 75% of produce, 80% of gold and 40% of standing

crop. The member will be given cash credit up to ten times his paid up share capital and the limit is fixed to Rs. 1,000 only. Gold loans are not governed by share capital basis but they are sanctioned on the value of security offered, as shown above.

During the first year of its starting an amount of Rs. 6,843 was disbursed as cash credit. During the second year an amount of Rs. 28,657 was disbursed and by the end of this third quarter during this year an amount of Rs. 27,448 was disbursed by way of cash credit on mortgaged properties. The central bank has been giving credit accommodation to the Rural Bank to the extent of its cash credit sanctioned to its members after the remortgage of these properties. The limited liability of this institution did not come in the way of financing by the central bank as loans are disbursed after remortgage of properties with thorough investigation and scrutiny of the Bank's own staff. The progress of this institution is due entirely to the encouragement given by the financing bank, Ramachandrapuram, in the shape of loans and service rendered through its staff in the initial stages.

After cash credit loans crop loans are next in importance. The progress of these loans is noted below :

	Rs.
37-38	... 4,984
38-39	... 11,049
39-40	... 15,567
(3rd quarter ending 31-3-40.)	

Crop loans include standing crops also. It has been a prevalent custom in these parts to take advances from sowcars on forward contract system and sell the produce at a low rate. With a view to save the needy ryots from the clutches of the sowcars the bank has been advancing loans on standing crop with two surities. The loans are repayable after harvest in 3 months. After the harvest is realised when the crop is brought to the godowns, loans on pledge of produce are sanctioned for payment of previous loan on standing crop. The produce is kept under the custody of the bank till there is a favourable market. Produce loans are sanctioned for a period not more than nine months. These loans carry interest at 5% (i.e.) 1% less than the cash credit loans. Share capital is not collected.

Loans on produce are given beyond the limit of the maximum borrowing power of the borrower. The central bank is not giving any credit accommodation to the Rural Bank for loans on standing crop. But loans are sanctioned on pledge of produce when the custody of the produce is transferred to the bank.

Gold loans are a special feature of this bank. Since the starting of this institution loans are sanctioned on the pledge of gold. The safe custody of the gold has become a problem. The Collector of the district was addressed through the Registrar of Co-operative societies to allow the bank to keep its jewelry in the safe custody of the local treasury by keeping its own iron chest under the police guard. But no orders were issued as yet. The Imperial Bank was approached for sanction of loans on repledge of our gold but they declined to render any help as they apprehended that the Rural Bank is their rival in their business. The local central bank temporarily gave cash credit accommodation on repledge of gold but subsequently they gave up for want of an appraiser of gold of their own. The bank has been continuing its gold business in a restricted manner out of its own funds. Hence there was a decline of business on gold this year as shown from the figures show below.

37-38	... Rs. 8,939
38-39	... „ 28,597
39-40	
(1-7-39 to 31-3-40)	... „ 13,644

If the Central Bank takes a bold step and appoints its own appraiser there is immense scope for increasing the transactions on pledge of gold to the tune of a lakh of rupees in this area alone and nearly ten lakhs in the bank's whole area. Gold loans and crop loans are very convenient for the encouragement of short term finance and easy repayment of loans. Rural societies are nervous to handle gold loans for fear of fraud. By appointing an expert appraiser in the bank itself encouragement can be given to big credit societies in this area for development of gold loans which will become a new field of activity to the central bank for expansion of its business.

Loans on gold are sanctioned at 5% for a period of nine months upto 80% of the value of the gold. No share capital is collected on these loans. At present the value of a sovereign is calculated at Rs. 20 whatever may be the fluctuation of the market. The market is carefully watched so that the value in the market does not fall

below Rs. 20. If the members fail to pay the amount on the due date the bank has a right to sell away the pledged gold in public auction giving a fortnight's notice to the member. The fall of transactions in the gold loans is due to the cancellation of cash credit by the central bank on repledge of gold. The progress of the gold loans is shown above.

The bank has taken up to Non-credit activities to fulfill its objects. The members are supplied manures for their crops. For this purpose the bank has taken agency from Messrs. Parry & Co. on the recommendation of the Registrar. Various manures are used by the agriculturists for seed beds, paddy, plantains and sugarcane gardens. Different companies have their agencies in this area. The agents are supplying manures at abnormal rates by giving advances at 12% to 18% interest. They are realising the advances after the harvest. With a view to put a stop to this exploitation and profiteering, the bank has taken agency from Messrs. Parry & Co., and supplying manures to the ryots at a price fixed by the company. 640 bags of manure were sold during last year at a cost of Rs. 3,200 and the bank earned a commission of Rs. 180. By the end of this quarter the bank sold 382 bags at a cost of Rs. 2,100. The company has increased the price of a bag from Rs. 5 to 6-12-0 on account of the war. Owing to heavy rains and unfavourable condition the ryots have not used manures for 2nd crops on large scale this year.

The second non-credit activity undertaken by the bank is the sale of Khaddar. Agency was taken from All India Spinners' Association depositing a sum of Rs. 250. The A. I. S. A. Andhra Branch at Masulipatam has given credit for stocking the khaddar to the value of Rs. 1,000. Last year the bank sold khaddar to the value of Rs. 1,370. During this period it sold khaddar worth Rs. 854. The bank earned a commission of Rs. 85 on last year's transactions.

One member of the society was given cash credit for preparing hand-pound rice to supply to the members. He engaged six coolies daily on the average and sold handpound rice to the value of Rs. 1,000.

Other multi-purpose activities of the institution during this year are the maintenance of a stud-bull and a he-buffallow. The villagers have given contribution for the purchase of these animals and they are maintained by the bank raising subscriptions without any charge on funds of the bank.

A reading room is opened under the auspices of the bank out of the common good fund of Rs. 45 earned last year. One English and one Telugu daily and two co-operative monthlies are subscribed.

The bank has been advancing loans not only to the properties and landed aristocracy but even to the tenant cultivators on the strength of their leased lands. As the bank is dealing only with short term finance, loans are given to these tenants for raising crops, for payment of kist and other short-term purposes. Even labourers are admitted as members and given credit accommodation on the strength of their compulsory thrift deposit with solvent surities. Every member of this bank has to compulsorily deposit a sum not less than half a rupee per month. These accumulated savings of these members are returned at the end of the year for purchase of cloth, manures and other requirements of life. Petty loans for agricultural labourers are sanctioned not exceeding the limit of these savings. 101 agricultural labourers were admitted in the society and a sum of Rs. 790 was advanced to them in the slack season when they are out of work for purchase of foodstuffs jointly. These loans are regularly paid out of their savings.

With a view to create independent work and employment for these agricultural labourers, mainly of Adi-Andhra community, lease of lanka lands from Government were taken this year to an extent of Ac. 259-28 cents for an annual rental of Rs. 1,850. These lanka lands were divided into 7 blocks and distributed to 98 members. Each block is under the joint cultivation of 14 members. Maize, chillies and tobacco are the main crops raised in this lanka. Pumpkins, watermilons and other vegetables also are raised. The produce is collected and marketed jointly and the sale proceeds are credited to the bank for the payment of rental. After the rental charges are paid whatever balance remains, it will be distributed to the members equally. This experiment is tried now.

The bank has proposed for the construction of 25 houses by acquiring land as an extension to the main village of Alamuru as the village is congested. Members of this Rural Bank only will be permitted to construct model houses according to the type designed with a view to start a co-operative colony. A co-operative store will be developed to supply all household needs of the inhabitants. Acquisition proposals are still pending with the revenue authorities. I hope the site will be handed over to the bank shortly. Applications are ready from 25 members to construct houses after the plots are demarcated.

THE MADRAS JOURNAL OF CO-OPERATION

Since the starting of the bank efforts were made for securing local deposits from members and non-members. First year an amount of Rs. 20,616 was secured by way of deposits. During the second year an amount of Rs. 13,616 was outstanding and there was a fall of deposits. This was due to the withdrawal of deposits of Andhra Geervana Vidyapeetham. The funds could not be invested here according to the gift deed. They have to be invested in Government securities or debentures of Land Mortgage Banks. Hence the money deposited has to be refunded on legal advice. This year deposits have increased and the amount of deposits by the end of March is Rs. 24,291. The working capital of the bank for the previous years is given below :

		Rs.	A.	P.
1937-38	...	16,835	6	0
1938-39	...	53,220	11	0
1939-40	...	72,519	13	0

(3rd quarter ending 31-3-40.)

The Joint Registrar of Co-operative societies, Gallettee Esq., I.C.S., visited the bank during the 3rd quarter and suggested to the bank to introduce thrift-labels among the members to encourage savings and get its own money from the members. The bank is introducing thrift-labels of two annas and four annas denominations according to his suggestion.

Our thanks are due to the department and to the financing bank for their hearty co-operation and support.

The bank has been working with profit from its starting. By the end of 1st year (*i. e.*) 37-38 the bank earned a profit of Rs. 67-3-0. The profit for the second year as declared by the Deputy Registrar amounted to Rs. 651-4-0. Out of this a sum of Rs. 325-10-0 has to be set apart towards reserve fund and dividend will be declared to members at $6\frac{1}{4}$ per cent.

ANNEXURE TO THE REPORT.

No. I.

Statement showing the progress of the Rural Bank.

Year.	1937-38.	1938-39.	1939-40 31-3-40.
Number of members	...	95	239
Paid-up share capital	...	745	3,148
Borrowings :			
Members	...	8,692	1,395
Non-members	...	7,398	12,521
Central Bank	...	...	36,156

THE ALAMURU CO-OPERATIVE RURAL BANK LTD.

Loans issued :

Number	...	96	450	460
Amount	...	20,765	64,882	57,830
Loans outstanding :				
Number	...	75	316	493
Amount	...	16,065	52,066	74,080
Net profit	...	64 7	654 4	...
Reserve Fund	...	32 3	327 0	...

What Temperance Means.

More of good than we can tell ;
 More to buy with, more to sell,
 More of comfort, less of care ;
 More to eat, and more to wear ;
 Happier homes, with faces brighter ;
 All our burdens rendered lighter,
 Conscience clean, and minds made stronger ;
 Debts much shorter, purses longer ;
 Hopes that drive away all sorrow,
 And something laid up for to-morrow.

" The Millgate for April 1940".

'Rural India' *

BY SRI K. G. SIVASWAMY, B.A.,

Member, Servants of India Society, Madras.

Industrialisation has not proceeded at such a rapid pace in India as to create a wide gulf between towns and villages. Most of the Indian towns are large villages meant for the exchange of commodities. "Rural India immediately brings to the minds of people, some particular interest or other that they have in the villages. The absentee landlord in towns thinks of his rents, the money lender of his loans, the trader of the price of raw materials and the labourer of the rights in land he once possessed in the village.

Of whom should we think, when we talk of Rural India? Seventy per cent of the actual workers of India are those engaged in cultivation. Of these, for every owner of land there are twice the number of tenants and labourers. Even most of the owners, hold bits of land which cannot fully maintain them. If we divide the cultivated land among the workers, it would average three acres for each individual of which a fifth alone is irrigated. We must remember that each worker has to support about two dependants. And if the land, belongs to somebody else, *he* has to pay rent for it. There are also a number of non-agricultural workers in villages who supply the needs of the agriculturists, and who are engaged in various kinds of labour work. All these classes can never hope to save for the future. Broadly speaking, a majority of these families, each family comprises five persons on the average, cannot make more than Rs. 10 a month or Rs. 2 per head. But the cost of the lowest class of minimum diet is estimated at Rupees five per month.

No wonder then that Rural India, is underfed, wanting in vitality to resist diseases and that it falls an easy prey to epidemic. Thirteen years ago the All-India Conference of Medical Research workers passed a resolution which was an eye-opener in regard to Rural conditions of life in India. According to that resolution 'the number of deaths resulting every year from preventable diseases is about five to six millions; the average number of days lost to labour by each person in India from preventable diseases is not less than a

* 'The substance of Radio Talk at Trichinopoly published with the permission of A. I. R. Trichinopoly'.

fortnight to three weeks in each year, the percentage loss of efficiency of the average person in India is not less than twenty per cent; the percentage of infants born in India who reach a wage-earning age is about 50; the wastage of life and efficiency which result from preventable diseases cost India several hundreds of crores of Rupees each year; and that these are only underestimates'. All of us are aware that the life of an average Indian is not a long one, only about eleven per cent survive to sixty while in the western countries forty-five to fifty-six per cent live to that age.

It is under these conditions of life that the agricultural occupation is carried on. The cultivator ever prays for timely rains as he knows that human efforts cannot bring it. He knows that insects may spoil his crops at any time. He knows too that his cattle may die of epidemic without notice. If he digs a well it may or may not strike water. He finds before his very eyes that the range of human action is very little and that of fitful nature is vast. Centuries of life on the farm have made him a fatalist dominated by traditions and superstitions. The tick tick of lizard, the sight of certain birds, the crossing of a cat and certain hours of the day are the various sanctions he awaits for commencing his work. Epidemics like small-pox he attributes to the gods while resignation to circumstances beyond his control has sapped his self-confidence and his urge to work. Some call this the innate loyalty of the peasant to any Government while others call it non-violence. But the common man knows that it is the absence of a desire to live better. Verily the patient lumbering oxen followed by the no less patient and weary peasant really symbolises rural India. It is because of this pathetic indifference of the ryot that other evils too have grown.

But there is a brighter side to the picture. The hardships of agricultural life have ingrained in the agricultural communities certain aptitudes which are the pride of the nation and which the nation should nurture. Centuries of weeding work in paddy lands have given the Adiravida and the Adirandhra labourers a quickness and skill in their work which is their own. Again on the tea estates whose yield depends much on efficient weeding, Ceylon and other countries are particular to retain these labourers at any cost. The Andhra Reddies settled in the Tamil Districts and the Vellala Gounders of the dry districts have shown a remarkable persistence and a will to struggle against nature, to convert arid tracts into beautiful gardens by the aid of well-irrigation. The Kammawarnaiks

have paid increasing attention to market-gardening particularly in the Madura and Coimbatore Districts. The cultivator of the Deltaic areas is more ease loving person, but with the growth of commercial crops like plantains, turmeric and sugarcane a more careful and intelligent class of cultivators is developing in these areas too. The Illuvan or Thiyya has made Malabar the garden of India. Centuries of lifting of loads of timber and agricultural produce from the hills to the coast by the Malabar mopla have bred in him an endurance in doing heavy work in docks, and bridges and buildings.

When Indians emigrate to other colonies their reputation for hard work stands them in good stead which is the result again of the agricultural life lived by them in this country. With the expansion in cultivation, a number of less developed communities such as Thevans and Kallars have also taken to agriculture. They are slowly imbibing the traits of perseverance and hardihood required for agriculture in a dry country. In other parts of India the Jats of the Punjab and the Kunvis of the Deccan have shown great industry in the cultivation of irrigated crops under wells. The muslim cultivator of east Bengal ekes out his livelihood as a tenant of an acre of land or even less on the average by his constant application and industry ably seconded in his efforts by the members of his family.

When we talk of Rural India we must think of these unknown benefactors, the distributors of food to the 35 crores of people in India. The owner-cultivator in India is not generally an employer of labour. He works on his own land. His children from the age of five take him food to the fields or tend cattle. The womenfolk assist him in the agricultural occupations. The unmarried young men contribute to the more exacting kinds of labour on the farm. The family-farm mitigates unemployment. It feeds and maintains the dependants when they have no job elsewhere. It raises food crops. It is not in need of much credit. As compared to commercial farming it is less effected by a rise and fall in prices. Occupation on the family-farm is more a mode of living than a business of making profits, and yet it maintains the state by contributing the major source of revenue. And yet it maintains a rent-receiver class. Further it pays a high rate of interest through the money lender. It maintains a host of middlemen traders who supply articles of consumption and market their produce.

Both public opinion and Government have awakened to the importance of the problems of Rural India. The education of backward communities, prohibition and the promotion of cottage industries are receiving greater attention today than at any time in the history of India. But prohibition should be supplemented by a policy for better-farming and better-living. We should look forward to the day when every peasant will have an economic holding, be insured against death, and that of crops and cattle, and be provided with every facility for improved production and marketing. We should look forward to the day when every cultivator will have security of tenure at fair rents and be assured of a minimum wage. We should look for the day when the peasant will have as second strings to his bow his own side shows as cattle-breeding, poultry-keeping, goat-rearing, pigery and so on. We should look forward to the day when a planned policy of industrialisation will strive for a solution for rural under-employment. The wasted human resources in the Villages should be fully engaged in some work or other. Industrialists should realise that they could sell their goods only with an increase of the purchasing power of the masses. And this again depends on a sound re-organisation of the agricultural economy and here lies the root of the problem. The peasant has awakened to a sense of his position in society. Hindu mythology says that God took the shape of a tortoise and carried this earth on his back. But the peasant has come to know that the tortoise is sitting on his shoulders. He claims his place under the sun and it is for the educated classes to recognise it in all humility, and thus create a happy and a prosperous Rural India.

Reserve Fund.

BY MR. P. K. SRINIVASA RAGHAVA ACHARYA,

President, Tindivanam Co-operative Urban Bank, Ltd.

The second proviso to Section 35 of the Madras Act VI of 1932 contemplates the setting apart of at least one-fourth of the net profits of a society for being carried to a reserve fund. The proviso is as are many other sections of the Act to say the least of it inartistic and the section itself is clumsily worded. Rule XIII lays down that the amount thus set apart shall be invested in one or more of the modes mentioned in clauses a, b, c and d of sub-section of section XXXIV of the Act. Among other modes of investment is mentioned the deposit with any Bank "approved for this purpose by the Registrar."

It is common knowledge that reserve funds of rural societies are invested in the Central Bank of the District in which such societies are situate. It is also a well known fact that such Central Banks finance the rural societies. The societies due to various causes have almost all of them become unable to pay off their dues to the Central Bank. It is attempted in this article to discuss as to whether such Central Banks can adjust the amounts that have been deposited with them by rural societies towards the amounts due by such societies.

It seems that the prevalent opinion that such adjustment cannot be made unless and until such societies are liquidated. It does not require much of thought to find out that such an opinion is not based upon correct data. Rule XIV consists of 2 sub-rules. The first of them relates to the Reserve Fund of "living" societies and the second refers to the funds of the "dead" societies. In the first case since the society is functioning it has got a chance of drawing on its reserve fund. In such cases the rules say that it cannot do so without the special sanction of the Registrar and that too for meeting unforeseen losses. The word *special* connotes that the sanction should mention the purpose for which the amount is to be drawn. The first sentence says that the object of building up a reserve fund is to enable the society that builds it up to utilise it towards unforeseen losses. The second sentence says that the funds belong to the society as much and to none of the members forming the society. The first sub-rule deliberately uses the

RESERVE FUND

word "may" since the society that is alive can and should be made to find other means of meeting the losses. The second sub-rule contemplates what the liquidator should do. The rule uses the word "shall." There is no option left to the liquidator but to utilise the reserve fund towards the discharge of the liabilities of the institution that he represents. This rule and section XXII do not specifically say as to whether reserve funds of rural societies retain their character as such in the hands of the Central Banks. Reserve fund deposits ought to lose their character as such in relation to the Bank with whom they are invested. To make myself clear the amount that is a reserve fund deposit with respect to a rural society cannot maintain that character with respect to the Bank with which it is deposited. To take a concrete example the District Bank South Arcot has got the Reserve fund amounts from many of the rural societies deposited with it. The amount that has been so deposited retains its character as reserve fund with respect to the rural society that has made the deposit. With respect to the Central Bank South Arcot it cannot by any stretch of imagination be termed reserve fund since it has not been the result of any action taken by the Central Bank with reference to its own funds under Rule XIII.

The only course to be followed in such cases is pointed out by the Legislature itself in Section XXII. The creditor-societies have got a charge upon the funds of the debtor-societies that are its members and have deposited their funds with it. It is also laid down that such creditor societies can set off such funds towards its dues. The next question and that too the more important one is as to what procedure has to be adopted by the creditor society before adjusting such funds. There seems to be a very strong opinion that the creditor should institute proceedings against the debtor under section 51 of the Act, obtain an award, then apply to the Registrar for special sanction to adjust the Reserve fund of the debtor society towards its debts and then make the adjustment. The gentlemen favouring such an opinion point out that section XXII lays down that share capital of members also is liable to be adjusted towards their dues and that not a scrupulous committee of any society may just before the elections adjust the share capital of members likely to give trouble towards the debts of such members and thus deprive them of a very valuable right. This is likely to happen and like many other provisions of the Act, this section too requires careful revision. It does not clearly lay down as to what course has to be

adopted. Rule XIII points out that the special sanction of the Registrar is necessary before utilising the reserve funds of the society. It seems but probable that the legislature intended that safeguards should be provided before creditor-societies are allowed to adjust the share capital and other kinds of deposits of debtors towards its dues. The principle of interpretation in such cases is well laid down by the Madras High Court in 57 M. L. J. 536. At page 545 their Lordships quote from Maxwell on the interpretation of statutes. They say "When the words of an enactment are clear and imperative, considerations of inconvenience or hardship have no place in its application to circumstances falling within the words. But where there is no express indication in an enactment as to whether the powers given by it were to be used in particular circumstances, the fact that great hardship and inconvenience would result thereby is a reason for so construing the words as to meet all attempts to abuse the power either by exercising them in cases not intended by statute or by refusing to exercise them when the occasion for their exercise has arisen." Applying this principle it is but reasonable to hold that a creditor society should before adjusting the reserve fund pass a resolution that it has been found impossible to realise its dues from the debtors, file a suit under section 51 and after obtaining the permission of the Registrar enforce the charge by adjustment.

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THE BENGAL PROVINCIAL CO-OPERATIVE CONFERENCE CALCUTTA.

30-3-1940.

PRESIDENTIAL ADDRESS.

By THE HON'BLE V. RAMADAS PANTULU.

Your excellency, Mr. Wordsworth, and Comrades in Co-operative Service,

The movement in Bengal is perhaps the largest in India, judged by the number of societies, their membership and working capital, Punjab coming as the close second. You have over 25,250 societies with a membership of over 87 lakhs and a working capital of about Rs. 19.5 crores. Quantitatively this is an impressive record for any province to be proud of. Nevertheless, it is common knowledge that the movement in Bengal, in common with that in many other provinces, is passing through a crisis. The causes of deterioration of the movement in India have been surveyed by the Provincial Registrars in the past and are more or less common to every province. It is, therefore, not necessary for me to bring under review the causes that have contributed to the present difficulties of the movement in Bengal. They range from visitations of gods to the perversities of men. In the main, our present position is the legacy of our past since—non-observance of moral precepts of co-operation and the violation of the material precepts of business code.

When we remember that the main assets of a Provincial Bank consist of its investments in loans to central banks, that the assets of the central banks consist of outstanding loans advanced to their affiliated societies and that the assets of the societies consist of the loans due by their members, we at once realise how the deterioration in the economic position of the ultimate borrower, viz. the member of a village society, has its direct and instantaneous reaction on the societies, the central banks and the Provincial Bank. Your Registrar tells us that the figures of cash collections of loans by the Provincial Bank from central banks, by the central banks from affiliated societies and by the societies from their members have come down to 2, 4 and 8 per cent respectively of the outstanding dues. There has also been a fall in the collection of interest though not to the same extent. When not only the principal but also interest has thus been in arrears to the societies, central banks and the Provincial Bank, a dislocation in the normal business is inevitable. Where there is an excess of expenditure over revenue income of financing institutions, such excess must necessarily come out of capital. A deterioration in the position of the borrowing societies has led to new business

THE MADRAS JOURNAL OF CO-OPERATION

with them being stopped resulting in a virtual state of stagnation in the agricultural credit movement of the province. The immediate problem before you therefore is how to revive your co-operative system so as to make it function once more as an effective rural credit agency. My views on this problem may perhaps be most conveniently placed before you by dealing separately with the three main limbs of the agricultural credit movement, viz. the Provincial Bank, central banks and primary societies.

Provincial Bank.

Your Provincial Bank has a very interesting history. When I began to study the working of the various Provincial Co-operative Banks in India somewhat closely, I found to my surprise that no two Banks are alike in their origin, development, conception and constitution. Your central banks came into existence before the provincial financing organisation. The Darjeeling Branch of the Alliance Bank of Simla Ltd. (a commercial bank) used to finance the central banks in Bengal under a cash credit system. The Bengal Provincial Co-operative Federation, of which the present Bengal Provincial Co-operative Bank is the off spring, was registered in February, 1918, and soon after took over all the cash credits granted by the Alliance Bank Ltd. to the central banks in the province. The Federation began to function as the central financing agency under somewhat difficult conditions, with no visible prospect of recovery in jute prices and a dear money market to borrow from. Nevertheless, the Federation provided for the central banks a convenient medium for investment in current and short term deposits at remunerative rates of several lakhs of rupees, which otherwise would have been left as idle balances with the central banks. It was not till 1922 that the name of this central financing agency was changed into the Bengal Provincial Co-operative Bank Ltd. With the change in the name, there was also a change in the composition of the management with an elected non-official chairman. Starting with a paid up share capital of Rs. 1'4 lakhs, deposits amounting to Rs. 17'8 lakhs, aggregate loan and cash credit business of Rs. 20'5 lakhs and with no reserves, you have now raised the share capital to Rs. 17'6 lakhs, attracted deposits to the tune of Rs. 200 lakhs, expanded the loan business to roughly Rs. 160 lakhs and built up reserves to the extent of Rs. 25 lakhs. This is indeed a creditable record.

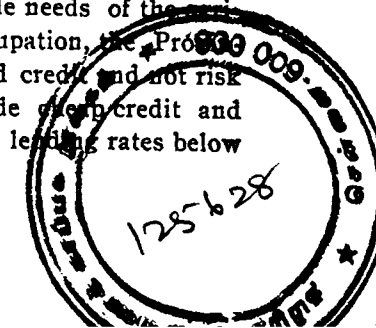
Since 1929-30 there has, however, been a set back in the condition of the central banks and the societies, which had its reaction on the financial position of the Provincial Bank. Owing to the failure of the jute Sale and Supply society alone, the Provincial Bank seems to have been adversely affected to the tune of about a quarter of a crore of rupees. But it is gratifying to note that by the prompt steps taken by the Management of the Bank and the timely help of the Government, the Bank has turned the corner and is fairly on its way to regain its past position as

CONFERENCES

the mainstay of the movement in its capacity as the apex institution. I find that by stopping the payment of dividends and effecting economy in the management, you have been able to build up a special reserve, which has now reached the encouraging figure of about Rs. 18'19 lakhs, besides the statutory reserve fund of about Rs. 7'5 lakhs. I am also in whole-hearted agreement with the present financial policy of the Provincial Bank of mainly accepting short term deposits at rates of interest as low as possible and of providing short term crop loans to central banks at 5 per cent in order to enable the central banks to pass on the money to agriculturists through the village societies for the purpose of enabling the agriculturists to produce seasonal crops. This must of course be a transitory measure of reform and a temporary expedient for with the improvement in the condition of the central banks and societies, the dispensation of intermediate loans which cannot be repaid out of the year's harvest, must necessarily be resumed.

The Provincial Bank will have to play a very important part in the rehabilitation of the co-operative movement and we must strain every nerve to equip it suitably for the task. It will have a two-fold task to perform. It must shoulder new responsibilities and take over the outside debts of central banks under certain conditions and must also bear an increasing strain for the supply of required capital to the villagers through the central banks and societies. This is certainly a position, whose implications should be seriously kept in mind. In dealing with the rehabilitation scheme I shall deal in more detail with the financial implications of its new role in the movement. Again, the margin between the borrowing and lending rates of the Provincial Bank is already low and with the prospect of the money market becoming more and more tight in the present world situation, the Provincial Bank may not be able to borrow at the present rates and may in consequence have to put up its lending rates. It means making money more costly to the rural co-operators. Rural economy is admitted on all hands at present to be deficit economy. The agriculturist finds it difficult to pay even the present rates of interest on his loans; as your Registrar rightly points out, the diminishing percentage of realisation of annual interest indicates that the rates of interest now charged are wholly incompatible with the present depleted repaying capacity of the primary borrowers. We thus seem to be working almost in a vicious circle. But the duty of the Provincial Bank is clear. While keeping in view the inexorable needs of the agriculturists for cheap credit for the pursuit of his occupation, the Provincial Bank must adhere to sound rules of banking and credit and not risk its own financial stability in the attempt to provide cheap credit and should steer clear of the danger of bringing down its lending rates below the proper economic level and margin of safety.

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I find that besides financing the central banks the Provincial Bank also finances certain special types of societies like fishery societies and Sale and Supply societies. I feel that this class of business must be limited to the minimum possible and direct finance to societies should be done only in exceptional circumstances. As regards financing primary land mortgage banks, much as I wish that a central land mortgage bank for issue of debentures and finding long term funds to the movement is started as soon as possible in Bengal, I cannot advise you to be in haste about it. We are finding it difficult in Madras to attract long term money on debentures on which we offer $3\frac{1}{2}$ per cent and the principal whereof and interest whereon are fully guaranteed by the Provincial Government. The Provincial Bank of Central Provinces is finding it difficult to raise funds on debentures carrying four per cent interest with similar Government guarantee. So conditions are not quite propitious for starting a central land mortgage bank, and I am, therefore, of opinion that the Provincial Bank may legitimately continue to fulfil that function until more favourable conditions are in sight.

It must be said to the credit of the Government of Bengal that it has realised the necessity to maintain the position of the Provincial Bank unimpaired, for it is the nerve centre of the whole movement. Your Government is entitled to the gratitude of co-operators of India in general and of the co-operators of Bengal in particular for the help they have rendered to the Provincial Bank. Among the forms of assistance given to the Provincial Bank, the following deserve special mention: (1) The Government, besides making provision for the audit of the Bank by departmental agency free of charge also placed at the disposal of the bank the free services of the chief auditor for a period of four years; (2) The Government has granted a subvention of Rs. 24 lakhs in annual instalments of Rs. 2 lakhs for 12 years, in order to cover the loss sustained by the Provincial Bank in its transactions with the Jute Sale and Supply Society; (3) The Government provided financial accommodation in the form of deposit of Rs. 13.5 lakhs at $3\frac{1}{2}$ per cent in the year 1938-39 which was lent out to central banks at 5 per cent to provide short term crop loans to societies. It may be mentioned that the average rate of interest on outside deposits has been $3\frac{1}{2}$ per cent. The Government's rate is thus a concessional rate. Far more important than these specific acts of assistance is the very definite assurance given by the Hon'ble Mr. Mullick Minister in charge of Co-operation on the floor of the Bengal Legislative Assembly to the effect that "the Government fully intend to support the co-operative movement in this Province and will not allow it to fall into and serious danger" and that "the Government will also see that cultivators obtain short term seasonal loans as and when required." The Registrar says that "this announcement has given an impetus to the

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movement and heartened the entire body of official and non-official co-operators of the province." This sympathetic and generous attitude of your Government towards the movement not only encourages and cheers you in the approach to the task before you but also heartens even outsiders like me to envisage the future of your movement with a measure of optimism.

Central Banks and Primary Societies.

I wish that the story of the central banks is at least as heartening as that of the Provincial Bank. Of your 120 central banks, there are only very few which have withstood the crisis. The borrowed capital of these central banks is about Rs. 4 crores, of which Rs. 3.38 crores is invested in the societies affiliated to them, and if agricultural credit societies alone are taken into consideration, the investment of the central banks in them amount to Rs. 3.11 crores. I have already stated that for some time past they have not been in a position to repay deposits on maturity. It is stated that the amount of fluid cover maintained by central banks is inadequate to meet withdrawals and that they have substantially drawn upon their fluid covers and even their reserve funds to meet withdrawals. One can sympathise with the position of the creditors of these banks, for not only was their nervousness justified but many of them do not belong to that class of people who could afford to keep their surplus money locked up, themselves being men of slender income. Many of the central banks are therefore, now merely engaged in the task of collecting as best as they can their old dues from societies. Until I read the memorandum prepared by your Registrar embodying his proposal for rehabilitation of the agricultural credit movement, I did not realise that the position was so bad.

What is the remedy? How are the central banks to be resuscitated? The answer to this question will entirely depend upon the answer to the question, how are the affiliated societies to be rehabilitated and resuscitated, for central banks are but federations of societies in the scheme of rural credit structure. In any scheme of rehabilitation, I feel that relieving the existing members of the societies from the heavy burden of their accumulated co-operative debt by sealing it down to the level of their repaying capacity to pay is the very first step. The ascertainment of the repaying capacity of the members with reference to the accumulated arrears is a very difficult and complex task and even prolonged and laborious investigations can only yield rough data. Your Registrar estimates that out of the principal outstandings from members of your societies amounting to about Rs. 360 lakhs, not more than roughly 249 lakhs can be recovered. The agricultural credit societies in their turn can repay to the central banks, out of the sum of about Rs. 311 lakhs due not more than Rs. 243 lakhs. In regard to arrears of interest

outstanding from the members of societies amounting to about Rs. 250 lakhs and from the societies to central banks amounting to about Rs. 108 lakhs, your Registrar feels that it should be remitted with a few exceptions—in the case of members and societies which can repay a portion of such arrear interest without hardship. The relief thus suggested to be given to members of the societies will be substantial. Their debt to societies amounting to Rs. 610 lakhs (Rs. 360 lakhs principal + Rs. 250 lakhs interest) will be brought down to roughly Rs. 249 lakhs. These figures seem to have been compiled as on March 1938 and are obviously subject to revision in the light of further enquiry after we embark actually on the process of scaling down. One difficulty with which we meet in regard to such schemes is that these aggregate figures do not reveal the correct position with regard to individual societies and central banks. The co-operative law and practice do not permit the application of the surpluses or reserves of one society or of one financing bank for the relief of financial distress of a neighbouring society or a neighbouring financing bank. So, we must work out our schemes of rehabilitation with special reference to each society and each financing bank. The main features of the relief suggested by your Registrar are that the repayment of the scaled down debt by the members to their societies should be spread over 20 years and that they should carry interest in $7\frac{1}{2}$ per cent. A similar period should be fixed for the societies for the repayment of their reduced debts to the central banks and that they should carry interest at 6 per cent.

So far it is fairly smooth sailing. But we must have a definite scheme for meeting the deficit arising from writing down our assets. Where is the deficit to come from and who is to bear the loss? Your Registrar estimates the loss to the depositors and creditors of the central banks roughly at Rs. 68 lakhs, of which Rs. 50 lakhs have to be borne by the individual depositors of central banks and Rs. 18 lakhs by the Provincial Bank. When you work out the figures for the several financing banks individually, the loss to be borne by the depositors in certain banks will indeed be very heavy. Perhaps there is no escape from this unfortunate situation.

The next question, is assuming that the depositors and creditors of the financing banks reconcile themselves to their lot and take what they get with the consolation that something is better than nothing, the least they would then require is some mode of payment of the balance due to them after cutting out the loss thus determined. Who is to find this money and how is it to be paid? It is here that the real difficulty in regard to the formulation of a workable scheme of rehabilitation arises. In so far as creditors are asked to make the sacrifice and bear the loss, there is nothing more to be said except that we should take care to see that we do not cause unnecessary hardship to them. On the basis of

these estimates the funds invested by the Provincial Bank as loans in central banks, whose book value is round about Rs. 104 lakhs, will be considered good only to the extent of Rs. 86 lakhs. Its investments in loans to other societies amounting to about Rs. 16'25 lakhs will be considered good only to the extent about 7 lakhs. In all, the assets of the Provincial Bank will deteriorate by about Rs. 27 lakhs. This must cause considerable financial embarrassment to the Provincial Bank. In the rehabilitation scheme, besides being asked to bear this loss, the Provincial Bank is further asked to undertake very onerous financial responsibilities. It is expected to take over the outside dues of the central banks, that is to say, their dues to the depositors to the extent that such dues are covered by good assets or such portion of the dues as are left unredeemed by the central banks. How is the Provincial Bank to pay these dues to the creditors of the central banks? It is expected to float debentures to the extent of actually realisable assets of the central banks and pass these debentures on the central banks to enable them to pay off the creditors by offering to them the debentures at a discount proportionately to the estimated loss of Rs. 68 lakhs, which the central banks are estimated to suffer, as already stated. The Provincial Bank in undertaking this responsibility is also expected to pay 4 per cent per annum by way of interest on the dues of the central banks so taken over by it. These debentures are to be for a period of 30 years, but redeemable at any time after 20 years and carry interest not exceeding 3 per cent per annum. The Government is no doubt asked to guarantee the principal and interest of the debentures; but the Provincial Bank is asked to create a sinking fund and to carry to it every year at the rate of Rs. 69'14 per thousand of debentures. It will work out to Rs. 24'05 lakhs every year, if debentures are floated for the maximum amount of 348 lakhs referred to above. This will leave the Provincial Bank a net revenue income of Rs. 1'54 lakhs on this account for the receipts from the central banks are estimated at Rs. 25'6 lakhs. The Provincial Bank will of course have to pay interest at 3 per cent to the debenture holders. Altogether the net effect of these burdens on the Provincial Bank will be very heavy. Its assets will be depleted to the extent of about Rs. 40 lakhs. This will roughly eat up the laboriously built up owned capital of the bank (paid up share capital and special and ordinary reserves). Besides, guaranteeing the principal and interest of the debentures to an outside limit of Rs. 348 lakhs, the Government is expected to give a cash credit to the Provincial Bank to the extent of the face value of the debentures received by the Provincial Bank on account of its outstanding dues from central banks.

I hope that the Government of Bengal will take prompt action on the scheme of rehabilitation that is now pending before them. The longer it is delayed the greater will be the deterioration of the movement,

and perhaps the greater will become the demands on the Government. Financial assistance rendered in time will in the long run prove more economical than assistance which is delayed. In making our request for financial assistance from Government, we, co-operators are fully aware of the fact that we should not put our demands too high. I am convinced that the Registrar of Bengal has taken all possible pains to ensure that no more help was asked from the Government than what the circumstances of the movement in Bengal absolutely required. The debate in your Legislature on the demand for grant to Co-operation has heartened me, particularly the sympathetic speech of the Premier. All that is required is to put the sentiments expressed in that speech into action as soon as possible.

In this connection I wish to draw your attention and that of the Government of Bengal to the following recommendations of the Thirteenth Conference of Registrars of Co-operative Societies, which met at Delhi in December last:

"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 loan 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 Governments concerned. Such debentures will be backed by the mortgages of the lands of 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 rapid deterioration of the movement, making rehabilitation more and more difficult, if not impossible."

The resolution is necessarily couched in general terms so as to lay down the line of action recommended to the Provincial Governments in regard to rehabilitation of the co-operative movement in their provinces, but I feel it gives a helpful lead and hope that the Provincial Governments will give to it the weight that it deserves.

Reorganisation of the Credit system and future Finance.

The carrying out of the rehabilitation scheme necessarily involves a reorganisation of the credit system. I think one of the causes of the weakness of your central banks is the smallness of their size. They are too weak to command adequate resources. I think the number of your central banks may be considerably reduced. How the reduction is to

be effected is a matter for examination in the light of local conditions. Some have to be liquidated, some amalgamated and some merged in new central banks to be established on a suitable regional basis. One of the far-reaching and beneficial effects of this reform will be to reduce the cost of management of the central banks. You are still obliged to charge as high a rate as $12\frac{1}{2}\%$ to your members, because the central banks and societies between them require a very large margin between their respective borrowing and lending rates. Every endeavour, I think, should be made to eliminate waste and retrench expenditure. The rate of interest on loans to ultimate borrowers suggested by your Registrar, viz., $7\frac{1}{2}\%$ seems to be suitable and I hope that on all future advances as well as arrears you will find it possible to charge not more than $7\frac{1}{2}\%$. The strengthening of the rural societies, which are the foundation of the movement and on which the entire edifice of co-operative credit organisation rests is of course as vital, if not more vital, as reform at the top. Societies must be overhauled and rectified thoroughly. Societies which are a source of weakness to the movement and undesirable members who are a handicap to the societies should unhesitatingly be weeded out. When the membership of a society is too small for it to work successfully, effort should be made to increase the membership so that as many residents of the village as possible may be brought within the scope of the society, with a view to make the society serve as an organisation for the whole village. Where conditions require small village societies operating within a short radius of say 3 or 5 miles may be amalgamated.

In regard to the nature of the liability of the village societies, you are aware that there is keen difference of opinion. At the last Registrars' Conference opinion was equally divided and unlimited liability was upheld only by the casting vote of the chairman. You know my views in the matter. I feel that in future unless local co-operative opinion is to the contrary, new societies should be formed with a larger area of operation and on limited liability basis and functions other than pure credit may also be assigned to them—supply of good seeds, manure, implements, joint purchase on indent system and joint sale of produce. Old unbusinesslike methods should be eliminated and all loans should be advanced with care and caution, and with due regard to the repaying capacity on which your Registrar rightly lays considerable emphasis. The need for making your societies efficient agencies for the dispensation of rural credit on well-regulated lines cannot be emphasised too much. The passing of legislative measures for relief of indebtedness, regulation of money-lending and the like resulted in the traditional source of credit to agriculturist being drastically curtailed. Unless co-operative societies are made to step into the gap,

there will be considerable deterioration in the productive capacity of the agriculturist.

You have embarked on a bold experiment in starting as many as 6,500 new societies for advancing short-term crop loans through the central banks. Frankly speaking, I was at first very nervous about the magnitude of your experiment as well as the prospects of its success. But I am glad to find that the results have justified your optimism. It is indeed very gratifying to note that out of the Rs. 20 lakhs disbursed by you in the year 1938-39 as crop loans to about 10,000 societies with a membership of about 2 lakhs, you have been able to collect over Rs. 17.7 lakhs and are left with an outstanding balance of only Rs. 2.3 lakhs, which you expect to collect shortly. It is instructive to know that the size of the average loan per member was only Rs. 10.5 and that of the 10,000 societies which borrowed, nearly 6,500 are new societies and of the 2 lakhs of members brought under the scheme as many as 1.6 lakhs were new members and the rest old members most of whom had no previous dues. I understand that you propose to request your Government to provide the Provincial Bank with a cash credit of Rs. 50 to 100 lakhs during the next few years for financing on the same lines the existing societies and societies to be formed. So you may feel reassured that your scheme of future short term finance will not receive a setback. This scheme will help to remove to some extent the present stagnation in the co-operative rural credit and will put fresh life and vigour into the movement as a whole. I wish all success to the scheme.

Education and Training.

I hope you will pardon me for devoting practically the whole of my address to the rehabilitation of the co-operative credit movement. But that is the problem of the moment and in my attempt to understand it, I had little time left to think of your other activities, though you have many such to your credit. I would particularly have liked to deal with your urban credit societies, milk supply societies and sale societies. I am glad to find that these organisations are showing satisfactory progress and holding out great promise of a bright future. I would have also liked to deal with the activities of the Bengal Co-operative Alliance, the premier non-official co-operative organisation of the province, which is the accredited exponent of non-official co-operative opinion of Bengal. But I cannot omit to say a few words on your Co-operative Training Institute. The record of the progress of training and results is indeed very encouraging. It is hardly necessary for me to impress upon you the place of co-operative education and training in the movement and how largely the success of the movement lies on the propagation of correct co-operative ideals and the inculcation of co-operative virtues amongst our members. You have begun well in so shaping your syllabus

of studies as to not only remove the deficiencies found elsewhere, but also to provide the necessary socio-economic background for the studies in the Institute and to acquaint the recruit with the different aspects of village life in which improvement may be effected by the co-operative effort of villagers, aided by all the departments of the Government. There are however certain questions connected with co-operative education which are not so far tackled on a comprehensive basis in any province. I shall propound for your consideration a few questions, for which in my opinion, definite answers should sooner or later be found: (1) Whether the department of co-operation should be still saddled with the task of training its own employees, not to speak of the employees of the co-operative societies and of educating the masses of the members of the societies? (2) Whether it is not necessary to demarcate more clearly the field of co-operative training of employees from that of co-operative education of the masses and the public, who require a blend of propaganda and instruction in a very attractive form? (3) Whether it would be better to recruit the permanent teaching staff of any training institution from among the members of the departments of co-operation and agriculture or independent persons with academic qualifications and practical knowledge of the working of societies though there need be no objection to indent upon either for occasional lectures? (4) Whether it is necessary for the movement to have complete control of all grades of co-operative education, including the highest involving co-operative economic research or whether certain higher stages of co-operative education may be entrusted to the Universities who may be aided by endowments, if only to get an objective estimate of the working of the movement; and finally (5) the best method of eventually finding regular and adequate funds within the movement for building up a permanent edifice of co-operative education. The aim of co-operative education should be to produce co-operators whose daily activities are pervaded by that idealism and ideology associated with co-operation and behind whose work there is not merely the stimulus of the coin but of that exalted sense of duty which ought to animate and inspire the co-operator, for

"Thou must be true thyself
If thou the truth would'st teach,
Thy soul must overflow, if thou
Another soul would reach."

Economic Planning, Rural Development and Co-operation.

There has of late been certain amount of activity both in regard to economic planning and rural development. This is not the occasion to give an account of these activities. But it must be noted with satisfaction that responsible Provincial Governments installed in the provinces under the provisions of the New Constitution Act, have been evincing keen interest in schemes of rural development, and a new faith in the

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potentialities of co-operation and allied socio-economic movements as instruments at their disposal for the economic rehabilitation of the people entrusted to their care. Measures for the promotion of swadeshi, development of cottage industries and agriculture, creation of rural leadership, liquidation of illiteracy and promotion of adult education now occupy an important place in the rural programmes of the Provincial Governments. In the legislative sphere, the Provincial Governments have given proof of their earnestness to bring about an economic betterment of the peasants and workers mainly in two directions. Many provinces passed legislation for relief of agricultural indebtedness and regulation of moneylending. Some provinces have revised their laws of tenure so as to effect a much needed improvement in the conditions of tenancy prevailing in those provinces. While relief of past indebtedness and reduction of rates of interest on future borrowing will create larger margin out of the agriculturist's income to enable him to improve his standard of life and enhance his capacity for better production, immunity from eviction and freedom from rack-renting will enhance the economic value of the holding and make it a more coveted bankable asset.

In the field of reform of land tenure, Bengal bids fair to give the right lead to the rest of India. The report of the Bengal Land Revenue Commission seems to be one of far-reaching importance. Madras is moving on somewhat similar lines, and there is much that is common between the reports of the Bengal Land Revenue Commission and the Madras Estates Land Act Committee. Bengal, which is the first province in which the British have planted the permanently settled zamindari system, will probably be the first to eliminate all intermediate interests in the land between the State and the actual tillers. While the Bengal Land Revenue Commission have recommended the purchase of zamindaris by payment of adequate compensation, the ex-Premier of the Madras Congress Government advocated the view that zamindars were merely rent collectors without any claim to ownership, having obtained their title from the East India Company, which had no land to alienate. So, we may soon expect to find revolutionary changes in the system of landholding in this country. We, as co-operators must watch with keen interest these developments and make our own contribution, and carefully assess their reaction on the economic life of the rural masses who should be brought more and more closely into touch with the co-operative movement.

But without in any way trying to belittle the work of the Ministries, I must say that measures so far actually adopted have not resulted in bringing about any real substantial improvement in the vitality of the rural masses. There is no doubt that these measures will soon be modified and improved so as to achieve that object. There must be planning

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even in regard to legislation. Acute economic maladies, like physical maladies, no doubt, require drastic treatment of an emergent nature. But other measures will be necessary to preserve the vitality of the patient during periods of convalescence so as to prevent relapse. Still other kinds of measures are necessary to create continued healthy surroundings in which the masses will be immune from such maladies. To adopt the language of Doctors, we want measures which are not only of a therapeutic but of prophylactic and hygienic character as well.

Before I pass on, it may not be out of place to say a few words about the schemes of economic planning which are so much in the air. Those who denounce capitalistic economy seem to favour its replacement by State ownership and management. The potentialities of co-operative ownership and management do not seem to attract any attention. Though both state ownership and co-operative ownership are distant ideals at present, I, as a co-operator, will be failing in my duty if I do not avow my own faith on this occasion in Co-operation as a better alternative to Socialism. I am a believer in planning and planning necessarily involves control. But I am not a believer in the theory that State ownership and management will necessarily result in economy and efficiency or in the harmonious adjustment of the various interests involved in production and distribution of goods for human consumption. I believe in co-operative ownership and management. It alone can bring economic justice. There can be no economic justice in a transaction in which there is profit and there can be no political peace without economic justice. Co-operation is both an economic system and a way of life. I therefore hope and trust that in discussing schemes of economic planning, the potentialities of non-profit co-operative economy will be carefully considered. Whatever may be said about large-scale industries, I have no hesitation in thinking that in the sphere of small-scale industries, organisation on a co-operative basis is likely to yield better and more lasting results.

In the wider field of economic planning it must be remembered that the Provincial Governments under the Constitution Act of 1935 can influence national economic policies or control the economic destinies of the people only to a very limited extent. Their limitations are many. The all-pervading character of the Central Government's control over our fiscal, commercial, industrial, currency and exchange policies determines to a large extent the general improvement in the social and economic condition of the masses, the betterment of their standard of living and increase in the national income. Unless there is absolute identity of economic interests between the Central Government and the people, genuine economic planning in the interests of the people is impossible.

Conclusion.

Before I conclude I would like to stress on the need to eschew from our movement all tendencies which make for its disruption. In the view of European co-operators political and religious neutrality is an essential attribute of the movement. We, in India must similarly proclaim that Co-operation knows no distinction of caste, creed or community. The roots of the tender plant of co-operation in India will be destroyed if the *virus of communalism or class antagonism* is allowed to invade the movement. We cannot therefore take too much care to prevent considerations other than those of business efficiency and qualifications having any sway in the management of non-official organisations. As a thoughtful writer on co-operation puts it, "difficulty about compacts does not lie in *making* them, though that is often difficult enough, but in *keeping* them alive and fruitful after they are made." Communal or sectarian quarrel is violently opposed to the religion of co-operative compact. I therefore appeal to you to take prompt and effective steps to arrest this tendency wherever and whenever you find it, and instal Co-operation in the temple of Akbar's dream—

"A Temple, neither Pagod, Mosque nor Church
But loftier, simpler, always open-door'd
To every breath from heaven, and Truth and Peace
And Love and Justice came and dwelt therein."

THE BOMBAY PROVINCIAL CO-OPERATIVE LAND MORTGAGE BANK'S CONFERENCE.

INAUGURAL ADDRESS.

It is a great pleasure to me to welcome you to this First Conference of Land Mortgage Banks, held under the auspices of the Bombay Provincial Co-operative Land Mortgage Bank, Ltd. The working of Land Mortgage Banks in this Province during the last few years has brought into the forefront a number of problems which call for solution by mutual discussions between the Board of Directors of the Bombay Provincial Co-operative Land Mortgage Bank, Ltd., and the representatives of Primary Banks. The advantages of such a Conference are obvious. The Conference enables the Board of Directors of the apex Land Mortgage Bank to come in close touch with the representatives of Primary Banks and to ascertain at first hand, their views on outstanding questions of policy and procedure. The Conference also serves to bring together the representatives of Primary Banks and affords to them valuable opportunities for mutual exchange of their views and experience on various matters affecting the working and progress of their Banks. I am sure that this new institution of a Land Mortgage Banks'

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Conference will prove, in course of time, a powerful instrument for the extension and development, on sound lines, of the Land Mortgage Banks' Movement in the Province.

The question of the organisation of the Land Mortgage Banks in this Province was first considered at the Gujarat Divisional Co-operative Conference held in April 1923. In 1926, Mr. J. A. Madan, C. I. E., I. C. S., the then Registrar, Co-operative Societies, Bombay Province, submitted to Government a scheme for the institution of Land Mortgage Banks. This scheme was considered at a Conference called by the Hon'ble Minister in charge of Co-operation and a Committee was appointed to draft the detailed scheme. The scheme formulated by the Committee was finally approved by Government in G. R., R. D. No. 6576/24, dated 26th September 1926. Government were pleased to sanction, as an experimental measure, the registration of three Primary Banks at Dharwar, Broach and Pachora to be financed by the Bombay Provincial Co-operative Bank, Ltd. Government also agreed to purchase, for this purpose, debentures of the Bombay Provincial Co-operative Bank, Ltd., to the extent of Rs. 5 lakhs. Provision was also made for giving the experimental Banks the free services of a Land Valuation Officer, one each, for a period of one year.

With the advent of severe economic depression, the problem of agricultural indebtedness, which was already embarrassing, assumed serious proportions. The necessity for the provision of agricultural long-term credit, on an appreciable scale, was felt both for reducing the burden of indebtedness and for rendering intensive cultivation of land possible. In the year 1933. Government were pleased to appoint the Land Mortgage Committee with Mr. K. L. Panjabi, I.C.S., the then Registrar, Co-operative Societies, Bombay Province as the Chairman, to examine the question of development of Land Mortgage Banking with a view to relieve agricultural indebtedness. The recommendations of this Committee led to the registration of the Bombay Provincial Co-operative Land Mortgage Bank, Ltd., and the extension of the Land Mortgage Banks Movement in the Province.

At the end of June 1939, there were, in this Province, 14 Primary Land Mortgage Banks with a membership of a little over 4,000. Three of these Banks were organised under the old scheme and the rest under the new scheme. Their paid-up share capital was in the neighbourhood of Rs. 2½ lakhs. The number of loans advanced by them was 1534, the amounts of loans disbursed being nearly Rs. 21 lakhs. The Primary Banks are financed by the Bombay Provincial Co-operative Land Mortgage Bank, Ltd., which has, at present, a paid-up share capital of Rs. 4,42,500/. The Bank was allowed to float its first series of debentures to the extent of Rs. 20 lakhs in the year 1938 at a rate of 3¼ per cent p.a. The debentures were guaranteed by Government both in respect of principal and interest and were fully subscribed.

The debentures of this Bank rank as trustee securities and constitute a safe and attractive investment. Government have appointed Mr. M. D. Bhansali, M.A., LL.B. (Cantab.), Bar-at-law, I.C.S., as a sole trustee for debenture holders. The Bank has executed a Debenture Trust Deed giving Government important and specific rights and creating in favour of the trustee, a floating charge on the assets and mortgages held by the Bank. Under the terms of the Debenture Trust Deed the Bank maintains a "Debenture Sinking Fund" for the purpose of providing for the redemption of the debentures on maturity. For every series of debentures floated by the Bank, the creation of a distinct Sinking Fund is obligatory.

The bye-laws of the apex and of Primary Land Mortgage Banks provide for essential safeguards in the interests of investors. Every loan is secured on the first mortgage, with possession, of immovable property viz. cultivable land, the value whereof is not less than twice the amount of the loan. The valuation of land is made in each case by the Land Valuation Officer who is a Government servant appointed by the Registrar. The Land Valuation Officer personally inspects the lands offered as security and makes elaborate inquiries regarding the income and expenditure of the applicant for a loan. A loan is sanctioned only if the net surplus of the prospective borrower is sufficient for the payment of the annual equated instalment. Again every application for a loan is required to be considered and recommended by the Primary Land Mortgage Bank whose directors possess considerable knowledge of local conditions. One of the directors of the Primary Bank is a nominee of the Registrar and another of the Bombay Provincial Co-operative Land Mortgage Bank, Ltd. The Primary Bank forwards the application with its recommendation to the Assistant Registrar, Land Mortgage Banks, who also scrutinise the application and recommend the loan to the Bombay Provincial Co-operative Land Mortgage Bank Ltd. Every loan is finally sanctioned by the Bombay Provincial Co-operative Land Mortgage Bank Ltd. The management of the Bombay Provincial Co-operative Land Mortgage Bank, Ltd., vests in a Board consisting of 15 directors. Five of these are elected by Primary Banks and six by members other than Primary Banks. The Registrar is an ex-officio director of the Board. One of the directors is nominated by the Bombay Provincial Co-operative Bank, Ltd., and two by the Registrar from among the shareholders, with the approval of Government. As there are three nominees of Government on the Board of the apex Bank, Government is in a position to control effectively the policy of the Bank. Until recently, there was, at the head of the paid staff of the Bank, a Managing Director, who was a retired Collector. He was appointed with the approval of the Registrar on a salary of Rs. 500—per month. Government have been pleased recently to create, for a period of three years, a temporary post of an Assistant Registrar, Land Mortgage Banks, with headquarters in Bombay, and have directed that this officer should discharge the duties of the Manager of the Bank, in addition

to his own duties. The Bank is to pay Government a sum of Rs. 250—per month in respect of the services of the Manager. This arrangement benefits the bank in-as-much-as it is no longer required to employ a Managing Director on a high salary, and also Government, who are now in a better position to control the working of the Bank. There are also restrictions on the maximum amounts of loans, which may be sanctioned to Primary Banks and their individual members. The maximum amount of a loan to any one individual applicant is ordinarily limited to Rs. 10,000—only. The maximum amount of loan which can be sanctioned to a Primary Bank is limited to 20 times the amount of shares of the apex Bank it holds. These and other precautions, most of which are statutorily provided for and which are required to be observed in the grant of loans, adequately safeguard the interests of investors. So far, none of the Primary Banks financed by the apex Bank has defaulted in the payment of instalments. It is not that there are no overdues in Primary Banks. Overdues are particularly heavy in the old Banks, whose debtors could not pay up the dues during the days of agricultural depression. The safeguards, however, provided for in the constitution and management of Land Mortgage Banks have tended to ensure punctuality in the repayment of dues, in so far as the dealings with the apex Bank are concerned.

The apex Bank advances loans to primary Banks at the rate of $4\frac{1}{2}$ per cent. per annum. As the Bank has issued debentures at a rate of $3\frac{1}{4}$ per cent. per annum, the margin for working expenses available to it is $1\frac{1}{4}$ per cent. per annum. Again, the bulk of the loans granted by the Bank are for a period of 20 years. In case of such loans, the Bank receives, against every Rs. 1000 loaned by it to Primary Banks, a sum of Rs. 76-14-0 every year. Out of this Rs. 40 are set aside for the maintenance of the Sinking Fund, and a further sum of Rs. 32-8-0 is required to be set aside for payment of interest to debenture holders. The effective margin, therefore, which is available to the apex Bank for meeting its working expenses is less than $\frac{1}{2}$ per cent per annum. It is not possible for any business institution to work at a profit with such narrow margin. Government have, in the past, given the Bank subsidies for meeting the deficit in its cost of management. Unless, however, liberal subsidies are given for meeting the expenses in view of the narrow margin between the borrowing and the lending rates, the Bank will not be able to give a moderate return on share capital, a substantial portion whereof is subscribed by Primary Banks and Co-operative Societies. The payment of a small return on its share capital, now that the movement is about five years old, is necessary to inspire confidence and to attract investors. The profit-earning capacity of the majority of Primary Banks is also far from satisfactory. They borrow from the apex Bank at the rate of $4\frac{1}{2}$ per cent per annum and lend to their members at the rate of 6 per cent per annum. The margin available to them for meeting their

expenses of management is $1\frac{1}{2}$ per cent per annum. This margin, in the initial stages when the volume of business is small, does not enable the Banks to make both ends meet. All the new Primary Banks were given by Government an annual subsidy of Rs. 500 each during the first three years of their existence. In spite of this financial help, most of the Primary Banks have incurred heavy deficits and stand in need of more subsidies from Government.

The outstandings of the apex Bank from Primary Banks, amount to-day, to nearly Rs. $23\frac{1}{2}$ lakhs. All the funds raised by the issue of the first series of debentures have been entirely used up in loans. The Bank has no loanable funds at its disposal and has temporarily stopped all fresh finance. Under its Bye-law 4 (a), the Bank can float debentures only on such terms and conditions as may be approved by Government. The Bank has already approached Government through the Registrar for permission to issue a second series of debentures to the extent of Rs. 10 lakhs, at a rate not exceeding 4 per cent per annum. The Bank has also requested Government through the Registrar to give it temporary accommodation to the extent of Rs. 4 or 5 lakhs for carrying on its normal loan operations, pending the issue of the second series of debentures. The Bank has also requested that in case temporary accommodation is not granted by Government. Government may guarantee the repayment of a temporary advance to the extent of Rs. 4 or 5 lakhs which the Bank might obtain from the Bombay Provincial Co-operative Bank, Ltd. Such temporary borrowings will, of course, be repaid out of funds raised subsequently by the issue of debentures. The Executive Committee of the Bank have recently decided that a deputation should wait upon H. F. Knight, Esqr., C.I.E., I.C.S. Advisor to H. E. the Governor of Bombay with the object of acquainting Government with the present financial position of the Bank and of securing the necessary assistance in the matter of raising further funds for financing Primary Land Mortgage Banks. I am glad to inform you that the request of the Executive Committee has been granted by Government. In this connection, I may invite your attention to the fact that the legislature in this Province has already empowered Government to guarantee debentures of this Bank to the extent of Rs. 50 lakhs. Government has so far guaranteed the debentures of this Bank to the extent of Rs. 20 lakhs only. In the sister Province of Madras, Government has increased the maximum amounts of their guarantee in respect of debentures issued by the Madras Central Co-operative Land Mortgage Bank, Ltd., to Rs. 250 lakhs. In comparison with the assistance given by the Government of a sister Province of the apex Land Mortgage Bank in that Province, the demands of this Bank are certainly moderate. The financial position of this Bank is sound. The constitution and management of the Bank provide for adequate and effective safeguards against inefficient management. The healthy development of the Land Mortgage

Banks' Movement in the province requires that Government should guarantee the debentures of the Bank to the further extent of Rs. 30 lakhs. It is also necessary that temporary accommodation for filling up the gap between the issue of loans and the issue of debentures should be made available by Government. In the absence of permanent arrangement for the grant of temporary accommodation to the extent of Rs. 10 lakhs, the apex Bank will be required frequently to suspend its loan operations and this is bound to give a set-back to the Land Mortgage Banks' Movement in the Province. I appeal to Government sympathetically to consider the requests of the Bank.

The Bombay Agricultural Debtors' Relief Act, 1939, which has now been assented to by His Excellency the Viceroy, contemplates Land Mortgage Banks to play a very important role in the scheme of debt adjustment. The modifications which will have to be introduced into the working of Land Mortgage Banks, when the Act comes into force, will need your careful consideration. I consider that the contribution which Land Mortgage Banks will be able to make to the success of the scheme will depend largely on the extent to which Government are prepared to guarantee the debentures of this Bank. There are other problems, equally important, on the satisfactory solution whereof, depends the healthy growth of the Primary Banks. One such problem is about the appointment, qualifications etc., of the Land Valuation Officers, which awaits your careful handling. The need for improvement in the machinery for recovery of defaulted instalments is being keenly felt by Primary Land Mortgage Banks. It will be for you to consider whether there does not, in this Province, exist the necessity for enacting legislation on the lines of the Madras Act X of 1934. These and other problems which are placed before you, need your special attention.

Finally, I take this opportunity to tender my grateful thanks to Government, both past and present, for the help they have given to the Land Mortgage Banks Movement. I am particularly grateful to Mr. M. D. Bhansali for his cordial co-operation during all the time I have been President of the Bank.

RESOLUTIONS.

PASSED AT THE FIRST LAND MORTGAGE BANKS,

*Conference, Bombay Province, Bombay, held on
30th and 31st March 1940.*

*Resolution. II :—*Resolved that it is not advisable for Land Mortgage Banks to advance loans for a period exceeding 20 years except that the maximum period of loans made under Section 55 of Bombay Agricultural Debtors' Relief Act 1939 may be extended to 25 years.

*Resolution. III :—*This Conference considers that simple mortgages are better from the point of view of Land Mortgage Banks than possessory mortgages. Unless, however, Land Mortgage Banks are given special

powers for recovery of defaulted instalments as in Madras, the existing practice of taking possessory mortgages should continue.

*Resolution. IV:—*Resolved that Government be requested to levy audit fees from the apex and Primary Land Mortgage Banks on the basis of their turn-over.

*Resolution. V:—*Resolved that in areas where there are no Primary Land Mortgage Banks, cases under Section 55 of Bombay Agricultural Debtors' Relief Act 1939 be dealt with by the Bombay Provincial Co-operative Land Mortgage Bank, Ltd., through local agencies such as a District Central bank or a branch of the Bombay Provincial Co-operative Bank, Ltd., and that the conditions on which these local agencies would do Land Mortgage work be ascertained through the Bombay Co-operative Banks' Association.

*Resolution. VI:—*This Conference emphasises the necessity of investing the Boards of Conciliators appointed by the Primary Land Mortgage Banks with powers to enforce the production of books, documents *etc.*, in the possession of creditors and to call for copies of the creditors' accounts.

*Resolution. VII:—*This Conference recommends to Government to arrange that the Registration Department shall furnish encumbrance certificates to Land Mortgage Banks as in Madras.

*Resolution. VIII:—*This Conference urges upon Government the necessity for the early enactment of a Land Mortgage Banks Act, in the Province more or less on the lines of Madras Act, No. X of 1934 and in the meantime Land Valuation Officers may be invested with powers to execute distraint warrants under the Land Revenue Code

*Resolution. IX. —*This Conference is of opinion that every effort should be made to see that borrowers of Land Mortgage Bank sell their produce through multi-purpose, sale and other societies and for that purpose carry on educative propaganda.

*Resolution. X:—*This Conference is of opinion that if the business accruing under Section 55 of the Bombay Agricultural Debtors' Relief Act, 1939 is to be done in consonance with the constitutions of the Provincial and Primary Banks, the bonds of the Provincial Bank should be issued to the Primary Bank concerned for being endorsed over by it to the creditors and the award should be made in favour of the Primary Bank at the instance of the Provincial Land Mortgage Bank, and that a rule enabling this to be done should be formed by Government under the rule-making powers conferred by Section 83 of the Act.

*Resolution. XI:—*Since the Bombay Provincial Co-operative Land Mortgage Bank, Ltd., has temporarily stopped all fresh finance for want of cash resources, this Conference requests Government to guarantee the second series of debentures to be floated by the Bank and to grant to the Bank temporary accommodation to the extent of Rs. 5 lakhs as a permanent arrangement so that the Bank may not have to suspend its loan operations in future.

Reviews.

(i) *Report on the working of Co-operative Societies in Bihar for the year 1938.*

It was only last month that we reviewed the Bihar report for 1937. The report for 1938 was published 7 months after the previous report and there was some delay in our office in getting the earlier report reviewed and hence this review comes close on the heels of the previous report. The most important event in the co-operative world of Bihar was the formation of the Rehabilitation Enquiry Committee which was envisaged in the speech of the Hon'ble the Minister at the Patna Conference in April 1938. The Committee consisting of 10 persons including the Registrar has so far made exhaustive enquiries into the affair of 939 societies involving 17,420 members. Similar exhaustive enquiries have to be conducted with regard to the remaining societies. Detail proposals based on the results of enquiry have been submitted to the Government but the Government have taken no action as they considered the financial commitments involved to be of a highly technical nature and they want to consult financial experts before they arrive at a decision.

It is a pity that the Officer of the Reserve Bank appointed as Banking expert to advise the Registrar on technical matters did not continue as his services were not considered useful at this stage when rehabilitation enquiries are going on.

There was a slight increase in the total number of societies but it was due to the registration of cane-growers' co-operative societies about which mention was made in our review of last year's report. These account for 195 out of 236 societies registered during the year under review.

We are sorry to learn that Central Banks far from helping the Government in the matter of getting punished those who indulged in mal practices shield them. We hope that as the true spirit of co-operation spreads central banks will prove to be loyal associates of the Department and not handicap them as they are supposed to be doing now.

The Provincial Bank declared no dividend as there were no distributable profits. In spite of the slightly higher rates of interest it offers than the Imperial Bank and other Banks of established reputation the run on its deposits continued. It was able to collect only 75,000 out of over 43 lakhs of demand leaving over 42 lakhs as over dues. The Government of Bihar came to an understanding with Orissa Government banks in the areas, ceded to that province and those banks have been separated from the jurisdiction of the Patna Bank.

If the Provincial Bank fares so badly we are not surprised that the District Central Banks have fared equally badly, and they were not able to meet their obligations to creditors and hence a creditors' meeting was

called for. We are glad to learn that these creditors have behaved admirably and are willing to co-operate with the Banks to any extent with a view to establish them. These Banks were able to collect only 2.6 per cent. of their dues from agricultural societies and interest collected was only 9.8; the combined percentage of collection of principal and interest coming to 5.4 as against 8 per cent. and 7.6 per cent. of 1936 and 1937 respectively. We are glad to note that these banks in spite of their financially weak condition have been doing good work in the case of mass literacy movement which was inaugurated in Bihar.

Having said so much about the Provincial Bank and the Central Banks very little need to be added about the financial position of agricultural societies. The following table gives a bird's eye view of the collection of the agricultural societies.

	Total Demand.	Collection.	Percentage of collection.	Total outstanding at the end of the year.
	Rs.	Rs.		Rs.
Principal ...	94,22,924	5,41,585	5.7	88,81,339
Interest ...	72,55,031	5,53,469	7.6	67,01,562

The Federation has been recognised and audit work which was hitherto done by the auditors employed in the Federation is transferred mostly to Government. The co-operative press which was working at a loss has been wound up, though the training institute is continued.

The only silver lining to his mass of dark cloud is the popularity of cane growers' co-operative societies. Better understanding has been brought about between these societies and sugar factories and we are glad to note that these societies act as agents for purchasing and distributing improved varieties of sugarcane, for which there is a growing demand. What is more encouraging is that at the General Body Meetings of these cane growers co-operative societies lantern lectures on sanitation, hygiene, child-welfare and allied subjects are being delivered and these societies act as agents for general improvement of villages.

We hope the report of the special Re-habilitation Enquiry Committee will be completed and Government will take suitable action so that the movement may turn the corner and may be set on its own legs once more.

S.K.Y.

(ii) *Cochin.*

The administration report of the co-operative department in the State of Cochin for the Malabar year 1114 (1938-39) shows that the movement has been making steady though slow progress. The following table will give at a glance the progress of the movement.

General Progress.

Year.	No. of Societies.	No. of Members.	Working Capital.	Total transactions.	Reserve Fund.
			Rs.	Rs.	Rs.
1112	267	26,523	35,95,092	1,15,16,454	4,65,366
1113	293	26,964	37,22,564	1,09,85,556	4,98,418
1114	314	39,401	42,67,69s	1,28,54,204	5,17,067

During the last 3 years there has been all round progress.

It is a matter for gratification that 265 out of 275 villages in the State are served by the movement leaving only 10 villages outside its pale and as was noted in our review of the last year's report all sections of the population of the State seem to be taking part in this movement.

The Co-operative Land Mortgage Bank did useful work during the year disposing of applications to the value of more than 6½ lakhs of rupees.

The Central Co-operative Institute continued to do useful work. It published the co-operative Magazine and ran the library and reading room and held the annual conference presided over by Prof. S. Subbarama Iyer whose presidential address was reviewed in the pages of the Journal.

We are surprised to note that the co-operative restaurant has not been financially a success. It is a matter for gratification that students' stationery societies made good progress. Some insurance societies working for the benefit of teachers mostly are registered under the Co-operative Societies Act and are working. Insurance is a peculiar kind of business and it is not possible for every political unit of the Indian Empire to have small insurance societies of their own. The larger the area covered the better for insurance purpose and hence the existing institutions will do well to think of merging themselves in bigger institutions catering to the requirements of wider areas. We are glad to be assured by the Registrar that the people of the State have begun to show living interest in the movement which is admitted as only the effective method for tackling rural problems. We are also glad that an attempt is being made to make the Central Co-operative Institute the real centre of non-official activities for the State. The policy of de-officialising the movement is definitely set by the co-operators of the State before them and the fact that they have a popular Minister in charge of the administration of this department should go a long way in enabling them in realising their ideal.

S. K. Y.

(iif) *Bengal Agricultural Report.*

The report of the Department Agriculture, Bengal is in most respects similar to that of Madras. The Department carried on research and experiments on various lines for which they got subsidy from the Imperial Council of Agricultural Research. Owing to the war there is a great demand for Jute, hence both under research and actual production and marketing it occupies a prominent place. Sugarcane Paddy, Tobacco were some other items of special study and effort at improvement. The Department did propaganda by running demonstration farms and contributed their own quota by issuing free stud bulls. Agricultural education in Bengal is slightly different from what it obtains here. It has not yet reached the University stage though the scheme for the establishment of Bengal Agricultural Institute at Decca is getting materialised. Some attempts have been made to introduce agricultural education in high and middle English schools. But from the report we notice that it has not been very popular. The Department has got other educational schemes and they also train farmers' sons on Governments' farms as is being done in our Province. We repeat what we said in reviewing the report of the Director of Agriculture, Madras namely that a good deal of valuable work done by research officers of the Department has yet to come within the easy reach of the masses, and we hope attempts would be made at popularising the most up-to-date agricultural knowledge.

S. K. Y.

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DEVELOPMENT OF CONSUMERS' STORES IN TRICHY DISTRICT—SEGGESTIONS.

I have had chances of visiting and studying a number of villages, both wet and dry and important places in such taluks as Kulittalai, Musiri, and Karur. It is my considered opinion that the general public are fast realising the benefits of co-operative organisations, especially on the financial side, consequent on the enactment of the Debt Relief Act. They even express that but for such village credit societies they would have been left helpless without funds for purchasing food and fodder for themselves and for their cattle respectively. Though some of the villages are organised in this way on the financial side, I feel there is an urgent need for organisation in almost all villages for supply of necessities of life.

The introduction of well-intentioned commercial taxes and war scare have given rise for a baseless increase in prices of all commodities in the bazaar. While the villagers are in no small way victims to this abnormal rise in market prices of their own produce do not command a proportionate rise in value. As such, the necessity for pooling the various kinds of produce grown in different villages and marketing them successfully and in turn, supply the villagers, their requirements, by organising village group stores from central whole-sale stores is seriously felt.

The Deputy Registrar of Co-operative Societies, Trichinopoly with his wide knowledge and experience of men and affairs has taken pains to organise about ten such consumers' stores in this District in different places. But these are at present, working independent of each other without realising as to how to be helpful mutually.

In this connection it may be interesting to note, something of the working of the Karur Co-operative Stores. The President and the Secretary take a keen interest in developing the same and the credit for its present satisfactory condition should go to them. Karur is a big trading centre consisting of many middlemen and mundies. Most of the dry produce, like Dhol, chillies, gingelly-seed etc., are marketed here by surrounding villagers on a large scale. They are in turn exported to distant places by middlemen making a huge profit out of all proportion to their labour involved. Thus the middlemen most of whom happen to be mudy proprietors exploit the rural population very aggressively.

I wish the stores in Karur is developed in such a manner as to supply the rural folk their necessities of life and relieve them of the high price charged by the merchants in the bazaar. Also it should try to purchase and

supply to other Co-operative institutions in the District and in the Presidency, such dry produce as are available there. The fact should be recognised, it is helping its sister organisations to a certain extent in purchasing locally produced articles on their behalf.

The Trichnopoly Urban Co-operative Stores to be a useful and successful organisation should convert itself as a central whole-sale stores for the district and get its sister institutions in the district affiliated to it. It should so act that the kind of produce available locally is given first preference and the surplus of such anywhere in the district is collected and exported to places where it is required. It should also grade the commodities fix their prices and review the same every week or fortnight. This will help to steady and bring in a uniform price level in the district through the co-operative institutions. Such commodities that are not available locally should alone be imported from the neighbouring districts. It should also be remembered that as co-operative organisations are not mere traders whose only aim is to make profit at any cost, and as they are intended to develop the economic well being of the masses, they should not make available of such foreign goods which are easily dispensable and are not a vital necessity to life.

It should obtain a knowledge of the working of the various sister stores in the district, their share capital, their turn over, their requirements, a list of commodities available in their respective areas, the places they are exported to, and the names and the necessary details with regard to middlemen and shopkeepers dealing in such goods. The sister stores should also be given the opportunity to take suggestions and their close co-operation should be secured. As a whole-sale stores it should try to get articles from their centres of production and thus ensure cheapness and genuineness of quality to the consumers in general. Provision should be made to have on the directorate the Deputy Registrar of Co-operative Societies and the Marketing Officer or their nominees as ex-officio Directors with no power to vote.

Sales of the Stores should be strictly confined to members only. And particular attention should be paid to increase the members on the roll which is possible only if the stores makes itself more and more popular amongst the public by the courteous, kind and polite behaviour on the part of the staff, prompt and quick delivery and the cheap and genuine quality of goods so delivered. Co-operative Stores which sell to non-members might be misunderstood for traders. Further the habit of selling to non-members may develop a commercial spirit in such individuals who are in actual working of the institution. The chief attraction of consumers' co operation is the distribution of profits among all its members in proportion to the amount of the individual purchase. In other words each member gets a reward proportionate to his loyalty to his institution. This aspect should be widely popularised.

CORRESPONDANCE

The business training on the part of the office bearers is one of the pre-requisites of a Co-operative Store. The institution is bound to come to grief through a complete lack of business knowledge on the part of the management. An enthusiastic Co-operator is not necessarily a good businessman. And so, expert paid management is absolutely essential for the success of a store organised on a large scale and where there is bound to be a large turn over.

I suggest an individual, either in the roll of a managing director or secretary as a whole time servant, well equipped in business knowledge should be put in charge of the institution. It is my humble opinion an honorary individual cannot be and should not be expected to do the work of a responsible nature, however enthusiastic and energetic he may be and also it is not charitable to expect him to devote the necessary time in the development of the institution. The Secretary or the Managing Director as suggested above should be entrusted with organisation, development, administration and propaganda which is quite necessary as against the cut-throat competition by the capitalist merchants in the bazaar.

A committee of five chosen from the present directorate in consultation with the Deputy Registrar of Co-operative Societies may be deputed to re-draft the by-laws on the lines suggested above and place the same for consideration before the general body.

I am sure the above suggestions though they are not exhaustive by themselves will be found useful.

Yours faithfully,
N. V. SWAMINATHAN.

News and Notes.

An Emporium and Museum were started under the auspices of the Madura—Ramnad Districts Industries' Association at 15, Koil Street, Madura.

The Rules of Bengal Government have been so amended as to provide that all Junior Officers of the I.C.S., the Bengal Civil Service and the Bengal Junior Civil Service should study the elements of agricultural and Co-operative principles says a Press Communique dated 2nd April 1940 of Bengal Government.

The periodical Conference of Officials and Non-officials of Madura Dt. took place on March 30th under the presidency of Mr. F. R. Brislee, I.C.S., Collector. The meeting considered the Surat Scheme of Rural Uplift. Mr. K. Rangaswami Naidu, Deputy Registrar of Co-operative Societies gave an account of the progress of the Scheme to develop the rural areas through the agency of Madura-Ramnad Central Co-operative Bank. He explained that the Scheme was being worked in 20 villages in the District and that at present there were 10 adult education classes.

The eleventh Rural Uplift Centre in Chittoor Taluq was inaugurated on the 7th April. The centre, which is six miles from Chittoor, consists of two villages, namely, Grampalle and Kollavoor separated by a furlong. The villagers of the Centre state that they are now endeavouring to introduce spinning, hand-pounding of rice, malt and biscuit manufacture from Ragi and Jonna grains and hand-made paper as Cottage Industries.

The centre of attraction at the Ramagarh Khadi and Village Industries Exhibition was the "Home Beautiful" exhibited by the All-India Village Industries Association. This was divided into various rooms. There was a drawing room, a dressing room, a kitchen, a nursery, a bath room, a bed room etc., and each is furnished with hand-made articles demonstrating how hand-made goods could well be used for furnishing homes.

Sri T. Prakasam, (Ex-Revenue Minister, Madras), the President of the Andhra Congress Committee, in the course of his Presidential Address to Bhimavaram Taluk Panchayats' Conference held recently at Bhimavaram explained how Panchayat administration had been carried on in India prior to the advent of the British and cited as evidence an inscription in a temple at Uttaramerur near Conjeevaram, regarding village administration as early as one thousand years ago. He emphasised that if we wanted complete independence, Village Panchayats or decentralised autonomous units must be established.

Sri S. A. Venkataraman, I.C.S., Registrar of Co-operative Societies, inspected a number of Co-operative institutions during a week's tour in Bellary and Anantapur Districts. New Consumers' Stores were opened at five centres and in Registrar's opinion the Stores Movement is now expected to work on a sound basis. He inspected some Sale and Loan Societies and found that, generally speaking, they had not justified their existence. He paid a tribute to the authorities of the Urban Bank at Dharmavaram, because of the fact that it was perhaps the best in the District, entirely working on its own capital.

Sir C. V. Raman, opening the Seventh All-India Swadeshi Exhibition at Trichur, recently said :—

"There is little doubt that one of the major problems facing our country to-day is that of remodelling our economic system in such a way as to increase general prosperity and to diminish the load of depression which almost threatens to settle down permanently on our rural population." He added that ignorance of our resources and inertia of the buyer were the causes of our poverty. It was here, that Exhibitions could play a great part by instilling into the minds of the masses the lesson of Swadeshi, which would go a long way to build up the economic life of the country.

Reviewing the activities of the Central Industrial Museum, Mount Road, Madras, the Council of Management of the Madras Industries Association say that the popular educative value of a permanent institution like theirs could hardly be overlooked. The organisation of "a model household of Indian products" which has been started on a very small scale recently, in the Museum, should prove very helpful in showing that India produced all her daily requirements and stimulate Swadeshi spirit among the public. The total number of visitors from August 1939 to March 1940, was 13,486 at an average of 60 per day. The Museum published 32 charts during the period, giving useful statistical and other information.

It is interesting to note that Youth Propaganda organised in Sweden has been very successful. Delegates from practically all the Youth Organisations in Sweden attended the Conferences arranged. The subjects discussed at these Conferences covered all the main economic problems in which young people are directly interested, such as technical training, family problems, housing, and the organisation of Savings' Clubs. Local Co-ordination Committees were also started in order to do effective work. Indian Youth may also emulate the above example and thus use his leisure in Summer Holidays to educate his less fortunate brethren in rural areas.

Inaugurating formally the Divisional Rural Development Store at Allahabad on March 5, Mr. Jawaharlal Nehru said :—

"Every individual should not only be a consumer but also a producer. He should be able to take part in increasing the wealth of the country

whether artistic or material. The development of cottage industries will not only bring about the economic uplift of the villager, but will also bring about a psychological change in him inasmuch as it will satisfy his creative instinct. So there are not only economic but also psychological reasons why we should pay special attention to the development of cottage industries."

"The Key to complete independence lies in our own hands in the revival of Village Industries," said Mahatma Gandhi, opening the Khadi and Village Industries Exhibition at Ramagrah during Congress Sessions this year. He emphasised the need for educating the villagers and making them conscious of their own potentialities. If they had been rendered unemployed or been exploited it was mostly due to ignorance which must be removed and the people made to understand that they need not live always as they had been living in the past, unable to get the Slough of Despond. They should be made to know something of the outside world and how their land was being exploited. The effective way to prevent such exploitation lay in reviving Village Industries, especially the Charka. He added that a Bombay or a Calcutta did not represent true India. It was the Seven Lakhs of Villages, that were spread throughout the country, which were the true India

The Government of Madras (Development Department) have issued a Press communique describing Rural Reconstruction Works financed from the Government of India Grant and Local contributions. Well-sinking, Well-repairing, providing of drains and latrines and constructing of roads were the various ameliorative rural uplift works financed by the above funds. Subsidies were granted for Co-operative Societies for the construction of 46 godowns. One case of consolidation of holdings was completed in Trichinopoly District, while one case was in progress in East Godavari District. A Co-operative Society was formed for the purpose, in each of the districts of Guntur and Kistna.

Industrial Museums were opened in 13 districts, namely, Vizagapatam, West Godavari, East Godavari, Guntur, Kurnool, Cuddapah, Anantapur, Chittoor, Salem, Coimbatore, South Kanara, Malabar and Tanjore. Co-operative Societies were also formed in North Arcot for the manufacture of paper from BOTHA GRASS, in Cuddapah district.

Tree Planting, opening of Rural Uplift Schools and Village Sangams (Associations) were among the ameliorative measures taken by the collectors of the various districts. Village Sangams (Associations) were started in many districts and they did very useful work by settling disputes, by providing rural games and amusements as counter-attraction to drink, repaired certain village roads and formed new ones and held village cleaning days here and there.

On the 13th April 1940 Mr. S. K. Yegnanarayana Iyer, M.A., addressed the students of the Ramadas Co-operative Training Institute at Rajahmundry on "Some aspects of Non-credit Co-operation." He delivered two lectures, in the first of which he dealt with some aspects, Consumers' Co-operation being the most important with special reference to the Triplicane Urban Co-operative Stores and its working. In the second lecture, he dealt with certain other aspects, Co-operative Insurance being the main theme with special reference to the South India Co-operative Insurance Society.

On the 25th March 1940 the representatives of various co-operative institutions in the city of Madras were invited to a preliminary meeting to consider the desirability of starting a Study Circle among their employees. After light refreshments the Secretary of the Provincial Co-operative Union welcomed the representatives and explained the object which the Provincial Co-operative Union had in view in convening that meeting, namely, to give facilities for the employees of the various co-operative institutions in the city as well as workers in the field for improving their knowledge of co-operation by study, lectures and discussions.

It was then resolved that a Study Circle be formed and that membership thrown open to all co-operative employees not lower than the rank of clerks. A tentative working committee was then formed with T.R. Nagaraja Rao, Agent of the Mylapore Branch of the Madras Provincial Co-operative Bank, as Secretary, and it was resolved to have the inaugural meeting in April.

On Sunday the 21st April the inaugural meeting of the Study Circle contemplated above was held under the Presidency of the Hon'ble Mr. V. Ramadas Pantulu, Sri S. A. Venkataraman, M.A., I.C.S., Registrar of Co-operative Societies, Madras, was pleased to declare the Study Circle inaugurated. The presence of a large number of mofussil representatives who came for Bankers' Conference on the previous day was availed of and a distinguished gathering of co-operators in the Presidency was assembled in the Madras Provincial Co-operative Bank's Hall, Mylapore. After light refreshments the Secretary of the P. C. U. made a brief statement as to the origin of the Study Circle and the Registrar in his speech promised his fullest co-operation.

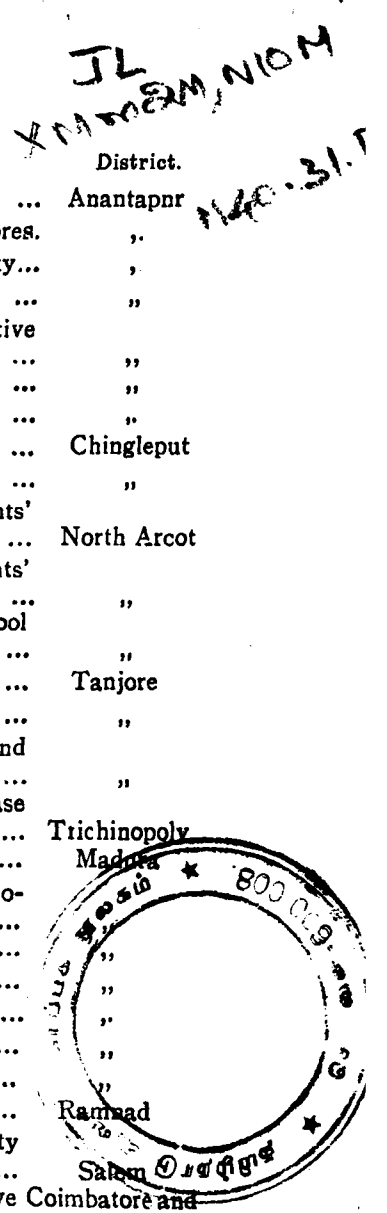
THE MADRAS JOURNAL OF CO-OPERATION

List of Societies Registered in March 1940.

Serial No.	Name of the Society.	District
1	Sri Venkateswara Co-operative Stores, Ltd. ...	Vizagapatam
2	" Patapatnam Weavers' Co-operative Sale Society, Ltd. ...	"
3	" Palakonda Co-operative Stores Ltd. ...	"
4	" Tekkali Board High School Students' Co-operative Stores, Ltd. ...	"
5	" Vizianagaram Municipal High School Students' Co-operative, Ltd. ...	"
6	" Parvatipur Co-operative Stores, Ltd. ...	"
7	" Salur Co-operative Stores, Ltd. ...	"
8	" Venugopala Kajuluru Co-operative Credit Society ...	East Godavari
9	" Balabhadrapuram Co-operative Credit Society ...	"
10	" Yeleswaram Co-operative Credit Society ...	"
11	" Mallaswaran Co-operative Credit Society ...	"
12	" Raghavapuram Co-operative Credit Society ...	"
13	" Ganapavaram Co-operative Stores, Ltd. ...	West Godavari
14	" Ellore Government Training School Students' Co-operative Stores, Ltd. ...	"
15	" Perikipalam Co-operative Credit Society, Ltd. ...	"
16	" Narasapur Co-operative Stores, Ltd. ...	"
17	" Mallavaram Co-operative Credit Society ...	Guntur
18	" Amaravati Cattle breeding Co-operative Society, Ltd. ...	"
19	" Chandrapadu Co-operative Society ...	"
20	" Chirva Wuppalapadu Co-operative Credit Society ...	"
21	" Mustabada Weavers' Co-operative Society, Ltd. ...	Kistna
22	" Chintalapadu Co-operative Credit Society, Ltd. ...	"
23	" Kummariapalem Adi-Andhra Field Labourers' Tenants Co-operative Society ...	"
24	" Venkataramana Co-operative Credit Society ...	"
25	" Masulipatam Labourers' Co-operative Credit Society, Ltd. ...	"
26	" Kandukur Co-operative Stores, Ltd. ...	Nellore
27	" Kanupartipad Co-operative Credit Society ...	"
28	" Puttur Co-operative Stores, Ltd. ...	Chittoor
29	" The Bandlapalle Co-operative Credit Society ...	"
30	" Kamalapuram District Board Schools Students' Co-operative Stores, Ltd. ...	"
31	" Badvel District Board Schools Students' Co-operative Stores, Ltd. ...	"
32	" Pulivendla Board High Schools Students' Co-operative Stores, Ltd. ...	"
33	" Pulivendla Co-operative Bank Ltd. ...	"

LIST OF SOCIETIES REGISTERED

Serial No.	Name of the Society.	District.
34	Sri Taggupati Co-operative Credit Society ...	Anantapur
35	" Penukonda Krishnadevaraya Co-operative Stores. ...	"
36	" Turakapalli Better-Living Co-operative Society... ..	"
37	" Gooty Co-operative Stores	"
38	" Penukonda High School Students' Co-operative Stores	"
39	" Tadparti Co-operative Stores	"
40	" Anantapur Milk Supply Co-operative Society	"
41	" Chandran Co-operative Stores Ltd.	Chingleput
42	" Engineering College Co-operative Stores, Ltd.	"
43	" Tirupathur Municipal High School Students' Stores Ltd.	North Arcot
44	" Tiruvannamalai Municipal High School Students' Stores, Ltd.	"
45	" Vellore Venkateswara Mahants High School Students' Stores Ltd.	"
46	" Negapatam Co-operative Stores, Ltd.	Tanjore
47	" Pattukottai Co-operative Stores, Ltd.	"
48	" Kuttalam Board High School Students' and Teachers' Co-operative Stores, Ltd.	"
49	" Thanthoni Stone Carvers' Co-operative Purchase and Sale Society	Trichinopoly
50	" Tirumangalam Co-operative Sale Society	Madurai
51	" Periyakulam Agricultural Improvements Co-operative Credit Society	"
52	" Cumbum Co-operative Stores	"
53	" Amarapoondi Co-operative Society... ..	"
54	" Gonguvarpatte Co-operative Stores... ..	"
55	" Pattiveeranpatti Co-operative Stores	"
56	" Bodinaikanur Co-operative Stores	"
57	" Vijayakaraisalkulam Co-operative Society	Ramanad
58	" Omalur Public Servants' Co-operative Society Ltd.	Salerno
59	" Coimbatore Lakshmi Mills Co-operative Stores Ltd.	Coimbatore and Nilgiris
60	" Erode Board High School Students' Co-operative Stores	"
61	" Sholamadevi Co-operative Credit Society	"
62	" Gopalasamudram High School Students Co-operative Stores, Ltd.	Tinnevely
63	" Melathattaparai Co-operative Credit Society	"
64	" Alwarthirunagari Co-operative Stores	"
65	" Manapad Catholic Co-operative Stores	"
66	" Valliyar Co-operative Stores	"
67	" Coral Mills Workers, Co-operative Stores, Ltd.	"
68	" The Perla Styanarayana Co-operative Stores, Ltd.	South-Kanara
69	" Coondapoor Co-operative Stores Ltd.	"



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