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THE INDIAN CO-OPERATIVE REVIEW

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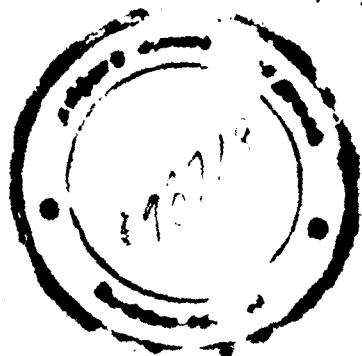
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THE LATE SIR DANIEL HAMILTON



THE LATE
MR. V. VENKATASUBBAIYA

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EDITORIAL NOTES

THE WAR AND CO-OPERATION

The war in Europe has entered an acute phase and its effects on social and economic life have begun to be felt in various degrees not only in advanced belligerent countries but all over the world. We are here concerned in particular with its repercussions on the co-operative movement. It is too early, and we are too distant, to estimate the havoc wrought by war and conquest on the most solid co-operative institutions of Czechoslovakia, Poland and Finland, which have already succumbed to the totalitarian states. The other small States in Europe are living in dread of a similar fate. We can only hope that co-operative spirit will outlive all the temporary cruel handling and reassert itself in the reconstruction that is bound to take place after the war is over. In addition to destruction, complete or partial, due to air-raids, societies in coastal towns in allied and neutral countries have suffered from members' evacuation to less open and congested areas. They have lost their custom while the new ones in the interior find it difficult to equip themselves and cater to a larger and heterogeneous population. Shortage of supplies due to shipping losses and restrictions, the commandeering by the States of a variety of goods and services needed to carry on the war, the control by the Government of export and import trade to conserve supplies within the country and shut off supplies directly or indirectly to the enemy, exchange control to conserve currency—all these and similar measures have hit the co-operative societies hard, however much they might be justified as war emergency measures. The extent to which co-operatives have withstood or even flourished on such restrictions, their total losses and gains can be better known when the International Committee for Inter-Co-operative Relations holds its sittings at Geneva this summer, if the war does not spread so far.

Co-operative organisations in India, though far from the theatre of the war, have had to face some of the above difficulties, but not in

so acute a form, as shortage of food supply is not a normal feature here. Profiteering is more likely in the commercial export crops than in the foodstuffs, though a failure in the seasonal rains combined with war demand will send up prices far beyond the purchasing power of the masses and the Government will be bound to interfere. The mistake this time was that the Government of India began to intervene far too early and check directly or indirectly the rise in prices and profits. This has tended to keep down prices at a level which was never expected. Indeed the extravagant hopes of the Government of India as well as of the Provincial Governments and of merchants and, of course, of all producers that prices will rule high from the beginning to the end of the war have proved illusory.

In the last (thirteenth) Registrars' Conference at Delhi it was taken for granted by almost every speaker that prices were bound to rise high of all agricultural produce, that the peasant would waste the extra windfall income in all sorts of extravagance unless a campaign of thrift was at once inaugurated and the surplus tapped in by co-operative societies and banks. It was even feared that credit would expand unduly as a result of the rise in prices of produce and of land; that co-operative societies would lend recklessly once again on the basis of the bloated value of landed security rather than of the capacity and willingness of the borrower to repay in instalments. Caution was urged against such a tendency while lending for improvement of land and of equipment was advocated.

We do not think, and we expressed this view at the Registrars' Conference, that prices have risen to such an extent as to need all this warning against extravagant spending or to raise high hopes of tapping savings to any considerable extent. The margin of profits earned by the merchant did increase in the last quarter of last year when ryots had little produce in their hands. Prices have, on the whole, fallen rather than risen since then. We do not subscribe to the theory that rise in prices tempts the ryot to extravagance and indebtedness. This may be true of the bigger landlord but not the petty peasant. Poverty is much more the cause of indebtedness than its result. The ryot has not for years been able to recoup even the cost of cultivation, and the State in India has done mighty little to relieve him in the dark days of depression. Should it not help him to earn more, if the demand for his produce does really increase on account of the war, though when it reaches a point when exploitation of the small local consumer or the powerful Allied Governments is feared, a check may be imposed? Campaigns of thrift and credit for land improvement and equipment may by all means follow but not precede rise in prices.

While co-operative credit societies and financing banks have not been affected adversely or otherwise by the war and borrowing and lending are going on as though nothing had happened, the institutions granting long-term credit—the Central Land Mortgage Banks and the House Building Societies have been adversely affected. Debentures in the former are not taken up to the same extent as before by the public who are naturally hesitant to lock up their money for long time in such a period of uncertainty, while the Government are withdrawing the financial accommodation which they were granting. The house-building societies could do no new business since all loans for them by the Government have been stopped for the duration of the war. While from the co-operative point of view we never liked the dependence of these institutions on the Government for funds and services, and would like them always to approach the public for funds at ruling market rates, we think the Government could well afford in the abnormal period to continue the help they had been giving, as it would after all be a trivial proportion of their resources and the security for loans could not be sounder. But whether the war continues or not, the movement is not likely to make much headway without a rise in prices of produce which would leave a margin over the cost of cultivation.

THE LATE SIR DANIEL HAMILTON

In the death of Sir Daniel Hamilton, on the 6th December 1939 at his home in Scotland, the Co-operative Movement not only in Bengal but in the whole of India has lost a leader of unexcelled eminence. Daniel Mackinnon Hamilton was born in 1860, came out to India when he was barely twenty and secured a job in a firm at Calcutta. Like many a Scotch youth he worked hard, studied business at first hand, and with the money he saved started a business of his own which eventually developed into one of the largest firms in India—Mackinnon, Mackenzie & Co. He was for some time a member of the Viceroy's Council at Calcutta, having been chosen to that place in 1904 by Lord Curzon who had an uncommon eye for discovering ability. He served as one of the members of the Committee on Co-operation whose deliberations led to the passing of the Indian Co-operative Credit Societies Act of 1904. Sir Hamilton was not content to make his pile as a business man and return home with it once for all. After retiring from business he no doubt returned to Scotland where he had acquired an estate, but he took the trouble of visiting Bengal every year to see his beloved creation—the Gosaba Institute in the Sunderbans, 50 miles from Calcutta.

The smiling co-operative land settlement at Gosaba in what was merely a malaria-ridden, snake-infested and tiger-haunted jungle is the

best monument to the earnest endeavour and the constructive ability of this generous Scotchman, whose love for the Bengal cultivator knew no bounds. More than a thousand acres of waste land have been reclaimed and young men have been trained to live a life of self-respect, securing their requirements of food, clothing, medical aid and education. This co-operative commonwealth has its own co-operative societies including stores, rice mills, a central bank, agricultural farm, a weaving factory, besides its school, hospital and estate office. He was an experimenter in currency and issued one rupee 'notes' of his own circulating within the settlement and exchangeable for goods.

At a recent co-operative conference, Sir Daniel declared his faith in co-operative methods for industrial as well as agricultural production in these memorable words :

"If co-operation is the best hope of rural India, so is it also the best hope of industrial India, for co-operative finance can be applied to manufactures as well as agriculture ; and the workers in the mill can become the owners of the mill and capital and labour become one. Strikes then go, peace comes, and a new spirit turns the wheels of industry, and I am persuaded that it is along these lines that the jute growing and manufacturing problems of Bengal will ultimately be solved."

This is reminiscent of the teachings of the great Robert Owen, the father of the modern co-operative movement. We wish Sir Hamilton had been spared some more years to work out his co-operative experiments in the industrial line as well. He had already achieved a reputation for practical co-operative land settlement that even Robert Owen could not win in spite of his enormous following. Indian co-operators owe to Sir Daniel Hamilton as great a debt as to Sir Frederick Nicholson.

THE LATE MR. V. VENKATASUBBAIYA

It is our painful duty to record the very sad and untimely death of Mr. V. Venkatasubbaiya, who was well known all over the country as a senior member of the Servants of India Society in charge of the Madras Branch. He was ailing from a malady which was never considered fatal and subjected himself to an operation at the hands of a very able surgeon in Madras towards the close of last year. He seemed to be veering round after the operation, but suddenly his illness took a serious turn and he expired in the hospital on 2nd January this year. He was only 54 when he died.

Mr. Venkatasubbaiya was a native of Bangalore, where he had a distinguished college career. But after he became a Servant of India, his services were largely devoted to the city and province of Madras.

He was indeed an ideal Servant of India; he never sought the lime-light. He had his own political views but never allowed them to interfere in the social services that he dedicated his life to. He took up the cause of the oppressed and the depressed, than whom no one mourned more his death to-day. There can be no greater testimony to the esteem in which Mr. Venkatasubbaiya was held than the message of Mahatma Gandhi: "I loved Venkatasubbaiya. His death is a great loss to the country. To meet him was to love him. I have not known a more unassuming man."

Mr. Venkatasubbaiya was connected with the Co-operative Movement in the Madras Presidency from its very inception to the last day of his life. He was one of the Joint Secretaries of the Madras Provincial Co-operative Union and the Editor of the *Madras Journal of Co-operation* for a number of years. He was one of the organisers of the Central Co-operative Printing Works at Madras and helped its reconstruction later. He was for some time Managing Director of the T.U.C.S., the premier consumers' society in Madras, and organised its own paid agency for the purchase and milling of paddy in the producing centre. As Secretary of the Provincial Co-operative Union he took a special interest in the rural reconstruction work initiated by that body with the financial aid of the Madras Provincial Co-operative Bank. He was an enthusiast in the cause of co-operative education which he rightly held was the sphere of the Union, and was solely responsible for putting into the market a cheap and efficient magic lantern. Neither Government nor co-operative democracy is ready to recognise the services of honorary workers. Mr. Venkatasubbaiya fought shy of honours and his life was almost consumed in the service of his fellow-men. We know no one who served the cause of co-operation better or achieved more in his day so unobtrusively. We hope the movement in Madras will honour his memory in a way worthy of his life long services.

PROPOSED BANKING LEGISLATION AND CO-OPERATIVE BANKS

We publish elsewhere in this issue of the Review the draft bill proposed by the Reserve Bank of India for an Indian Bank Act. We agree that there is need for the proposed legislation for the reasons stated by the Reserve Bank. Co-operative banks have been excluded from the purview of the provisions of the Bill. But co-operative banks have now a well established place in the banking system of the country, and they have business relations with the joint stock banks. They have to observe sound banking principles and standards if they should

continue to attract deposits from the public and get financial accommodation from the Reserve Bank, Imperial Bank and other joint stock banks. We therefore think it desirable that co-operative banks also which satisfy the requirements of the proposed definition of banking should be brought within the purview of a special chapter of the proposed banking legislation.

There is some difficulty in the legal position. 'Banking' is an exclusively federal subject for legislation, while co-operative societies fall within the purview of provincial legislation. It appears to us that so far as the conduct of banking, as the Reserve Bank proposes to define it, is concerned it is the Federal Legislature that can legislate even in regard to co-operative banks. There is need for co-operative banks which receive deposits on current account, withdrawable by cheques, being brought under a banking regulation by Statute, though on lines somewhat different from those which apply to joint stock banks. There is an analogy for this in the latest insurance legislation. Just as general principles of insurance apply to co-operative insurance societies, so also general principles of banking should apply to co-operative banks doing banking proper. The special provisions relating to co-operative life insurance societies are now appropriately embodied in a special part in the Indian Insurance Act, 1938. We consider that a similar procedure may be adopted in regard to co-operative institutions doing banking business, and a special chapter be devoted to them in the Bank Act. Even as in the case of co-operative insurance societies, co-operative banks, to which the new Act may apply, may not be taken away from the purview of the Co-operative Societies Act and the powers of the Registrar may be exercised quite as well in regard to their incorporation, regulation, control, audit, and winding up.

On the details of the legislation proposed and their applicability to co-operative banks in particular we are in agreement with the views expressed by the Madras Provincial Co-operative Bank in the memorandum published elsewhere in this issue.*

*Vide pp. 96-103.

CO-OPERATION AND THE WAR IN EUROPE

By

MISS MARGARET DIGBY,
Secretary, Horace Plunkett Foundation.

The war of 1914-18 had a marked effect on the co-operative movements of many countries. Some it destroyed temporarily, others it stimulated. The co-operatives themselves played no inconsiderable part in feeding the warring peoples, and still more in the post-war reconstruction of Europe. In particular they were important, sometimes the most important, agents in building up the national life of the new or revived nations of Central or Eastern Europe, the economy of which was wholly or mainly agricultural.

During the twenty years of peace which followed, the co-operative movement grew and strengthened its position in almost every country, though in the latter half of the period it sometimes passed from the status of a purely voluntary movement to collaboration, more or less close, more or less willing, with the State. Now that a long period of economic and political unease and concealed violence has passed once more into acknowledged war, it is important to consider, however inconclusively, the status and probable future of the co-operative movement.

It is necessary to distinguish between countries which have actually suffered the shock of war or of unresisted invasion, and those which although at war have so far kept their territory inviolate. No news of the co-operative movement of Poland has reached the outer world but it seems tragically certain that, unless it be the small German-speaking movement in Poznan, no part of its organisation is in existence to-day. How far its mere buildings—shops, creameries and silos—still stand, it is impossible to say, nor to what extent its trained personnel has survived the battlefield and the concentration camp and retains the knowledge and experience to recreate the organisation as it was recreated, after a similar disaster, in 1918.

In Czechoslovakia the material destruction has obviously been less, and it is even possible that some simulacrum of the Czech movement still exists—that business of a kind is carried on in the old commodities at the old co-operative establishments within the frame work of German economic control. Certain organisations are known to have vanished, the German-speaking consumers' movement, for example, with its social-

democratic colour, which was broken up immediately after the Munich settlement. The Co-operative College of the Czech agricultural movement appears to have been closed. It is known to have been raided by the Germans and its students shot in cold blood.

In Finland many co-operative stores and other buildings have been wrecked or damaged by bombardment and the loss of the regions ceded to Russia—especially Viipuri which was a centre for all kinds of co-operative activity—will mean a heavy sacrifice of co-operative capital. It is not likely to mean a loss of co-operative membership or, ultimately, of trade, since it would appear that the whole population of the ceded districts has departed rather than live under Russian rule and as the cities of new Viipuri and new Hanko are built in the interior to receive refugees, it cannot be doubted that new co-operative stores, banks and creameries will replace the old, the blackened shells of which have been abandoned to Russia.

The story of co-operation in the belligerent countries which retain their territory and their freedom is necessarily and happily less dramatic. It is rather the story of an adaptation in detail to the restrictions and deficiencies of a war-time economy. It is true that certain regions of France have been evacuated and the large and successful consumers' co-operative of Strasbourg found itself, on the outbreak of war, with its headquarters and wholesale depot a few hundred yards from the German frontier. It removed both with all speed to the country house in the Vosges mountains which had, up till then, served as a holiday home for its members; but even so, practically all its transport was requisitioned and three-quarters of its employees and members were either mobilised or evacuated to central and western France. Many other French societies parted with their newest vehicles and had to carry on with the old.

In England the principal problem has been the relative shortage of certain commodities and the means taken by government departments, in collaboration with distributive agencies, to ensure their supply. In these measures of control, co-operative organisations have taken their full share and been accorded, on the whole, very fair representation. A director of the Co-operative Wholesale Society is Chairman of the Home Grown Wheat Committee and the C. W. S. is represented on most of the other food, feeding stuffs and fertiliser controls. The agricultural co-operative movement was early invited to appoint a representative to the Central Animal Feeding Stuffs Committees. It was, moreover, arranged that a sufficient number of the representatives should be made chairman of their county committees in order that they might be delegated to the regional committees, which, however, have still to be set up. A repre-

sentative of the agricultural societies also sits on the Central Fertiliser Trade Advisory Committee.

Both agricultural and consumers' societies have had to meet a certain amount of difficulty owing to requisitioning of vehicles and occasionally premises, to the calling up of staffs for military service, and, in the case of the consumers' societies, to movements of population which, though less striking than those of France, must nevertheless, have meant an appreciable redistribution of co-operative membership.

The rationing system applies so far only to certain articles of human food. Its effect is virtually to tie the consumer to a single retailer and to discourage change. It is expected that this will be a certain check on the natural growth of the co-operative movement. If the rationing of animal feeding stuffs were to be introduced, this check would be applied also to the agricultural societies.

Agricultural marketing has been less affected, except the marketing of livestock. Here the introduction of a scheme of exclusive government purchasing and the closing down of auction marts has been a severe blow to societies which conducted such auctions, although some at least are carrying on as government collecting points. The tentative but promising movement towards co-operative livestock shipping points and direct sales to the consumers' movement has been brought to a complete standstill, and it is impossible to say when or whether it will be resumed. Co-operative wool sales are also made exclusively to the Government, and it is complained that the price fixed has been too low, although societies have had the satisfaction of disposing of all their stocks.

The main problem before the agricultural co-operative movement, as before all agriculturists in England, is the increase of the food supply. Something will probably be done by the marketing societies, including the modest but very useful Womens Institute Market Stalls dealing in the smaller products—eggs, fruits, vegetables—more perhaps by those requirements societies which handle home grown wheat which, it is anticipated, will be produced in greatly increased quantities during the next few years. But the main contribution of the movement is likely still to be in the distribution of agricultural supplies which will pass at one remove into human consumption. Imported feeding stuff supplies are likely to remain below normal, and the question will be one of substitution. Projects like that of co-operative grass drying and the more efficient production and use of home grown fodder crops are under discussion and are down on the agenda of the Conference on Agricultural Co-operation in the British Isles, which is to take place in June, 1940, at Stratford on Avon.

So far the article has dealt with the co-operative movement which is a part of the normal peace time economy of the world. It is perhaps

worth glancing at a co-operative organisation which, while it certainly exists in peace time none the less owes its foundation to military necessity and finds its most active development in time of war.

The canteens of the British Army were for many years supplied by private contractors. The system was open to exploitation and abuse and as long ago as 1894 a Canteen and Mess Co-operative Society was formed as a private venture by a group of army officers. It was wholly co-operative in form and practice and was for many years a member of the Co-operative Union. During and after the War of 1914-18 it passed through a process of modification and expansion, to emerge as the Navy, Army and Air Force Institutes (commonly known as N. A. A. F. I.) which is to-day responsible for all the British canteens in Great Britain, France and a number of other military centres. This service supplies all the needs of the soldier, sailor or airman and returns all surplus, either in the form of lowered prices, dividend on purchase or in that of entertainments and amenities. During the war of 1914-18, its immediate predecessor, Expeditionary Force Canteens, reached an annual turnover £ 9,000,000 and carried on a complex business, wholesale, manufacturing and retail, with remarkable efficiency under every kind of difficulty. A similar organisation exists in the French Army.

The writer is conscious that this article deals only with a limited range of countries and that no attempt has been made to assess in their true proportion the various effects of war on the co-operative movements discussed. It is one of the evils of war that it draws almost impenetrable curtains between countries even when their relations remain, in the political sense, friendly. An attempt to break through this isolation is being made by the body best qualified for the task—the Co-operative Section of the International Labour Office, which has called a meeting of the Inter National Committee for Inter-Co-operative Relations to be held in the summer of 1940. The effects of the war on the co-operative movement in all its branches is the principal subject on the agenda, and it is hoped that much interesting information will become available and a valuable exchange of experience will take place.

PRICE REGULATION

ROLE OF CO-OPERATIVE SOCIETIES.

By

SIDDIQUE HASAN, I.C.S.,

Officiating Registrar of Co-operative Societies,
United Provinces

Among the conditions essential for successful war operations carried over a long period two are very important: to the front a steady flow of supplies of war materials and at home facilities for the maintenance of a desirable standard of living. No war can be waged, let alone a major war, unless the army is backed not only with a well organised machinery for supply but also with the will of a civilian population ready to put forth its best in working out this machinery. And this civil population in turn has at least to be supplied with its minimum needs. The question of supply therefore becomes of paramount importance during the war time. This leads to the consideration of conditions under which essential commodities become obtainable at home. Prices are symbols indicating these circumstances and therefore assume front rank importance in the war programme. Whether or not Government should interfere with the free play of such economic forces as go to determine prices is the question of the moment.

It is hardly necessary to reiterate that in matters economic *laissez faire* is dead and dead as only deads can be. "All the kings' horses and all the kings' men cannot put it back to life again". Exigencies of war have only helped to bring the question once more prominently before the public eye. Price regulation is only a part of a broad and the all embracing question of economic advancement. State intervention in the economic life of its citizens had been expanding rapidly in the past and the responsibility of the Government for the economic well-being of its subjects has only too often been realised. Tariffs, farm subsidies, exchange control, import embargoes and the like are the various indirect methods of influencing prices through State action. Again, examples of direct attempts at price regulation are by no means unknown. Nazi Germany tried it on an extensive scale. Even in countries not under a totalitarian state, price regulation was and is regarded as a justifiable step in cases of exceptional emergency. During the late war all the lead-

ing belligerent countries tried to control prices of the important commodities. Ordinance No. IX of 1914 was an early attempt in this direction in India. The experience gained during the war on the working of these measures showed that price regulation was fraught with less difficulties than had been supposed formerly. The world depression of the late twenties proved sufficient incentive for a number of countries to resort to this remedy once more. International agreements were reached for tin, sugar, tea, rubber etc. Even in England Marketing Boards were organised to control prices of various products including sugar and wheat. In America the National Reconstruction Act and the Agricultural Adjustment Act brought with them a crop of price fixing programmes. The Canadian Wheat Pool of 1924, restriction schemes for Butter in Australia and Sugar in Cuba met with different measures of success. The legislation in Japan for the control of rice and the fixation of minimum price of sugar-cane in the United Provinces are perhaps the latest experiments in this direction.

Objects of Price Regulation.—The objects behind these policies of price regulation are numerous. They have differed not only with different Governments but even with various commodities produced and exchanged within the jurisdiction of a Government. These objects vary from aiding the producer to receive a fair margin of profit for his product to protecting the consumer against paying excessive prices. Sometimes these measures are undertaken to reduce wild price fluctuations; at other times the object has been to adjust the purchasing power of a large group in the national economy. Fiscal considerations of the Governments have at times actuated the governments concerned to put forth such a programme.

Since the objects behind a policy of price regulation can be so varied and different, it is natural to expect that the method of achieving these objects will have to be equally varied and equally different. The means will have to suit the end in view. Under the present conditions the policy of price regulation in India will have to be directed towards maintaining a steady programme of production of essential food and war materials, towards the conservation of resources and their proper distribution by eliminating profiteering and by securing for the consumer fair return for his money in terms of essential commodities, thereby putting a check upon consequences flowing from a rapid rise in prices which far outstrip any attempt at raising the earning power of the wage-earning classes.

It is popularly supposed that any attempt at price regulation is bound to adversely affect the interests of the producing classes, i.e., cultivators in the case of agricultural commodities. Such a policy, however, need

not necessarily adversely affect the producers. In fact, it can be made to serve their interests. The imposition of import tariff on wheat, the fixation of minimum price for sugar-cane, measures affecting prices, have unquestionably been measures resulting in immense benefit to the cultivator.

As this note is being written news comes that the Government of Bengal is taking steps to control the production of jute in that province through legislation. Simultaneously the Government is taking measures to enter into collaboration with the provinces of Bihar and Orissa for the adoption of similar policy. Such a policy is bound to have immediate repercussion on jute prices and yet we consider that the proposed control will be of ultimate benefit to the jute growers in India.

Difficulties of price regulation.—The major difficulty in any scheme of price regulation is not so much the intricacy of it but its magnitude. Once such a policy is adopted with respect to any one commodity, considerations at once arise for similar measures with respect to so many other commodities that the list threatens to become unmanageable and one becomes genuinely afraid that the end of it will not be seen. However good our intentions may be and however vast and efficient organisations we may be able to set up, it is obvious that in the nature of things a programme of price regulation cannot be taken up for each and every article of use. It is not possible. It cannot be done. The very logic of things reduces us to the position that such a policy can only be followed with respect to a selected number of things, such things as go to provide the essentials of our existence, wheat, rice, cotton, wool, iron, steel etc. Our whole attention must be concentrated on these very, "basic articles" and no more. Control in their case will automatically bring about regulation in the prices of the subsidiary articles. The very first step in the programme therefore seems to be the fixation of such a list, the list of basic commodities about which the scheme of price regulation is to be launched. Even with a short list of regulated basic commodities, the problem will not be easy of solution. There are various factors affecting prices and due attention will have to be paid to all of them. To study the effects of these divergent forces on price determination, it is better to take up one such basic article like wheat.

Regulation of wheat prices.—Wheat is an essential war commodity and occupies the foremost place in the necessities of civilian life. We have selected this commodity for its representative character and for the importance that it has in the economic life of producers and consumers alike, in particular in the economic life of the United Provinces tenants.

The total area of wheat in India based on the averages of seasons 1925-26 to 1934-35 was 33.2 million acres representing more than one-tenth of the total area under cultivation of all crops in India. 96 per cent. of this crop is found north and west of a line drawn across the peninsula from Bombay to Calcutta. The United Provinces and the Punjab contribute the major part both in respect of area and yield, the United Provinces alone contributing no less than 25 per cent. of the area and 29 per cent. of the yield.

Wheat is an international commodity. Its price is dependent not only on the stock available at home but also on the quantity available abroad and the conditions and circumstances, facilities or difficulties in the import of this commodity at any given time. During April 1929 to March 1931 Indian Wheat was practically driven out of London market by the Australian wheat, mainly due to the inferior quality of our stock. Within the same period Australian wheat replaced much of our stock in the Calcutta market with a bare margin of about three and half annas per maund in favour of Australia. These figures will show how sensitive the wheat market is to the changes in prices or quality of the available material and how careful one will have to be in dealing with the question.

While it cannot be doubted that the conditions of stock and the quantity available in Indian markets have direct bearings on the prices prevalent in the country, the presence of such factors as go to restrict the movement of the stock or tend towards increasing the demand makes speculation rife and prices rise in the principal *mandies*. Since the prices in the principal *mandies* directly affect the prices in the lower substratum of the distributive organisation, prices all along the line are affected. Take the case of the last war. In 1913-14, 28.5 million acres were under wheat in India giving an estimated yield of 8.4 million tons. In 1914 the index figure for wheat prices at Cawnpore rose to 150 from 134 in 1913. In 1914-15, 32.5 million acres were under wheat giving an estimated yield of about 10 million tons. The price index of wheat in 1915 had risen to 180. In 1915-16, 30 million acres with an estimated yield of 8.6 million tons were under wheat. The index figure for wheat in the year 1916 however fell to 151. In 1916-17, 32.9 million acres were under wheat giving an estimated yield of 10 million tons. In 1917 however the price index rose to 154. In none of the years following 1913 was the acreage or the yield of wheat less than the corresponding figures for the year 1913, and yet the prices continued to remain high, in fact higher by anything between 10 and 15 per cent. than the prices of 1913. The rise was marked in the year 1915. The normal requirements of India for wheat are in the neighbourhood of 9 million tons. In 1915,

therefore, one million tons of wheat was the surplus stock available in the Indian markets, about a million and half tons more than was available in 1913-14, and yet the prices could not be kept steady or at par with 1913-14 level.

The main factor responsible for the rise in price during the war period was not the change in the quantity of the stock but the restriction of foreign competition followed by expectations of a rising demand, fall in the purchasing power of money and ultimately all these stimulating speculations. This tendency on the part of the speculators was, at least in the beginning, responsible for the prices shooting up though it must be said that anticipation of rising prices always stimulates demand. Even those who have very little to spare make haste to lay by some stock so that they may save when the prices rise. The result is a rush on the market and prices rise in consequence. That in turn gives the speculator his opportunity. He holds up the stock to force prices further up and a vicious circle is created.

The figures of prices for three months following the declaration of the present war make the point still more patent. During these three months prices have risen abnormally. Ready wheat which was quoted at Hapur at Rs. 2-7 on August 5, 1939, was quoted in the same market at Rs. 4-1 on December 1, 1939.

During this period the price of wheat rose although there had been no abnormal diminution in the available quantity of wheat. The major portion of the last *Rabi* wheat had left the cultivators' hands by the beginning of August. The factors affecting the internal stock had become established by then and the total quantity available had become known before war was declared. The later rise in price, therefore, is due to speculative element combined with the general rise in the price level. While wheat prices have continued to rise, the movement of the stock has been restricted. Export of wheat from Hapur in November last was only 50 per cent of the quantity exported in the corresponding month last year. Regulating the price of wheat therefore *ipso facto* means control over the wheat dealers and the stockists.

Purchasing power of money.—Prices of various commodities are interlinked and among other things are dependent upon the purchasing power of the medium of exchange. If the purchasing power of the medium of exchange falls, prices rise in terms of the currency and mean a higher point on the price curve. Reckoned in terms of money the change in the purchasing power of the current coin is apt to be lost sight of. In comparing the prices of one single commodity at different times it is taken for granted that the value of the medium of exchange

had remained constant during that period. That may lead to erroneous conclusions as prices in terms of currency may rise but the comparative prices may yet remain at par. During the last three months there has been a general rise in the price level. Practically all the commodities have registered a rise in their prices. To arrive at the real rise in the price of any one commodity it will, therefore, not be correct to compare it with the price prevalent for the same commodity at different times. Take an example. In August 1939, wheat was selling, say, at Rs. 2-7-0 per maund but the price, say of silver in that month was about Rs. 48 per hundred tolas. In December 1939 wheat was actually being sold at Rs. 4-1-0 a maund but silver in the meantime had risen to Rs. 62 per hundred tolas. The comparative rise in the price of wheat was, therefore, not in the neighbourhood of 66·6 per cent as indicated by the rupee quotations. The rise in price as compared to silver prices was 29·1 per cent. In any policy of price regulation, therefore, the question of purchasing power of the medium of exchange is of vital importance.

It has been noticed before that the slightest difference in price in any one market of the world has its corresponding effect on the prices at home. Taking everything into consideration a policy of price regulation, therefore, will have to start with a watch on the prices outside the home market and the condition under which import or export can be effected. That automatically leads to the regulation of the terms on which foreign stock can be allowed to compete with the home stock in any given market. No policy of price regulation stands the merest chance of success unless control is established, in the first instance, on the movement of the stock to and from the countries outside.

It follows from the above that price can be regulated only when there is necessary adjustment in the prices at different centres of distribution within the country. It will be useless attempting to regulate, for example, the price of wheat at Hapur, unless simultaneously equivalent measures are taken in the markets of Lyallpur, Calcutta, Bombay and Karachi. That means the establishment of orderly marketing throughout India. These two items, namely, the determination of the conditions of export and import and provision for the regulation of all the principal markets in the country can only be achieved by an All-India measure.

The policy of regulated marketing need not cause unnecessary alarm. Important markets like Liverpool are already under State control. In Australia the entire supply of wheat has been placed under Government supervision. Even the Government of India have prohibited the export of black and grey wool from this country and have accepted the principle that the prices paid for wool which cannot be exported will be related to the United Kingdom controlled rates.

Currency Policy of the Government.—The rise or fall in the purchasing power of home currency has important bearings on price fixation. Plentiful supply of money means low purchasing power. It means abrupt rise in prices and thus becomes a premium on speculation. Cheap money means that merchants and stockists can get easily accommodated and have to pay less in interest over the money required to hold up stock over a long period. Consequently cheap money means vigorous speculation and leads to the danger that the cream of profit through the rise in prices will be concentrated in the hands of middlemen. Dear money has just the reverse effect. Among other measures speculation can therefore be effectively controlled by a well-directed monetary policy. This again can only be taken up by the Government of India.

So far as this year is concerned, we have seen that the present rise in prices has been due to speculative activities. The primary producer, namely, the cultivator stands to gain nothing from these rises. He had no stock on hand when the prices rose. He had sold off at a low level. On the other hand the consumer has to pay through the nose for the supplies that he wants and requires immediately. He has to pay highly because the stock is held up by those who can afford to wait for their profits in the hope of getting higher profits. The policy of price regulation, therefore, involves the regulation of speculation. There is nothing revolutionary in this. The latest measures for the regulation of silver prices adopted by the Government of India are in consonance with this view. With the declaration of the present war speculators had run up the market. The Government of India then came with the embargo and nailed the price of silver within particular limits. The Reserve Bank was empowered to licence the import and control the disposal of silver in such a manner that the licensee could get only a small making of profit, the balance going to the coffers of the Government.

What other countries have done.—With the idea of controlling rice Japan promulgated a law in August last. A semi-official company, the capital of which was to be provided by the Government and all the rice interests in the country, was to be formed. All the rice markets in Japan were to be monopolised by this company. Speculation in rice futures was strictly prohibited. Only past transactions based on actual demand were permitted. Limits of minimum and maximum prices were to be fixed by the Government. Proper authorities were vested with powers to direct the traders in rice to take such steps as were considered necessary for the effective control of rice distribution ensuring against forestalling.

The British Government passed the Prices of Goods Bill in October last for regulating prices. Under this law 'basic prices' had to be fixed

for controlled commodities. "Permitted increases" over and above the basic price justifiable in view of the changes in the business conditions, increase in the cost of raw material, expenses of manufacturing or processing operations etc., were to be allowed. The Board of Trade exercising powers over the whole country was to specify and fix these conditions. For the enforcement of these provisions the Board of Trade was to appoint a Central Price Committee and a sufficient number of Local Committees. These Local Committees were given powers to enforce the provisions of the law within the territory allotted to them, keeping in view also the development of prices of uncontrolled goods. The Central Committee was to secure the uniformity in the discharge of their function by the Local Committees.

In France two Decrees of 16th and 29th September last, were passed prohibiting increase in wholesale or retail prices except under special circumstances due to altered conditions. A National Price Supervision Committee was to be established for the whole country under which Local Price Supervision Committees were established. The national committee among others had representatives of industrialists, merchants, farmers, consumers, workers and ex-soldiers on its body.

In Switzerland the order of the Federal Council of 1st September 1939 brought price control. The Federal Department of Public Economy was authorised to regulate prices, to take steps to ensure the regular supply to the market and to prevent operations of a speculative nature. To facilitate the enforcement of the law, retailers were obliged to supply goods with the prices clearly marked. The quality of the commodity offered for sale was to conform to the quality prevailing in the trade. Rigid control over the general movement of commodities of national importance was established. Diversion of goods destined for internal consumption from their normal use and withholding of stocks were forbidden. A Federal Price Control Commission was appointed and similar agencies were established in the cantons.

These enactments aim at the stabilisation of the level of prices and make provision for orderly increases when objective conditions make such increase unavoidable.

Role of Co-operative Societies in Price Control.—Establishment of control over markets through such measures as have been adopted in other countries will be unavoidable in any such scheme for India. There is, however, one difficulty which has already been witnessed in this connection in India, and that is of fixing the quality of the stock available in our markets. It is common knowledge that the challenge of price-fixing by the district authorities has been met by the retailers with the

adulteration of the stock offered for sale. To check this practice a vast and unpleasant task will devolve on the district authorities. None of the systems that we have examined above takes sufficient notice of this danger.

The more effective and better way of meeting the difficulty will be to establish agencies, which will aim at putting the consumers in direct touch with the producers. The existing machinery of co-operative organisation can best be utilised for the purpose. There is no doubt that the extent of the present co-operative organisation is not all that could be desired. Even in the Punjab, where the volume of co-operative achievements is by far the greatest, there are no more than 17,000 village societies out of the total number of 48,000 villages in that province.

In the United Provinces the proportion of co-operative villages is considerably small; there being just over 10,500 agricultural primary societies in the province, which has no less than 1,05,600 villages in it. This, however, does not mean that a beginning cannot be made. On the other hand we consider that co-operative villages provide a very welcome ground for co-operative marketing. The experiment that was tried in the United Provinces last year showed promise for the future. With limited means of expenditure it was possible to deal in no less than 2¼ lakh maunds of grain, all told. Experience showed that in order to bring the full measure of benefit to the producer it was necessary to provide him with an independent organisation of collection and disposal of the stock on co-operative basis. Utilisation of the existing machinery of *beopari* and *kachcha arhatias* is not going to do the trick. There are too many pitfalls in the system. Co-operative marketing which will, no doubt, start building up from the very base, the village, should also have a marketing organisation in the *mandi*.

The existing village co-operative societies which so far mostly deal in credit only, should be utilized to collect the produce. It will not be very difficult to convert these societies into integrated societies undertaking marketing. The Panchayats of these societies under the direction and supervision of the co-operative staff will supervise collection, grading and processing of the stock in the village. Where the size of the village is too small for this operation to be undertaken economically, five or six villages could be grouped together for the purpose. This is not very difficult and with proper effort should be possible to achieve.

Grading of the stock, however, presumes that the qualities in which a particular commodity is to be graded are determined beforehand and are known to the consumer and the producer alike. The marketing staff in the United Provinces has tried to fix standards for different mar-

kets in the case of well-known commodities like wheat etc. Marketing Officers all over India will now have to give a lead in this direction and lay down qualities for different regions for different commodities. According to these standards the village produce will be classified either in the village or in the group of villages as suggested above. The village panchayat can then take the produce off the hands of the cultivator making him an advance of 60 to 75 per cent of the value of the produce. A convenient number of village societies will be grouped together and federated into a central union which will have its seat in the nearest *mandi*. This central union will undertake the final disposal of the crop.

Finance.—Primary societies affiliated to the union will forward the stock to the union for disposal, the central union advancing upto 75 per cent of the value of the stock to the society. This solves the question of finance for the primary societies, because they will get the same amount from the marketing union as they have advanced to their own members in villages. The marketing union which will have sufficient quantity of stock in its godown should be able to borrow money at a reasonable rate of interest either from the co-operative bank in that area or, failing that, from a joint stock bank which will have little hesitation in advancing money to the extent of 60 to 75 per cent of the value of the goods in stock. The stock will be pledged with the bank and the value of so much stock as is taken out from godown from time to time will be payable to the financing bank by the marketing organisation.

For daily operations very little funds will be required. The marketing union should be able to meet this demand from the funds raised on the security of its own funds, which can be raised from the share instalments payable by the members of the union. The number of shares to be taken can be related to the amount of produce to be received from the society, say of 1 to 100; i.e. a society that wishes to market produce worth Rs. 100 will be required to purchase a share of the face value of Rs. 10 payable in ten instalments of Re. 1 each. The primary society will, therefore, have to pay Re. 1 only to the union in share money in order to get crop worth Rs. 100 marketed.

On an average a village does not require more than Rs. 1,000 for marketing operations for one season. Therefore one village society will not have to deposit more than Rs. 10 in share money with the marketing union and if there are 25 villages in a union, that will mean that the union will have at least Rs. 250 in share money to start with. This amount can be deposited with the Central Co-operative Bank and on the security of these shares, which are ten times in value of the amount of instalments paid, namely Rs. 2,500, the union should be able to secure a cash credit of no

less than 50 per cent of the face value of these shares, namely, of about Rs. 1,200. The marketing union can, therefore, be in a position to take out the stock of about Rs. 1,200 at any time for sale while the remainder of the stock remains pledged with the financing bank against which the advance of 60 per cent has been obtained. The stock so obtained should be sufficient for the daily operations of the union which can deposit the sale proceeds back into the bank and obtain fresh stock against it.

We are tempted to quote the example of Japan in this connection. In that little country there are about 15,000 co-operative societies and only 34 small and insignificant villages in the entire country remain outside the co-operative organisation. More than 79 per cent of these co-operative societies have taken up the sale of the members' produce. The total annual sale of these societies was for 31 million yens giving an average of about 30,500 yens per co-operative society. These co-operative societies principally deal in rice, wheat, barley, soya bean and other agricultural commodities.

What Japan has done India can also do.

EFFECT OF WAR ON CO-OPERATION IN BOMBAY

By

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It was in the early stages of the War of 1914-18 that a Committee on Co-operation was appointed by the Government of India under the chairmanship of Sir Edward Maclagan. The report of that Committee contains a few paragraphs on the difficulties caused by the War in the working of central financing agencies in some provinces. That, however, was a short-lived crisis, which the prompt action taken at the time by the local Governments concerned and the subsequent measures adopted in pursuance of the recommendations of the Maclagan Committee served to overcome. In course of time the rise in commodity prices, the improvement in general economic conditions in the country and the new economic consciousness created by the War gave a stimulus to the co-operative movement in almost all parts of India. The influence of the aftermath of the post-war slump on the primary producer was gradual; but in so far as the agriculturist had failed to adjust himself to the altered basis of rural economy and had either speculated or extended his cultivation beyond his financial capacity he suffered grievously. That effect on the agriculturist was reflected in the co-operative movement in some provinces. The great depression of 1930-32 that followed in the wake of these occurrences, however, gave a blow to the co-operative movement in rural areas, from which it has still not finally recovered in any province in India. With the outbreak of the present war, those interested in rural economy naturally wish to ascertain whether, in view of the new condition that may be created, the process of recovery is likely to be expedited and whether there are any lessons that we can draw from our experience a quarter of century ago which we may profitably utilise for re-ordering rural economic life on a sound and stable basis.

History apparently never repeats itself in the world of economics; at any rate it does not seem to have done so far in respect of the influence of the present war on rural economic life. Soon after the outbreak of the war, there was a tendency for commodity prices to rise; some of the money crops were particularly affected by this tendency such as jute, cotton and oilseeds. It seemed for a time that the history of the war of 1914-18 was actually repeating itself. This impression was confirmed by the variations in the index number of commodity prices. But

the tendency soon received a check after the cessation of operations in Poland and the absence of any dynamic activity in the West. But again there was a rise in prices in the second half of December which continued for nearly a month. About the end of January, however, a general downward tendency was again visible, and though since then there have been fluctuations in the prices of commodities in varying degrees, the downward trend has not yet been checked. In addition, demand for most commodities has slackened considerably with the dislocation of shipping, the control exercised over exports and the stoppage of trade with various countries in Europe. It is difficult, in view of the uncertain course of the progress of the war, to hazard any opinion about the future of commodity prices. But surveying the events of the past seven months one can say that after the new harvested crops came on to the market it was only for a few weeks that commodity prices ruled so high as to confer any tangible benefit on the producer, and during these few weeks too, it cannot be asserted that a majority of the producers reaped this advantage; because not a few were tempted by the rising trend to put off sales in the expectation of securing still better prices. Those who followed this course found themselves compelled eventually to dispose of the produce at lower levels of prices. The following table brings out the variations that took place in the prices of some of the important commodities in the Province of Bombay in the first seven months of the War :—

		a. Paddy. Rs.	b. Groundnut. Rs.	c. Cotton. Rs.	d. Jaggery. Rs.
August 1939	..	3 4 0	3 11 0	85	23
September 1939	..	3 4 0	3 11 0	89	24
October 1939	..	3 4 0	3 12 0	90	24
November 1939	..	3 6 0	4 4 0	100	24
December 1939	..	3 6 0	4 15 0	120	24
January 1940	..	3 4 0	5 0 0	125	17
February 1940	..	3 4 0	4 11 0	108	16
March 1940	..	3 4 0	4 5 0	95	14
Average for 1938-39	..	2 12 0	3 4 0	65	22

a. Per maund of 16 *paylis*.

b. Per maund of 82.29 lbs. (unshelled).

c. Per boja of 392 lbs. (lint).

d. Per palla of 5 maunds.

There would have accrued some substantial advantage to the producer on account of the appreciation in prices, had the quantity of products marketed not been below the previous year's and production had been on the average scale. Unfortunately in many parts of the Province the monsoon turned out to be poor and scarcity conditions prevailed in several districts, while in others the out-turn was below the normal. This factor has retarded the progress towards rehabilitation and prevented advantage being taken of the temporary rise in the prices of some commodities.

Another factor which has affected recoveries to a certain extent has been the withdrawal in most areas of the scheme of collective concession in interest introduced by the Registrar some years ago and also a modification in the policy of finance intended to check the practice of fictitious repayments. Where action in these two directions seemed to run counter to local opinion, repayments suffered to a certain extent. In one district, however, to avert a crisis in the local central financing agency, special efforts were made both by the revenue authorities and by the co-operative department to stimulate recoveries and the figures of repayments went up considerably in response to these special efforts. In several quarters, there has been talk of the present opportunity being utilised for the development of habits of thrift in the countryside. That opportunity may come, and when it does it should, certainly, not be missed. But the opportunity did not occur in the last nine months, in the first place because the rise in prices that occurred and the quantity of produce marketed did not represent any considerable excess in cash earnings and secondly because the loan of debt that had accumulated for discharge first claimed attention.

A factor which, however, assisted, to some extent, in utilising the occasion for liquefying the frozen debts was the more energetic policy pursued in the season to compound overdue debts of members of societies on receipt of substantial cash payments such as were possible because of the increased resources at the disposal of the agriculturists. In return for such payments societies were advised by the Registrar to allow, if necessary, liberal remissions in interest. The grant of remissions and other concessions had the effect of stimulating repayments on a voluntary basis, especially in the Deccan canal tracts. This has facilitated the progress of reorganisation of societies in those areas. The boom was, however, so short-lived that the influence of this factor was neither widespread nor general.

A problem created by the outbreak of the war was the raising of the cost of living partly as a result of the hoarding of commodities in some places, partly because of the temporary shortage in the supply of some

commodities and partly in consequence of the *bona-fide* increase in prices in response to world economic forces. During the previous war, profiteering had been very common and consumers all over the country were victims of exploitation by those responsible for the carrying on of retail and wholesale trade and also, to a certain extent, by large scale manufacturers and industrialists. With the outbreak of the war, the authorities were, however, extremely vigilant and adopted prompt and stringent measures to check such propensity to exploit the needs of the consumers. At the same time, in the early months of the war, steps were taken in Bombay to bring to the notice of the public both in urban and rural areas the advantages of the consumers' co-operative movement as a method of checking profiteering and getting regular supplies of domestic and other requisites. Credit societies were also advised by the Registrar to adopt, if necessary, by-laws permitting them to take in hand the work of supply for the benefit of their members on an indent basis. It must be remembered here that there was practically no response to this move on the part of the Registrar, probably because the situation did not assume any grave aspect except in some industrial areas in the first few weeks of the war. Somewhat later when the cost of living again advanced by about the end of December, the idea of opening cheap grain shops to meet the needs of the low paid wage-earners in rural and urban areas was revived. The work was taken in hand in Bombay and Ahmedabad by the Mill-owners' Association for the employees of the textile mills, and after some consideration the suggestion to entrust the working of the shops to co-operative agency was abandoned. Elsewhere plans were drawn up for conducting the work through *ad-hoc* committees. It was only in the Surat District that Government approved of a scheme for the opening of cost price grain shops in the district by a co-operative body, the Surat District Co-operative Purchase and Sale Union. The main aim of the shops was to serve as a price guide to retailers and purchasers. For all shops opened under the arrangement, Government agreed to guarantee half of the amount of the loss, if any, incurred during the period of six months beginning from the date of starting of the first shop subject to a maximum of Rs. 2,000 for all the shops. If additional shops were to be opened in the area for the benefit of the members of co-operative societies, the Union could do so on its own responsibility and at its own risk. A number of shops have been started by the Union in pursuance of these arrangements, and the District Co-operative Bank has agreed to provide funds at the special rate of 4 per cent to finance the operations. Economic conditions have changed so considerably since the scheme was sanctioned by Government in February that it is hardly possible to hazard any opinion whether an extension of the scheme to other districts is necessary or desirable. However, the praise-

worthy attempt will be watched with interest by co-operators everywhere.

There is another feature of the situation created by the war which merits consideration. Co-operative banks in the province, both urban and central, have large holdings of Government securities. These are being added to from year to year and there is a general desire to reach the standards of investments in Government securities prescribed in the banking legislation proposed by the Reserve Bank of India. As the investments are mostly of recent date a majority of the banks have not accumulated any special reserves for meeting depreciation in the value of the securities. One of the immediate effects of the war was to bring about a fall in the value of Government and other approved securities. With their slender profit-earning capacity and their scanty reserves, the banks will find it extremely difficult to meet the depreciation that has occurred either out of the year's profits or out of their reserves. A majority of the banks do not trade in securities, that is, buy and sell to take advantage of fluctuations in the market; but they hold on to the investments they make until redemption. Where the securities are redeemable in a period of ten to fifteen years, the fall in prices need not be provided for if the cost price is below the face value. The fall can be ignored in case the securities are to be held till redemption. Where the book value is above the face value, the difference between the two may have to be provided for either from the accumulated special reserves or by appropriate contributions made from the annual profits over a series of years. Losses that actually accrue and depreciation in the value of loans without a fixed maturity or long-dated scrips may have, however, to be dealt with differently and be provided for directly. That is the general line of action suggested by the newly formed Bombay Co-operative Banks' Association, which course will, it may be hoped, find favour with the Co-operative Department also.

About a month after the outbreak of the war, soon after the German successes in Poland, there were heavy withdrawals of deposits in a few co-operative banks, mainly in Gujarat. The institutions affected were fortunately all of good standing and credit: urban banks, central banks and branches of the Provincial Bank. The demands for funds were met promptly and confidence was soon restored. The withdrawals took place simultaneously with withdrawals from the Post Office Savings Banks or from joint stock banks in the centres concerned. The total sum withdrawn at the half a dozen centres amounted to somewhere between Rs. 25 to 35 lakhs, but the bulk of this money flowed back again into the banks. It shows the innate strength of the banking structure in the province, that so far these drawings have been met without having resort to the

Reserve Bank of India even for the special emergencies that have arisen. But the emergencies have emphasised the need for permanent relations being established at an early date between the apex bank and the central bank of the country for the discounting of co-operative paper. That was also the burden of one concluding recommendation of the MacLagan Committee in 1918.

The Government of Bombay had decided, before the Congress Ministry resigned, to embark upon an ambitious programme of rural development. The creation of Debt Adjustment Boards for the settlement of the debts of agricultural debtors formed the first plank in this programme. For reasons of economy dictated by the exigencies of the war, Government have curtailed their expenditure on the establishment of the boards and on the training and appointment of rural workers to take charge of the rural panchayats and co-operative multipurpose societies to be started to attend to the social and economic needs of the rural population. Similarly the schemes of rural marketing have been somewhat upset. The delay in the creation of Debt Adjustment Boards, though it may have been inevitable, has had the effect of postponing all schemes for the scaling down of the debts of agriculturists and for the regulation of the credit dispensed by private moneylenders. Bombay thus has the unique distinction of being the only major province which is still without any machinery either for the relief of the burden of debt or for the regulation of the relations between agriculturists and moneylenders. This is one of the consequences of the outbreak of the war which is much to be deplored, because it represents a positive loss to set off against which there is no positive gain achieved in the last seven months.

PRICE CONTROL AND THE CO-OPERATIVE MOVEMENT

WITH SPECIAL REFERENCE TO MADRAS.

BY

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India is a participant by virtue of her being a part of the British Empire in the terrible war that has been raging in Europe since last September. But being far removed from the theatre of war, our co-operative societies have not been hit hard, and they need not apprehend the horrors of destruction and suppression, that have overwhelmed societies in the countries conquered or subjugated by the Nazis, nor even the sore straits to which societies have been driven in the Allied countries consequent on the restriction of supply and the inevitable regulation of marketing.

What sufferings and privations the continuance of war may have in store for us, it is not easy to foresee. So far, however, the effects of the war on economic life in general, and co-operative societies in particular, are nothing very striking; they are at this stage difficult to discern, more difficult to measure. Most types of societies and financing banks have gone on working in the last seven months so far as the Madras Presidency is concerned with an unconcern, which was not expected. Neither the deposit or borrowing nor the lending rates have been raised by financing banks and credit societies. Deposits have not ceased to flow at the same old rate; in fact the stream of deposits into co-operative banks that increased in volume since the passing of the debt relief measures and the failure of joint stock banks has steadily continued. The only big co-operative institution that has been hit is the Central Land Mortgage Bank to which long term funds do not flow, which is only to be expected in a period of uncertainty. Marketing societies have been receiving more funds from financing banks at a reduced rate, according to the policy laid down before the war. They have increased the transactions steadily, but the trend began a few years back, and it is difficult to say how far it has been accelerated by the war. Some of the old store societies in urban areas have had a greater amount of sales since the war began, which is rather due to the rise in prices of a number of articles than to any marked increase in loyalty on the part of members. The most striking development is the organisation of over a hundred new stores in the Madras Presidency since the war began.

Fond hopes were at first entertained by agricultural and industrial producers and by merchants and middlemen of a boom in prices and profits for at least the duration of the war. Consumers, on the other hand, with fixed salaries or wages have been living in dread of an exorbitant rise in prices of the essentials of existence. The Government of India and the Provincial Governments also feared a quick and continuous rise in prices of agricultural produce and manufactured goods and the irrepressible tendency for profiteering on the part of merchants and magnates of industry, if not of smaller producers. The Government of India wished to lose no time in introducing, in the wake of Governments of belligerent countries in Europe (notably Great Britain) measures for the control of prices, the taxation of excess profits and the regulation of export and import trade—measures which in the last war were evolved after many months of suffering and discontent.

I. PRICE CONTROL AND CONSUMERS' SOCIETIES.

The experience of the last war in consumer-rationing and recent experience in peace-time of schemes of State-aided agricultural marketing and the elaborate plans laid down for ensuring the supply of war materials and essential foodstuffs and other commodities—all these made it easy for the Government of Great Britain to assume control of a number of economic activities soon after the outbreak of the war and some of them even in anticipation of it. A number of Committees, central and local, have been established for the administration of these war measures. Local authorities have been assigned definite functions and spheres of control. Co-operative societies are adequately represented on all central committees. They have as effective a voice as traders in the fixation of retail prices, though it is feared the larger wholesale combines may score at the expense of the movement. Control of food stuffs is bound to be more satisfactory this time than in the last war. But on account of the delay in the restriction of demand by a proper system of rationing, it was said that profiteering could not be entirely prevented.

Our problems are not the same as those of Great Britain; the measures enacted there should not be blindly copied here. There is enough evidence of a conflict of aims and interests underlying the measures enacted and contemplated by the Government of India and the Provincial Governments. Their first impulse was to check the rise in prices with a view to prevent any possible social discontent, especially among the working classes. The Provincial Governments in particular were said to be keen on preventing profiteering in the interests of peace and order. Provincial and district price committees, under official direction, have been set up all over the country, with a view to decide and publish what they deem to be 'mean fair prices' of a number of essential articles of

consumption by the poorer and working classes. The prices published are not *maximum* prices beyond which goods should not be sold, as is enjoined by the Ministry of Food in Great Britain, where wholesale as well as retail prices and a more elaborate classification of the different qualities of goods are given. There can indeed be no meaning in fixing one price for any commodity without reference to quality. The Committees seem to have in mind a 'medium' quality, and the prices they quote is perhaps the average of prices ruling in markets of which they take cognisance.

The communique issued by the Government of Madras on the occasion of constituting the committees stated. "These lists are intended to serve as a guide to the public and the Government trust that the prices so published will be *generally* adhered to." The fair prices are expected by the Government to be determined "after a consideration of the interests of traders and consumers on the one hand and producers on the other, and after taking into account all relevant factors such as distance from wholesale supplies, transport etc." We do not know to what extent the precious time of the members of the committees is taken up by such an elaborate consideration of all the factors and interests involved. We can only say that in markets so unorganised as ours with commodities, each of various qualities, ungraded and unstandardized, it is not helpful either to producers or to consumers or to co-operative distributors to publish a weekly list of 'mean fair prices'—one, or two at the most, for each commodity—applicable to a wide area. A consumers' society, like the T.U.C.S. in Madras, catering to the middle class, finds it difficult to sell at the 'fair prices' published by the City Prices Advisory Committee; for the articles it sells are certainly superior to those which are available in the retail markets in the city at the prices quoted by the Committee. This statement is made after a detailed personal investigation and is not a mere assertion.

The active co-operation of the management of consumers' societies is sought, as a matter of course, on such price control committees in other countries. But the Government of Madras have not only not chosen to invite a representative of even the premier consumers' society to serve on the Advisory Committee in the City of Madras—we do not know whether the smaller stores in the moffusil have been more fortunate—but the Government were said to have contemplated at one stage of taking some action on the co-operative stores that charged higher prices than those published by the Committee. We have, however, reason to believe that the Government are satisfied that there has been no attempt at selling at unduly high prices on the part of these stores. The Committees can render a more positive service by attempting a classification of different varieties of each commodity and assigning a price for each one of them at particular markets.

The attention of the Government has been drawn to cases of profiteering by merchants here and there and the Government have issued warnings that drastic action would be taken under the Defence of India regulations. The difficulty is to detect and prove such cases in out-of-the-way retail markets. Rural consumers need as much relief as urban consumers; for most villages, contrary to general assumption, are not self-sufficient in respect of the supply of several foodstuffs, not to speak of other commodities. Control is by no means easier in the villages than in towns, where public opinion is more vocal. The surer and more positive, as well as co-operative, way of relief is to organise joint supply of goods to villages through local societies linked with trading unions covering a revenue firka or taluk. Here is an excellent opportunity to test the new faith in multi-purpose societies. We are only anxious that such new ventures should not share the fate of the Trading Unions which were organised in several districts on the inspiration of the late Mr. Hemingway in 1917-20, when prices soared to unheard of heights, but with the fall in prices disappeared one after another.

The 'departmental drive' at present seems to be more in the direction of urban stores—at any rate they figure more in the public press—and the number of such stores in the Presidency was reported to have increased from 80 to 180 in the course of 7 or 8 months, one Deputy Registrar alone having been responsible for twenty new ones. We hope that local conditions have been so well studied before their creation that these 'war babies' will survive the war even as the large number of store societies organised in Great Britain during the last war have taken firm root and expanded their transactions enormously even after the fall in prices. If the official or non-official organisers of these new stores were not sure of their survival without State support, the better step for the Government would have been to set up or encourage, for the abnormal period, a number of 'cost price grain shops' as they seem to contemplate in Bombay and Ahmedabad.

Either the Provincial Governments or the large employers in organised industries will have ere long to take the responsibility for the retail distribution of foodstuffs, at as low a price as conditions in the wholesale markets warrant, to the working classes in industrial areas in sheer self-interest, if not out of humanity. With the prolongation of war, prices are bound to rise and profiteering cannot be checked merely by Government control. Where the workers are unorganised, the only way they can give vent to their discontent will be the crude way of looting shops or threatening to strike if wages are not raised in accordance with local rise in prices. The Government cannot afford to have their attention distracted by internal disorders. The Government of Great Britain are said to be spending £1 million per week in order to prevent

prices of essential foodstuffs from rising. There is little need in that country for the Government to undertake retail distribution, as most of the working classes are well organised in consumers' societies. This is not the case in India. Hence it is that Government should set up cost-price provision shops or persuade the employers to discharge this duty for the benefit of their workers. The clamour for 'dearness allowance' is being heard everywhere. It is not yet serious, or taken seriously, because cost of living has not yet gone up markedly. When prices go up still further, wages will also have to be raised or 'dearness allowance' paid, notwithstanding any retail distribution undertaken by the Government or employers, which can at best check profiteering but not a general rise in prices due to shortage of supply or increase of demand due to the war. Rise in wages may also be legitimately claimed by workers in industries which are making excess profits on account of the war, even if the cost of living does not go up.

It seems to us that whatever may happen to prices or wages and whatever the responsibility felt by the State or the employer, the present is an excellent opportunity for the organisation of working class stores in all industrial areas. These industrial workers are comparatively more organisable than the rural folk or the middle class in towns. They have their residence in large numbers in specific centres, they are in receipt of wages, which can be made payable weekly or fortnightly, and they are a much more homogeneous class with greater fellow or class feeling among themselves than the middle classes. Their total demand is bound to be large enough for any economies that can be realised in bulk ordering and handling. The experience of stores already working and managed by the employers may be availed of in respect of indent, bargaining, transport and distribution. It would indeed be an easy transition from an employers' store to a workers' store, though we would like the latter to include workers of all establishments in the locality, so as to pool the resources in leadership available among them.

The organisation of such workers' stores seems to us to be both easier and more beneficial to them, if taken up at this juncture, than the proposition, officially favoured, of taking in working class men as B. class members in store societies run for and by the middle class, though membership is open to all in the latter. To have an inferior class of members, paying a nominal share capital without any right to vote at meetings or to stand for election as directors would be going against the principles of Co-operation. The practical gains are also doubtful. Such a store would have to stock more than one variety of each commodity, giving rise to administrative difficulties, and would have to open branches in working class quarters which, however, cannot send any representative to the board of directors. We believe that a great deal more would

be gained by organising separate store societies for working classes. Payment of share capital of Rs. 3 to 5 cannot be an insuperable difficulty, if permitted to be paid in six or ten instalments, and in course of time the dividend on purchase may be assigned to building up of share capital.

II. RISE IN PRICES AND PRODUCERS' SOCIETIES

When prices were still booming last December (1939) it was natural for those assembled at the Thirteenth Registrars' Conference in Delhi to conceive a prosperous future for co-operative societies organised from the agricultural producers' point of view. It was taken for granted by most of the speakers that the prices which had risen would continue to rise, at any rate not decline, as long as the war was on. They expected quick recoveries of overdues to credit societies and the discharge of private debts. They were anxious that the agriculturists should not be allowed to dissipate their increased income in empty shows as in the last boom period. The time, it was said, had definitely come when emphasis should be laid on thrift and checks should be imposed on reckless borrowings from co-operative societies on the strength of higher prices of produce and of land, as happened in the post-war period. An injunction against undue expansion of credit is allright; but it should not be forgotten that the demand for co-operative credit has been growing since the enactment of debt relief legislation and the shrinkage of private money-lending. Again, it should not stand in the way of the expansion of credit for marketing. It was indeed urged that marketing should be linked to credit societies, so as to keep savings within the movement. Schemes to tap savings suited to local conditions were suggested. Ryots were exhorted to replace their equipment of cattle, implements, etc., sadly neglected in the depression period, and even to effect permanent improvements on land so as to increase future income. These roseate views failed to take into account the attempts at price control contemplated by the Government and the external factors which were tending to depress prices, as we shall see.

In their anxiety to prevent profiteering from the point of view of consumers, the Government gave the impression that they wished to check the general rise in prices. The interests of the masses of petty producers on land appeared to be ignored for the moment. Protests on their behalf began to pour in from members of legislature, chambers of commerce and agricultural conferences, and the press of the country gave expression to widespread feelings on the subject. They argued that the rise in prices after a decade of unparalleled depression would be only a case of 'deferred justice'. The Government had done very little to relieve the misery during all these years of low prices, unlike most other Governments of the world. Why deny the cultivator his

legitimate right to recoup his losses when the demand for his produce was bound to grow?

The Government of India were aware that they could not altogether arrest the natural tendency of prices to rise in an abnormal period; they preached thrift to producers. The Finance Member of the Government of India wanted cultivators "not merely to make hay while the sun shines but take thought for the morrow.....to put by as much as they can and fortify their powers of resistance to adversity.....(as) the worst problems of the war arise when war is concluded, when difficult economic readjustments will have to be made." Enthusiasm for price control received a check when the Economic Adviser to the Government of India questioned the wisdom of price control all round, which was "an enormously difficult technical job." He held that with regard to exportable produce it was not in general desirable to interpose obstacles to a rise in prices and that it should be welcomed as it meant more spending power, which would benefit industry and render easier the collection of taxes by the State. "It is only when the rise is so great as to lead to social discontent that the interest of the cultivator must give way to the paramount interest of the State in the successful prosecution of the war."

When a member of the Council of State brought forward a resolution in March last that "no action be taken to arrest the normal rise in price of agricultural produce" the Commerce Secretary of the Government of India made a statement which indicated a change in the attitude of Government, at any rate a hesitation to proceed with price control. He said that the Government of India had not as yet come to the conclusion that with regard to any agricultural commodity was there a case for control of prices. They were in agreement with the opinion of Provincial Governments that the prices of agricultural produce were distressingly low before the war and some rise would be legitimate. It was not the Government's policy to control prices of agricultural produce at the primary stage until the prices had gone up to a 'legitimate extent.' When the stage would be reached for Government to consider control, he could not say. The Government of India have not still thought it necessary to put a stop to the rise in prices.

The Government of India and the Provincial Governments were certainly alarmed at the very steep rise in prices of jute and raw cotton in the first four months of the war; which was due to the activities of speculators in Calcutta and Bombay and had some repercussions on the prices of other commodities too. The Government of India condemned speculation and contemplated the regulation of future markets in cotton, jute, oil-seeds, sugar and grains. The registration of dealers in futures was thought of as a first step. Price limits beyond which no one

should contract might follow, and the Government wanted to take power for officers to look into the books of dealers at any time. As prices began to decline since the beginning of this year, the Government have thought it necessary to find out exactly the influence of speculation on prices and so decided to appoint two officers to familiarise themselves with all aspects of marketing, including operations in futures markets, of jute and cotton in Calcutta and Bombay markets respectively.

Prices of produce instead of soaring up, except for a short spurt of speculation, have steadied down to a level which is higher than pre-war but not significantly higher. This is due to a number of checks, some of them incidental to the course of any war among countries with which we have had transactions and others due to the policy or the action of the Government adopted by the necessities of the war. Shipping facilities have shrunk with the commandeering of vessels by Allied Governments. Not only Germany but countries conquered or annexed by her with which we had a lot of dealings were off the list of customers. Even export to neutral countries has been brought under control as the Government feared re-export to enemy countries. Further, to conserve the supplies of foreign exchange for war purposes, a strict control has been set up by the Government over exchange transactions. Indian exporters cannot retain any gold or dollar that foreign importers are prepared to pay, but are obliged to part with them for sterling, which is a depreciating currency, or rupee, which being linked to sterling suffers the same disadvantage.

The Government of India not only rushed in to levy excess profits tax on the model of the United Kingdom but have raised railway freights by 12½% on the ground that the increased value of the traffic might well bear the rise. High railway rates in this country of distances surely tell on long distance traffic especially of grains and raw materials. Series of protests have led the authorities to promise reduction of rates in hard cases brought to their notice.

High hopes of an immediate increase in demand for produce could not materialise for another reason; precautions had been taken by every state in Europe to produce and stock as great a quantity as possible, as a war reserve. The progress in agricultural science and practice since the last war has made many of the western nations, with their colonies in all climes, more self-sufficient. The war should continue for a much longer time to create a demand for all the surplus produce that we can export. The Allied Governments who are sole buyers of some of our goods, like groundnuts, are meanwhile showing a determination to buy their requirements as cheaply as possible. The price of groundnuts which was Rs. 30 per candy on 1st September showed a tendency to

decline rather than increase in the last three months of last year, and the utmost rise that has taken place is Rs. 34 by the end of April. This is negligible rise for a raw material. The Government of Madras in a communique issued in December stated, "The Control authorities in Britain have fixed prices for all Allied merchants for groundnuts. These prices are considerably higher than last year's prices....especially as Germany, which used to take one-third of the crop is out of the market. Exporting firms are offering from 25 to 45 per cent above the prices of last year.¹ In many cases, smaller merchants and ryots are holding up stocks in the hope, engendered by reports of speculation in the Bombay markets of still higher prices."² This Government did not like that "Indian producers and merchants should be permitted to exact all possible advantage and to exploit the present situation to the utmost."

The price of raw cotton no doubt doubled itself by the end of December, but it has since crashed down to a level, which is still 50 per cent higher than that of last year. The prospect for the future is, however, gloomy on account of not only the cessation of exports to Germany but of the restricted demand of Japan due to her difficulties of war with China and of exchange. The Japanese Government are said to be delaying the issue of remittance permits since January last for cotton which had already reached her shores. Tonnage facilities too have not been available since March. Unless some effective steps are taken by the Government, further decline in prices cannot be averted. So that, when the prices were high ryots had parted with the produce, and while they have produce prices have declined! This is the situation in almost every commodity; and the rosy prospects which coloured the earlier communique of the Governments and inspired the resolutions of the Registrars' Conference are far from being realised.

The slight rise in prices so far cannot leave an adequate surplus for the clearance of overdues to co-operative societies. Much less will it flow in as deposits into co-operative banks. Least of all will it go into the improvement of land. The more pressing claims of individual money-lenders will have first to be met; replacement of worn-out cattle and equipment may receive the next attention. The suppressed personal wants of a decade may clamour for satisfaction which cannot be entirely denied. More ambitious co-operative programmes will have little chance of fulfilment unless the rise in prices is substantial—war or no war.

1. The Provincial Marketing Officer noted a fall of 10 to 13 per cent in prices since the War began and a rise of only 12 to 17 per cent over last year's prices.

2. Ryots could not hold any stock worth mentioning in the last quarter of the year, as in seven out of eight districts the harvest begins in January.

THE WAR AND LAND MORTGAGE BANKS IN MADRAS

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The need for the establishment of separate institutions to finance the long term credit needs of agriculturists in Madras was felt during the twenties of the century; the first primary land mortgage bank in Madras Presidency was registered in Conjeevaram in January 1925 and this was followed by a few more. The main object of these banks was to liquidate the prior debts of their members and to enable them to repay the amount in small instalments extended over a period of twenty years. In the beginning these banks had to obtain their funds by floating debentures, and in order to create public confidence the Government appointed the Registrar of Co-operative Societies as the Trustee for the debentures, and also offered to purchase debentures up to a maximum of Rs. 50,000 per bank, and to a maximum of Rs. 2.5 lakhs for the whole presidency, provided an equal amount could be raised from the public. The Madras Provincial Co-operative Bank also rendered some service to these banks by floating debentures on its assets and lending the money to them. But very few of these institutions could command the necessary funds, and both the Townsend Committee on Co-operation in Madras and the Royal Commission on Agriculture in India recommended the establishment of a central organisation in Madras to finance these primary banks by the flotation of debentures. The Madras Government finally sanctioned the scheme in G.O. No. 18114, dated 12th October 1929, and the Central Land Mortgage Bank was registered in December of the same year.

In the earlier years the Central Bank had to do a lot of spade work. Out of the 21 banks in existence at the time of its registration, only 5 were functioning; the remaining 16 were in a dormant condition either on account of the lethargy of the local directors or the difficulty of obtaining money from the market. The bank had to revive all these primaries and to organise more in suitable areas. Again this was a new enterprise, and various obstacles had to be overcome before money could be readily got for the debentures. It was unfortunate that the infancy of the Bank should have synchronised with a trade depression of the worst kind, when it was very difficult to obtain funds. But the Board under the able leadership of the then President, the late Sir M. Ramachandra Rao Pantulu, faced these difficulties courageously and piloted the Bank suc-

cessfully through these difficulties. Since 1933-34, due to the easy condition of the money market, the recognition of the debentures as Trustee Securities, and the permission granted by the Provincial Government to Local Bodies to invest their long term money in the debentures, these became so popular that all the previous series floated at high rates of 6 and 6½ per cent could be very easily converted to those bearing lower rates of 3½ to 4 per cent and later on the rate was reduced to even 3 per cent.

The progress of the Central Land Mortgage Bank during these years can be seen from the Table I in Appendix. It will be noticed that after the initial difficulties the Bank made very rapid progress from year to year and the loans issued reached the record level of Rs. 58.5 lakhs in 1938-39. With the rapid increase of profits from year to year, the Bank built up a decent amount of reserve and other funds.

As the main function of the Central Land Mortgage Bank is to finance the primaries, which are the real foundation of this movement, it will be useful to study their working in greater detail. The main items of interest in this connection are: (1) the loans obtained during each year and the loans outstanding at the end of the year, (2) the expenses of the banks, (3) the profits, and finally, (4) the reserve funds of these banks. These details may be examined with reference to the latest complete year of working, namely 1938-39.

Table II in the appendix shows the distribution of the loans sanctioned by the primary banks to their members according to the amount. This shows that the interests of the small borrowers are very well looked after, as nearly 70 per cent of these loans are for amounts of less than Rs. 2,000. Thus any accusation that only big loans are granted is not based on facts. The following table shows the distribution of banks according to the amount of loans obtained in 1938-39:—

Loans obtained.		No. of Banks.
Under Rs. 20,000	..	22
Between Rs. 20,000 and 40,000	..	28
Do. Rs. 40,000 and 60,000	..	19
Do. Rs. 60,000 and 80,000	..	13
Do. Rs. 80,000 and 1,00,000	..	10
Do. Rs. 1,00,000 and 1,20,000	..	4
Do. Rs. 1,20,000 and 1,40,000	..	4
Do. Rs. 1,40,000 and 1,60,000	..	..
Do. Rs. 1,60,000 and 1,80,000	..	3
Do. Rs. 1,80,000 and 2,00,000	..	1
Do. Rs. 2,00,000 and 2,20,000	..	1
Do. Rs. 2,20,000 and 2,40,000	..	1
Total	..	100

It shows that out of the 106 banks which borrowed from the Central Bank, 92 obtained loans below Rs. 1 lakh, 12 banks between Rs. 1 and 2 lakhs and 2 above Rs. 2 lakhs. It can also be noticed from the list that the larger banks, which had some experienced directors and supervisors and which could also provide the necessary staff had obtained larger amounts of loans. To expedite the sanction of loans in a few banks, Sub-Deputy Registrars were appointed at the banks' cost.

The following table shows the Expenses of the banks and their Profits and Losses according to their transactions:—

Amount out-standing.	No. of Banks.	Amount spent on staff and others.	Average per Bank.	Profit Average.		Loss Average.	
				No.	Amount.	No.	Amount.
Rs.		Rs.	Rs.		Rs.		Rs.
Nil	10	4,626	463	1	41	9	272
Below 1 lakh	31	23,099	745	9	173	22	433
Between 1 and 2 lakhs	32	39,165	1,224	25	715	5	554
Do. 2 and 3 "	13	22,861	1,759	13	1,502	..	..
Do. 3 and 4 "	13	33,100	2,546	12	2,219	1	62
Do. 4 and 5 "	6	15,100	2,517	6	2,949	..	..
Do. 5 and 6 "	2	7,511	3,756	2	4,069	..	..
Do. 6 and 7 "	1	6,093	6,093	1	3,764	..	..
Do. 7 and 8 "	1	4,698	4,698	1	2,856	..	..
	109	1,56,253					

The following table gives the distribution of banks working at a loss, according to the number of years of working:—

Period.	No of Banks.
Less than one year	7
Between 1 and 2 years	7
Do. 2 and 3 years	12
Do. 3 and 4 years	1
Do. 4 and 5 years	2
Do. 5 and 6 years	2
Above Six years	6
Total	37

The above table shows that in the initial stages till a bank increases its transaction to over Rs. 1 lakh, the expenses are bound to be greater than the income, resulting in a loss to such banks. It will be noticed that all banks started in the year 1938-39 and nearly 70 per cent of the banks having transactions less than a lakh have been working with a loss. The five banks with transactions over Rs. 1 lakh but still working with a loss are suffering from the accumulated losses of previous years and in the next few years may turn round the corner. But the moral of this is that unless the banks receive either honorary service from its members or subsidy from outside till their transactions exceed Rs. 1 lakh they are bound to work at a loss till their transactions exceed Rs. 1 lakh. It may be noted that in other provinces, especially in Bombay, subsidies are given to the primary banks. From the other table we find that out of these 37 banks working at a loss, 7 are new, 7 others are working for more than 1 year and less than 2 years and 12 working for about 2 to 3 years. The large number of banks working for more than 2 years and still working at a loss coupled with the fact that the transactions of these banks are under Rs. 1 lakh shows that either the management is slack or other areas are not sufficiently rich to attract a large number of borrowers with sufficient property and repaying capacity. The average profits naturally increase with the increase in working capital up to a certain extent. But the other factors influencing the profits are: (1) the standing of the bank which gives the interest on reserve and other funds and the large share capital as also the amount of the overdue interest. Fortunately in these land mortgage banks overdues are an exception due to the greater vigilance in sanctioning the loans and again in collecting them. The profits of only one bank exceeded Rs. 4,000 and of 7 banks even between Rs. 3,000 and 4,000. Naturally with the increase in transaction, the establishment and other expenses increase and here again the age of the bank has a bearing on the expenses due to the annual increases in establishment charges. So far most of the banks (primary) are depending on honorary workers for management. But with the increase of transactions and responsibility it is better to have paid managers or secretaries as in the case of co-operative central banks.

Now the strength of these primary banks rests mainly on the proper valuation of its assets which is done every year and to some extent on the reserve and other funds they build.

The following table shows the reserve funds invested in the Central Land Mortgage Bank:—

Transactions.	No. of Banks.	Average Reserve Fund.	No. of Banks with no reserve fund.
		Rs.	
Less than Rs. 1 lakh	11	85	20
Between Rs. 1 and 2 lakhs	28	1,006 (397) *	4
Do. Rs. 2 and 3 "	12	1,731	1
Do. Rs. 3 and 4 "	13	2,454	..
Do. Rs. 4 and 5 "	6	4,648	..
Do. Rs. 5 and 6 "	2	5,121	..
Do. Rs. 6 and 7 "	1	14,447	..
" Rs. 7 and 8 "	1	8,469	..

* Excluding two big banks.

As has already been pointed out banks with transactions of less than Rs. 1 lakh cannot work with profit and hence a large number of banks have no reserve fund and even in the few which have some the average reserve fund is very little. Though the average of the next class is apparently high, this is mainly contributed by 2 banks which have been working for a long time and hence accumulated their reserves. If we exclude them, the average comes to about Rs. 400. Even in this class there are 4 banks with no reserve fund due to the accumulated losses of previous years. The gradual increase in the average reserves as the transactions and the age of banks go up shows that the position of these banks after the initial difficulties is quite sound. It may be pointed out that it is not necessary to insist upon high reserves for these banks, as is done in the case of the unlimited liability societies, because the loans are backed up by tangible securities, and the risk of failure is very little, unless this is due to extraordinary fall in land values and the dishonesty of the people responsible for recommending the loans.

Thus on all accounts we find that the primary banks are working on satisfactory lines, and their financial position is quite sound. But it must be noted that the margin between the borrowing and lending rates of the primaries being small, these banks require outside help in earlier stages unless they have to make up their losses in the succeeding years. It is also necessary to notice that most of these banks (specially those with large transactions) are situated in deltaic areas where the condition of agriculturists are much better than in the other dry and famine-ridden areas. Of course the policy of the Central Bank has been to spread the movement to all regions. But to make sure of the possibility of success-

ful working, great care is taken and banks are started only in places where agricultural conditions are not precarious. There is, however, great need to cater to the demands of the other areas and a suitable scheme which allows latitude in repayment when crops fail has to be devised for such areas. This question has been coming before co-operators in recent years but it still awaits solution. Apart from this, if banks in such areas should be successful they must receive help in the initial stages, as their transactions cannot be expected to increase rapidly.

With the advent of war a definite check has come in the way of the progress of the Central Land Mortgage Bank. Money conditions have become tight, and debentures are not readily purchased by investors. In fact, long term investment is not attractive to investors; they are waiting for a rise in the market rates. If the bank raises its lending rate to attract these people, the ultimate borrowers may have to pay a higher rate than is allowed for under the Agriculturists' Debt Relief Act. Though technically the transactions of the co-operative institutions are exempted from the application of the Act, there cannot be moral justification in this phenomenon, when the institution is virtually controlled by the same Government which administers that. The Government has shown a generous gesture in giving temporary accommodation to the Bank till money can be raised by debentures. But this is only a stop-gap arrangement. Some expedients for obtaining money without raising rates of interest are: (1) financing by the Government directly, (2) active support of the Local Boards and Municipalities and of other co-operative institutions which have long term capital to be invested.

In this connection the policy of the Bank in the investment of sinking fund may be examined. The Government of India insisted upon the guarantee of the principal and interest of the debentures of the Bank by the Provincial Government before declaring them trustee securities. For, later on the expert advice of the Reserve Bank of India made it a condition for such guarantee that the land mortgage bank should provide for each series a sinking fund on scientific basis so that at the time of the maturity of the debentures they can be easily repaid, fixing the rate of interest on the sinking fund at half per cent below the debenture rate. And to rapidly increase the reserve fund they instructed the Central Land Mortgage Bank to raise the interest rate to the primary banks by half per cent. The Bank in vain protested against the increase of interest. Their alternative scheme of debenture redemption fund would not meet with the approval of the Government. It was also laid down that the sinking fund should be invested only in Government Promissory Notes. The scheme proposed by the Government on the advice of the Reserve Bank is the age long method followed by the Government and

local authorities who raise loans in the market, and their scientific basis has been recently questioned by Mr. A. K. Chanda, till recently Examiner of Local Fund Accounts, Government of Madras. The following extracts from a paper read by Mr. Chanda before the Madras Institute of Public Administration on 2nd November 1939 is worthy of quotation, as it bears a complete analogy to the sinking fund of the Central Land Mortgage Bank:—

"Though England at one time conformed faithfully to the ideals prescribed by orthodox finance of investing the sinking fund in gilt-edge securities, it has evolved a new philosophy in recent years. The accumulations of the sinking fund are no longer timed up in securities earning low rates of interest, when the requirements of the services compel recourse to borrowing at higher rates; they are utilised in financing new capital programme taking care to retain always sufficient floating balances for the liquidation of loans which are due to mature in the immediate future. The advantages of the new conception are obvious. The credit of the local authority is conserved as it has not to float loans frequently and when circumstances compel it to appeal to the money market, it can borrow at advantageous and economic rates of interest. Again, it enjoys the added advantage of appearing on the scene only when the conditions are favourable. It can thus choose its time and often the terms on which it borrows. As is to be expected we in Madras, however, still cherish the dictates of orthodox finance and shall perhaps imbibe the new philosophy when it has been superseded in the West by a bolder and more appropriate policy. The statute requires that there should be a separate sinking fund in respect of each loan into which must be paid annually a sum of money, actuarially calculated with reference to the rate of improvement, which would produce at the end of a specified period, a sum sufficient to amortise the loan. The sums held are required to be invested in securities of either Government or of the Corporation. The advantage of the English system over this arrangement has become apparent because of the financial crisis which has arisen as a result of the war. It is no longer possible to borrow money readily and at reasonable rates of interest and consequently, all activity, however beneficial, has to be called to an abrupt halt. It has even become necessary to suspend work on schemes which are in actual execution. Had the English concept been adopted, we could have continued our work uninterrupted by outside forces over which no one has any control. Recently, the Madras Corporation was faced with the extremely difficult situation of having to repay a loan when the investments held had depreciated in value to such an extent that on a loan of Rs. 5 lakhs it was likely to lose of Rs. 80,000. This only emphasises the need for a re-orient-

tation of policy. Such a contingency could not have arisen had the English ideal been followed. There is still time and one only hopes that the Corporation would not hesitate to profit by successful experiments carried out elsewhere."

This shows that though the method adopted by the Bank was scientific years ago, it is superseded by better methods now. In fact, Prof. Keynes and other economists point out the friction introduced by these funds in the smooth working of the economic system. In 1937-38 the Bank realised Rs. 8 lakhs from the principal due by primary banks, and in 1938-39 it received Rs. 10 lakhs. With the normal increase in repayments and an advance payment due to the higher prices during the war, there is a likelihood of the Bank receiving more money. All this is required to repay the old debentures when it is becoming difficult to raise new money. In fact in the next year we shall see the paradox of the Bank repaying debentures at a lower rate and raising money at a higher rate. It is time that all this money should be invested in the new series, which may be floated for a shorter period, as was done in the early years of depression. In addition though it may violate the canons of orthodox finance debentures for shorter period, i.e., 5 to 10 years, may be floated and they may be again converted for longer periods when conditions return to normal. When we notice that the earlier series have to run their normal course, and even at present the bank has option to redeem debentures at the end of 10 years this course is not unsound though it may look heretic. Unless the Bank follows some of these suggestions it will not be possible to raise the money in the market, and the accommodation of the Government can only be temporary. Meanwhile to make the best use of the available resources, only small loans should be granted and preference should be given to new banks and banks with working capital of less than Rs. 2 lakhs so that they may not accumulate losses.

APPENDIX—TABLE I

Statement showing the Progress of the Madras Co-operative Central Land Mortgage Bank, Ltd., from its inception.

Year.	No. of member Banks	Reserve & other funds			Debentures in circulation	Loans issued	Loans out-standing	Profits	Amount taken to Reserves before declaration of profits.
		Paid up Share capital	R. F. Separately Notes invested in G. P.	Other Funds					
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1929-30	19	70,400	..	..	..	42,200	42,200	1,358	..
1930-31	37	99,500	340	1,018	3,51,900	5,04,490	5,38,684	7,212	..
1931-32	35	1,07,000	340	1,018	10,78,900	6,44,060	11,31,004	18,920	..
1932-33	50	1,45,600	6,873	13,442	20,83,300	10,80,975	20,92,734	15,223	..
1933-34	63	1,94,300	13,675	13,442	34,55,800	14,77,635	33,82,135	41,111	..
1934-35	71	2,38,400	44,328	13,462	50,92,700	19,99,960	51,04,426	69,327	..
1935-36	79	3,58,900	1,00,684	25,367	79,44,400	31,96,490	78,66,231	46,765	10,000
1936-37	90	5,34,300	1,12,715	58,204	1,11,84,400	39,18,115	1,12,85,968	64,422	30,000
1937-38	94	6,69,300	1,35,618	1,02,722	1,31,85,700	35,79,185	1,40,79,859	92,962	40,000
1938-39	106	7,76,500	1,75,761	1,33,443	1,60,56,200	58,52,865	1,89,17,981	1,12,715	40,000

TABLE II.

Statement of Loans Disbursed according to the Amounts lent to the Borrowers in 1938-39.

		No. of Loans		Amount of loans.	
Rs.	500 & below	Below Rs. 500	Rs. 1,000	Rs.	
				Rs.	1,47,240
				"	6,39,485
				"	14,82,560
"	1,000	"	2,000	"	9,75,945
"	2,000	"	3,000	"	6,88,070
"	3,000	"	4,000	"	6,83,650
"	4,000	"	5,000	"	6,32,450
"	5,000	"	6,000	"	74,100
"	6,000	"	7,000	"	43,350
"	7,000	"	8,000	"	1,21,175
"	8,000	"	9,000	"	64,840
"	9,000	"	10,000	"	3,00,000
"	10,000—				
Total				3,487	58,52,865

CONSOLIDATION OF LAND HOLDINGS IN THE PUNJAB.

By

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Introduction.—The Punjab is predominantly an agricultural province with 72 per cent of the population as tillers of the soil and as many as 90 per cent directly or indirectly dependent on agriculture. Therefore the necessity of improving the lot of the agriculturist for the good of the Province as a whole is obvious. If this Land of the Five Rivers is to be prosperous, it is of the utmost importance that all the land, which can possibly become available should be brought under the plough. But land is limited, and the population is increasing rapidly. New land is becoming scare, and the burden on the existing land is growing heavier. The standard of living is rising. This necessitates the adoption of scientific methods of cultivation and also the stoppage of waste of land. But the methods of cultivation are still to a large extent primitive, and a lot of cultivable land is wasted. The agriculturist in India has to work against many handicaps, some of his own imposing, and of these few are more serious than the constant progress of sub-division and fragmentation of holdings.

Laws of Inheritance.—The laws of inheritance amongst the Hindus and the Muslims in India, except where the Hindu joint family system is in operation, enjoin the succession to immoveable property by all the heirs, usually in equal shares, except where there are sons by different wives, when it sometimes happens that the sons of each wife inherit an equal share and divide amongst themselves. The law of primogeniture, by which the eldest son alone succeeds to the property of his ancestor, and which is in force in some European countries does not obtain in India; and in the peculiar conditions of this country its adoption is apparently not advisable. There is no inherent defect in the law of inheritance by which each son gets an equal share in the ancestral property. But the customary form in which this law is applied in the division of property amongst the heirs results in great economic loss.

Fragmentation of Holdings.—The custom in dividing property amongst heirs is to give each heir a proportionate share of each item of the inherit-

ed property and not a share of the whole equivalent to his portion. Thus, if a father with three isolated fields of one acre each dies leaving three sons, the latter will take not one field each but one-third of each field each. According to the custom each son or heir to a holding must get an equal share of all the good and bad lands. The custom is due to the fact or apprehension that each plot of land may vary in quality, and so to secure an equitable division each plot must be divided; each heir seeks to ensure his getting a portion of the best land even if this involves his taking a share of the worst. Another variation of this custom is the division among children according to the number of wives of the original owner. Thus if he had one son by one wife, and two by a second, the son of the former gets half share, and the two sons of the latter a quarter each which in their case makes the size of the plots smaller still. As regards inheritance by female heirs, wide variations in the laws and customs exist, the shares ranging from nothing to an equal share with male heirs. These laws of inheritance are based on religion and custom; they differ widely from caste to caste and from area to area, and a close and careful study of the customary Laws of each district of the Punjab is needed to realise their complexity. But all these laws and customs have one common result. Successive generations descending from a common ancestor inherit not only smaller and smaller shares of his land but inherit that land broken up into smaller and smaller plots. This continuous partition of each field amongst heirs leads to what is known as fragmentation, as the holding inherited is scattered throughout the village area.

Among other, subsidiary, causes of fragmentation may be mentioned those dealing with the factors which class land as good or bad. The chief among these are: (a) kinds of soil in the holding (b) Class of cultivation and (c) situation of plots. Fragmentation is accentuated by the increase in population, by the expansion of cultivation irregularly over the waste, by purchase and sales, and by the extinction of families in default of direct heirs and the division of their property amongst a large number of distant relatives. It has been also result of the break up of the joint family system and its practice of cultivation in common.

Holding—Its Meaning.—It is necessary to understand here what a 'holding' means. A "holding" has been defined as "a share or portion of an estate held by one land owner or jointly by two or more landowners." In the village record (Jamabandi) each field or number of fields that are held, or cultivated, under a single title of right, is given a separate number. Thus, if a man owns or cultivates two pieces of land himself, and another two jointly with another, the four pieces will be given two separate numbers, under one of which his name appears alone, and under the other with that of the partner. When we speak of a man's holding, there-

fore, it does not necessarily mean that he has sole right to all the lands in the holding; probably a portion of it will be under his sole right, and the rest will be the total of the shares in other holding held in partnership with others. This point is important, since it would be misleading to speak of a person's holding as so many acres without bearing in mind the significance of its dispersed nature.

Evils of Fragmentation.—The disadvantages of fragmentation are obvious. A part of the land is wasted owing to fragmentation being so excessive as to prevent agricultural operations, and another part is lost in boundaries which could be abolished on consolidation. Even where cultivation is possible, fragmentation involves endless waste of time, money and effort; it restrains the cultivator from attempting improvements, it prevents him from adopting scientific methods of cultivation, it discourages him from carrying on intensive cultivation; it enforces uniformity of cropping, and especially restricts the growing of fodder crops in periods when cattle are usually sent out to graze on the fields. Where fields are open and scattered throughout the area of the village, it is customary to turn cattle on to the stubble as soon as the crop is cut; there being no field-boundaries to keep them on the land of their owner, they wander over the whole ground and use it as if it were common. So long as every one grows the same crops ripening at the same time, little harm results, but such a practice becomes quite unsuitable if any variation in cropping is sought to be introduced. Any cultivator, more intelligent than his fellows, who desired to work on improved rotation involving the abolition of fallows, would find his neighbours' cattle straying all over his land, while they in turn would object to his cattle grazing on their stubble unless their own were in turn allowed to graze on his. The fact is that the open scattered fields do not give the cultivator complete freedom over his cropping; he cannot devote his land to what he considers best and most profitable. When the holdings are fragmented, most of the land is allowed to remain waste, and considering that the average holding in the Punjab is only 6 acres, and in the congested districts is considerably less, the loss so caused to individual cultivator is extremely serious. Moreover, the peasant with 6 or 8 acres of land split up into small blocks scattered in all directions and at long distances from one another, cannot possibly sink a well for irrigation, live on his land, or adopt most of the improved methods of agriculture. Scientific cattle breeding is impossible, disputes are frequent and enterprise is paralyzed. Most of the quarrels, factions and litigation, which destroy the homogeneity and peace of the villages, have their origin in this same fragmentation and in the boundary disputes to which it gives rise. The waste of money, time and even human life caused by these disputes is a serious obstacle in the agriculturists' progress to a better standard of life.

Another disadvantage of the scattered holdings is that, when any one wants to sink a well, he may have to persuade a dozen neighbours or more, whose fields surround the spot to join in the scheme. In short agricultural progress is impossible. "Worst of all", writes the author of *The Punjab Peasant*, "where fragmentation is bad, the money-lender is strong, for fragmentation means a dwarf economy and a hand-to-mouth existence". Mr. Strickland observed that "the unhappiest of all the cultivators is he whose fields are scattered in tiny patches and thin strips all round the village; the most fortunate is he whose land is collected in one block. The former wastes his time and strength and of his cattle in passing from field to field; he cannot protect his crop against theft as fencing of each separate plot against wandering cattle is impossible and quarrels with his neighbours are frequent and may involve him in litigation."

Co-operative Consolidation of Holdings.—Procedure and Objects.

While the evils of fragmentation are obvious, the remedy is not easy to find. Various attempts have been made to cope with the problems arising from fragmentation of holdings, but almost all of them have failed. The most difficult, important and interesting experiment in consolidation of holdings by co-operation originated in the Punjab in the year 1920. The procedure adopted in establishing a Co-operative Consolidation of Holdings Society is to call together all persons directly interested in land in a given village, persuade them to accept the by-laws whereby a majority in a general meeting might approve a method of repartition, and then carry out actually adjustment of fields and holdings in such a manner that no single individual might have any grievance. In the beginning, when the experiment was started, the new land taken in exchange for his old land by each member of the co-operative consolidation society was to be retained for only four years, after which if the members were discontented with what had been done the proceedings could be cancelled and each man could revert to his former holding. But now exchange of land has been made permanent.

The objects of a Consolidation of Holdings Society are to promote the economic interests of its members, and more particularly to secure a beneficial re-arrangement of holdings and to prevent loss and waste by fragmentation. It is necessary that every member of the society must be a land-owner or occupancy tenant or a person having an interest in land in the particular village. Every member, on being admitted to the society, has to sign a statement that he agrees (1) to the principle of the re-arrangement of scattered holdings so as to secure more compact blocks of fields for each owner; (2) to submit to any arrangement approved by two-thirds of the number of members in a general meeting; (3) to permit any arrangement of his lands in accordance with any such

scheme and to give possession in accordance therewith for ever; (4) to submit to arbitration all disputes touching the business of the society (including disputes as to rights, boundaries, rents, responsibility for land revenue and cases and possession of the lands effected by any such scheme) that may arise during the existence of the society; and (5) to submit to any arrangement approved by two-thirds of the number of members in a general meeting in case of any future petition on re-arrangement of the consolidated area in which he may be concerned.

As in every other type of co-operative society, the supreme authority in a consolidation society rests in the General Meeting. All important matters are decided at a General Meeting and confidence is gained by strict adherence to democratic principles. The General Meeting discusses the method of partition and decides on the main principles to be observed, such as the kinds of lands, the retention of former possession, and decides whether minor differences as to trees, etc., should be made good by money payments and so on. When a method of partition is decided upon, the Managing Committee prepares a scheme for the re-arrangement of holdings in accordance therewith. This scheme is placed before the General Meeting for approval. If two thirds of all members accept it, it becomes binding on all, otherwise it is discarded. Another plan is drawn up and so on until almost every body is satisfied. When the scheme is approved, members are bound to give up and accept possession in accordance with it. A member, who feels aggrieved can refer the matter to arbitration. When this scheme was introduced, reliance was placed on persuasion and not upon the element of compulsion. In this scheme no one loses; no one need receive less land than he held before. No attempt is made to oust holders of petty plots; no compulsion is used, no restrictions are imposed; and the whole process is kept as simple as possible and is easily within the comprehension of the ordinary cultivator. No one is asked to agree to the re-arrangement until he has a new holding marked out on the ground.

Originally the society was not registered unless an area had been consolidated, possession exchanged and mutation sanctioned; in other words, till its work was virtually finished. But after 1930 this method was altered and the society is not registered when its work begins. The primary object of consolidation is not the prevention or cure of subdivision but the cure of fragmentation by bringing the fields of each holding together, whereby intensive cultivation can be practised if the cultivator wishes to do so.

Progress of Consolidation.—Although for many years Settlement Officers in the Punjab had made repeated attempts to use their influence

to bring about consolidation, no success was attained. It was not until the scheme described above was devised by Mr. Calvert, Registrar of Co-operative Societies, that people could be persuaded to give consolidation on co-operative lines a trial. As the result of patient work for over ten years now, some very striking results have been achieved and the movement for consolidation in the Punjab has assumed the dimensions of an important agricultural reform.

This work began in 1920 and by 1st July 1930 i.e. in 10 years, 2,63,420 acres were consolidated out of the whole cultivable area of about 34 millions, at an average cost of Rs. 2-5 per acre. This work began at a very slow pace but is now acquiring momentum. Whereas in the first 8 years the total area dealt with was 1,62,000 acres; in the following year (1929) alone the area consolidated was 48,079 acres and in the next year (1930) the area was over 50,000 acres followed by 72,821 acres in 1931. In the next four years the progress became somewhat slow as a result of economic depression, because the area consolidated decreased to 60,348 acres in 1934. After this the work began to proceed rapidly and the area mounted up to 92,689 acres in 1936, to 1,20,205 in 1937 to 1,32,313 in 1938 and to 1,57,211 acres last year (1939). This means that the area consolidated last year was roughly equal to the area of the first 8 years. This has been possible owing to the large increase in the staff during the past five years.

The following figures show the progress of consolidation during the last five years:—

Year	1935	1936	1937	1938	1939
Societies	1,167	1,210	1,270	1,360	1,477
Members	89,429	1,03,584	1,19,875	1,41,929	1,60,782
Area consolidated in acres (per year)	13,534	92,689	1,20,295	1,32,313	1,57,211
Cost per acre (per year)	Rs. 1 14 0	Rs. 1 6 11	*Rs. 1 10 1 †Rs. 1 12 8	*Rs. 1 8 3 †Rs. 1 12 1	*Rs. 1 8 3 †Rs. 1 12 1
Total area so far consolidated					10,66,221 acres.
Number of wells so far					(a) Sunk 4,865 wells and 11 Jhalars (b) Repaired 841

* Excluding contribution from societies.

† Including contribution from societies.

Some remarkable achievements.—An outstanding and spectacular achievement of consolidation staff may here be mentioned. Ten villages belonging to the rich and influential (but quarrelsome) family of Chaudhri of Kathlaur in the Pathankot tehsil of Gurdaspur District have been consolidated, the area consolidated (4,173 acres) being reduced from 1,099 blocks to 58. The villages were spread over an area of nine miles in diameter, and every owner had holdings in every section; now each one has a separate "village" with a separate water channel. One of them had his 835 acres scattered in 194 blocks over the ten villages; he now has a single block in one village. This area had one well before consolidation; there are now 18 wells making possible the growing of tobacco, chillies, potatoes, vegetables and cane.

Another striking feature of the work may be related from Ferozpur. A cultivator owned 397 acres of land scattered over three contiguous villages. This land was divided into 207 blocks. After consolidation the blocks were designed in such a manner that the cultivator retained his ownership in all the three villages and his holdings were consolidated into one block of 397 acres. As a result he established a small village of his own in the consolidated area, with himself and his tenants. The progress made by consolidation in the most advanced district—Jullundur—may be detailed here. The first consolidation society in the Punjab was registered in Jullundur in July, 1920 and the total area consolidated upto 31st July, 1939 was 1,65,106 acres. There were 293 societies in this district in 1938. The number rose to 312 in 1939. The membership increased from 33,905 to 38,334 and the working capital from Rs. 10,236 to 10,290. The work was proceeding in 42 villages in 1938 and in 50 villages in 1939. The work once begun had to be abandoned in one case in each year after the sub-inspector had been at work for about 8 months in each village.

The area consolidated was 14,620 acres in 1938 and 18,465 acres in 1939. The average area consolidated by each Sub-inspector rose from 382 to 470 acres.

The number of blocks before consolidation were 31,824 and 39,065. After consolidation these were reduced to 5,862 and 5851. The decrease in the number of blocks was 85 per cent. The contribution from societies amounted to Rs. 11,906 last year and total cost of consolidation to Rs. 48,086. This works out to Rs. 2-10-4 per acre including the contribution paid by societies as compared with Rs. 2-14-5 in 1938. The total area consolidated upto 1938 was 1,48,078 acres and it rose to 1,65,106 acres in 1939. 1860 new wells have been sunk so far and 179 old wells repaired. 162 miles of road in length have been constructed. The staff consisted of 6 Inspectors and 41 Sub-inspectors. The Consolidation Assistant Registrar has his headquarters at Jullundur. But he supervises the

work of Jullundur, Hoshiarpur and Ludhiana districts. The work of this district has gained reputation far and wide and visitors from India and abroad frequently come to see the societies.

Some economic results: New wells.—"The two commonest effects of consolidation are the sinking of wells and the bringing of waste land under cultivation." In Jullundur district alone new wells sunk in consolidated villages number 1860, in addition to 179 old wells repaired. Hoshiarpur has built 648 new wells and repaired 144 wells. 906 new wells have been constructed in Ludhiana and 90 old wells brought into use. The total number of new wells so far sunk in the province is 4865 in addition to 11 Jhalars (water courses), and 84 old wells have been repaired.

Increase of cultivated area.—In Hoshiarpur 763 acres and in Jullundur 663 acres were converted in 1938 from unculturable waste to culturable land. 688 and 897 acres respectively were brought under well-irrigation for the first time. 5206 acres of waste land became culturable in one year.

As consolidation makes cultivation easier, an enquiry was made in 1931 with a view to finding out its effect on the area cultivated by owner and tenants. The societies chosen were those whose lands had been consolidated three or more years ago. There were 406 of these, with a total consolidated area of 151,374 acres. At the time of registration, that is, immediately before consolidation took effect, 64,035 acres were under the direct cultivation of the owners, and 83,598 acres were cultivated by tenants other than occupancy tenants. But on July 31st 1931, the corresponding figures were 76,119 acres and 71,601 acres respectively. These figures indicate two important tendencies. First, that the actual area cultivated has increased as a result of consolidation. Second, that owners' cultivation also increases. It need not be concluded that a class of landless tenants is being created; because it is certain that in badly fragmented villages many tenants are also owners in their own right, and have exchanged cultivation as tenants for cultivation of an increased area of their own land.

Scope for Beneficent Departments.—It was remarked in the Government Review on the Report of the Registrar for the year 1935 that "the scope for development of all kinds is so greatly increased by consolidation that all beneficent Departments would be well advised to devote special attention to consolidated villages. The general increase of income, which all agree is substantial, provides an opportunity for the encouragement of thrift, the larger and better irrigated fields, an opportunity for the grow-

ing of fruits and vegetables and the land that is often set aside for school and playgrounds—an opportunity to the educationist. It is doubtful whether in the past any department has taken full advantage of these opportunities.”

Improvement in Agriculture.—Improvement of agriculture is general, where holdings have been brought together. New ploughs and other implements are used, new crops or new varieties of an old crop are sown, sand is removed from light soil, and planting of trees is carried out. The Agricultural Department has wisely concentrated its efforts in a number of villages where consolidation has been effected, realising that cultivators who risk their land—their most precious possession—in so novel a manner could also be willing to accept new doctrines from them. One or two villages in Sialkot and Jullundur have been converted wholesale, every cultivator using a Meston plough, the wheat seed recommended by the Department and the new methods of cultivation and horti-culture. The result is a general increase of rents along with general contentment among the tenants. Take two instances at random; the share of produce paid by a tenant of five acres in Gurdaspur has risen from Rs. 100 to Rs. 150, and an absentee owner of another small area receives 80 maunds of wheat instead of 55. A tenant can naturally cultivate better a holding which is conveniently situated in one or two blocks than if he had to travel from end to end of the village in search of each field. He willingly pays a higher rent, and the share which he retains for himself is nevertheless of greater value.

Litigation Reduced.—Causes of quarrel and litigation are at the same time reduced. Civil suits and revenue proceedings for partition naturally lapse when the boundary rights to which they refer are swept away by a general re-allotment. A local authority has had occasion to observe that a cattle pound in Gurdaspur District may have to be abolished on account of the decrease in cattle trespass. In Rohtak, a dispute about a pathway which had reached the High Court, was settled amicably. The removal of field boundaries increases the total area of the village, paths are provided, giving access to each man's holding, and the general economy of time and labour will readily be understood. It is by no means uncommon for an owner to find his 30 or 40 blocks united in one large holding, and there is an instance of a landowner whose land, formerly scattered in more than 200 places, has all been brought together in one block. A landowner in Sialkot District, who owned 10 acres in 84 separate fields, found them unprofitable to cultivate, and preferred to live in Lyallpur as a tenant. His holding was consolidated and allotted to him in 2 blocks, and he returned to his home and bought a well to irrigate his holdings.

Settling down and Cultivating Own Lands.—In Gurdaspur, the owners of a village lived in another town, two miles from their lands. After consolidation they built houses in the town and used the proceeds to redeem 37 acres of mortgaged land. In another village the tenants are paying one-half instead of one-third of the produce. There are many cases in which the owners have left their residence in their respective villages and have literally settled on the land by making permanent arrangements for the residence on their consolidated blocks.

There are a few cases of enclosure, one owner in Gurdaspur having grown a hedge round his 200 acres, while another has built a mud wall. Owner cultivators who leave village site and build their houses on their land are becoming fairly numerous, and where cattle theft is not unduly rife, this tendency will no doubt be accentuated. Cultivators who have hitherto had to till the land of others in neighbouring villages have been able to give up this practice and make a living out of their land itself, now that it has been consolidated; one family has been able to pay off an old debt of Rs. 300 owing to the increase in their income; a land-owner has made a pakka water channel 400 feet long for his newly organised estate. Another has constructed a drain, 1000 yards long, in a Hoshiarpur village. In tehsil Phillour, the rain water on the larger blocks is now conserved by building bunds in a manner which was impossible with the tiny fields. In Ghazipur the occupancy tenants have acquired lands in the consolidated area.

Amenities.—Villages are beginning to set apart fair plots of land for the digging of manure pits, of grazing grounds, gardens, school buildings and playgrounds. The example of Hoshiarpur district will be sufficient to illustrate the work done in this respect. In 1938, “763 acres of land have been converted from unculturable waste to culturable one and 688 acres have been converted from *Barani* to *Chahi*. Boundary pillars have been fixed round the fields of the whole area consolidated during the year, 726 roads and pathways, 174 miles in length and 4½ feet to 18 feet in breadth, have been provided in the villages consolidated during the year, 143 acres in 4 villages have been reserved for grazing grounds. 2611 plots in 33 villages have been reserved for the extension of *abadi* of landholders and 2 acres in 5 villages have been reserved for the extension of *abadi* of *kamins*, 512 plots in 33 villages have been set aside for manure pits for landholders and 4 acres in 8 villages have been set aside for manure pits for *kamins*. Five acres in 10 villages have been reserved for Gurdawaras and 1 acre in one village for a mosque. Four acres in 4 villages have been reserved for cattle pounds, 13 acres in 21 villages for playgrounds for children and 3 acres in 5 villages for schools. In 42 villages 91 cattle sheds have been built on the new blocks outside the village *abadi*.”

In Ludhiana 579 acres have been set apart in 1939 for purposes of common use. 192 miles of roads have been built in this district and many siphons have been made by the agriculturists to save roads and paths from being damaged by water courses. Jullundur reserved 374 acres last year for beneficent purposes, such as school buildings, gardens, pastures, cremation grounds, playgrounds, ponds, latrines, expansion of village site, erection of places of religious worship, cattle stands places for marriage parties, travellers' houses, etc. 150 miles of roads have also been constructed in Jullundur. The level of these roads was raised by one foot. The Dayanatpore society in Jullundur completed the drainage work in the consolidated village; Masanian society made a school building; Chachrari society built a house for marriage parties and latrines for public use; Lalian society erected a house for travellers and Bassian society laid out a public park and bath-rooms. It is reported from Bullawal village in Jullundur district that there used to be a considerable area under the action of floods before consolidation and as a result of consolidation operations it has been possible to drain out the water of this area making a drain 1237 karms in length and make the area safe from the danger of floods. In Hoshiarpur one village decided to abandon entirely its old residential place and set aside an area of 8 acres for a village plan on the lines prescribed for a colony village.

A large number of villages have become unrecognizable after consolidation. The boundaries of fields have become straight and every field is connected with the village by a road. Dirty ponds of stagnant water round villages have been filled up. Instances of this sort can be multiplied, and they are sufficient to show that in consolidation the people of the Province have the ready means of increasing their resources at little cost to themselves, and to their great comfort, convenience and profit.

An instance of benefit, perhaps not quite so heartily appreciated, comes from Gujranwala. In a village that was being consolidated, an old cancelled credit society had been under liquidation for many years and could not be finally wound up. The Consolidation Sub-inspector was appointed liquidator, and he, by no other means than persuasion was able soon to recover over Rs. 3,000 which nearly finished the case.

Summary of Benefits.—We may now sum up the results which have already accrued in consequence of consolidation. Litigation and quarrels have decreased, rents have risen, outturn of crops has increased, new land has been cultivated and dry land brought under irrigation, access has been obtained to roadways, peasants have begun to live on their land with their cattle, the nuisance from straying cattle and trespass has disappeared, village housing conditions have improved, farm-

ing has become more intensive, fruit trees have been planted, social amenities have been provided and real community spirit has made its appearance. In short the real foundation for rural reconstruction has been truly and firmly laid. Consolidation has given the agriculturist a new out-look of life and has laid before his eyes the possibility of achieving undreamt of things through combined action.

The benefits conferred by consolidation being so great, it is not surprising that the Punjab Government allotted the first place in their schemes to be financed from the Government of India grant for rural benefit to the Consolidation of Holdings, and earmarked Rs. 2 lakhs for this work.

Benefit to Government—Increase in Land Revenue.—The cost to Government is not too great considering the benefits accrued. For instance, when the Ghazipur consolidation Society was registered in 1921, the 254 acres of unirrigated land, to which the repartition applied, were paying a revenue of Rs. 1-9-0 per acre. The cost of consolidation was Rs. 157-8-0. Without bringing the fields of a single owner together in one place there was no hope that wells would be sunk and this rate of revenue would presumably have been maintained at the next Settlement, which is due in 1945. As a consequence of consolidation 15 new wells, irrigating 150 acres, have already been sunk and still larger numbers are likely to be constructed. The rate of revenue on irrigated land in the adjoining village is Rs. 4-9-6 and without taking account of other possible wells, the revenue on 120 irrigated acres at this rate, if it be not increased at the next settlement, will be Rs. 551 as compared with Rs. 187-8 at present. Allowing interest at 6 per cent for 24 years (1921 to 1945) on Rs. 157-8 as the cost of consolidation, the total charge to Government rises to Rs. 384-8. The total cost of consolidation plus interest will therefore be recouped by Government in the first year after the new Settlement and will continue to be repaid in each successive year.

Take another instance. In the village of Ballok a Sub-Inspector and an assistant were employed for 20 and 11 months respectively in the consolidation of 1912 acres at a cost of Rs. 2,390. Adding interest for 21 years, the total cost rises to Rs. 5,401. The owners have already sunk 13 new wells, which irrigate 130 acres. A further area of 84 acres, formerly unirrigated, has now been brought within the circle of irrigation by means of repartition. In addition to 214 acres thus irrigated, 470 acres, which were formerly uncultivated since it was not worth while to attend to remote and scattered plots, have now been cultivated and will be assessed at the next Settlement. At the present rates of revenue, and without allowing for a possible increase, the addition to

the irrigated and the cultivated area will yield a revenue of Rs. 1,552-12-0 and the cost to Government will therefore be recouped in 3½ years. It is, however, possible that more wells will be sunk, and the gain to Government will be greater and more rapid.

The direct advantages to the Government in increased land revenue are obvious and in areas under fluctuation assessments are immediately calculable. In one village of Gurdaspur the cultivated area rose as a result of consolidation in 1933 from 615 to 1,372 acres and the land revenue from Rs. 2,059 to 2,938. Inquiries conducted in three consolidated villages in Jullundur in 1934 revealed that their land revenue increased by Rs. 1,400 as a result of consolidation. This shows that ultimately consolidation will recoup its cost to the State. Money, then, spent by Government on this work is money well-spent.

Complete Remeasurement.—Still more marked improvement in recent years has been in the method of consolidation itself, the method of complete re-measurement being increasingly employed; the method enormously increases the benefits of consolidation to the land-holders, and is also of great value to Government in even further simplifying the records of the villages concerned, as well as probably reducing the cost of further Settlement, rendering a fresh re-measurement unnecessary. Among the advantages to the land-holders are the straightening of boundaries, the provision of regular-shaped fields, and a great improvement in communications.

Difficulties.—An idea of the difficulties in the work of consolidation may be had from the interesting Annual Report of the Registrar for 1930: "It is easy to chronicle these results, but most difficult to produce them; where every one has to be satisfied and all conflicting interests reconciled, where the poor, the weak, and the speechless have to be as much regarded as the rich, the strong, and the vocal; where the ignorant have to be enlightened and the stubborn conciliated and where the only weapon is the tongue, and the only means persuasion. Technical difficulties too abound, and underlying all is the peasant's passionate love of his land with the jealousy of neighbours that passion breeds. In such circumstances the work must be slow but the marvel is that it is done at all."

Difficulties of course abound in this complicated and intricate task of consolidation. Every owner fancies his ancestral plots are the best and dislikes the idea of exchange. Old men hate to be disturbed, minors require special consideration. The very small owners see no advantage, the bigger men have sometimes got more than they are entitled to and repartition would take this away. Mortgagees oppose any alteration, and

occupancy tenants fear that their rights will be lost if their possession is disturbed. Some owners have migrated in search of work and their consent cannot be obtained. All these difficulties must be met and surmounted with patience and tact. Other difficulties are of a different order; the village Patwari sees his income from disputes, from copies for court use, and from other little sources threatened with reduction; he also fears that with compact holdings the number of Patwaris will be reduced and his conscience suggests that if the worst men are dismissed, he will not be a survivor. The higher revenue authorities, however, have shown much interest in the work, and as success is achieved, this interest is growing.

Work begun abandoned—Party-feelings.—Numerous instances could be quoted in which work once begun had to be given up generally on account of party feelings in the villages after the staff had spent many months of hard labour. It sometimes happens that the refusal of one or two individuals at the very last moment, when the entire repartition has been planned and completed, on account of stubbornness or malice wastes the entire labour. Even in most favourable districts disappointments have to be faced. In the most advanced district a dozen villages had to be abandoned after wasting a lot of time, the objector in one case being a single owner out of 264. In Ludhiana a non-agriculturist mortgagee, and in Hoshiarpur a retired official, held up the whole process through mere perversity, and in Jullundur not less than 8 apparently completed villages failed at the last moment and were abandoned.

Three villages in Hoshiarpur had to be given up on account of dissension among members. These three villages had taken 7 months each of one Sub-Inspector. In Ludhiana three cases had to be abandoned after the Sub-Inspector had worked in each village for about 9 months. The reason in one case was the mutual tension among the members which resulted in 9 murders and this affected the second case in which some of the members were related to each other.

To obstruct the work of consolidation in a village in Jullundur the books were stolen and were not traced. The Deputy Commissioner had to interfere and security proceedings were started against mischief mongers. In another village also the same story was repeated. A member broke his house and held the committee of the society responsible for this. The police held an inquiry and found the report to be false. The man admitted it later on. Mutations were then sanctioned.

In Landhra society of Phillaur Tahsil three members tried to stop the work in conspiracy with the Kanungo, a relative of theirs, but in view of the strong desire for consolidation on the part of other right-

holders, their efforts proved futile. At last the committee fined them Rs. 75 and the blocks already proposed for them were given to them.

In Ludhiana in 7 cases work once begun had to be abandoned in 1938. Out of these in 2 cases the Sub-Inspector had worked for 18 months, in one case for 7 months and in 4 cases for about 6 months each. The reasons for abandoning the work were as follows. In two cases sufficient number of owners refused to become members. It was thought advisable to leave the work. In one case the Sub-Inspector went on long leave. In one case the record was stolen on account of party feeling and one party refused to proceed with the work. In one case some members objected to have a village circular road and the other members did not want to proceed with the work without the village circular road. In one case the members stopped the work themselves. In one case two strong parties grew up at the time of repartition and the work did not proceed on account of selfishness of some influential members.

Obstruction by owners.—It has been noticed that landlords, whether in receipt of rent or Batai (share) or in non-receipt of either of these but nominally shown as Malikis (owners) in revenue papers act as obstructionists and thereby the occupancy tenant, the actual tiller of the soil, is deprived of the benefits of consolidation and has no incentive whatever to make any improvement in the area held by him.

Mortgagees.—Mortgagees are another class of obstructionists. The main cause is probably the fall in the price of land due to continuous depression. The Mortgagees think that by keeping aloof from such societies they would either have the money back or the mortgagor may give more area for the same amount.

Minors, Widows and Absentees.—The danger that a minor on attaining majority and an absentee may object to the repartition at any time and knock at the doors of the Civil Court was potential and called for legal provision being made to protect the societies from vexatious, expensive and unnecessary litigation. An interesting survey was conducted in 1935 by the Consolidation Staff in 47 societies in Jullundur regarding the proportion of minors, widows and absentee right holders to the total membership of the societies concerned and it was discovered that out of a total number of 5422 members, 310 were minors and 1130 absentee right holders. Widows numbered 226 and when added to the former two categories of right holders they raise the percentage to 30. In other words consolidation is being achieved in the face of about 1/3rd of right holders whose nature of right has the potentiality of upsetting the whole

operations but for the tact, honesty and dutifulness with which the Consolidation Staff apply themselves to the difficult task before them.

A case of another nature may be quoted here. A real owner, who was abroad and was represented by his sons at the time of consolidation work, returned to the village after the repartition work was over. He did not accept the block agreed upon by his sons. He persisted in his demand and began to send application after application. The staff tried its best to satisfy him and fortunately succeeded in their mission. He was satisfied and agreed to take the blocks already accepted by his sons. In Doaba many owners have gone out. Their relations represent them. But this representation has no legal force.

Childless owners lacking affection for reversioners, co-sharers who deliberately abstain from signing the society's pledge, or plead that it is not a registered document, purely personal pique—all these give the staff hurdles to surmount and are deliberate hindrances in the way of improved conditions for the rest of the village. But the work goes on and many villagers send in unsolicited requests for consolidation every year.

Litigation.—Societies are often dragged into courts. In Jullundur four suits were instituted against the societies in 1934. One was decided against the society. The landlord objected on the ground of being a non-member to the exchange of a certain field made by his occupancy tenant. In another the husband represented his wife in consolidation operations throughout. But later she objected to the partition of the well-irrigated land and resorted to Civil Court. In the third case the suit was instituted by a reversioner, who was a mortgagee as well, about a field on the ground that the quality of land taken in exchange was inferior to that of the original field. The fourth case was a novel device to defeat consolidation operations of Mohaddipur Jattan village by retracing from what had been done on the plea of the absence of some of the co-sharers.

When the year 1934-35 opened three civil suits against consolidation societies in Jullundur were pending and four more additions took place during the course of the year. Of these one was decided in favour of the society by the appellate court, one was decided against the society but without any effect on the work of the society. The third one was only partially successful but the claims were not ultimately pressed by the parties against the society. Two were compounded.

In Qilla Jhanda society two owners of the land in the village who did not reside there were represented by two relatives of theirs in the consolidation proceedings, which went on the authority of the last two.

They eventually disagreed and had an objection put up by the original owners after the consolidation was completed and possessions exchanged. The consolidation mutation was cancelled by the Commissioner on appeal, although their representatives had exchanged possessions for the last two years. Appeal to the Commissioner's orders had been lodged before the Financial Commissioner with successful results.

Discussing this case with a Revenue Assistant it came to light that the Revenue courts in cases not attended by the original land-owners proceed to appoint their representatives themselves like the civil courts and there this action has the sanction of law. The consent to the partition taken from such representatives is regarded as consent of the original owners. The difficulty could be solved if with reference to this particular Section, the Sub-Inspectors of Consolidation of Holdings are given the powers of the Revenue Officers.

Complaints.—It is perhaps natural that the intensification of the work and its extension to new areas should have been accompanied by an increase in the number of complaints from right-holders dissatisfied with their new allotments. Detailed investigation of everyone of these is of course essential and it is always made and this increases the burden on the superior staff already hard worked with the general task of supervision. The complaints are a warning against making the pace too fast and also against increasing the subordinate staff out of proportion to the supervision and instructing staff.

It was reported in 1938 that there were a large number of applications by discontented or disappointed members and the investigation of these takes up a large portion of the time of Inspectors and the Assistant Registrars. Although the consolidation staff is naturally not free from human failings, the work has as a whole been carried out with conspicuous fairness and honesty and the increase of complaints is not more than the ordinary consequence of the greatly increased area with which the staff is dealing. There have, of course, been cases in which the consolidation staff has been found to be seriously at fault, a conspicuous one being that of Nakhar in the Gujranwala district in which was found that the local Sub-Inspector and the Inspector had combined with an influential landholder in the village to make out a grossly unequitable scheme of redistribution.

Paucity of Trained staff.—The Department experienced considerable difficulty in 1936 in recruiting new staff; the Sub-Inspectors were recruited from patwaris of 8 years' service or over and this kind of recruitment was sufficient for the needs up to 1935. But in 1936, with the considerable expansion of work and also with the institution in cer-

tain districts of consolidation through the agency of a special Revenue Staff recruited from the same source, the demand exceeded the supply. It, therefore, became necessary to resort to direct recruitment and these recruits had first to be trained. With the assistance of the Revenue authorities a special school was opened at Hoshiarpur on the lines of Patwari school and about 60 recruits were given training. All this resulted in a certain amount of delay in recruiting the full staff and at first these directly recruited candidates, who naturally lack the experience of patwaris, are slower in working. The average outturn per Sub-Inspector therefore decreased to 500 acres in 1936 as compared with 611 in 1935. But as the staff learned the work, the outturn increased in subsequent years.

It was again reported in 1938 that the difficulty of obtaining a supply of trained and experienced staff remains. It is also important that the work should not outturn the possibility of constant and efficient supervision. The staff of Inspectors was strengthened and the post of an Assistant Registrar in charge of consolidation operations in the three districts of Jullundur, Hoshiarpur and Ludhiana was sanctioned and the appointment made after the close of the year 1938.

The work demands the utmost sympathy and patience, nothing must be rushed through, nothing left unexplained; every man's objection must be removed, even if he be the smallest owner in the society. A village well satisfied with its experiment in consolidation will be of more value for propaganda than many lectures. The cultivators readily grasp the advantages, each is ready to take the neighbour's land, but not so ready to give up his own. The main elements of co-operative action must be carefully preserved. The agreement to join in such a society must be voluntary and based upon the realization of a common need and of the desirability of securing it by common action. Within the society, everyone, be he a big owner or a small one, must have an equal voice.

Contribution from Societies.—It has been realised from the very beginning that it will take the best part of a generation to consolidate all the holdings of the province which are fragmented. One main difficulty in this respect is the paucity of funds. Although the Government has always liberally subsidised this work, its resources after all are limited. If, therefore, the work is to be accelerated and is to be completed in any measurable distance of time, persons who benefit from it must contribute towards its cost. Attempts have been made from the start to persuade the cultivators to subscribe to the funds earmarked for this purpose. For many years no success could be achieved and the whole cost had, therefore, to be met by the Government. The Registrar

reported in 1930 that a good many spontaneous applications for consolidation are received from villages—"Yet nowhere are people sufficiently keen to be willing to pay for it. The whole cost has, therefore, to be borne by Government and it would be difficult to find a better example of the beneficent activities of Government." It did not, however, take very long after this to change this position. The first case of a contribution from societies towards the cost of consolidation appeared the very next year in 1931 when the owners of village Pasarian in Jullundur district offered Rs. 200 towards the expenses of consolidation which they wanted to have done. The Registrar then wrote "Now the change has come. People are prepared to pay a part of actual cost. It is a great change which is often more important than ready money. Rs. 200 is thus to me a sign that points the way to future success."

Every effort was made next year (1932) to induce societies to make some contribution towards meeting the cost of consolidation. All told a sum of Rs. 4,527 was collected. The various methods suggested for the basis of contribution in 1932 are as follows:—

(a) An admission fee from each member (b) an undertaking on the part of the village desiring consolidation to pay half the estimated cost, (c) contributions to be based on the amount of land revenue paid (Jullundur), (d) admission fees which now are being abandoned in favour of a flat rate per acre, i.e. eight annas. Three villages have agreed to pay at this rate and it is hoped that all new villages taken in hand will agree to pay this contribution (Hoshiarpur), (e) acreage rates from four to eight annas, in addition to other contributions (Ambala): Ambala has thus collected Rs. 2,362 from 31 societies registered upto 31st July 1932, and Rs. 993 from societies registered after that date (the object is to entertain additional staff, if possible, with the funds so collected), (f) a suggestion from Gurdaspur that common good funds of primary societies and the profits of unions and central banks should be devoted in part towards defraying consolidation charges, (g) fixing a time limit for the completion of the work, the transgression of which will involve the levying of any additional cost in whole or part on members.

Under the present arrangements there is no such incentive to a village to get its area consolidated without unnecessary delay and disputes. With an undertaking from societies to bear part of the costs of consolidation, it is hoped that the interest of all concerned will be more actively engaged, and the pace of work accelerated. The Registrar stated in 1932 that the time is not propitious for insisting on contributions to be paid in advance before the work is taken up, but in districts where the results of consolidation are plain for all to see,

there seems to be no reason why a small cess should not be imposed as a condition of starting future work. A scale of eight annas per acre for example, will not be found a heavy burden. No uniform scale of levy has been adopted. The scheme in Ambala, and indeed elsewhere, is to aim at a standard of eight annas per acre, and to work slowly up to half the amount of cost. As the Deputy Registrar points out, "as in other fields of co-operation, so in consolidation the rule to be followed is to "recover according to capacity", and in the absence of any legislation consolidation is in the main a matter of the owners' own keenness, and contribution will depend on the degree of this keenness, which varies widely from place to place."

A total of Rs. 15,839 was collected from societies in 1933, mostly from the districts of Hoshiarpur, Jullundur, Ludhiana and Ambala. "Most of the other districts concerned", wrote the Registrar in 1933, "exclaim upon the impossibility of asking the landowners to contribute in these hard times. But it is difficult to see why what has been done with success in Ambala should not be done equally well, if the effort is made, in say, Gurdaspur and Gujranwala."

There is now brisk demand for consolidation even in villages where no propaganda has been carried on (applications having been received from nearly one hundred villages in 1938) and therefore insistence on a deposit before work is started would not have a killing effect on the demand. A further good effect of insisting on partial payment of cost would be that the work would be done more quickly, for villages, while willing to spend months disputing and deliberating while the staff is paid by Government, would be more inclined to an early settlement of their differences when delay would mean more expenses to themselves.

It was reported in 1934 that the system of partial collection of the cost has thoroughly established itself and, in addition to the four districts, Jullundur, Hoshiarpur, Ludhiana and Ambala, where the system was in force in 1933, a beginning was made in Ferozpur, Gurdaspur and even Rohtak and Karnal in 1934 after this contribution from societies became a general rule.

The rate of contribution from societies towards the cost of consolidation varies from 2 as. to 8 as. per acre. The total amount collected in contribution each year was as follows:—

	Rs.		Rs.
1931	.. 200	1935	.. 11,884
1932	.. 4,527	1936	.. 45,000
1933	.. 15,839	1937	.. 51,000
1934	.. 16,240	1938	.. 59,030

Staff.—The staff consists of a Consolidation Assistant Registrar, 33 Inspectors and 329 Sub-Inspectors. The staff of Sub-Inspectors, which is employed to carry on this difficult and vital work of consolidation, is drawn from the Revenue subordinates. A patwari or village accountant, whose ordinary pay is Rs. 20 to Rs. 30, is chosen and lent to the Co-operative Department for duty as a Sub-Inspector. Similarly a Revenue Kanungo, ordinarily paid Rs. 40 to Rs. 50 is employed as Inspector. The Sub-Inspector was originally given Rs. 60 as pay and Rs. 30 p.m. as fixed travelling allowance. The Inspector was paid Rs. 100 to Rs. 250 plus travelling allowance at the usual Government rates. The pay for new entrants (Inspectors) has been reduced to Rs. 80 to Rs. 200.

There are now 329 posts of consolidation Sub-inspectors in the Province. All the posts are temporary. 50 of these posts were sanctioned from January, 1940, for a period of five years. The revised scale of pay is Rs. 55—1—70. The original scale was Rs. 60, with a fixed travelling allowance of Rs. 30 p.m. The allowance was reduced to Rs. 20 p.m. subsequently. This has now been totally abolished from the beginning of the year 1940. 35 Sub-inspectors who were in service prior to 1931 now draw Rs. 80 p.m. as pay without any additional travelling allowance. The fixed travelling allowance of Rs. 20 has been converted into pay. 14 sub-inspectors who have more than 5 years' service continue to draw Rs. 71. The remaining 280 posts have been placed in the time scale of Rs. 55—1—70 with the benefit of counting their period of service towards increment but without any fixed travelling allowance.

The immediate effect of the reduction in pay has been the resignation of about 50 sub-inspectors (Patwaris) in Jullundur Division in a month or so. This shows the danger of reducing the pay below a certain level. The pay of a Patwari in the Revenue Department is Rs. 20 to Rs. 30. But the facilities enjoyed by him there are so many, that he does not like to work as consolidation Sub-inspector on Rs. 55 p.m. There is already a dearth of trained men for the work of consolidation on co-operative lines. The reduced pay will make it still more difficult for the Co-operative Department to obtain suitable trained men from Patwaris for this important work. The alternate method of training its own men will have to be developed by the Co-operative Department if the progress of consolidation is not to be retarded.

Importance of Consolidation.—The Government Review for 1938 states that the work done by the societies for the consolidation of holdings "challenges comparison with any co-operative achievement in Europe, since it involves a complete redistribution of innumerable, and often minute, parcels of land amongst a great variety of owners with

their unanimous consent. No greater benefit has been conferred on the Punjab peasant since the War (of 1914) and the benefit is largely due to Mr. Calvert's initiative and foresight."

Replying to the welcome address of the Punjab Co-operative Union, His Excellency Lord Linlithgow observed that "Consolidation opens out the way of many improvements—the sinking of wells, the use of better seed, the introduction of improved methods of agriculture, the development of facilities for recreation, and in general a healthy pride in the progress of the village. I have heard it said indeed that consolidation is the real foundation of rural uplift, and I am glad to take this opportunity to pay a tribute to the pioneer work of the Punjab Co-operative Department, work with which the name of Mr. Calvert will long be associated." All those who have seen the work of consolidation will heartily agree with Sir M. L. Darling that "if all the ordinary measures of Rural Reconstruction were put in one scale and consolidation of holdings into the other, Consolidation would outweigh the others because it facilitates every kind of progressive measure and there is no other way in which the cultivators' income can be so quickly increased."

The Punjab Land Revenue Committee supported this conclusion and stated that "in our judgment consolidation is by far the most important measure of rural reconstruction. It is in fact the only means known to us by which a sensible addition can be made to the small owner's net income in a comparatively short space of time."

Healthy and Happy Punjab.—In the Punjab we have a programme of social, economic and hygienic reconstruction which is ample to remove the depression and turn the Punjab into a healthy and happy country. All that was missing was the stimulus, the incentive, the desire on the part of the villagers to get on with the work. In consolidation has been found that stimulus, and it only remains to make use of it in every one of the 34,000 villages in the Punjab, where conditions are such that consolidation of holdings is required. Consolidation has proved to be the finest stimulus to self improvement by joint effort that has yet been known in the Punjab villages.

Consolidation through the Revenue Department.—We have so far described the work of consolidation done through the Co-operative Department. In the year 1935, consolidation of Holdings was included in the programme of rural uplift and it was proposed that this work should be carried out by the Revenue Department also side by side with the Co-operative Department. To give effect to this proposal a Consolidation Officer selected from among Tahsildars of ripe experience with a con-

tingent of two kanungos and 5 patwaris was posted to each of the districts of Rohtak, Sialkot and Gujrat. The consolidation staff began propaganda work immediately after taking charge of their new duties. After some time they started actual campaign of consolidation of agricultural holdings. This work was done simply by persuasion and on the basis of voluntary exchanges and partitions arranged by the consolidation staff according to the desire of right-holders. In doing this certain difficulties, legal and otherwise, were experienced by the consolidation staff. To surmount these difficulties, a bill was introduced into the Legislative Assembly and as a result the Punjab Consolidation of Holdings Act IV was passed in 1936. Later on "The Punjab Consolidation of Holdings Rules 1937" were issued. The Act and the Rules give powers to consolidation officers for the preparation of schemes of consolidation, for settlement of disputes among right-holders and for appointment of advisory committees. In order to guide the consolidation staff in carrying into effect the scheme of consolidation and the preparation of records as a result, a draft set of executive instructions has been prepared which is under consideration by Government and will be issued shortly.

The scheme of consolidation having achieved marked success in the districts of Sialkot and Gujrat, the operations were extended to Jhelum in 1938 and to Gurgaon, Mianwali and Muzaffargarh in 1939. In the last named three districts the work was started sometime in July 1939 and is still in its preliminary stages. The progress made in the various districts from the start of the operations up to the end of September 1939 is given in the sub-joined table :—

Name of district.	Area consolidated (in acres)		Area under consolidation.		Expenditure from start of operation to 30-9-'39.
	No. of villages.	Area. Acres.	No. of villages.	Area. Acres.	Rs.
Rohtak	8	4,782	7	7,771	43,443
Sialkot	51	22,539	14	8,491	57,688
Gujrat	41	17,607	11	9,445	51,176
Jhelum	11	7,519	7	18,733	21,905
Muzaffargarh	..	..	8	6,398	2,720
Gurgaon	..	..	5	3,458	1,682
Mianwali	..	..	11	24,566	1,792
Total	111	52,447	63	78,862	1,80,406

The following consolidation staff was working in each district on 30-9-'39, the date of close of departmental year :—

District.	Consolidation Officer.	Kanungos	Patwaris.	Peons.
Rohtak	—	2	10	3
Sialkot	1	4	20	6
Gujrat	1	4	17	6
Jhelum	1	3	13	5
Mianwali	1	2	9	4
Muzaffargarh	1	2	9	4
Gurgaon	1	2	4	4
Total	6	19	82	32

Consolidation officers are selected from Tahsildars and get 20 per cent allowance on their original pay together with a fixed horse allowance of Rs. 50 p.m. The grade of Tahsildar is Rs. 200—10—350. Consolidation Kanungos are paid at Rs. 70 p.m. with a horse allowance of Rs. 15 p.m. They are selected from among mahal Kanungos of ripe experience. Consolidation patwaris receive a fixed pay of Rs. 45 p.m. plus a fixed travelling allowance of Rs. 10 p.m. They are taken from the mahal patwaris who have put in a sufficiently long service. In making these appointments particular regard is paid to experience and ability to work harmoniously among the rural population. The cost of consolidation is at present borne by Government and is debited to the fund reserved for special Development programme which is financed from the Government of India grant for rural uplift. Under rule 26 of the Punjab Consolidation Rules, the cost can be recovered from the right-holders concerned

- by levying an acreage rate on the area consolidated which may vary with the nature of the land, or
- by distributing it proportionately on each holding affected by the scheme on the basis of the land revenue assessed, or where the assessment is fluctuating on the average of the last three years land revenue on such holdings.

As stated above no recovery has been made from the right-holders. It has, however, been decided that in the Sialkot district, in which the scheme of consolidation has gained much popularity, a discretionary charge of annas 4 per acre should be introduced and preference for consolidation should be given to villages willing to make this contribution.

The Financial Commissioners are the head of department of the consolidation staff working under the Revenue Department, and the Director

of Land Records is the Controlling officer. For administrative purposes, the whole consolidation staff works under the control of the Deputy Commissioner. Monthly and quarterly progress reports are received in the Director's office and the latter are submitted to the Financial Commissioners. For purposes of co-ordination, the work of consolidation is inspected by the Director of Land Records at intervals and notes of inspection recorded by him are sent to the Financial Commissioners. As consolidation of holdings is an item of the Rural Uplift programme, special attention is paid by the consolidation staff to the construction of circular roads round the villages, widening of paths already existing, digging of manure pits, filling of villages ponds, setting apart of land for playground and schools, opening of ventilators and giving effect to other items of sanitation. A detailed set of instructions relating to the rural uplift programme to be followed by the consolidation staff has been drawn up and supplied to all the consolidation officers.

As to the effect of Consolidation of Holdings Act, it may be stated that it is working smoothly and no difficulty has been experienced so far except that complaints are received from some districts about transfer of possession according to the allotments made as a result of consolidation. Conservative habits of some of the zamindars who would not part with the land of their fore-fathers are the chief cause of this drawback and though section 11 of the Act empowers the Consolidation Officer to put the right-holders into possession, yet with a view to facilitate further the transfer of possession, ways and means are being considered and it is hoped some remedy would be found before long to obviate this difficulty.

As a result of the scheme of consolidation, waste lands have been brought under cultivation, wells have been sunk, fruit trees have been planted, farming has become more intensive and boundary disputes to which there was no end, have ceased. Zamindars are now realising the benefits of consolidation and consequently they are now coming forward in large numbers for having their holdings consolidated. The consolidation of an area of 52,477 acres in 111 villages within a short period of a little over 3 years and the reduction of 57,966 scattered plots of land into 16,332 blocks are by no means a small success. With the advancement of years the scheme is sure to gain still greater popularity.

The information about "Consolidation through the Revenue Department" has very kindly been supplied by the Director of Land Records, Punjab, Lahore.

STATEMENT SHOWING PROGRESS MADE BY THE CO-OPERATIVE CONSOLIDATION OF HOLDINGS SOCIETIES
IN THE PUNJAB SINCE 1921.

	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
Societies.	60	107	133	154	174	237	314	428	543	654	795	911	1011	1097	1167	1210	1270	1360	1477
Members.	1698	3397	5225	7078	8412	10628	15387	20495	28305	35778	47948	58803	67992	78319	89429	103584	119875	141929	160782
Area con- solidated (in acres)	7571	6983	5376	8120	11707	21258	38071	64699	48709	50105	72821	60348	62062	56148	63534	92689	120295	132313	157211
Cost per Acre.	..	-/12/5	2/1/4	3/-/6	2/2/9	2/8/10	3/5/1	2/7/2	1/12/-	2/12/10	3/-/6	1/11/8	2/-/7	1/13/2	1/14/-	1/6/11	1/12/8	1/12/1	1/12/1

Total area consolidated so far up to 31st July, 1939:—10,66,221 acres.

SOCIETIES FOR CONSOLIDATION OF HOLDINGS IN BARODA

By

T. M. DESAI

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The work of consolidation of individual Khatedars on a co-operative basis has been carried on since 1924 by the Department of Co-operation. The work done by these societies is on a voluntary basis. Ten persons or more of any village willing to consolidate their lands can form a society of this kind, which after due inquiry is registered. A Board of Directors is then formed, which is empowered to consolidate the lands of the members by transfers and a transfer statement (*सोबदला पत्रक*) is prepared. From this statement, documents of transfers are prepared and are registered before the Sub-Registrar. After the documents are registered, the transfer statement (*सोबदला पत्रक*) is sent to the taluka Revenue Officer concerned for transfers (*सोबदला*) of names and necessary changes in the registers. After the lands are transferred in the Revenue records, consolidation is permanently effected. Mutation, however, in Settlement Registers is left to the will of the members. Thus lands consolidated is not always compulsorily brought under one Survey number, though the holder is allowed to get his several numbers in a block turned into one single holding even in survey papers.

The work of consolidation of holdings has been well done in the Kadi, Kalol, Sinor, Mahuva and Padra talukas. This work depends largely on the special efforts of the Honorary Organisers and Local Revenue Officers interested in co-operation. The Honorary Organisers, Talatis, Tajviydars and Auditors, who get the whole process of consolidating particular pieces of land worked out, are given a remuneration for each block reduced. The Honorary Worker gets Rs. 5 while the Government servants get Rs. 3 per block.

Pamphlets have been prepared on the subject and distributed among members of societies. There are 79 consolidation societies. The results achieved from 1924 to 1938-39 through these societies are contained in the statement annexed.

Difficulties in the way of Consolidation.

1. Poverty leading agriculturists to creating a variety of charges on their land.
2. Indebtedness on a large scale.

3. Lethargic attitude of the people.
4. Attachment for one's own land.
5. Difficulty of obtaining in exchange the same kind of land, i.e., Bagayat for Bagayat and Kyari for Kyari and so on.
6. Legal difficulties are :—
 - (i) A little complicated process required for the change of holding from one name to the other, and recording of the change from the first to the last in the Government records.
 - (ii) Possibility of sale transaction passing as consolidation.

Concessions offered by Government.—The movement is beneficial to the people. To bring the land under better and economic cultivation and in order that people can take advantage of the scheme, the Government have offered the following concessions :—

- (i) When Barkhali (alienated) land is transferred with Sarkari (Government—or Chakariat—Village Service) the original sanad is issued for the lands so transferred.
- (ii) The same concessions are given when Chakariat land is transferred with the Sarkari land.
- (iii) Exemption of Registration Fees.
- (iv) Instead of separate mutation for every Khatedar's land, all such mutations are entered in a single form, and sanctioned collectively. It is also exempted from stamp duty.
- (v) Exemption of stamp duty on documents of transfers of lands.
- (vi) Members have not to go to the Sub-Registrar's Office at the taluka town, but the Sub-Registrar goes to the village when a sufficient number of transfers of holdings are to be registered.

The general effect on the agriculturists, though not startling, is undoubtedly good.

Advantages of Consolidation of Holdings.

1. Avoidable waste of time and labour in carrying oxen, ploughs and other implements etc., from one field to another can be stopped.
2. The land wasted in boundaries can be profitably utilised.
3. Manuring of soil is facilitated.
4. Elaborate system of crop-rotation is possible where consolidation is effected.

5. Protection and supervision of valuable crops in the consolidation of holding can be more effective than in the scattered holdings.
6. Digging of wells and other irrigation facilities become possible.
7. Improved methods of cultivation, scientific cattle-breeding and other plans of improving the economic condition of the cultivators can be more easily and profitably introduced.
8. Collective sale of agricultural produce and the construction of better roads are easier on consolidated fields.

Disadvantages of Consolidation of Holdings.

1. Lands scattered in different areas is an insurance against vagaries of climate.
2. Much trouble and inconvenience experienced in partitioning the land by the heirs of a deceased landed proprietor can be avoided if the holdings are scattered.
3. A variety of crops affords occupation to cultivators for more days than is possible on a compact homogeneous block.

Statement showing consolidation work done through Co-operative Societies from 1924-25 to 1936-37.

Year	No. of societies worked during the year.	Number of members who consolidated their holdings.	Bighas of lands.	No. of blocks before consolidation.	No. of blocks after consolidation.	No. of blocks reduced.
1924-25	2	53	780	214	149	65
1925-26	2	5	194	47	43	4
1926-27	1	13	1008	43	37	6
1927-28	4	91	7266	1597	1373	224
1928-29	4	39	1494	358	309	49
1929	7	69	4817	515	483	32
1930	10	214	7054	1929	1744	185
1931	13	94	2349	574	496	78
1932-33	26	337	10694	2720	2436	284
1933-34	25	210	6299	1557	1407	150
1934-35	19	84	2236	698	638	60
1935-36	24	89	4926	850	775	75
1936-37	6	38	990	325	298	27
1937-38	7	73	2178	613	566	44
	150	1409	52285	12040	10754	1283

CO-OPERATIVE MOVEMENT IN JAPAN.

By

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Joint Registrar of Co-operative Societies, Madras.

Before I left for Japan, I had a poor idea of the Co-operative Movement there. The books on Co-operation in Japan are very few and these few do not give a clear idea of the Co-operative Movement there. Even those who went to Japan have not given any idea of the Co-operative Movement. Indeed an important political leader of great reputation told me that there was no Co-operation in Japan, that Japan was ruled by capitalists and dissuaded me from going there. However, my tour in Japan has disillusioned me. I found there not only the Co-operative Movement but also the genuine co-operative spirit among the members. Only, the Co-operative Movement there is under the strict control of the Government, as I shall explain below.

Early Leaders.—The Co-operative Movement in Japan owes its existence to the exertions of two persons, viz., Viscount Shinagawa and Count Hirata. Long had they been labouring to bring a co-operative law into existence; but every time, owing to political and other reasons, the Bill could not be pushed through. The post-war programme following the Sino-Japanese War (1884-1895) included the improvement of the monetary and banking systems of Japan. In order that the banks might function properly, it was considered necessary that the co-operative system should be developed properly. Moreover, with the progress of the post-war programme, large scale enterprises came into existence one after the other, and the wage-workers rose up to a sense of their own consciousness and the labour leaders began to preach the gospel of Co-operation along with that of labour unions. Social unrest developed considerably and the authorities began to realise the urgent necessity to provide some means of protection to the small-scale industrialists and also to the petty ryots against undue pressure from capital and big industries. Forced thus on all sides, the leaders of the people headed by Viscount Shinagawa and Count Hirata introduced a Bill in the Diet early in 1900 which was passed on the 22nd February. Unfortunately, just four days before the Bill was passed in the Diet, Viscount Shinagawa died. Count Hirata, however, took up the work of Co-operation and pushed it on with all the enthusiasm he could command. He felt that if the Co-operative

Movement was to advance, it was necessary that there should be a strong central body to take up the work of organisation of societies and accordingly an institution called the Central Union of Co-operative Societies was organised on March 1st, 1905. Ever since the starting of this institution, the number of societies in Japan increased considerably, with the result that there are to-day as many as 15,000 societies.

Legislation.—To meet the growing demand of the times and the needs of changing situations, the Co-operative Law was amended in 1906, 1909, 1917, 1921, 1923, 1926 and 1932. Important changes in the Act were made in 1917, when the registration of the urban credit societies was recognised, in 1921 when the registration of nation-wide unions of different kinds of societies was permitted, in 1923 when the registration of the national federations of purchase societies was recognised, in 1927 when the registration of silk-sale societies was recognised, in 1921 when the registration of rice sale and purchase societies was recognised and in 1923 when the necessity for a Central Bank for Japan was recognised. In 1917, the Agricultural Warehousing Act was passed by which all the ware-houses in rural areas were brought under co-operative management. With the aid of the above series of legislation the Co-operative Movement in Japan pushed itself forward.

Five Year Plan.—At the Twenty-Eighth Co-operative Congress held in Osaka in 1932, a resolution was passed authorising the Central Union to draw up a five-year-plan for the extension of the co-operative activities in Japan. The plan contemplates (1) an increase of 15 per cent. in the number of societies in 5 years with the idea to bring into the Co-operative Movement about 60 per cent. of the number of households in Japan proper, (2) the conversion of all societies of limited liability, except urban credit societies and urban purchase societies (commonly called consumers societies) to be unlimited liability or to liability limited by guarantee during the five year period.

Types of Societies.—Before I deal with the various phases of the Co-operative Movement in Japan, I shall deal first with the salient features of the co-operative law for a proper understanding of the various types of societies.

Objects. Under the law, a Co-operative Society has the following objects :—

- (1) to lend money to the members for financing their industry and to afford facilities for depositing savings
- (2) to sell articles produced by its members
- (3) to purchase articles required by its members

- (4) to make available to the members machines or other articles required for the development of their industry.

According to the objects enumerated above, the Co-operative Societies in Japan are divided into four kinds, viz., (1) Co-operative Credit Societies, (2) Co-operative Societies for the Sale of Produce (3) Co-operative Societies for the Purchase of Requisites, agricultural and industrial and (4) Co-operative Utility Societies.

A Co-operative Credit Society may embrace any or all of the objects stated above and there is no restriction that one society should confine itself to only one activity. When a Co-operative Society is formed for credit, purchase and sale, it is called a compound society. Besides these Federations of Co-operative Societies may be formed which should consist of at least two societies. Federations are of four kinds, viz., (1) Federations of credit societies, (2) Federations of sale societies, (3) Federations of purchase societies and (4) Federations of Utility societies. Even these federations may comprise different types of societies, as I shall explain below. When I asked some co-operators in the Central Union why they do not form groups of only homogenous types of societies and why they have mixtures of different types of societies, they said that they in Japan would suit the societies to the needs of the people, as the societies are intended for men and not vice-versa, that they keep in mind only the broad co-operative principles and that they do not mind variations in details.

The area of operations.—The area of a society is fixed by the society itself according to local conditions and the nature of its work. Generally the area of operations of a Co-operative Society is limited to an administrative unit like a city, town or a village and the area of federations extends to the territorial limits of a Province. There is no restriction that one village should have only one society. In some villages there are 2 or 3 societies.

Some By-laws.—The ordinary general meeting of every society is usually held in the first month of the financial year. Important business, such as, the election of directors and auditors, amendment to the constitution, amalgamation with other co-operative societies or dissolution requires as a rule the votes of at least half the members and three-fourths majority of those present, but business of minor importance may be decided by a majority of the members present at the meeting. Every member has only one vote, but the vote may be delegated to a proxy who should be one of the members. The directors generally hold office for 3 years. Every member should take at least one share, but no member can take more than 30 shares. In exceptional cases, a single

member may have 50 shares. The value of a share should not exceed 50 yen. (a yen = 12 annas). The law provides for setting apart a quarter of the net profits to the Reserve Fund, the balance being available for allocation as a dividend to members, as a bonus to employees or for special objects. The dividend to members is to be divided (1) in proportion to capital shares, (2) in proportion to the amount of business transacted with the society by members. The first form of dividend cannot exceed 6 per cent. but in special cases it may go up to 10 per cent. while there is no limit as regards the second form of dividend.

Supervision and Management.—Co-operative Societies and their Federations are under the supervision of the administrative head or the Governor of the Prefecture and of the Ministry of Agriculture and Forestry, while urban credit societies are supervised by the Finance Ministry and also by the Ministry of Agriculture and Forestry. There is no separate Registrar in Japan. The Secretary to the Ministry for Agriculture and Forestry does the duties of the Registrar.

Having dealt so far with the general aspects of the movement let me now explain briefly the different types of co-operative societies.

Co-operative Credit Societies.—By far the larger number of co-operative societies in Japan are the credit societies and they are the most active. But, as I have said above, they combine other activities besides credit. The maximum amount of loans to be granted to an individual member is fixed by the general body meeting year by year. The general body elects annually a committee to enquire into the financial position of every member and to decide as to the amount of loan to be given to each member, subject to the limit fixed by the general body meeting. Urban societies are permitted to discount bills of exchange and also to receive deposits from non-members. The usual rate of interest on deposits varies from 3·5 to 5·5 per cent. per annum. In Japan, the agriculturists have freely availed themselves of the benefits of co-operative societies, with the result that their membership in societies is about 70 per cent.

Sale Societies.—These societies are formed with the object of selling the articles produced either by the society as a body or by the members individually. The products handled by the sale societies are many. They are principally, rice, wheat, barley, soya beans, fresh vegetables, fruits, tea, cocoons, raw silk, matting, articles made of straw, livestock, textile fabrics, drapery, marine produce, sugar, paper, charcoal, eggs and medical apparatus. These sale societies handle produce of all kinds worth about Rs. 234,907,380 a year.

Co-operative Purchasing Societies.—The object of these societies is to purchase the articles required by their members either for home consumption or for carrying on industries carried on by the societies or by their members. There are two types of these purchase societies (1) those which purchase raw materials or other requisites for agriculture and manufacture and (2) those which purchase articles for consumption. The purchases are made on indents received by the members. Stores are also opened in which articles required by members are stocked and sold when required. The chief articles purchased through the first type societies are fertilisers agricultural implements, seeds and seedlings, silk-worm eggs, raw materials required for manufacture, tools and machinery, fishing implements. Among the articles required for daily consumption are rice, wheat, barley and cereals, salt, silk, sugar, macorroni, fish, coal, petroleum, textile fabrics and medicines. The societies purchase to the extent of Rs. 152,243,358 a year. In fact, in Japan every co-operator has made it a religious habit to purchase everything he requires through a co-operative society and to sell everything he has through a co-operative society. This is why both purchasing and selling societies are brimming with transactions.

Consumers' Societies.—In Japan, the stores were originally started for the working classes. One of the pioneer societies inaugurated for them was the Taikijima co-operative store started in 1919 by 40 workmen, all of whom were the members of a trade union. But it failed 5 years after. In 1920, a group of workers belonging to a manual workers' union organised a store in Oshimamachi (an industrial town on the outskirts of Tokio) under the leadership of Rikichiokamoto, one of the most zealous co-operators in Japan. This store also failed after sometime as it was involved in labour disputes. However, the store movement did not halt in Japan. Enthusiasts went on organising co-operative stores not only for factory workers as part of the welfare work of the factories but also for the salaried employees both in firms and in Government institutions. Stores for the public, called "the Citizen Co-operative Stores" were organised and stores for students also were organised. The most important of the last class of societies is the Tokyo Students Co-operative Store, organised in 1905 by the students of Waseda and Takushoku Universities. I saw a store at Kobai where I first landed in Japan. This was organised in 1921. This society is working successfully, because as an exception to the general class of co-operative stores in Japan, this store endeavours strictly to observe the principles of the Rochdale pioneers and on this ground it may be called "the modern store in Japan." When a number of stores came into existence, steps were taken to form federations of the stores so as to enable them to purchase in bulk, but the federations were not a suc-

cess. In fact, the store movement in Japan cannot be said to be a success. The only successful federation surviving is the co-operative association of rural co-operative stores at Osaka. There are only about 130 stores in the whole of Japan, many of them not working on right lines. As I ascertained from the co-operators in Japan, the reasons for the failure of the store movement in Japan are the following:—

(1) the apathy of the members towards the ideal of the co-operative store. The general meetings and committee meetings are not well attended,

(2) the decentralised state of the stores. Stores are started at random and when a new store is started, no arrangement is made to co-operate with the existing store; on the other hand, it is neglected and the new store draws its membership from far and near stretching its hands and legs to the remotest corners. Hence there is overlapping of the area of operations of stores resulting in overburdening of the running expenses of the stores.

(3) the almost universal practice of sales on credit and the wide employment of roundsmen and of messengers to deliver the goods ordered. I understand the cash system is prevalent in only 10 out of 130 stores in Japan. Co-operators in Japan argue that the cash system is unnecessary and unworkable, but the very fact that the stores working on cash basis are working successfully only proves that cash system is necessary in stores.

(4) *Sale at low price.*—The stores in Japan do not observe the principle of sale at current prices. Every store tries its best to sell to its members at as low a rate as possible so as to please the members without looking to their own existence. Only 10 per cent. of the stores in Japan observe the principle of sale at current prices laid down by the Rochdale pioneers. The stores are not able to declare any decent bonus on the purchases and, therefore, they are not able to attract sufficiently large number of members.

(5) stores in Japan are freely selling to non-members. This defect is justified on the ground that non-members are only prospective members.

Co-operative Utility Societies.—These embrace a wide range of activities. The object of the co-operative utility societies is to allow the members to utilise the articles or establishments necessary for their industrial or economic purposes, for instance, the agricultural land, warehouses, dwellings, fishing implements, machinery for agriculture or industries, electricity, household equipment, and medical institutions. These utility co-operative societies are handling power-houses.

motors, motor cars, motor parts, tools and machines, workshops, hostels and conveyances. Among all these activities, agricultural warehousing is of the greatest importance. Since the promulgation of the Agricultural Warehousing Act, these utility societies are controlling 7,000 warehouses in Japan with a total storage capacity of nearly 30 million bushels and thereby contributing a great deal to the adjustment of demand and supply of agricultural products, especially rice. These warehouses not only undertake storage and preservation but also carry on all the processes for the improvement and grading of the produce deposited so as to prepare it for sale. They act also as intermediaries for sale and grant loans on the guarantee of the deposit certificates. Under the Act of 1917, agricultural warehouses should be exclusively in the hands of co-operative societies and accordingly, a considerable sum is set apart in the budget of the Ministry of Agriculture to assist the authorities in subsidising the establishment and operation of agricultural warehouses. I should not omit to mention one other interesting feature of the activities of utility societies, and that is, the running of hospitals, particularly at the headquarters of Prefectures. One such hospital run by co-operative institutions I saw at Anjo which is called the 'Denmark of Japan'! I shall subsequently give an account of this hospital.

Co-operative Federations.—It is the practice, or fashion, in Japan to have federations for all sorts of societies. Even for 2 societies, they will have a federation. Before they have a sufficiently large number of societies, they think of a federation. When I asked them why, they said they need not wait for a federation to be formed until there are a sufficiently large number of societies, but that a federation itself, when one is in existence, will accelerate and foster the growth of co-operative societies. Some federations, though called federations, engaged themselves in the same kind of business as do the individual societies. I shall now refer in brief to the various types of Federations.

First, there is a Federation for credit societies. This institution operates as a financing centre or rather as an agency of the affiliated societies to get the requisite finance from the Central Bank. I understand that there is absolutely no delay in this institution to get the loans for the affiliated societies in time from the Central Bank. In fact, the amounts required by the business for disbursement to members are intimated sufficiently in advance so as to give no cause for complaint by the members. These federations have been recognised by the amendment to the Co-operative Societies Act in 1909. We will have an idea of the number of federations in Japan from the figures I furnish below:

Credit societies federations ..	34	Federations of societies for	
Sale societies federations ..	17	sale, purchase and utility ..	17
Purchasing societies federations ..	5	Federations of societies for	
Federations for sale and		credit and purchase ..	1
purchase ..	47	Federations of societies for	
Federations for sale and		credit, sale and purchase ..	12
utility societies ..	4	Federations of societies for	
		credit, sale, purchase and	
		utility ..	4
			—
		Total ..	141
			—

The more important of the federations are the federations of sale societies and federations of purchase societies. The federations of sale societies deal in raw silk, cocoons, rice, grain, fruits and charcoal, while federations of purchasing societies deal in fertilisers, agricultural improvements and machinery, salt, sugar, soya-beans, sauce, petroleum and other oils, fish, fuel, etc. We can thus have an idea of the multifarious activities of federations in Japan.

The Central Bank of Co-operative Societies.—The Central Bank came into existence under the authority of the Co-operative Central Bank Act of 1923. The number of societies affiliated to the Central Bank is 11,173 societies and 126 federations. The share capital amounts to 30,700,000 yen, the value of each share being 100 yen. Of this capital, 150,00,000 yen is subscribed by Government and the balance by members of societies. The Bank has a building of its own at Tokiyo and huge transactions running up to a crore of rupees. The Directors of the Bank are paid by the Government; and the auditors are appointed by the Government and paid by them.

National Federations.—Not satisfied with the federations of societies, the Japanese co-operators have formed 'National Federations.' These federations are federations of federations formed to enable them to deal in large quantities direct with importers abroad. These federations include societies also. There is first the National federation of co-operative raw silk societies. This is a huge federation running raw silk factories on huge lines. To market raw silk, there is next the National Federation of raw-silk marketing societies. The object of this federation is to protect the marketing interests of co-operative filatures, leaving them entirely free from control by capitalist filatures and exporters. Now this federation comprises all the co-operative filatures in the country, 12 raw silk societies and 5 local federations. Next there is the National Federation of the co-operative rice-grain marketing societies. This federa-

tion was founded in 1931 with the object of marketing the rice crop of the members jointly. Rice is the most important agricultural produce in Japan. The federation has established branch offices throughout Japan and it sells not only rice but also other kinds of produce such as wheat, barley, beans and charcoal.

The Central Union Co-operative Societies.—This is a very important and useful co-operative organisation in Japan. This corresponds to the Provincial Union of Madras. This union was established in 1905 by Count Hirata and it was given legal recognition by an amendment to the Co-operative Law in 1919. The Union is composed of co-operative societies and federations and also of individuals specially interested in the Co-operative Movement. The Central Union has its headquarters in Tokiyo and a branch in every Prefecture (District Headquarters). The activities of the Union fall under 3 main heads.

(1) *Co-operative Education.*—This union trains young students to become leaders of the Co-operative Movement ultimately. 30 students are admitted each year and lectures are given by the authorities on Co-operation. The Union also holds technical classes in Book-keeping Management etc., once a year to train the Secretaries of societies and federations. It conducts a series of lectures on Economics for the directors of societies and federations. These lectures are held for 3 months at a time. It conducts summer schools on Co-operation for teachers of primary schools and for rural youth.

(2) *Publications.*—The Union publishes the Monthly Bulletin 'Co-operation.' It publishes also a monthly popular magazine called 'The Light of Homes' in order to help the co-operative families generally. I wish the Provincial Union also copies this example of the Union. The circulation of the bulletin 'Co-operation' is about 15,000, while the circulation of the monthly magazine, 'The Light of Homes' has gone up to more than a million and a half. The Central Union has also been promoting the co-operative movement through Kinema films, posters, placards and musical records. With the aid of the large income obtained by the sale of the Magazine, 'The Light of Homes' the Central Union has been able to put up for its office, a huge building costing 3 million yen. It is called 'The Cathedral of Co-operation.' Though it was formally opened a few months ago, it was actually occupied during my stay in Japan.

(3) *Reformation.*—The Central Union organised a Special Department in 1924 for the reformation of societies and federations. About 300 societies and federations were reformed by the Central Union. Since 1934, this department has been conducting lecture courses on the principles and methods of reformation.

The Emperor of Japan, pleased with the work done by the Union, gave it a sum of 20,000 yen in 1911, with a message of encouragement.

Besides the various national organisations referred to above, there are several other national co-operative organisations which have their headquarters in the office of Central Union. They are: (1) the National Association of Consumers Societies founded in 1931, (2) the National Association of Federations of Co-operative credit societies founded in 1931, (3) the National Federation of Co-operative Youth founded in 1933, (4) the National Association of Co-operative Agricultural Societies founded in 1933, (5) the National Association of Agricultural Co-operatives founded in 1933, (6) the National Association of Urban Credit Societies founded in 1934 and (7) the Central Co-operative News founded in 1935. This was founded jointly by the National and Prefectural co-operative organisations in Japan. It publishes 18,000 copies of newspaper twice a week.

Debt Relief.—In Japan also, the problem of agricultural indebtedness is very acute and Japan also was hit by agricultural depression. The co-operative Congress of last year decided on detailed plan of funding co-operators' debts side by side with the liquidation of the frozen debts of co-operative societies. The Government have also decided to advance 100,000,000 yens through the Central Bank at a low rate of interest repayable within 15 years, beginning from 1st of October 1932. Besides this, the Diet (The Legislative Assembly) as a measure of agricultural relief, has decided to stand guarantee up to 30,000,000 yen, to meet the probable loss which the Bank might sustain in handling the loans. This planning is intended to give relief to indebted co-operators suffering from the prolonged business depressions and consequent fall in prices of commodities.

Conclusion.—Before I conclude, I shall narrate briefly the interesting reminiscences of my visit to Anjo which is called the 'Denmark of Japan.' This place has a population of 20,000 and it produces rice during Summer and wheat during Winter. It produces also vegetables, water-melon, pears, peach and tomato. Tomato soup is canned and sent to Tokiyo and Nagoya. Tomato sauce is sent to Corea and Manchuko. Pears and peaches are canned and exported to Europe, while wine from grapes is prepared and consumed locally. Pigs are domesticated and exported to Tokyo and Osaka. I understand the Emperor of Japan (Emperor Meiji) advised his people to eat beef and pork to improve their stature and accordingly all the beef and pork are consumed in Japan itself and there is nothing available for export. I understand from my enquiries of the Japanese that the eating of beef and

pork has really improved the stature of Japanese. I saw large numbers of fowls being reared by the Japanese in their houses. In one farm alone, I saw more than a hundred. But they are all country breed. They do not believe, they said, in breeding improved varieties; for the loss due to epidemics would be immense. I understand this village alone produces the largest number of fowls in Japan and it is from this village, eggs are exported not only to Tokyo and Osaka, but also to Germany and England. In this place, there is a credit society, a sale society, a utility society, an egg society and a store (utility society).

I saw also a hospital run by the federation. (I was asked to remove my shoes before I entered the hospital.) This hospital has 6 doctors, 2 midwives, 200 in-patients and 81 beds. The hospital owns 2 buses and 2 cars to bring the patients from their homes and also to take them back after consultation. The ordinary expenses of the hospital amounts to 90,000 yens a year, while the income from the hospital is 70,000 yens a year. The deficit is met by the local federation. The chief medical officer of the hospital is paid 6,000 yens a year, while other doctors are paid 4,000 yens a year. The cost for a lying in-patient including operation is only 1 yen 80 sen a day on an average, while it costs an out-patient 40 sen a day. The hospital is run on up-to-date lines with very efficient doctors and with modern apparatus. They are able to run these hospitals without any Government help. With the aid of the heavy transactions, these societies are able to earn huge profits which are diverted for medical relief. The hospital was opened here in March 1935. I ascertained that the cost of the site is 65,000 yen while the cost of the building is 75,000 yen, furniture and fittings 34,000 yen, machinery and equipment 36,000 yen. The total is 2,10,000 yen. If only our co-operative institutions and societies work so well and successfully as they do in Japan with the members binding themselves to purchase or sell only through their co-operative societies, I am sure it should be possible in this country also to run big hospitals without any Government help.

I understand that in this place, the total quantity of rice produced is 6,50,000 bags, out of which 3,50,000 is sold through Co-operative Societies, the balance being reserved for home consumption. Out of 2,40,000 bags of wheat produced, 2,00,000 bags of wheat are sold through societies, reserving 40,000 for home consumption. There is also a rice mill here, where the members go and have their rice milled. There is another machine where wheat is milled. There is a macaroni machine where macaroni is produced in large quantities for consumption in Japan. It was really an interesting spectacle to see the members come and store their entire wheat or rice in the godowns of the

society, some milling a part of it for home consumption, while others bringing eggs to be sold, some bringing pigs to be sold and some bringing pears to be sold. In fact, the ryots there look to their co-operative societies to do everything for them. If the ryots in this Presidency were to have the same spirit, how far better would have been the co-operative movement, I leave you to consider.

AGRICULTURAL MARKETING IN EUROPE

By

J. L. RAINA,

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General.—It is difficult to detail out the efforts made in connection with the formation of marketing and distributive societies among the rural and urban people in the different countries in Europe. But we could show by quoting instances how far the working has been facilitated to make the international trade a practical success in so far as agricultural produce is concerned. The work of the marketing and distributive societies has not been confined to members alone. The organisations became co-operative in their aim and these have invariably done good work to benefit all. The distribution of grain became a grave problem after the economic depression and the only solution made possible was through co-operative organisations which combined the producer and consumer.

Aim of Agricultural Co-operative Marketing.—The aim of agricultural marketing societies was to regulate and stabilize the prices of the grains and bring them on a level with the costs of the produce. This could be achieved only by co-ordinated action of the consumer and the producer. Individual sales were replaced by joint sales of grain, when the produce of all members was pooled together and despatched to places in accordance with the demand of each centre. The problem of the surplus was avoided as the supply made corresponded to the actual demand at each centre in need. This combined action improved the method of distribution of supervision, packing, preservation and care as regards the quality of grain.

The marketing society with its arrangements for supervision is able to find that the producer grows the best seed available to obtain good results and supplies to the consumer grains of uniform quality which may reduce the cost of grading to a minimum. Practice has shown that co-operative marketing societies have tried to secure the support of the individual farmers (producers) and regulate the supply of different qualities of grain for sale at different centres in accordance with the demand and the prices were not left to be manipulated by an individual grain dealer.

Grain Markets.—Ephemeral rise in price of the grain has been injurious to the farmer. Bigger areas were cultivated and the markets were over-burdened with an abnormal surplus of a particular grain resulting in a great loss to the producer. William R. Camp in a study submitted to the annual meeting of the American Academy of Political Science, in October 1935, remarks, "Growers individually are inclined to give greater weight to all bullish factors and may even handicap the management by underselling their crop in order to influence the management to set a higher opening price. But experience has shown the management in those associations, which can determine reasonable prices as in dried fruits and nuts that if prices are set too high it may (not?) be possible to move the products to market during the year and that any carry-over is likely to have most disastrous effect upon the next year's opening price."

The distributive co-operative societies also represent the concentration of consumers and the combination of functions on either side would tend towards a powerful grasp of the market as a whole in a particular country.

Alliance of Producers and Consumers.—The growth of these two different sections will bring about complete financial stability with an automatic increase in membership. The commodities could be obtained straight away from the place of production and an organisation will help the producer to remain in touch with the consumer and his needs.

Problems of Co-operative Marketing.—The main problems that confront the producer at the present moment are not only confined to transportation. The producer has to save his commodity from perishing and he has to find the place where he can sell his produce with ease. The agricultural depression has placed him in a fix. The only solution to end the misery of the farmer was found in centralising his efforts through co-operative undertaking which develops his economic efficiency.

Agricultural Co-operative Marketing Societies and International Trade.*—The agricultural co-operative marketing societies now to be found on the international market did not come into existence suddenly. They have behind them a long process of evolution, the successive phases of which were parallel to the phases of development of marketing in general.

* International Economic Conference, Report, p. 6. Geneva, May 4th, 1937.

(a) In rural districts where economic conditions are still primitive, co-operatives will be found, each member of which belongs to the society both as producer and consumer, e.g. dairy co-operative societies (*fruitiers* in Jura, Savoy, Switzerland) and combined milling and baking societies (France, Czechoslovakia, etc.) which return to their members, in the form of cheese, flour or bread, their produce of milk or corn.

(b) Where marketing conditions have become more advanced and the separation between rural and urban centre is accentuated, the village trader appears who combines the functions of grocer, draper, agent for fertilizers, etc., with those of intermediary for the disposal of agricultural produce in the towns, by which he generally keeps the rural producer in a state of dependence by the practice of usury. It is for the purpose of replacing this middleman that multiple function co-operatives are formed, such as the German Raiffeisen funds, the Czechoslovak Kam-palicky and the Irish or Indian general purpose societies, village societies, etc.

(c) The development of the rural co-operatives together with the development of regional and national markets leads to the creation of powerful central co-operative societies for the purchase of materials and agricultural machinery and the sale of agricultural products.

(d) Finally the specialisation of certain countries or certain regions in a given form of agricultural production (butter, wheat, fruit, flax, etc.) which can be disposed of, if only, in distant markets leads to the creation of agricultural co-operative marketing societies for particular products (the sale may be preceded by a more or less important process of transformation). The co-operatives correspond to the most advanced stage reached by agricultural economy in its relations with world economy.

It has been suggested that any scheme for the organisation of the grain market must (1) facilitate the financing of agriculture, (2) keep the price of grain and to this end it must fulfil the following conditions: (i) establish fair market prices; (ii) ensure that the price surplus is passed on to the producer and does not remain with the middleman; and (iii) see to it that the producer is not required to pay indirectly (i.e. in the form of taxes for the whole of this additional price).

Having discussed the general lines of the conditions of marketing, we shall deal with particular countries and in the end find out how India can benefit by the mistakes made by other countries.

AUSTRIA.

The Government in Austria had to intervene in the regulation of production and the sales of the grain and a control was effected and an

economic system had to be adopted which made it obligatory to bring into effect the agricultural co-operative organisations in this country.

The introduction of collective sale and collective purchase has to a very great extent solved the problem of grain control in Austria. Each individual co-operative society in the village is a member of the provincial association which in turn is a member of the central organisation of Austrian Federation at Vienna. The Federation is a directing body and the work of co-operative society has become very efficient and each unit is working independently. All farm requisites are purchased by the society for the members, whose produce is also collected and the sale is directed under the instructions of the Federation. These organisations have practically displaced private trade. There are no grain markets in villages and towns. As the private grain shops merged into the co-operative society, certified seeds could not be made available from other places.

Improvements were made to this extent that the private dealers did not exist after 1933 altogether. The co-operative society gave complete proof of its efficiency in the collection and distribution of grain, and the people have implicit faith in it and almost in the whole of Austria business is done now by the co-operative marketing society under the direction of the Central Federation.

In 1933 those who were hit by these co-operative organisations tried to take advantage of the record harvest in that year and although price slump was expected, the Federation with the help of the Government controlled the situation and saved the farmer from a great loss, who was still induced by the middleman to put his whole produce in the market directly independent of the Federation which agreed and promised the grower to compensate for shortage or loss of interest if an occasion like that arose.

As the Government had intervened in the first instance in effecting control all possible precaution was taken to help these organisations and the farmer in particular with protection laws. The co-operative sale and purchase societies were encouraged to do business in their own way and the Federation stopped making purchases directly and the Government was prepared to bear the loss, if any, as the prices quoted would in no case allow an individual grain dealer to collect grain as the margin between the buying and selling price was kept very low and the farmer was given a fair price for his produce. The Federation fixed the prices which were published for general information. In order to avoid storage, supplies were given direct to millers who were glad to accept the terms of the Federation and save themselves from speculation.

Prices having been fixed for immediate supply provision was made to pay higher prices for deliveries made at later dates in accordance with the need arising. By this method the farmer stored the produce with himself and the markets were, besides not being over-flooded avoiding undue storage, regulated with very good results.

The co-operative purchase and sale societies proved very satisfactory; in this way despite the fact that the harvests in 1936 and 1937 have been very poor and rye had to be imported from outside, the markets have been regulated in such a way that at no time too much of produce was available and shortage was seldom observed. Sale of foreign produce is not permitted while home produce is sufficient. The price of wheat in Austria has been kept stable by import duty and supply varies in accordance with the need. Most of the wheat is brought to the consumer by the co-operative societies.

Arrangements to supply fodder, flour, barely and maize have been made so complete by the Federation that there is no chance of the fluctuation of prices. The equipment of these articles is so perfect that supply can be made for weeks together without a fresh purchase. There is no chance of the fodder prices going high on account of transport difficulties as plenty of stock is available with the Vienna Federation.

Since occupation of Austria by Germany, it is possible, there may have been some change in the administration of the Federation through the general Reich planning, details of which are not yet available; but the marketing as was regulated by the Austrian Republic will remain unaltered as a whole, which was complete in itself till March 1938.

REVIEWS

YEAR BOOK OF AGRICULTURAL CO-OPERATION, 1940.—(The Horace Plunkett Foundation, P. S. King & Son, London, 361 pp. 12s. 6d. net).

The war has had its effect on the size and contents of this interesting and instructive annual, eagerly looked forward to by agricultural co-operators all over the world. Even before the beginning of this year the ravages of war and the policy of the conquerors had enfeebled, if not extinguished, the co-operative institutions of a number of countries in Europe. More have been added to this list since then. The very flourishing movements in some of them have passed into an obscurity from which it will take long for them to recover, even if the war ends in an early victory for the Allies. In addition to the British Isles, only three European States are dealt with in this Year Book—Sweden, Switzerland and the now unfortunate Netherlands. The small states of Europe have been so far more remarkable for their solid achievements in a variety of co-operative ventures than the big states. What their future is to be, it is extremely difficult to foresee in the terrible turmoil of the present. Accounts of the glorious past, reviews of books and of the legislation of the year—all appear to be relatively unimportant in the anxiety caused by the catastrophe that has overtaken Europe and threatens to envelop the rest of the world.

Mr. Maurice Colombain writes a note on the Co-operative Service (of which he is the distinguished chief) attached to the International Labour Office at Geneva. The aim of that Service is to collect and publish objective information about co-operatives in all branches of activity all over the world. It has been discharging that duty very ably and is anxious to render any service despite the dreadful distractions of the war. We are sure it will take its due share in the reconstruction after the war, and help "to conciliate order and liberty, economic prosperity and social justice."

The longest and the most substantial contribution is by Miss M. Digby, the talented Secretary of the Horace Plunkett Foundation, whose regular articles in the *Indian Co-operative Review* are a treat to its readers. This time she writes on Agricultural Co-operation in the Eastern United States of America. It is an intensive, analytical study based on a tour made in the spring of 1939 and deserves to be read for its own sake by all advanced students of co-operation. The chances of our following American models are remote. It is indeed a study in contrast for us. Institutions there are on a very large scale and are strong, economic and efficient. The staff is of high quality, natural in a country where the best intelligence is drawn towards business rather than the services and professions. "The minds of higher officials remain noticeably open to the academic discussion of problems and policies even after they or their organisations might be short-sightedly considered as past the experimental stage." The movement has benefited by a close and stimulating con-

tact with the Universities, unlike in Great Britain. It received "very generous financial assistance and a highly qualified and disinterested advisory service" from the Federal Government.

Against these advantages are to be set certain defects. In spite of propaganda, there is not much of democratic control by members; management lapses into the hands of capable and enthusiastic executive officers. Another defect is that the forward-looking American gets tired of an organisation, however successful it might be, if it has nothing new to offer. There is an extensive spread rather than an intensive development of co-operation. There is too much of politics in the co-operative movement; rather co-operation is often an appendage to a political party. These are perhaps passing, or passable, evils in a movement which delights in bold experiments and is therefore worthy of study, at least as a diversion from the monotonous accounts of our prosaic efforts.

Of accounts of co-operative activities at the other end of the world, two are very interesting as the experiences are akin to ours though the situations are not the same. The one is a brilliant sketch by Mr. G. Hawkins of the environment in Malaya, where attempts at co-operation on the European model have more often turned out to be failures. The bounty of soil and the discomfort of climate brought about an ease of living, when rubber was selling high, which was inimical to the austere and self-reliant spirit of co-operation. Depression is said to have stung the people to their senses. Old Raiffeisen societies had most of them to be wound up; new ones are said to be more strictly run, but details are not given. Co-operative shops faded as quickly as they grew, but no serious loss resulted. Joint sales of rubber were said to be more promising. But with high prices again, the incentive to co-operation may weaken.

The other account is of China by Mr. W. K. H. Campbell, Economic Adviser of the League of Nations, who has bravely rejoined duty in the war-stricken China. Co-operative work is said to be carried on under very extraordinary and almost impossible conditions. Societies are said to be functioning allright, granting and recovering loans, in areas nominally occupied by invaders, and new societies are being organised everywhere—often with undue haste. There is little default, though the rates of interest are as high as 15 per cent due mainly to remittance difficulties. The main weakness from the co-operative point of view is that the financing banks are commercial and subject societies to a lot of control. The Government is extremely sympathetic and almost compels banks to help the societies. Surely a better solution would be to organise financing agencies within the movement. A gratifying by-product of the war with Japan is the organisation of more than a thousand industrial co-operatives to help cottage industries, which can be moved from place to place with far less risk of paralysis by bombing than large factories!

Of the recent trends in the movement in India and Burma there are two neat sketches by Mr. K. G. Ambegaokar of the Agricultural Credit Department of the Reserve Bank of India. A little too much credit seems to be taken for the work of that Department, when it is claimed that it is the first organisation for the continuous study of the problems of co-operative credit. It is true "it also helped to disseminate information, co-ordinate thought and stimulate effort in the field of co-operation."

But surely some such work has been done by older co-operative organisations too, of which no mention is made. After all agricultural credit is only one phase of co-operation. Two favourite schemes of this Department which received wide and continuous publicity and almost created a craze for some time, were the multipurpose society confined to a village and the banking union limited to a group of villages. There is an admission in the sketch itself that the idea of a banking union advocated by the Reserve Bank has not received much support. As for multi-purpose society, the latest views on the subject, for instance in the last Registrars' Conference at Delhi, reveal by no means any firm faith in the type of society advocated in the Bulletins of the Department. The resolution finally passed by the Conference is itself revealing: "Provinces should experiment with multipurpose societies to ascertain more clearly the conditions under which they are likely to thrive and the form which they should take with special reference to their *area of operation, liability and purposes*." (Italics ours). It is not only the Bulletins of the Department but the sufferings in depression that have roused co-operators from the slumber of years and led them on to question even old established principles.

Handsome tribute is paid to Madras for its system of controlled credit, loan and sale societies, the Provincial Marketing Society, and above all for its land mortgage banks. "It may therefore justly be proud of having created sound traditions and of having worked the system even better than in some of the European countries." The splendid work of the sugarcane societies started recently in the United Provinces to finance cultivation, regulate supply of cane to factories and supervise weighing and prices on behalf of members deserves the praise bestowed. Last year (1938-39?) the societies gave Rs. 30 lakhs of loans and supplied 50 per cent of the total sugarcane crushed in the factories, a record not approached by the older cotton sale societies of Bombay. Hopeful signs of recovery are noted in the more careful registration of societies, cautious resumption of fresh finance, extension of purposes to be served by co-operatives, linking of credit and marketing and the combination of finance and supervision in central banks. The last may savour of co-operative heresy but it is a 'realistic measure' inspired by the new zeal for reform. Readers will be grateful to Mr. Ambegaokar for this stimulating sketch of recent trends in the co-operative movement of India.

Of the movement in Burma and the attempts at reconstruction there, Mr. Ambegaokar gives a shorter sketch which can be read with interest by readers who do not have the time or the opportunity to read the larger Bulletin on the subject issued by the Reserve Bank of India. Great credit is due to the Horace Plunkett Foundation for bringing out this annual as promptly as ever in spite of the strains and stresses of war.

K.C.R.

THE PEOPLE'S YEAR BOOK, 1940.—(Co-operative Wholesale Society, Manchester, 2s. 6d.)

This is an Year Book and Directory of Consumers' Co-operation of Great Britain in particular and of the world in general. The problems arising out of war that consumers' societies have to face naturally occupy a good bulk of the space this year. But more problems relating to war and after-war economy have been raised than attempted to be answered. It has been said: "Modern warfare is as much a matter of economic organisation as of physical violence." The range of questions is formidable, e.g. Will self-government in industry survive state-control? Will centralisation of industry continue or will part of industry relapse into small scale? How far evacuation due to fear of air raids affect societies in the coast and in the interior? What are the effects on sales due to difficulties of transport and the shortening of working hours necessitated by the black-outs? What substitutes are available for raw materials whose supply has been cut short? The consequences of the war on the social life of the people, with their repercussions on the movement, are summed up in a special chapter by Mr. W. M. Johnston. Other articles on war do not directly impinge on the conduct of co-operative societies.

This natural concentration on war problems has not been at the expense of the normal features of this interesting and informative year book. We have the usual details as regards co-operative production and trade, labour statistics, trade unionism, national output and export of Great Britain. The movement in France and that in the United States are the subjects of special contributions, the former by A. J. Cluet and the latter by Mr. W. J. Campbell. A concise directory of co-operative organisations, national and international, follows. But we are sorry to find that the errors as regards the movement in India to which we have repeatedly drawn attention—remain uncorrected. The T.U.C.S., the premier consumers society in India, is said to have begun as a credit society and even to-day to have that as its main business, with stores as a secondary activity! It is said to undertake house-to-house delivery of milk, which it does not do; it is done only by the Madras Milk Supply Union. There are two new bits of information, one of which is not quite correct, viz. the recent Committee of Enquiry on Co-operation in Madras is said to have been tackling only problems of credit. The other relates to the Bombay Debt Relief legislation which is not so outstanding to be singled out—other provinces had enacted such measures earlier. Will not the Publicity Department of the C.W.S. put itself in touch with the All-India Co-operative Institutes' Association, which will be pleased to furnish more up-to-date and absolutely correct information?

K.C.R.

RESERVE BANK'S PROPOSALS FOR INDIAN BANKING LEGISLATION*

MEMORANDUM OF

THE MADRAS PROVINCIAL CO-OPERATIVE BANK, LTD.

Need for Banking Legislation.—The Provincial Bank agrees with the Reserve Bank that there is need for the proposed legislation and generally concurs with the reasons given for that view. The proposed legislation no doubt expressly excludes from its scope co-operative banks. Clause 3 of the bill says, "nothing in this Act shall apply to a co-operative bank registered under the Co-operative Societies' Act, 1912 (II of 1912) or any other law for the time being in force in British India relating to co-operative societies." Nevertheless, co-operative banks, which have now an established place in the banking system of the country, are intimately concerned with the regulation of banking generally in this country. They have as a matter of fact business relations with many joint stock banks. Their competency to attract deposits from the public and also financial accommodation from the Reserve Bank of India, Imperial Bank of India and other joint stock banks will largely depend upon the extent to which they observe sound banking principles and the standards prescribed by the Reserve Bank for sound banking concerns. So, the co-operative banks cannot be indifferent to the course of the proposed banking legislation.

Definition of Banking and Banking Companies.—The Reserve Bank proposes to define "banking" as follows: "Banking means the acceptance of deposits on current account or otherwise subject to withdrawal by cheque." If a corporation conforms to this definition it will be a banking company which may do numerous classes of business detailed in clause 4 of the proposed bill. The Provincial Bank is in general agreement with this definition. The definition of 'Banking' and 'Banking companies' in section 277F of the Indian Companies Act is defective, and has, as the Reserve Bank points out, given rise to difficulties in determining whether a company comes within its scope.

Indeed, the Provincial Bank is of opinion that the proposed definition of "Banking and "Banking company" should be further extended so

* Vide pages 169-74 of this issue for "Draft Bill" proposed by the Reserve Bank.

as to include all corporations, which (1) take deposit accounts, (2) take current accounts, (3) issue and pay cheques drawn on themselves and (4) collect cheques, crossed and uncrossed, for their customers. This definition must however be restricted so as to ensure that the banking business conducted by a banking corporation should not be subsidiary or ancillary to another business or other businesses carried on by the same concern. In this connection we beg to refer to the discussions and recommendations of the Indian Central Banking Enquiry Committee contained in paragraphs 677 to 681 of the Majority Report. If a strictly accurate definition from a legal standpoint cannot be evolved, in the last resort we suggest for the consideration of the Reserve Bank the idea that only those concerns which are included in a register of bankers maintained by an authority best qualified to judge, such as the Reserve Bank itself, should be deemed to be banking companies. The authoritative and conclusive nature of the register of bankers by such a body should serve to help the public to know who is a banker and who is not.

In regard to co-operative banks also, it is desirable that they should distinguish between those which accept deposits on current account or otherwise withdrawable by cheque and other Co-operative Credit Societies.

Capital Structure.—The Provincial Co-operative Bank is in general agreement with the proposals of the Reserve Bank in regard to capital structure of the banks. These proposals are as follows: No institution shall do banking business: (1) unless it has a paid up capital and reserves of at least Rs. 1 lakh; (2) Rs. 2 lakhs at places to be specified (other than Bombay and Calcutta) with a population of over one lakh; (3) Rs. 5 lakhs at Bombay and Calcutta; and (4) Rs. 20 lakhs if it operates outside the province or State in which it has its principal place of business.

There is a great deal of opposition to fixing the minimum paid up share capital and reserves at Rs. 1 lakh. The main argument against it is that it will hit the smaller banks. Having in view the main purpose of the proposed legislation, viz., the safeguarding of the interests of the investing public, particularly depositors, the advantages of having strong banking institutions far outweigh the considerations which favour the encouragement of small banks. The Provincial Bank does not, however, see any necessity to make the minimum vary with the population of the place. The case for Bombay and Calcutta may stand on a special footing, about which the Provincial Bank has no remarks to offer. But the fixing of minimum at Rs. 2 lakhs in regard to other places with a population of over 1 lakh does not commend itself to us. A more legitimate method of safeguarding the interests of the depositors

will be the linking up of the limit up to which deposits may be received with the paid up share capital and reserves. We think the banks may be prevented from borrowing more than ten times their paid up share capital and reserves. In large cities where more working funds will be necessary, this rule will automatically augment the size of the share capital and reserves, in order to enable the banks to borrow sufficiently for their business.

The Provincial Bank is in agreement with the observation of the Reserve Bank that the position of capital structure is very unsatisfactory in regard to banks with low capital opening branches in large towns mainly with the object of attracting deposits at high rates of interest. The right to open branches also requires some regulation and special insistence on adequate capital resources is, we consider, necessary in the case of banks, which desire to open branches in other places than its principal place of business.

It may be pointed out that so far as co-operative central banks of this province are concerned, they fully satisfy the requirements of the proposed legislation in regard to capital structure. Of the 30 central banks affiliated to the Madras Provincial Co-operative Bank (excluding the two banks in South Orissa, which are still with us), there is only one central bank whose paid up share capital and statutory reserve amount to less than Rs. 1 lakh. Of the other 29 banks, 10 have a paid up share capital and reserve fund between Rs. 1 and 2 lakhs, 8 have between Rs. 2 and 3 lakhs, 6 have over Rs. 3 lakhs but under 5 lakhs, and 5 central banks have a capital and reserve of over Rs. 5 lakhs. In computing the reserves, only the statutory reserve fund which is kept outside the business of these banks and invested in liquid form is taken into account, and other owned funds such as bad debt reserves, depreciation reserves and building funds are excluded. So, adoption of the standards proposed to be prescribed by the new legislation will not in any way interfere with the capital structure of the co-operative central banks of this province. They operate within restricted area, usually a revenue district, with a few exceptions. Again, there is no interlending between them, nor are they allowed to compete *inter se* for deposits from outside their areas. The Provincial Co-operative Bank to which they are affiliated discharges the functions of financing agency as well as balancing centre.

Some of the big urban banks too in this province have a paid up share capital and reserves of over Rs. 1 lakh. There are about 1,100 non-agricultural credit societies on limited liability basis with a paid up share capital of about Rs. 90 lakhs and statutory reserve fund of about Rs. 37 lakhs, besides other owned funds of over Rs. 14 lakhs. But

only some of them receive deposits in current account, withdrawable by cheques. Of the rest nearly 500 are employees' societies and others ordinary urban credit societies, which will not be banks as defined by the proposed legislation. The question to be considered is whether urban banks with a paid up share capital and reserve fund under Rs. 1 lakh should be permitted to receive current deposits, withdrawable by cheques. We are on the whole of the opinion that it will be desirable to prevent such banks from receiving current deposits withdrawable by cheques and such operations should be confined only to urban banks with paid up share capital and reserves of over Rs. 1 lakh.

Reserve Funds.—The Reserve Bank proposes that every banking company shall maintain a reserve fund and shall, out of the declared profits of each year and before any dividend is declared, transfer a sum equivalent to not less than 20 per cent of such profits to the reserve fund until such fund is equal to the paid up share capital.

The co-operative banks carry not 20 per cent but 25 per cent to the statutory reserve fund and continue to do so indefinitely and not stop when the reserve fund reaches the level of share capital. In the case of the Provincial Co-operative Bank for instance, the statutory reserve fund now amounts to Rs. 18.25 lakhs, while its paid up share capital is Rs. 6.66 lakhs. The Provincial Bank is in favour of the proposal of the Reserve Bank that the joint stock banks should also build up similar statutory reserve funds of their own. Indeed, the Provincial Bank will favour clause 9 of the proposed bill being so amended as to make it obligatory on the joint stock banks to build up their reserves until they equal at least twice the paid up share capital.

Maintenance of Percentage of Assets in Liquid Form and Cash Reserves.—The Reserve Bank's proposal is that all banks should maintain at least 30 per cent of their time and demand liabilities in the form of cash or trustee securities as defined in the Indian Trusts Act, excluding immoveable property. They further suggest that at least 50 per cent of the securities held under this provision should be securities maturing within ten years. They also say that they are not in favour of allowing this minimum reserve to be used as security for advances even by the Reserve Bank, as this will mean that there will be continued pressure to whittle them down in alleged emergencies. In addition to maintaining 30 per cent of the assets in trustee securities as mentioned above, the Reserve Bank also proposes that every banking company shall maintain by way of cash reserve in cash a sum equivalent to at

least 2½ per cent of their time liabilities and 5 per cent of the demand liabilities.

These proposals were already discussed by the Provincial Bank in connection with the circular issued by the Reserve Bank dated the 12th June 1939 re: reorganisation of the co-operative movement on banking lines. The Provincial Bank expressed the view that whatever may be the suitability of these provisions to joint stock banks they would be unworkable in the case of co-operative banks. Attention is invited to this bank's communication dated 10th August 1939. The Standing Committee of the Indian Provincial Co-operative Banks' Association also expressed the same opinion. So far as the co-operative banks are concerned, the consensus of opinion is that they may continue to work on the system of fluid resources to be maintained on the scale prescribed by the Provincial Governments and not on the system suggested by the Reserve Bank in regard to joint stock banks. The question received the fullest consideration of the All-India Conference of Registrars of Co-operative Societies, which met in December last at Delhi at which the representative of the Reserve Bank's Agricultural Credit Department was present. That Conference unanimously passed the following resolution:—

"This Conference recommends that the scale of fluid resources fixed for each province should be reviewed in the light of the distribution of working capital as suggested by the Reserve Bank and the results to be put up before the next Conference. In any case, the scale of fluid resources prescribed by the appropriate authorities should be strictly adhered to."

The Provincial Bank is in full agreement with the decision of the Registrars' Conference.

In practice, however, it may be pointed out that the Madras Provincial Co-operative Bank maintains more than 30 per cent of its assets in gilt edged securities and other approved securities, about 50 per cent of which will mature within ten years. These 30 per cent are not offered as security for borrowing even from Reserve Bank and much less from other banks. The actual figures are these:—

	Rupess (in lakhs.)
Total assets	.. 260.11
Holdings in Government Securities	.. 131.37
Securities maturing within ten years	.. 57.40

Besides this, the Provincial Bank has agreed to maintain with the Reserve Bank 1 per cent of its time liabilities and 2½ per cent of its demand liabilities, and actually maintains balances larger than these

proportions. The proportion of investments in loans to borrowed capital is 42.3 per cent and to the total working capital is 36.9 per cent.

In regard to the central banks, their investments in loans in relation to their working capital are somewhat as follows:—

Below 50 per cent.	.. 1 Bank
Between 60 and 70 per cent.	.. 5 Banks
Over 70 per cent.	.. 24 Banks.

These figures seem to justify the recommendation of the Registrars' Conference that the scales of fluid resource fixed for each province should be reviewed in the light of distribution of working capital, as suggested by the Reserve Bank.

Holding of a Percentage of Assets in British India.—The Provincial Bank would prefer returns under clause 12 of the assets and liabilities of a banking company in British India being made once in six months instead of once in a year.

Suspension of Business and Winding up of Banking Companies.—The Provincial Co-operative Bank is in general agreement with the scheme of the Reserve Bank of India in Part III of the Bill in regard to suspension of business and winding up of banking companies; but the provisions of the Bill do not seem to improve the present position very much in regard to ensuring speedy realisation of assets and disbursement of dividends to creditors. The experience of co-operators of this province is very unfortunate. Though there is a separate official machinery to carry on liquidation proceedings of co-operative banks, the results are by no means satisfactory.

It goes without saying that "rapidity in liquidation is essential if a large number of the assets are not to grow cold or be dissipated." Therefore, the suggestions made by the Reserve Bank to prevent holding up liquidation proceedings on various grounds, particularly all sorts of reconstruction schemes, seem to be on the whole calculated to work for the benefit of depositors and creditors. The Provincial Bank is in agreement with the observations of the Reserve Bank about the high cost of liquidation proceedings in the case of banks when such proceedings are carried out under the ordinary Company Law and the need for some statutory body being empowered to carry out liquidation proceedings, so that unnecessary expenses and delay may be avoided and the assets may be realised in the best possible manner and as speedily as possible for the benefit of the creditors.

The Provincial Bank desires the Reserve Bank to re-examine the provisions of clause 17 of the Bill with a view to ascertain whether the two days' time allowed by that clause for a bank to meet a demand at

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places where there is no office, branch or agency of the Reserve Bank is quite adequate. There is a feeling that it is a bit too short.

The Provincial Bank reserves its opinion on the further suggestion of the Reserve Bank whether the agency for liquidation should suitably be entrusted to a bank, and for this role the Reserve Bank of India should be statutorily vested with the duty of liquidator. There are many difficult and delicate questions connected with this suggestion, which it is unnecessary for the Provincial Bank to discuss at this stage. This suggestion can be of use only, as the Reserve Bank itself says, "when the liquidation procedure is simplified on the general lines" as suggested in the Reserve Bank's memorandum so as to make it possible for the Reserve Bank to undertake that function. This will also require the amendment of section 175 of the Indian Companies Act. These matters may be dealt with when the proposed Banking Legislation is actually put into shape.

Section 17 of the Reserve Bank of India Act.—The joint stock banks as well as the Provincial Co-operative Banks are greatly interested in the question of the securities against which the Reserve Bank of India can accommodate them. Both the joint stock banks and the Provincial Banks have already pressed on the attention of the Reserve Bank the need to amend section 17 (d) of the Reserve Bank of India Act so as to permit advances being made against promissory notes of scheduled banks and Provincial Co-operative Banks supported by documents for advances against goods in their custody. At the same time, the co-operative banks are fully alive to the need to bring into existence and increasingly promote the use of usance bills in the place of demand promissory notes, specially in view of the reduction of stamp duty on usance bills. India is largely an agricultural country, and there is bound to be seasonal tightness in the money market, and there can be no continued stream of bills.

The establishment of licensed warehouses will facilitate the creating of documents of title to goods against which alone the Reserve Bank says that it can lend under the provisions of section 17 (d) of the Reserve Bank of India Act. The Provincial Bank hopes that the Reserve Bank and the Provincial Governments will take prompt and adequate steps for the establishment of warehouses in all important market centres in the country.

Services in Joint Stock Banks.—The recent failures of certain joint stock banks have thrown out of employment many men. Some of them approached the Provincial Bank for employment. When enquiries were made as to the conditions of service, it was found that they were far from satisfactory. Rules regarding pay, promotion, prospects,

leave, provident fund and the like seem to be practically absent in many of the non-scheduled banks. The efficiency of a bank depends not only on the rules and regulations regarding banking, but also on the efficiency and equipment of the employees. Without observing just and equitable rules of service in regard to employment, it will be impossible to get efficient men who are equipped for the discharge of their duties. The Provincial Bank, therefore, suggests that some suitable provision be made in the proposed legislation regarding the conditions of service in joint stock banks.

CO-OPERATIVE CONFERENCES AND MEETINGS

THE BENGAL PROVINCIAL CO-OPERATIVE CONFERENCE CALCUTTA, 30TH MARCH 1940.

The Bengal Provincial Co-operative Conference was held on the 30th March, 1940 at the Town Hall, Calcutta under the presidency of the Hon'ble Mr. V. Ramadas Pantulu. Over 1000 delegates representing all classes of co-operative institutions and a large number of visitors were present. Mr. W. C. Wordsworth of the *Statesman*, Chairman of the Bengal Provincial Co-operative Bank and also of the Reception Committee of the Conference welcomed the delegates; and His Excellency Sir John Aruthur Herbert, Governor of Bengal inaugurated the proceedings. The Hon'ble Mr. M. B. Mullick, Minister in charge of Co-operative Credit and Rural Indebtedness Department, Government of Bengal also addressed the Conference. Extracts from the various addresses delivered at the Conference and the resolutions passed are given below.

Welcome Address of Mr. W. C. Wordsworth, M. L. A., Chairman, Bengal Provincial Co-operative Bank Ltd.

It is my proud privilege and pleasant duty to offer on behalf of the members of Co-operative Societies in Bengal a most hearty and loyal welcome to His Excellency the Governor. In the early days of Co-operation the Governor of the Province on many occasions graced the provincial Co-operative Conferences with his presence and kind words of encouragement. Again now after many years we have the honour of welcoming the Governor of the Province in our midst. We can assure him that his presence on this occasion has been a source of genuine pleasure and great encouragement to us all, and that we are sincerely grateful to him for taking the trouble of being present here to open this Conference. The present session of the Conference is particularly fortunate in having one of the highest authorities on co-operation, the Hon'ble Mr. V. Ramadas Pantulu of Madras to guide its deliberations.

His Excellency has been in this province only for a short time, but during this period by his numerous visits to the rural areas, he has shown deep concern for the uplift of the rural masses of the population. His recent visit to the Dum Dum Training Institute has enlightened us of the fact that he is a keen co-operator who has not only studied the subject in theory for 21 years in England and Denmark, but has also pursued it in practice. It would be no exaggeration to say that this information has engendered a profound feeling of affection in the minds of co-operators of



HIS EXCELLENCY
THE GOVERNOR OF
BENGAL
—who inaugurated
the proceedings.

THE HON'BLE MR. V. RAMADAS PANTULU
—who presided.





THE HON'BLE MR. M. B. MULLICK
Minister in charge of Co-operative Credit and Rural Indebtedness Dept.,
Government of Bengal.



MR. W. C. WORDSWORTH,
Chairman, Reception Committee.



MR. W. ZAMAN,
Secretary of the Conference.

this Province towards him, and that we shall all look upon him with confidence and hope as one who will sympathetically understand our difficulties.

Foremost among these difficulties is the problem of improving the poor economic condition of the rural population. Agriculture is the mainstay of the bulk of the population, but the agricultural industry has not developed in this country on the scientific lines pursued in more advanced countries. The simultaneous increase of population and the decay of cottage industries have caused undue pressure on the land. These disadvantages have at present made agriculture more or less unremunerative. A well-conceived Recovery Plan is, therefore, immediately needed to improve the economic outlook of the country.

In 1938 Sir John Anderson, our then Governor, observed that in addition to the establishment of a system of land mortgage banks, a comprehensive scheme of debt conciliation provision would certainly be required for the development of co-operative institutions on lines designed to avoid the defects that have become apparent in the existing movement. He was of opinion that these should not be separate and unconnected activities run by different sets of people without co-ordination or common purpose but should be elements of a single plan, the whole being designed to lead up ultimately to a position under which the credit facilities required by the agriculturist to enable him to carry on his normal occupation would in the main be provided by approved credit institutions, carried on not by Government but under the aegis of Government.

Since then, various legislative and other measures have been adopted by Government towards the Recovery Plan in the shape of the amendment of the Bengal Tenancy Act, enactment of the Bengal Agricultural Debtors Act, Bengal Tank Improvement Act, establishment of Co-operative Land Mortgage Banks and establishment of a Rural Reconstruction Department. These beneficent measures of Government have no doubt given considerable relief to the rural people but they have not gone very far in ensuring their economic prosperity. Unless we can arrange for credit and other facilities required by the agriculturists for promotion of improved farming, better marketing and for development of cottage industries through well-organised institutions, we feel that it will not be possible to increase their income and make them economically prosperous.

Although we genuinely believe that the essence of co-operation is self-help and that every effort should be made to encourage these virtues we feel at the same time that in building up a prosperous and thrifty race of peasantry, state aid is necessary at times particularly when people are faced with grave economic crisis as has been experienced by them during

the last 10 years. This protracted calamity has crippled their resources beyond measure if not ruined them completely. They cannot repay the Co-operative Societies' debts unless repayment is extended over a large number of years and the rate of interest reduced consistent with their repaying capacity. The Debt Conciliation Boards formed under the Bengal Agricultural Debtors' Act have undoubtedly given them some relief but the co-operative societies which advanced them the loan borrowed the same from the investing public who can ill-afford to wait for any long period for return of their money. Naturally, therefore, the co-operative societies are finding themselves in a difficult position to fulfil their obligations to their creditors. At the same time, due to the operation of the Bengal Agricultural Debtors Act and the enactment of the Bengal Moneylenders Bill there has been a serious contraction of credit in the countryside with the result that it has become almost impossible for the agriculturists to raise money for their normal agricultural operations except by the outright sale of lands; such sales have increased beyond all proportion in recent years. Although the prices of agricultural produce improved recently the ordinary run of the agriculturists did not get the full benefit of the rise in price as they were unable to hold on the produce for better market. Further, the small margin of profit due to rise in price could not help them to improve their economic condition, as under the existing circumstances they are required to meet various monetary obligations.

Thus, there are two chief problems now confronting the Co-operative Movement in Bengal; they are: (i) to devise measures for solving the present deadlock which has paralysed the majority of Central Banks, and for enabling them to pay off their depositors within reasonable time-limits; and (ii) to arrange for some workable system for providing agriculturists with their necessary credit requirements to take the place of private sources of credit, which have almost completely dried up.

These problems are very urgent and demand an immediate solution. It will not be out of place to mention here that we are deeply grateful to Government for an advance of Rs. 13½ lakhs to the Bengal Provincial Co-operative Bank last year for short term crop loans and to the Hon'ble Mr. M. B. Mullick personally for the keen interest that he has been evincing in the movement and the strenuous effort that he has been making to improve its condition.

From the depressing review of the agricultural credit movement, some pleasurable relief is afforded by turning to the brighter picture presented by the satisfactory condition of the non-agricultural credit side of the movement, usually known as urban credit, which is an equally important development as the agricultural credit, having a working capital of

Rs. 5.44 crores as against Rs. 5.68 crores of agricultural credit. The prosperity of non-agricultural credit societies continues unabated and they have been very useful. Although the middle classes who form the membership of these societies lack the landed security and also contact required of an agricultural credit society, they furnish promising material for a co-operative structure, in that the personal element with which they deal is much more satisfactory than that of the agricultural credit society. The societies in Calcutta and in other industrial and populous centres of the Province tend to approximate to the European "Mutual Benefit Society" in which the members regard the society not only as a source of borrowing but as a profitable field for investment during the time when they have no need of borrowing. These societies have generally made it possible for middle class men to borrow money in times of need without falling victims to usurious moneylenders. They have assisted thrift among a class which was accustomed to live from hand to mouth, they have provided banking facilities to petty traders, small merchants, artisans and craftsmen residing in towns; and the more prosperous among them have been assisting in popularising credit and instruments of credit. These societies have thus been playing an important part in promoting the prosperity of the Province.

It is also gratifying to notice that the attention of the co-operators of this Province has now been seriously directed towards other forms of agricultural co-operation than credit proper. Societies have been formed for marketing of agricultural produce such as paddy, sugar-cane and oranges as also for disposal of fish, milk, eggs and vegetables. Some of these societies have already attained success while others have good prospects of success. The necessity for linking up marketing with credit is being very keenly felt at present among the co-operators of the Province. To encourage and stimulate the activities of the movement in this direction a scheme has been drawn up recently for establishment of multipurpose societies in the areas of all Central Banks in the Province as recommended by the last conference of the Registrars of Co-operative Societies. The Multipurpose society proposes not only to sell the produce of the members and to supply them seeds, manures, implements and necessities of life but also to train up the villagers in cottage industries and to encourage and carry out such measures as will improve irrigation, communication and village sanitation. A few societies have attained particular success. The co-operative colonization and house building societies have done good work, the former by supplying lands to landless cultivators and the latter by providing dwelling house accommodation to persons of moderate means.

In conclusion, I beg to assure Your Excellency on behalf of all here that we have an abiding faith in co-operation and notwithstanding the un-

favourable circumstances under which the agricultural credit side of the movement has been working we have not lost heart and are determined to rehabilitate it, and that your keen interest in the movement will always be a source of inspiration to us.

Speech of the Hon'ble Mr. M. B. Mullick, Minister in charge of Co-operation, Government of Bengal

I am requested by this large body of co-operators of the Province to invite Your Excellency to open this Annual Conference. We know that Your Excellency has not only taken pains to master the subject of co-operation but has also followed it in practice for 21 long years of your life. It must be clear to all that nobody can pursue co-operation for such a long time unless he has a genuine and abiding faith in it. Our Chief Minister has already had our respectful homage as the oldest co-operator in this Province. We can confidently hope that, under the auspicious influence of these two guiding stars, the Co-operative Movement in Bengal will prosper and serve the cause of humanity more and more by its beneficent activities.

The Conference this year is grateful in having one of the highest authorities on Co-operation in India to guide its deliberations. The Hon'ble Mr. V. Ramadas Pantulu, the President-elect of the Conference, hails from Madras, a pioneer which can be rightly called the mother of co-operation in India. As President of the All-India Co-operative Institutes Association, as a member of the Council of State and in other capacities Mr. Pantulu has had a long and varied experience of human activities. I was happy to make his acquaintance at Delhi in December last in connection with a Conference when I felt that he was ready and willing to place his services at the disposal of any co-operative institution that needs them. The presence of the Hon'ble Mr. Ramadas Pantulu to-day is therefore, a source of very great encouragement to us.

As the Minister to the Government of Bengal in charge of the Departments of Co-operative Credit and Rural Indebtedness, I have examined the inner working of co-operative institutions. From my own knowledge of the activities of those institutions, as also of their members, I have come to the conclusion that the co-operators of this Province generally love the movement and are indeed zealous of its reputation. Whatever defects crept into the working of the societies in the past, it was more or less due to their want of training and want of knowledge of the co-operative principles. Co-operation is an exotic plant on Indian soil and is also highly technical in theory. Naturally, therefore, co-operation would take time to establish its root firmly in this country, where the masses of the people whom it intends to serve are illiterate and conservative in nature. It has to be remembered that the period of 30 years dur-

ing which the movement has been working in this Province is indeed a very small one in the life of a nation to build up a useful institution, like co-operation, when we find that it took more than half a century in many European countries to have it established fairly and firmly. We are not therefore disappointed at the little progress that we have made. The economic depression for 10 long years has undoubtedly given a serious shock to the movement, particularly to the agricultural credit side of it.

During these depression years we carried on a programme of consolidation and managed the societies as economically as possible which saved the movement from a collapse or any serious set back. As soon as the economic condition showed signs of recovery we took up the question of rehabilitation of the movement on the basis of the good assets of the members of the societies and developed it on lines helpful to the members to improve their economic position.

For reconstruction and rehabilitation of the credit movement the most important steps taken are that the functions of the Central Banks and agricultural credit societies have been restricted to the supply of short term crop loans only for a period not exceeding one year, while Land Mortgage Banks have been established to supply long term loans to the agriculturists for redemption of their old debts and for purchase as well as improvement of land.

Arrangements have been made for the training of the officers of the Department, staff of the Central Banks and the office-bearers of societies. For ensuring efficiency as also for the purpose of keeping a proper watch over the finances, audit has been separated from administration and it has now been placed under a special staff of 50 officers with the Chief Auditor as the controlling officer. Special Co-operative Debt Settlement Boards have been formed in the areas of almost all the Central Banks and in those of the Land Mortgage Banks, in the Province to conciliate the debts of the members of co-operative societies. The services of departmental officers have been lent to the Central Banks for improvement of their management. The rate of interest charged from the borrowing members of the societies has been reduced by about 25 per cent. Action has been taken to develop the handloom industry with the help of the Government of India grant. Financial assistance has been given to the Bengal Co-operative Alliance for improvement of its periodicals and appointment of Lecturers for dissemination of useful knowledge and information for the benefit of the rural people.

Steps towards new developments have been taken from the last year as soon as the price of agricultural commodities indicated a favourable rise. About 7,000 new agricultural credit societies were formed with over 1,50,000 members. A sum of Rs. 20,00,000 was advanced to these societies as crop loans, about Rs. 19 lakhs of which have already been re-

alised much in advance of the instalment period fixed. Fishermen's Societies, Sugarcane Growers' Societies, Health Societies and Multi-purpose Societies with sale and supply of the produce of the members have been formed on a large scale in various places and some of these have already made very good progress.

Along with the steps that have been taken to put the movement on a more sound and practical basis, the idea of the Department is to teach the members of village societies through their trained staff not only the abstract principle of co-operation but also how the same can be applied to existing circumstances so that when they know definitely that co-operative credit can be had only for productive purposes, they will also realise the value of thrift and economy in connection with their own household affairs.

It has appeared to us that the existing Co-operative Societies Act of 1912 does not meet the requirements of growing and changing circumstances. To meet these conditions, I introduced a Bill of a comprehensive character in the Legislative Assembly. The Bill was referred to a Select Committee of that House. It emerged from it in December last and the report was also presented to the House. It has also been published in the local official gazette. It is hoped that when this Bill is passed into law, it will be able to deal with various problems which crop up in the working of the co-operative institutions. While it gives Government greater power of control over bad societies, it also contains liberalising features, as it provides for good societies to attain a much larger measure of economy. Control of societies which show signs of deterioration is rendered more effective by providing: (i) for rules to ensure that the amount of any member's credit is restricted to reasonable limits; (ii) for reconstitution and supersession of a managing Committee as a less drastic corrective than liquidation of the society; and (iii) for means to enforce the Registrar's orders where these are at present neglected with impunity, and by imposing penalties for non-compliance.

A distinct advance in liberality of outlook is, on the other hand, marked by the provision for delegation of the Registrar's powers to any good financing bank in respect of the societies affiliated to that bank. It is hoped that this provision will dispel the apprehension that the powers of control conferred upon the Registrar are so drastic that non-officials generally will no longer be found willing to serve as members of Managing Committees.

Your Excellency would therefore be pleased to find that we are not relaxing our efforts for revitalising the movement, and in our attempt of re-building the co-operative structure, I can assure Your Excellency that the Department and the non-official workers are working together upon a concerted plan with only one and one end in view—the reformation and

expansion of the Co-operative Movement for the benefit of the largest body of the rural population of this Province.

Opening Address of His Excellency Sir John Arthur Herbert, Governor of Bengal.

The opportunity which you have given me this morning of meeting so many representatives of the Co-operative Movement and of hearing something of their problems and achievements is one for which I am deeply grateful and of which I have been only too glad to avail myself. I am glad to see that you have invited to preside over your Conference a veteran and distinguished co-operator from Madras in the person of Mr. Ramadas Pantulu. On occasions such as this interchange of experience is of great value. As you have already been kind enough to say, the Co-operative Movement is one in which I have long been interested and one whose development I shall follow in Bengal with real interest and sympathy. I cannot, as yet, claim a close personal knowledge of all the problems with which the movement is faced in this Province; but during the brief tours, both formal and informal, which I have so far been able to make in the Districts, I have been impressed by the important part which this movement plays in the life of rural Bengal. I have had the opportunity of visiting the Co-operative Training Institute at Dum Dum and seeing for myself the arrangements which have been made to ensure that there shall be an adequate supply of trained personnel to guide and assist the movement. I was impressed by the keenness of those who were under training, and I was glad to observe the importance attached to this course; because the future of the movement must to a large extent depend upon the drive and ability of the directing staff upon whom falls the responsibility of guiding newly formed societies through the difficult initial stages.

The problems of co-operative credit and of linking co-operative credit with purchasing and marketing facilities raise very wide and complex issues and it is not to be wondered at that the movement has met with reverses as well as successes. We must recognise that the Co-operative Movement in Bengal has not really had time to pass completely beyond the experimental stage. Although it was established nearly 40 years ago, very little progress was made until after the publication of the MacLagan Committee Report in 1915, and in the 25 years which have elapsed since then we have been faced with one of the most formidable economic depressions which it has been the misfortune of any country to undergo. The period has also been beset with unexpected difficulties and it is only natural that a development of the magnitude and complexity of the Co-operative Movement should have experienced considerable difficulty in establishing itself on a sure and sound foundation. And yet, gentlemen, when I survey what has actually been done, I feel that we should give

due weight not merely to the difficulties and the occasional failures which have been experienced, but to the success with which the movement has permeated the remotest corners of this Province.

We are now, I think, approaching a new phase. The country has to some extent adjusted itself to the economic depression of 100 years ago which subjected the movement to such severe strains and, for a time, brought progress to a standstill. This period of depression did, however, serve its purpose; whilst it prevented further development, it did serve to show up the weak points in the structure and to compel examination of them. The benefit of that examination is now becoming apparent. The decision to confine the activities of agricultural credit societies and Central Banks to short term loans and to leave the Land Mortgage Banks to deal with long term loans is, I am sure, a wise one. Another new and interesting development is the creation of multi-purpose societies which are designed to link up credit with marketing and rural welfare societies. This development recognises a fact which is, I consider, important, namely, that the provision of credit facilities alone will not solve the problems which face the cultivator. The provision of credit facilities must be followed up by the provision of facilities to further the general economic welfare of the unit concerned.

Further steps for improving and consolidating the movement are also under consideration, the most important of these being the Bill to which a reference has already been made this morning. As this Bill will shortly come before the Legislature it would not be appropriate for me to make any comments on its merits at this stage, except to express the hope that it will help to remove some of the defects which have manifested themselves in the working of the present Act.

The Co-operative Movement offers one of the most promising approaches that I know of to our present day problems. Many distinguished men have spent the best part of their lives in developing and encouraging it and it has already achieved many notable successes. It would not be out of place to recall here the splendid example of the Gosaba experiment and the work which was devoted to it by Sir Daniel Hamilton, whose recent death has been such a loss. But to make the movement a success on a wide scale requires unremitting effort on the part of officials of the Department, of that large body of non-official workers who have devoted so much time and effort to it, and last but not least the members of the societies themselves.

If the movement is to be based upon secure foundations, which will be strong enough to bear the strain of expansion, we must be realists, prepared to seek defects so as to remedy them, developing schemes on sound lines so that the interests of all concerned are assured. We must also be

prepared, like any other businessman, to face reverses. As its name implies, the movement entails real and genuine co-operation between various interests and individuals to the benefit of the whole community. Much can be accomplished if we face problems in a spirit of mutual assistance, from which selfish and rapacious motive are banned.

You, who have assembled for this conference, have each a personal responsibility in your contribution to the whole. Your analysis of defects with their remedies, and the conclusions you arrive at, will affect the future of a movement in which we believe not as a mere ideal, but as a reality which can be achieved if all will pull together, cheerfully and constructively, for the common good of this our Province and all people in it.

I myself have great faith in the future and I think the representative nature of the gathering here to-day shows that you also share that faith. Therefore in declaring this conference open, I trust that your deliberations will lead to profitable and productive results.

Presidential Address of the Hon'ble V. Ramadas Pantulu.

YOUR EXCELLENCY, MR. WORDSWORTH, AND COMRADES IN CO-OPERATIVE SERVICE,

It has given me genuine pleasure to accept your kind invitation to preside over this Conference. Greatly honoured as I feel by your choice, for which I tender to you my grateful thanks, I must confess that I do not feel equal to the task which you have entrusted to me. A general acquaintance with the condition of the co-operative movement or of the problems that confront the movement in India as a whole, which is all that I can lay claim to, may not help me to make an accurate and helpful survey of the present difficulties of the movement in Bengal or to place before you any definite suggestions worth considering by you in your endeavour to rehabilitate and reorganise your movement. All that I can hope to do is to offer my whole-hearted collaboration with you in your search for or the formulation of such schemes. My services in that effort are unreservedly at your disposal.

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 24,250 societies with a membership of over 8·7 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 sins—non-observance of moral precepts of co-operation and the violation of the material precepts of business code. If you wish to have a more specific enumeration of these causes, it is to be found in the report of your Registrar for the year ended 30th June 1937 and in the proposals submitted by him to the Government of Bengal for the rehabilitation of the movement, to which I merely wish to invite your attention. On the whole his assessment of the causes and their effects on the various parts of the movement is fair.

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 arrear 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 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. As the proceedings of this Conference are likely to be read with interest outside your Province, I may be permitted to briefly narrate the story of your Provincial Bank, though it may be carrying coals to Newcastle so far as my present audience is concerned. 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 cash credits thus taken over stood in the neighbourhood of about three lakhs in August 1918. With a few exceptions all the then existing central banks in the province got affiliated to the Federation before the 31st December 1918. 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. Among the elected chairmen of the Bank, I find such able and distinguished men of Bengal as the late Mr. S. R. Das, the late Sir R. N. Mukerjee, Mr. J. N. Basu and your present Chairman, Mr. W. C. Wordsworth. The genius, business acumen and organising capacity of such men cannot but leave an impress on the institution. The history of the progress of the bank since 1918 is one on which the co-operators of Bengal may well be congratulated. 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 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 its 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.

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 3½ 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 3¼ 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 3½ 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 any 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 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. Your Registrar says that at the rate at which realisations are made now, it will require near about 50 years for the Provincial Bank and 25 years for the central banks to recover their outstanding loans from their respective affiliated societies. This is on the assumption that the debts are realisable, but it seems to be a fact that a large percentage of the debts is even now unrealisable and as time elapses likely to become more and more unrealisable.

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 scaling 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 at 7½ 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 to 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. 24.06 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. We in Madras have been able to withstand the financial shock caused by the continued economic depression much better than elsewhere mainly due to the fact that our central banks are comparatively stronger. 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 12½% 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., 7½% 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 7½%. 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. In a very interesting memorandum, which my esteemed friend and your ex-Finance Minister, Mr. Naliniranjan Sarkar, prepared and a copy of which he had the courtesy to furnish to me, he suggested to the Bengal Government the desirability of raising sufficient money by way of loan for providing long and short term credit to agriculturists. In that memorandum he expressed the view

that for advancing short term loans co-operative societies were the best agency. 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. Last time, when I visited your city I had an opportunity of paying a visit to your Institute and was greatly impressed with the earnestness, both of the teachers as well as the students. They seem to be imbued with the true spirit of co-operators. I also read with pleasure a report on the working of the 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 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 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 and cottage 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."

Resolutions Passed at the Conference.

1. In view of the fact that serious contraction of credit is in evidence in the countryside due to the enactment of the Bengal Agricultural Debtors' Act and the Bengal Money-Lenders' Act and that as a consequence agriculturists have to part with their lands in order to get financial accommodation and are rapidly turning into landless labourers, this conference recommends to the Government to supply credit facilities to the co-operative societies immediately in a greater degree to enable the formation of a larger number of crop loan societies.

2. In view of the difficulty that is being experienced by almost all the Central Banks to promptly refund matured deposits and loans on account of the depletion of the repaying capacity of the members of the village societies and also in view of their inability to attract fresh deposits from the investing public, this Conference urges on the Government to immediately accept and give effect to the scheme submitted by the Registrar for the Rehabilitation of the Co-operative Movement by the floatation of Government Guaranteed Debentures.

3. In view of the fact that no amelioration of the economic condition of the agriculturists is possible without proper arrangement for the marketing of their produce, this Conference recommends that immediate steps be taken for organisation of co-operative marketing societies and the Government provide for the finance and cost of management of such societies and expert staff during the first five years of their existence.

4. In view of the fact that the co-operative Multi-purpose Societies are in direct touch with the agriculturists and are catering to all their needs and also because co-operation provides the most simple and cheapest form of rural organisation, this conference recommends that all rural reconstruction work be done through co-operative organisations especially through co-operative Multi-purpose Societies, as has been decided by the Punjab and Bombay Governments and urges Government to provide for the cost of management of these societies for three years.

5. In view of the large expansion of the movement this Conference recommends that adequate staff be provided by Government for supervision and control of new societies.

6. As the amendment of Section 60 of the Civil Procedure Code by which a debtor's pay, if less than Rs. 100 is unattachable is affecting adversely the interest of most of the societies and causing hardship to men of small salary who are not considered eligible for loans, it is resolved that the said Section be amended so as to make salary below Rs. 30 only as unattachable.

7. Resolved that better provision be made for financing the urban societies either by grant of loans or cash credit as may be necessary from the Bengal Provincial Co-operative Bank Ltd.

8. In view of the desirability of pooling together all the surplus of funds in the Movement for strengthening the financial position of the Movement as a whole this Conference requests that surplus funds of the Co-operative Societies be deposited in the apex bank—the Bengal Provincial Co-operative Bank Ltd., and that in the event of the urban banks doing so the Provincial Bank will consider their representation in its Committee of Management.

9. In order to bring about uniformity in the administration of the Central Banks and to improve the efficiency of the administration, this Conference recommends that the Supervisors of Central Banks be brought under a common service under the control of the Bengal Co-operative Alliance.

10. In view of the urgency of a Co-operative House in Calcutta for accommodating the Bengal Co-operative Alliance Office and Press, the Co-operative Library and Reading Room, the Co-operative Training Institute, a Museum of Co-operative agricultural and industrial Products and a Lecture Hall for Co-operative Conferences and Meetings, it is resolved that action be taken immediately to erect a suitable Co-operative Hall (Samabay-Bhaban) with voluntary subscriptions from societies and grant from Government and for this purpose a Committee be formed with power to co-opt.

11. Resolved that all co-operative workers patronise the Co-operative Insurance Society and use co-operative products as far as possible.

12. This Conference is of opinion that the Bengal Co-operative Societies Bill, as it has emerged from the Select Committee, should be enacted into law as early as possible.

13. This Conference puts on record its sense of appreciation at the action of the Government in accommodating the Co-operative Movement with funds amounting to Rs. 13 lakhs for financing the crop loan societies during the year 1939-40.

14. This Conference expresses gratefulness to the Government of Bengal for having excluded the co-operative societies from the operation of the Bengal Money-Lenders' Act.

15. Resolved that in view of calculation made by the Director of Public Health, Bengal, that the economic loss of Bengal amounts to several crores of rupees on account of malaria, this Conference recommends to the members of the co-operative societies throughout the Province to organise co-operative Anti-malaria Societies under the guidance of the Central Co-operative Anti-malaria Society and requests the Government to make suitable grants to the Central Co-operative Anti-malaria Society for the purpose of organising and guiding such societies.

**THE FIRST BOMBAY PROVINCE LAND MORTGAGE BANKS' CONFERENCE,
BOMBAY, 30TH AND 31ST MARCH 1940.**

Extracts from the Inaugural Address of Sir Govindrao B. Pradhan, B.A., LL.B., J.P., President, Bombay Provincial Co-operative Land Mortgage Bank, Ltd.

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 of Co-operative Societies, Bombay, 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 September 1926 and they 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 of Co-operative Societies, Bombay, as 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 per annum. 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, 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 immoveable property, viz., cultivable land, the value whereof is not less than twice the amount of the loans. 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 of Land Mortgage Banks, who also scrutinises the application and recommends 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 share-holders, 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 of 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 inasmuch 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. 1,000 loaned by it to primary banks, a sum of Rs. 76-14-0 every year. Out of this a sum of Rs. 40 is 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 a 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. 23½ 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 bylaws, 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. 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 amount of their guarantee in respect of debentures issued by the Madras Co-operative Central

Land Mortgage Bank, Ltd., to Rs. 250 lakhs. In comparison with the assistance given by the Government of a sister Province to 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.

Resolutions Passed at the Conference.

1. 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.
2. 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.
3. Resolved that Government be requested to levy audit fees from the apex and Primary Land Mortgage Banks on the basis of their turn-over.
4. 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 agen-

cies would do Land Mortgage work be ascertained through the Bombay Co-operative Banks' Association.

5. This Conference emphasises the necessity of investing the Boards of Conciliation 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.

6. This Conference recommends to Government to arrange that the Registration Department shall furnish encumbrance certificates to Land Mortgage Banks as in Madras.

7. 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.

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

9. 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 framed by Government under the rule making powers conferred by Section 83 of the Act.

10. Since the Bombay Provincial Co-operative Land Mortgage Bank, Ltd., has temporarily stopped all fresh finance for want of cash—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.

THE XXVI MYSORE PROVINCIAL CO-OPERATIVE CONFERENCE, MYSORE, 19TH OCTOBER, 1939.

Extracts from the Welcome Speech of Mr. C. S. Kuppuswami Iyengar, President of the Mysore Co-operative Institute.

Notwithstanding economic depression, unfavourable seasonal conditions and consequent dearth of free circulation of money, there has been a steady increase in the demand for new societies of all kinds. It has invariably been said that co-operative credit alone cannot be effective unless it is linked up with marketing. It is very essential that agricultural marketing societies should be started early in order to give the poor agriculturists sufficient scope and facilities for marketing their goods to their best advantage. The Co-operative Department has seriously taken up the matter and has made some progress. I may suggest that societies for the supply of sugarcane, milk, ghee or butter and forest products may with advantage be tried wherever local conditions permit.

The Land Mortgage Bank facilities were extended to four more Taluks. There were 37 Land Mortgage Societies with a membership of 5000 and a share capital of

over Rs. 1 lakh. The Bank had a share capital of about 90,000 and a debenture capital of Rs. 9,26,100 and has issued loans in 807 cases aggregating to about 11 lakhs. It has been permitted to float a fifth series of debentures to the extent of Rs. 5 lakhs at 3½%. While on this topic of the Land Mortgage Societies, I wish to inform you that the Government have been pleased to create a post of an Assistant Registrar to be in sole charge of the Land Mortgage Scheme in the State. It is expected that Land Mortgage facilities will be further extended with a view to alleviate agricultural indebtedness and relieve the poor ryot from the clutches of unscrupulous money-lenders.

The Mysore Provincial Co-operative Apex Bank continued to serve its constituents efficiently during the year. It had a paid up share capital of Rs. 2,51,270 and issued loans to the extent of Rs. 1,98,437 and recovered Rs. 1,69,570. The recoveries have shown a small increase due to the strenuous efforts of both the management of the Bank and the Department in spite of the long, continued and unprecedented economic depression. The Bank has not found it necessary to draw the loan of Rs. 1½ lakhs sanctioned by the Government for financing House-building Societies, but has been issuing loans to such Societies from out of its funds. The Bank obtained several concessions from the Government this year. The Government were pleased to waive the condition that the House-building grant of Rs. 1½ lakhs should be utilised only for the granting of advances to House-building Societies. They have also been pleased to sanction to the Bank at 4½% a Cash Credit of Rs. 5 lakhs. The Bank has been permitted by the Government to grant advances to member as well as non-member depositors on the security of their deposits. It is hoped that with these concessions and the active sympathy and co-operation of the Registrar and the other Officers of the Department, the Apex Bank will be able to maintain its place as the pivot of the Co-operative Movement in the Mysore State.

Several important changes of far-reaching consequences are impending with regard to the activities of the Mysore Co-operative Institute. As you all know, its activities are, at present, confined only to the editing of the Mysore Co-operative Journal and holding Co-operative Training Classes and the Provincial Co-operative Conferences. It is essential that the Institute should serve larger and better purposes. It has to spread the gospel of Co-operation to every village, town and city. At present the honorary agency for propaganda has not been able to achieve much in this direction and in order to carry on both intensive and extensive propaganda, a paid agency must be employed. With its slender resources the Institute is not in a position to employ a paid staff of Propaganda Officers. It is our earnest hope that the Government will give us a munificent grant to meet the charges of the said Officers. In order to make the Mysore Co-operative Institute really useful, it is very essential that all the Societies in the State should get themselves affiliated to it and also contribute at least 2½% of their net profits to the Institute.

There is a general desire amongst prominent Co-operators that a non-official agency should be established to advise the Registrar in all matters of importance. How far such an agency would be useful to the Registrar and to the Movement is for the consideration of the Government and the Registrar.

Extracts from the Presidential Address of Mr. K. V. Anantaraman, B.A., Second Member of Council, Government of Mysore.

Co-operation has two principal characteristics: (1) it is voluntary and (2) it is an association of people roughly on an equality. Neither of these features

characterises the movement in the State as in the rest of India and it seems to me that this circumstance is the cause why it has not developed in vigour and vitality. A co-operative society is a voluntary union of persons, on a democratic basis, to supply its members with goods and services, or to employ its members in producing articles for sale, or to sell its members' produce, or to finance its members, or to combine all these aims. The motto of such a society is: "all for each and each for all." There are vital differences between co-operation as it is practised in India and in England. In India, the movement has been fostered by Government whereas in England it has been a voluntary effort of private individuals without any initiative on the part of Government. Co-operation in India was brought in as a remedy for the economic weakness of the population. In England, it was the result of a reaction of labour to the rising tide of capitalism. In England, production and distribution on a co-operative basis have received very great attention but in India these fruitful fields remain unexplored to any appreciable extent. Co-operation in India has not shown the two principal characteristics mentioned above. Although the movement is intended to be a democratic arrangement without reference to community, caste, or wealth, in practice, undemocratic tendencies have been allowed to develop. There are societies organized on the basis of religion, sex and vocation and in almost all classes of societies, the poor member has not had equal chances with his more wealthy fellow member. Neither in the organization nor in the development of societies is much initiative apparent on the part of the people. As an extreme instance of wrong thinking, I may cite the case of a co-operative society, which had lent unwisely and lavishly to its members, replying to the Registrar who criticised its action that it was the duty of the department to secure the recovery of the debts.

The objects for which the movement was started in Mysore were fully stated by the then Dewan in his address to the Representative Assembly in October 1905. "The Regulation is intended to be helpful to all classes of people for the furtherance of thrift and providence among them. To the agriculturists and artisans especially, the Regulation affords an easy means of combination by which they can obtain the credit they need for their business and derive benefit in other ways also. The society can act on behalf of the members for the supply to them of raw material, seed or manure, for the purchase of articles of consumption or of animals, implements or other stock required in agriculture or industry, for the purchase of machinery and its use in common, for the building of houses or purchase of lands, for the carrying out of agricultural and industrial improvements or for any other approved object calculated to promote their economic benefit. The advantages of this enactment, if properly utilized, are manifold. The problems of agricultural and industrial indebtedness and of the material advancement of our cultivators and artisans have come to be recognized as too important to be left to themselves in these days, and intelligent guidance has become an absolute necessity."

Let us now consider how far the hopes of the sponsors of the movement in the State have been realised. The co-operative movement in Mysore is now 34 years old. It has made considerable progress despite various vicissitudes. There are now 1,900 societies in the State with a membership of 1.4 lakhs, share capital of Rs. 55.2 lakhs, deposits of Rs. 128 lakhs, reserve fund of Rs. 35 lakhs and total working capital of over Rs. 2.6 crores. The majority of these societies are rural agricultural societies—credit ones preponderating. The number of rural societies is 1,540 with a membership of 63,900 persons. When it is remembered that the population in rural areas is over fifty-five lakhs, it will be realised that the number of persons affected or served by the co-operative movement is negligible.

The numerous purposes for which societies could be organized and were expected to be organized, have not been attended to. There are a few consumers' societies mainly in urban areas. Societies for the supply of agricultural requirements such as seeds, manures, implements, etc., are few and their work generally has been small in volume and poor in quality. Co-operative marketing of agricultural products has not made any noticeable progress. The activities of the societies appear to have been mainly unlimited to the provision of credit to the needy—in a large number of cases facile credit, often for unproductive purposes—and to the creation of opportunities for investment to the well-to-do. The co-operative movement cannot be said to have developed on proper lines or to have realised in any large measure the anticipations entertained when it was introduced in the State. It has not encouraged thrift or discouraged improvidence. Loans granted have not been used for the productive purposes with the result that large amounts have become irrecoverable. Repayments have been notoriously irregular. Co-operation has not been used for the efficient production and marketing of commodities or for distribution. With such noticeable lapses from the ideals, it is no wonder that the movement has got into difficulties.

While the development of the movement in rural areas has not been altogether satisfactory, better results have been achieved in urban areas. There are 364 co-operative institutions in urban areas, with a membership of 76,100 members and a total working capital of Rs. 1.3 crores. With few exceptions they appear to be in sound financial condition. Some of the more important institutions which do only credit work have shown a tendency to develop characteristics more properly belonging to joint-stock banks. The financing is done with deposits from non-members also, and even many, who are members, have been taken as such not because they have accepted or understood the principles of co-operation but merely to enable them to obtain the assistance of the institutions. The rates of interest demanded are high, credit is given without proper enquiry regarding the borrower's capacity to repay or the purpose for which the loan is taken. There is no solidarity in the membership which is sharply divided into the haves and the have-nots. The managements show a tendency to remain permanently in the hands of a group. Certain changes in the rules to prevent this tendency are under consideration. It has been urged against the proposed changes that the disappearance of this or that individual from the directorate would affect the volume of the business of the institution. It seems to me that the argument is very unsound. The good work of a society should be judged not by the volume of its business or the size of the dividend or by the business capacity of a particular member but by the quality and credit of the generality of its members. Small wonder that some of these institutions have got into a bad way, that outstandings have increased considerably, that coercive steps have proved infructuous and that the whole future has become very doubtful. The tendency to lapse into the ways of joint-stock banks which may be alluring with the prospect of big dividends is one which has to be strongly checked. That kind of banking requires special skill in management and is not consistent with the ideals and standards of co-operation. The results calculated to secure the moral and social improvement of the people which the co-operative movement is expected to achieve have not materialised.

The problem of affording relief to the indebted agriculturist has in recent years been taken up earnestly for solution. In 1928, Government sanctioned the establishment of a Land Mortgage Bank. Its activities were first limited to four taluks. Government gave the Bank the same concessions that were given to co-

operative societies and also promised to invest five lakhs of rupees in the debentures issued by the Bank. In conformity with the recommendations of the Royal Commission on Agriculture, the Bank was organized under the Co-operative Societies Act. It has gradually and steadily developed its work and there are at present 37 Land Mortgage Primary Societies, operating in 36 taluks and 3 sub-taluks. Loans to the extent of Rs. 10.5 lakhs have been issued to 800 agriculturists. I quite realise that what has been achieved is but a very small part of what has to be done. At present, the problem of the conciliation of debts is being attended to by a separate agency. In the course of the grant of a loan by the Land Mortgage Bank, the possibility of scaling down the debts of the borrower is generally explored. It is under contemplation to make arrangements for the Land Mortgage Banks and the Debt Conciliation Boards to work together so that when a debtor's liabilities are scrutinized and scaled down, the revised amount may be paid to the creditors. In a work of this kind, the initial arrangements have to be made with great care and circumspection lest the whole attempt should collapse as did the Agricultural Banks. I am glad to say that the movement has received a sound start and that it promises to develop in usefulness and influence from day to day. Great credit is due for this result to *Rajasabhabhushana Diwan Bahadur K. R. Srinivasa Iyengar* and the members of his Committee.

Speaking next of the lines of work to which greater attention may be devoted, I should like to refer to the urgent necessity of placing the arrangements for the efficient marketing of agricultural produce. There is no contact between the producer and the consumer who are separated by a host of middlemen. The cultivator thus gets but a small part of the return due to him. Small attempts here and there have been tried but they have neither tackled the problem to any appreciable extent nor have they been successful. The attempts made in this direction are capable of considerable expansion. The Paddy Growers' Society, Mysore, though more than five years old, has not made much impression on the problem. It has not been able to canvass the business of even one consumers' society. Individual consumers' societies have not co-operated with one another in effecting joint purchases of their requirements in bulk. For example, cannot the Consumers' Societies of Bangalore City join together and own a rice mill or a flour mill, or an oil mill?

An account of what co-operation has achieved in other lands will be a source of inspiration and guidance to local workers in the field. How public health by the adoption of co-operative methods may be improved, is shown by the Health Co-operative Societies of Yugoslavia. The first health societies in Yugoslavia were started in 1921. The funds of these societies are derived chiefly from the share capital and voluntary contributions to a fund known as the health fund. The amount of contributions is made compulsory in some societies and though payable monthly is usually paid at harvest time and in kind. The larger the membership the smaller is the contribution. A society engages a few rooms for a dispensary and a doctor who is paid out of the general funds of the society. He is allowed to charge fees according to a scale fixed by the society for consultation, visits, etc. Service is free to the members who subscribe to the health fund. Sometimes a nurse or a midwife is also engaged. Poland and Bulgaria have copied the scheme. It is claimed that the members of these societies receive better medical service for less than a third of what they had to pay to private medical practitioners. In Japan, it is understood that there are about 200 hospitals owned by the societies in the rural districts. The anti-malaria societies of Bengal are another example of what sustained co-operation can achieve. Nearer

home, Madras has launched on a scheme which appears to be well conceived and promises to work successfully.

While surveying the achievements of the movement and planning for the future, one is apt to forget the real aim of co-operation. Co-operation is not merely a more fruitful form of business organization but is also an ideal of humanity relationship which can guide and mould society on a new basis of endeavour. Co-operation substitutes the idea of service to the community for that of profit to the individual and seeks to reconcile private interest with public good. There is vast difference between the two points of view. What co-operation seeks to achieve is the abolition of commercial profits and the increasing correspondence of prices to the utility value of commodities instead of merely to their exchange value. May I point out to the Members of the Mysore Co-operative Institute that the dissemination of knowledge regarding the true ideals of co-operation and the proper methods of organising and working societies is the most valuable service that they can render to the movement? This work should be carried on by holding periodically a number of Conferences in rural areas to which office-bearers and members of Co-operative Societies should be invited. The object to be kept in view is that every member of a Co-operative Society should know the purposes and ideals of the movement.

I have taken up much of your time. To-day humanity is in the throes of another world war, in which again *might* is arrayed against *right* and *aggression* against *justice* and which will annihilate millions of human beings and in a large measure destroy civilisation. The sympathies of the entire humanity are on the side of brave but unfortunate Poland and her allies. Co-operation stands for Universal Brotherhood, Justice, Liberty, Equality and peaceful association of the whole human family. It knows no frontiers, no limitations of colour, race or creed. Its great mission is to improve humanity in general and enable people to lead a fuller and nobler life. A development of the ideals of co-operation in all the walks of life among the nations of the world is the only solution to prevent such destructive wars and pave the way for the realisation of the "Co-operative Commonwealth of Nations."

Resolutions Passed at the Conference.

1. That in addition to the Annual Co-operative Conference during the Dasarah, the following Sectional Conferences of

- (a) Credit Societies of limited liability including Housing Societies,
- (b) Co-operative Stores and Marketing Societies, and
- (c) Land Mortgage Societies

may be convened by the Mysore Co-operative Institute each year in the month of April at a place to be fixed at the Annual General Meeting of the Institute, each Sectional Conference meeting once in three years in a cyclic order.

2. That this Conference considers it necessary and desirable to constitute a Standing Committee of Co-operators elected by this Conference to advise the Registrar of Co-operative Societies and the Government on all matters concerning Co-operation.

3. That a provision be made in the Co-operative Societies Rules to the effect that at the time of passing their respective budgets and balance sheets, the Societies should set apart a definite sum to cover the subscriptions payable to the Annual

Provincial Co-operative Conference, the Mysore Co-operative Journal, Training Classes, and send such amounts to the Institute without delay.

4. That the Government be requested to discontinue the present practice of official nomination of auditors as it is undemocratic and unworkable and to revive the practice of each Society appointing its own auditor out of a panel of certified auditors to be named by the Registrar of Co-operative Societies.

5. That the Government be requested to try the feasibility of establishing Better-living Societies in selected places and that as far as possible the rural credit Societies be directed to undertake rural development works.

6. That the Government be requested to afford facilities to start Marketing Societies for sale of agricultural products such as areca, copra, etc.

7. That the Government be pleased to exempt all Co-operative Societies in the State from the levy of either Professional Tax or Shop Tax by the Municipalities.

8. That the recent Government Notification No. D. 8213 C. S. 11-36-254 dated 19/25th April 1938, introducing the rule restricting multiple membership in Co-operative Societies is not conducive to the well-being of minor Co-operative Institutions specially, Government may be moved to exempt the minor Co-operative Societies from the operation of the rule of multiple membership and if this is not found feasible, for any reason, at least the above rule may be made applicable to persons who are to become members hereafter.

9. That the Government be requested to amend rule 16(vii) of the rules under the Co-operative Societies Act or add another sub-rule to rule 16 so as expressly to empower the Registrar of Co-operative Societies, or the Assistant Registrar as the case may be, to attach amounts due to the debtors of Societies in the hands of the Heads of Government Offices or of Government Departments or of any local authority and in the hands of others.

10. That the Law of Limitation be not made applicable to Co-operative disputes referred to the Registrar or to Arbitrators for decision under the Mysore Co-operative Societies Act.

11. That the Registrar of Co-operative Societies be requested to move the Government to exempt decrees of Co-operative Societies from the operation of Section 60 Sub-section (i) Cl. (h) and (i) of the Civil Procedure Code as amended by Act XIII of 1938 which exempts from attachment wages of labourers and the salaries of officials of Government and local authorities to the extent of Rs. 50/-, since some of the Societies mostly in urban areas are to lose most of their debts outstanding against their members.

12. That the Government be requested to amend the Co-operative Societies Act so as to include an express provision declaring that the Registrar and the Assistant Registrars of Co-operative Societies are Civil Courts for all purposes connected with the execution of decrees sent to Civil Courts and further proceedings in pursuance of the execution.

CO-OPERATIVE SOCIETIES AT WORK IN INDIA

BENGAL

Extracts from the Report of the Registrar of Co-operative Societies, Khan Bahadur A. M. Arshad Ali, for the year ending 30th June 1938.

Summary of General Progress.—The process of reconstruction of the agricultural credit movement continued. A detailed survey and local investigation into the position of dues outstanding from individual members of societies was undertaken and almost completed towards the close of the year. The informations collected and collated supplied the necessary data for forming an estimate of the repaying capacity of the members and the bad debts of the financing banks. The department took steps to formulate a scheme on the basis of the enquiry to rehabilitate the agricultural credit movement. The need for short term finance for raising crops was felt but no work could be started on an organised scale during the year for want of additional finance required for the purpose.

The total number of societies of all classes slightly increased from 24,221 to 24,259 and their membership from 861,136 to 870,468. The total working capital rose from Rs. 19.21 crores to 19.48 crores and the total owned capital from Rs. 5.86 crores to Rs. 6.09 crores. Deposits from individuals increased slightly from Rs. 7.95 crores to Rs. 8.09 crores. The proportion of owned capital was 31 per cent. as against 30 per cent. of the previous year.

The policy of the department so far as it concerned the agricultural credit movement was one of consolidation and the following effective steps were taken in this direction:—

(a) The Bengal Provincial Co-operative Bank reduced its lending rate to Central Banks from 8 per cent. to 5 per cent., under certain conditions which enabled the Central Banks in their turn to reduce their lending rate to societies from 12½ per cent. to 9½ per cent. The societies also reduced their interest rate charged from individual members to 10½ per cent.

(b) By amicable arrangement with the depositors the Central Banks succeeded in reducing the rate of interest on deposits generally to 3 per cent. which is considered fair under the present circumstances.

(c) To remove the stagnation in business the Provincial Bank issued short term loans to Central Banks. A loan of Rs. 2.73 lakhs was issued to 21 Central Banks. The recovery of the loans has been satisfactory; two banks only asked for time for repayment till the next harvest as the crops in those areas were damaged by flood.

(d) On the requisition of the Central Banks, the wholtime services of some departmental officers were lent to the banks for more efficient management of their working. This has so far produced really satisfactory results.

The Bengal Co-operative Societies Bill took the final shape during the year and was introduced in the Legislative Assembly immediately after the close of the year.

The investigation into the financial position of the primary agricultural credit societies furnished the department with a certain degree of accurate materials to

ascertain the extent of solvency and repaying capacity of the individual borrowers. It appears that due to continued economic depression some of the societies have lost their solvency and it will be necessary to grant large remissions to effectively reconstruct them. The unsatisfactory financial condition of these societies have had its adverse effect on the Central Banks. The position is not, however, beyond the possibility of recovery with material assistance from Government and sympathetic attitude of the creditors. In this connection it is gratifying to observe that in spite of the financial weakness of the Central Banks and primary societies the position of the Provincial Bank continued to be satisfactory on account of its large reserves and the annual Government subsidy of Rs. 2 lakhs for recouping the loss sustained by the bank on jute sale societies.

In normal times the policy of consolidation as is being pursued by the department backed by the additional facilities afforded by the introduction of the training scheme, the increased departmental staff and an efficient Act is likely to produce a good result. But at the present moment when the repaying capacity of the agriculturist members has fallen down considerably and their overdue debts are piling up every year and while on the other hand there are no encouraging signs of any rise in the prices of the agricultural commodities to enable them to liquidate their debts in near future some sort of drastic reconstruction measures appear to be immediately necessary. In view of this a comprehensive scheme involving a bolder policy for reconstruction of the entire agricultural credit movement by scaling down the debts of the primary borrowers and by extending the period of repayment of the adjusted debts over a number of years consistent with the repaying capacity of the borrowers together with adequate facilities for short term advances is needed.

Land Mortgage Banks.—There has been no increase in the number of Land Mortgage Banks and the five existing banks are still being regarded as experimental. There is a very strong demand from all parts of the Province for the expansion of the movement and therefore a scheme for increasing the number of banks has been submitted and is under the consideration of Government. It is considered desirable that the land mortgage banks should, as far as possible, take over the awarded debts of the Debt Settlement Boards.

The total working capital of the banks at the close of the year was Rs. 4,42,163 as against Rs. 3,48,557 of the previous year. The capital consists of share capital of Rs. 36,587 and loan from the Provincial Bank Rs. 4,05,576. The total number of members rose from 1,564 to 2,049. The number of borrowing members was 1,107 as against 872 of the previous year.

During the year the banks issued a total amount of loan of Rs. 1,23,720 as against Rs. 1,85,033 of the previous year. The fall in the amount of loan issued in the year under review as against that of the previous year is attributed to the activities of the Debt Settlement Boards.

The recovery of loan was Rs. 33,854 as against Rs. 20,135 of the previous year. The total amount of loan outstanding at the close of the year was Rs. 4,62,561 as against Rs. 3,72,693 and the overdue was Rs. 5,187 as against Rs. 1,043 of the previous year. Heavy floods in some districts have contributed to the increase in the overdues. The banks have not yet taken the help of the Public Demands Recovery Act to realise the overdues, but example will be made of wilful defaulters if amicable realisation is found difficult.

The borrowing from the Provincial Bank during the year amounted to Rs. 1,09,495 as against Rs. 1,42,980 of the previous year. The repayment was Rs. 23,676

as against Rs. 7,586 and the balance at the close of the year was Rs. 4,05,576 as against Rs. 3,19,757 of the previous year. There was, however, no overdue at the close of the year.

Short term loans societies.—In comparison with last year the number of agricultural credit societies increased slightly from 19,928 to 19,933 but their membership fell from 448,085 to 440,119 and their working capital from Rs. 5.94 crores to Rs. 5.93 crores. Deposits from members also further declined from Rs. 19.31 lakhs to Rs. 18.19 lakhs and the paid up share capital from Rs. 53.56 lakhs to Rs. 53.50 lakhs. The reserve fund, however, rose further from Rs. 186.91 lakhs to Rs. 192.49 lakhs while other funds also increased from Rs. 47,277 to 55,473. The total internal capital also increased from Rs. 260.26 lakhs or 43.8 per cent. to Rs. 264.75 lakhs or 44.6 per cent. The total borrowings from the Provincial and Central Banks declined from Rs. 318.60 lakhs or 33.6 per cent. to Rs. 313.71 lakhs or 52.7 per cent. of the working capital. Loans issued to members also decreased from Rs. 23.79 lakhs to Rs. 17.06 lakhs and the repayment by members from 31.02 lakhs to Rs. 25.72 lakhs. Overdues at the end of the year however decreased slightly from Rs. 345.81 lakhs to Rs. 343.78 lakhs although the percentage of overdues to outstanding loans increased from 86.6 to 88.6.

Purchase and Purchase and sale Societies.—There was a further decline in the number of these societies from 67 of the last year to 64, and in membership from 13,297 to 13,114. Their working capital also decreased from Rs. 7,52,541 to Rs. 7,29,447.

In spite of the uncertain condition of the paddy market, the *Central Co-operative Paddy Sale Society* did better business during the year. The society handled 152,450 maunds of paddy and rice as against 147,326 maunds of last year and earned a profit of Rs. 3,519 against Rs. 3,016 of last year. The society had to pay Rs. 1,250 to the Bengal Provincial Co-operative Bank on account of interest on the outstanding dues by the closed down Chetla branch. The amount of profit in the combined balance sheet of the main depot and the Chetla branch was Rs. 2,256.

Production and sale societies.—The total number of milk societies rose slightly during the year from 243 to 244. The primary milk societies affiliated to the Calcutta Co-operative Milk Societies Union supplied milk valued at Rs. 2,00,420 as against Rs. 1,81,663 of last year and earned a profit of Rs. 7,892 as against Rs. 5,247 of the previous year.

The Malda Co-operative Sugar Mill worked with its owned capital. The mill purchased and crushed 12,856 maunds of sugarcane valued at Rs. 2,498 and the entire quantity of sugar produced was sold at the local market for Rs. 5,501 and the waste molasses at Rs. 551. The mill, however, worked at a loss in view of the fact that the local sugarcane growers did not supply sugarcane to the mill, the price of gur being high. The mill, therefore, had to be closed after working for 53 days instead of the whole sugar cane season, i.e., December to April.

Non-Agricultural Credit societies.—The number of this class of societies increased slightly from 555 to 562, their membership from 233,503 to 246,688 and their working capital from Rs. 511 lakhs to Rs. 544 lakhs. The paid up share capital also rose from Rs. 103.19 lakhs to Rs. 109.69 lakhs and the reserve fund from Rs. 35.58 lakhs to Rs. 39.27 lakhs. The other funds created out of profits amounted

to Rs. 18.22 lakhs as against Rs. 17.15 lakhs of last year. Loans issued to members amounted to Rs. 329.98 lakhs as against Rs. 301 lakhs of the previous year. Recovery of loans from members rose from Rs. 274 lakhs to Rs. 279.67 lakhs of last year. Overdues at the end of the year were Rs. 52.81 lakhs or 11.2 per cent. against Rs. 47.09 lakhs or 10.7 per cent of the last year. There was however, an increase of profit from Rs. 11.44 lakhs to Rs. 11.92 lakhs. These societies are generally prospering and have proved useful to small wage-earners. Attention of the Banks have been drawn by departmental instructions to restrict borrowings by members and to encourage savings habit amongst them.

Stores and Supply Societies.—The number of these societies rose slightly from 42 to 43 but their membership fell from 5,062 to 4,960 during the year. The value of the total sales also declined from Rs. 3.32 lakhs to Rs. 2.75 lakhs but the profit earned increased from Rs. 5,574 to Rs. 9,153.

Anti-malarial and Public Health Societies.—The number of these societies increased from 1,024 to 1,045 and their membership from 19,854 to 20,135. The existing societies are not generally showing any activities but were the requisite workers and funds available, these societies have been successful in combating malaria by introducing various preventive measures.

Rural Reconstruction Societies.—The number of these societies increased further from 512 to 524 and their membership from 8,816 to 10,924. These societies have been successfully catering for the economic, sanitary and educational needs of the members by opening out avenues of supplementary income, cutting jungles, reclaiming silted up tanks, opening out new roads, destroying water hyacinth starting primary schools and training the members in improved methods of weaving. On the industrial side, the finished textile products of the members, both weavers and non-weavers have found ready sale at the local marts.

The Bengal Co-operative Insurance Society.—The Society has made steady progress during the year. The insurance fund shows an increase of about 17 per cent. and income from premium has increased by 15 per cent. During the year proposals for insurance of the total value of Rs. 5,49,500 were received, of which proposals amounting to Rs. 3,60,000 resulted in policies.

Central Anti-malarial Society.—The number of societies affiliated to the society increased from 1,007 to 1,083. The society carried on successful propaganda at suitable centres for creating public opinion for resuscitating the numerous silted up waterways. The monthly journal "Sonar Bangla" published by this organisation seeks to disseminate useful knowledge regarding public health, agriculture and rural economics.

Milk Union.—The Calcutta Milk Societies Union sold 37,728 maunds of milk for Rs. 3,11,000 against 37,612 maunds for Rs. 3,21,827 in last year. The daily average milk handled was 103 maunds as in the previous year. The cost of management was reduced from Rs. 94,836 to Rs. 78,000 and the profit earned was Rs. 15,000 against Rs. 27,488 of last year. The union has not been able to get over the difficulty of seasonal shortage and abundance of supply which interfered with the expansion of its business on a large scale. The working of the other milk unions was not satisfactory.

Industrial Unions.—During the year the Bengal Provincial Industrial Society sold finished goods valued at Rs. 58,952 against Rs. 56,059 of last year. The gross

profit of the society was Rs. 4,956 against Rs. 3,615 of the previous year and the net profit amounted to Rs. 118 against loss of Rs. 4,452 of the previous year. The capital grant of Rs. 20,000 by Government was received in January 1938 and could not therefore, be utilised for the full period of the working year.

The weaving section also could not prosper on account of keen competition in the market. A scheme for improving the condition of the weavers' societies by setting up sizing and calendering machines in the weaving centres with the help of the Government of India grant is under examination.

Central Banks.—The number of Central Banks at the end of the year was 117 against 118 of the previous year, the registration of the Howrah Central Bank having been cancelled during the year. The number of affiliated societies slightly increased from 20,018 to 20,056 but the total working capital continued to decline from Rs. 515.89 lakhs to Rs. 513.34 lakhs. • The paid-up share capital also fell from Rs. 52.05 lakhs to Rs. 51.88 lakhs but the statutory reserve fund rose from Rs. 32.51 lakhs to Rs. 34.54 lakhs. Other funds created out of profits also increased from Rs. 31.20 lakhs to Rs. 34.90 lakhs. The proportion of owned capital to working capital was 23.7 per cent. as against 22.4 per cent. of last year. Deposits from individual and other sources declined from Rs. 268.99 lakhs to Rs. 260.51 lakhs and loans from the Provincial and other banks from Rs. 122.15 lakhs to Rs. 123.93 lakhs. Loans issued to banks and societies fell from Rs. 88.24 lakhs to Rs. 78.77 lakhs and repayments by societies from Rs. 98.39 lakhs to Rs. 87.74 lakhs. There was a slight increase in the total profits from Rs. 9.86 lakhs to Rs. 9.90 lakhs. The cost of management however decreased slightly from Rs. 6.83 lakhs to Rs. 6.82 lakhs.

The Bengal Provincial Co-operative Bank Ltd.—There was a slight fall in the membership of the Bank from 166 to 164 and in the working capital from Rs. 233.31 lakhs to Rs. 232.06 lakhs. The paid up share capital, however, rose from Rs. 16.66 lakhs to Rs. 16.67 lakhs. The statutory reserve fund also increased from Rs. 5.50 lakhs to Rs. 6.46 lakhs. The other funds created out of profits declined from Rs. 18.62 lakhs to Rs. 17.63 lakhs. Deposits from members and others decreased further from Rs. 192.52 lakhs to Rs. 191.28 lakhs. Recovery of loans improved during the year from Rs. 18.49 lakhs to Rs. 25.22 lakhs. The Bank received two instalments of the annual subsidy of Rs. 2 lakhs from Government. The condition laid down by Government for the subsidy about the scaling down of the rates of interest charged to the members of the Bank was also fulfilled. The Bank on its trading account earned a cash profit of Rs. 91 lakhs.

The Bengal Co-operative Organisation Society Ltd.—The number of affiliated societies increased from 18,892 to 18,986. The society continued to publish the two journals and participated in several industrial and agricultural exhibitions in the Province. Publicity officers of the society also delivered lectures on co-operation and allied subjects both in rural and urban areas.

BIHAR

Extracts from the Report of the Registrar of Co-operative Societies, Mr. N. Bakshi, I.C.S., for the year 1938.

General Progress.—The total number of working societies of all kinds including the Co-operative Federation and the Provincial Co-operative Bank stood at 7246

at the end of the year under review as against 7,010 at the end of the year 1937. There was thus a net increase of 236 societies which included 195 Canegrowers' Co-operative Societies the organisation of which has been considerably facilitated by the Sugar Factories Control Act, 1937, and the additional staff sanctioned by Government for the purpose. The downward drift in the credit side of the Co-operative movement continued and, as a matter of fact, a brake was applied to further organization of ordinary credit societies pending rehabilitation enquiries which were taken up in several banks and societies.

The B. & O. Provincial Co-operative Bank Ltd.—The financial condition of the Provincial Bank received a further set-back during the period under review. In consequence of comparatively heavy refund of deposits, the working capital of the Bank which, at the end of 1937, stood at Rs. 99,51,075 was reduced to Rs. 96,30,144. Owing to poor recovery from Central Banks, the Provincial Co-operative Bank had to meet the demand for refund mostly by sale of Government securities. The paid-up share capital was also reduced from Rs. 6,11,400 to Rs. 5,89,400. As no distributable profits were available, no dividend was paid during the year. The statutory Reserve Fund increased by Rs. 10,410 only from Rs. 4,43,935 at the end of 1937, to Rs. 4,54,345 while the Reserve for contingencies rose from Rs. 2,34,900 to Rs. 3,78,100. There was a further fall by Rs. 4,67,000 during the year in the total deposits held by the Bank which stood at Rs. 64,27,000 at the close of the year. The decrease in total deposits in the Bank during the past 4 years ending the 31st December, 1938, amounts to Rs. 16,03,000 which represents one-seventh of the total working capital of the bank.

Until and unless the movement is rehabilitated, the credit of the Bank which has sunk to a low ebb due to the failure of many Central Banks to meet their obligations, cannot be restored and the drain is likely to continue. It is, however, believed that the drain though steady has not been as heavy as it might have been due to the good reputation so far enjoyed by the Bank and the announcement made by Government about the rehabilitation of the movement at the last Co-operative Federation Congress held in April 1938. Out of the total deposits of Rs. 64,27,000 at the end of the year Rs. 62,94,000 was from individuals and Rs. 1,33,000 from Central Banks and Societies. The rates on the different kinds of deposits allowed by the Bank continued to be the same as in the previous year. The rates allowed were to some extent higher than the rates allowed by some of the local scheduled banks, e.g., Imperial Bank, Allahabad Bank and the Bank of Bihar. In spite of the comparatively higher rates, withdrawals of deposits continued. For fear of further heavy withdrawals of deposits the Bank could not run the risk of reducing its rates.

Out of the two loans amounting to Rs. 20 lakhs given by Government to the Bank in the year 1934, Rs. 13,80,000 remained due for payment at the close of the year under review. Due to the financial embarrassments of the Bank the instalments due in the year 1938, could not be repaid and Government were pleased to grant an extension of the period of repayments by one year. A sum of Rs. 20,000 was also due to Government out of the loan of Rs. 30,000 given to the Bank for financing Canegrowers' Societies. The instalments of this loan are being regularly paid.

In the matter of fresh advances the Bank continued to follow a very cautious policy. No fresh loans beyond short term loans to the Paharia Societies in the Rajmahal Sub-division of the District of Santal Parganas, were given to any Central Co-operative Bank or Union. The number of these Paharia Societies, which are directly affiliated to the Provincial Co-operative Bank, remained at 38 as in

the previous year though the membership increased from 760 to 821. About 2,00,000 maunds of *sabai* grass were sold by the societies to the Titaghur Paper Mills during the year. All these societies have been working satisfactorily. Collection of principal from these societies was over 92 per cent of the total outstanding and collection of interest 100 per cent. The progress hitherto made by the Paharias in improving their economic conditions is an eloquent testimony to the efficacy of co-operative organisation.

The Bank continued to be handicapped by the heavy overdues from Central Co-operative Banks and Unions as the following comparative figures will show:—

		Rs.	Total collection. Rs.
1934	..	36,43,000	2,18,000
1935	• ..	41,89,000	3,18,000
1936	..	43,52,000	1,82,000
1937	..	46,06,000	79,000
1938	..	43,16,000	75,000

Out of the amount of Rs. 8,67,000 due as interest from the Central Banks in Bihar Rs. 1,40,000 only during the year was realised leaving a balance of Rs. 7,27,000 as overdue. In the calculation of the figures for the year 1938 dues from Central Banks in Orissa have been eliminated. The Bank earned a profit of Rs. 30,000 only on the year's working.

At a conference of the representatives of the Bank, the Government of Bihar and of the Orissa Government, held on the 13th and the 14th August 1938, at Patna, the terms of the bifurcation of the Bank as a result of the separation of Orissa were finally settled. Under these terms the Bank is to get from the Government of Bihar Rs. 3,75,000 in full satisfaction of its claims against the Co-operative Banks in Orissa, the Government of Orissa having undertaken to pay the aforesaid sum to the Government of Bihar in eight equal yearly instalments free of interest. The Central Banks and Unions in Orissa have also waived all claims against the Provincial Bank in respect of their deposits and reserves of all kinds, share capital, appreciation in securities, undistributed profits and the other assets of the Provincial Bank. The Provident Fund deposits of the employees of the Bihar and Orissa Co-operative Federation employed in Orissa will, not, however, be affected by this agreement and will be paid direct to the depositors by the Provincial Co-operative Bank. The Central Banks in Orissa have also been absolved from all liabilities of the Provincial Bank including the uncalled liabilities of their shares.

Dr. Sir Syed Sultan Ahmad, Kt., D.L., Barrister-at-Law, was re-elected as the Chairman of the Bank for the seventh year in succession; and Rai Bahadur Durga Prasad continued to be the Managing Director till his death on the 16th May, 1938. Rai Bahadur Shyamanandan Sahay was elected to fill the vacancy and he held charge of the office of the Managing Director till the close of the year under report.

Central Co-operative Banks and Unions.—The number of Central Banks and Unions was 53 as in the previous year. The paid up share capital, which stood at Rs. 16.26 lakhs at the end of the previous year, went down to Rs. 16.22 lakhs at the close of year under review. The working capital also decreased by Rs. 2.73 lakhs and stood at Rs. 1,64,49,846 at the end of the year. The paid up share capital and reserves formed 9.8 and 8.3 per cent respectively of the working capital. The total statutory Reserve stood at Rs. 7,38,777 being only 4.5 per cent of

the working capital. The proportion of owned to borrowed capital was 1 to 4.5. Other reserves of the banks amounted to Rs. 6,32,860.

Total deposits held by Central Banks and Unions at the end of the year stood at Rs. 82.22 lakhs as against Rs. 84.73 at the end of the previous year. There was thus a shrinkage in the total deposits during the year by Rs. 2.51 lakhs. Out of the total deposits of Rs. 82.22 lakhs held at the end of the year, Rs. 4.59 lakhs was held by societies and the balance of Rs. 77.63 lakhs by individuals (Rs. 5.94 lakhs by members and Rs. 71.69 lakhs by non-members). Deposits constituted 62.1 per cent of the total borrowed capital which was Rs. 1,34,41,554 at the end of the year.

There was general run on the banks for withdrawal of deposits by individual members. Owing to acute financial difficulties most of them were unable to meet their obligation to their creditors. 13 banks had recourse to creditors' meeting under section 24-A of the Bihar and Orissa Co-operative Societies Act and the compromise arrived at have been given effect to. In these compromises the creditors have evinced a very magnanimous spirit by agreeing not only to allowing the banks sufficient time, generally five years, for payment of their dues out of funds available for distribution among them on a pro-rata basis but have further agreed to liberal reductions in the rate of interest. In some cases they have even agreed to a complete cessation of all future interest. Some other banks are contemplating similar action but the question of holding further meetings has been deferred till the reconstructed balance sheets of the banks concerned, as a result of rehabilitation enquiries taken up under the orders of Government, are made ready and the decision of Government on the scheme of rehabilitation is announced.

Collection of principal during the year showed a marked deterioration. It stood at 2.6 per cent only as against 4.4 per cent and 4.8 per cent in 1936 and 1937 respectively. The total amount of collection of interest was Rs. 4.88 lakhs as against Rs. 7.27 lakhs and Rs. 6.78 lakhs in 1936 and 1937 respectively. The percentage of collection was 9.8 per cent as against 18.4 per cent and 14.5 per cent in the two previous years. Only Rs. 1.98 lakhs could be advanced by the banks to the societies during the year as against Rs. 3.89 lakhs and Rs. 3.41 lakhs in 1936 and 1937 respectively. Due to lack of funds for long-term investments advances by banks and unions to societies and by latter to their members for improvement of lands had to be very much curtailed. A sum of Rs. 1,994 was, however, advanced by Central Banks and Unions to societies and Rs. 2,158 by societies to members for this purpose.

The financial position of most of the banks, is extremely alarming, some of the banks being almost on the verge of collapse.

Agricultural Societies.—The total number of working agricultural societies of all types was 7,039 as against 6,790 at the close of the previous year. There was also an increase in the membership of these societies by 7,791, the total number at the end of the year being 169,078. The paid up share capital and the working capital amounted to Rs. 11.24 lakhs and Rs. 147.12 lakhs respectively as against Rs. 11.22 lakhs and Rs. 148 lakhs in the previous year. The slight decrease in the working capital was due to liquidation of a number of societies and the inability of the central co-operative banks to make fresh advances. There was an increase of about Rs. 79,000 in the statutory reserves which stood at Rs. 26,64,357. The amount of the other funds also increased by about Rs. 18,000 to Rs. 1.22 lakhs. The owned capital amounted to 26.5 per cent of the working capital.

The total amount of loans advanced to members during the year under report was Rs. 2,61,345 as against Rs. 2,60,993 in the previous year. A statement is given below to show the purposes for which these loans were advanced.

Purposes.	Rupees.	Percentage.
Cultivation	37,948	15.1
Purchase of cattle	58,788	23.4
Payment of rent	87,214	34.7
Improvement of land	2,149	0.8
House repairs	7,654	3.1
Trade	11,720	4.6
Purchase of land	11,609	4.2
Maintenance	3,661	2.1
Payment of debt	9,855	3.7
Redemption of land	1,263	0.9
Marriage expenses	13,052	5.2
Litigation	309	0.1
Raw materials	582	0.2
Other Ceremonies	874	0.3
Other purposes	4,152	1.6
Total	2,50,830	

Primary societies with unlimited liability.—The number of this class of societies increased by 69 to 6,628 and the membership which also increased by 3,166 stood at 1,52,873. The aggregate working capital and reserve of these societies were Rs. 147 and Rs. 27.62 lakhs respectively as against Rs. 147.41 and Rs. 28.66 lakhs respectively in 1937. The amount of loans advanced during the year was Rs. 2.51 lakhs as against Rs. 2.52 lakhs in the previous year. The cost of management was Rs. 76,000 as against Rs. 88,000 in 1937.

A statement showing the demand, the collection and the overdues both in respect of principal, and interest, is given below :—

	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

It will be seen that the state of collection continues to be alarming.

Grain Golas.—There were 23 grain golas, 8 in the Santal Parganas, 10 in Ranchi, 3 in Hazaribagh, 1 in Manbhum and 1 in Bhagalpur. The membership of the golas increased by 1,129 to 8,189. Cash and grain advances to members amounted to the value of Rs. 4,580 as against Rs. 7,747 in the previous year and total repayments amounted to Rs. 5,607. The total amount outstanding was Rs. 34,040 out of which Rs. 22,870 was overdue. All the golas earned profits during the period under review.

Canegrowers' Co-operative Societies.—The scheme for the organization and operation of Canegrowers' Co-operative Societies which came into operation in 1935 was further extended from the 1st April 1938, to 31st March 1941. The revised scheme provides for 5 Special Officers, 35 Organizers and 70 Supervisors as against 2 Special Officers, 13 Organizers, and 13 Supervisors in the original scheme. North Bihar was sub-divided into three circles each under the charge of a Special Officer with a number of Organizers and Supervisors to assist him.

There was an appreciable improvement in the matter of business relations between the Canegrowers' Co-operative Societies and the Sugar Factories though instances of lack of co-operation and general feeling of distrust against these societies on the part of some of the mills were also notentirely lacking. A feeling like this in the early stage of the working of the scheme is not quite unusual and entirely unexpected. It is, however, hoped that in course of time the Sugar Factories will appreciate the services of the department in establishing harmonious co-ordination between them and the canegrowers, which is so essential for their mutual prosperity.

During the crushing season, 1938-39, 372 Canegrowers' Societies and 12 marketing unions with 7,782 members, supplied 13,69,683 maunds of cane. Adequate attention was paid to the introduction and propagation of improved varieties of sugarcane and agricultural implements which are gaining popularity among canegrowers. Several societies have opened an Improvement Fund to which handsome donations have been made by the Hon'ble Minister and several district and sub-divisional Magistrates in recognition of the good work done. Every member of every Canegrowers' Co-operative Society is being encouraged to maintain manure pits and compost heaps. As a result of the efforts of the field staff, the cultivators are becoming more and more conscious of the utility of purchasing seeds of improved varieties for which there is an increasing demand. Lantern lectures on sanitation, hygiene, child-welfare, improvement of village communication and allied subjects were delivered in a number of Canegrowers' Co-operative Societies and in some societies arrangements were made for training 19 village Dais in Maternity work with the help of a Midwife employed by the District Board. Other activities undertaken by the members of societies were vegetable gardening, construction and repair of village communications by joint efforts and contributions made by them for arrangements for supply of good drinking water. Eri-rearing and spinning as cottage industries were also introduced in some of the societies, and for this purpose, the Department of Industries placed, on a temporary basis, the services of an Eri-Instructor at the disposal of the Special Officer, Canegrowers' Co-operative Societies, Pusa. Improved varieties of canes were also supplied free by the Agriculture Department and demonstrations in selected areas were given by Agricultural Overseers and Kamdars.

Weavers' Societies.—The number of weavers' societies both limited and unlimited, was 37—8 under the former and 29 under the latter. The working of

the two weavers' societies in the Patna district, one at Fatwa and the other at Bihar continued to be satisfactory. The number of members of the society at Fatwa increased by 2 to 24. It earned a profit of Rs. 974 against Rs. 435 in the previous year. The membership of the Bihar Weavers' Co-operative Society remained at 51 as in the previous year. It made a profit of Rs. 1,615 on a working capital of Rs. 12,161 against a profit of Rs. 711 on a working capital of Rs. 10,746 in the previous year. The Weavers' Co-operative Society at Ranchi received a subsidy of Rs. 10,000 from Government. The society had 498 members and made a profit of Rs. 335 only on a working capital of Rs. 27,154.

Stores.—The number of Co-operative Stores was 6 during the year. The Patna Secretariat Co-operative Stores earned a profit of Rs. 844 against a loss of Rs. 80 sustained during the last year, reducing the total loss suffered by the Stores to Rs. 3,599. The management of this store continued to be unsatisfactory.

Co-operative Federation.—The Federation passed through another year of financial stringency. The year started with an overdraft of Rs. 11,616 and closed with an overdraft of Rs. 33,731—3—9 in the old cash credit account with the Provincial Co-operative Bank.

The assessment of audit contribution for the year under report was Rs. 1,39,319 which together with Rs. 2,20,167 of the previous year amounted to Rs. 3,59,486. Only Rs. 61,585 could be realised during the year leaving a balance of Rs. 2,97,901. Besides audit contribution from banks and societies, the Federation received a subsidy of Rs. 34,929 from Government as against Rs. 49,089—1—0 in 1937-38.

The 20th Session of the Co-operative Federation Congress was held in Patna on the 6th and the 7th April, 1938, under the Presidentship of the Hon'ble Mr. V. Ramdas Pantulu. The opening ceremony was performed by His Excellency Sir M. G. Hallett, K.C.S.I., C.I.E., I.C.S., Governor of Bihar. An announcement of far reaching importance regarding the decision of Government to rehabilitate the movement as early as possible was made by His Excellency and the Hon'ble Dr. Syed Mahmud, Minister of Education, Development and Employment, speaking on behalf of Government.

Of the resolutions adopted by the Congress, two were of considerable importance. The Congress resolved that the control of audit, which had so long been vested in the Federation be transferred to Government. The audit staff were, accordingly, taken over by Government, on a temporary basis, with effect from the 1st November, 1938. Only a small staff were left in the Federation Office to enable it to carry on its other activities such as organising annual meeting of co-operators, publishing magazines, securing a uniform standard of work in all the banks, etc. A scheme for the organisation of the audit service is pending the orders of Government.

Co-operative Training Institute.—The Co-operative Training Institute was re-organised on a residential basis during the period under review. As mentioned in the last report, it was shifted in October, 1937 to Pusa where suitable buildings for a residential Institute of this kind and an excellent environment for a corporate life are available.

Up to February, 1938, the Institute was mainly engaged in the Refresher Training of local auditors and employees of banks and societies for whom short courses of two months were arranged. The scheme of training was subsequently

revised during the year. The revised scheme provided for a comprehensive training, both theoretical and practical, for 40 graduate stipendiaries. The revised syllabus included Rural Economics, Social Psychology, Economic Geography, Public Speaking, Elements of Banking, Survey and Settlement work besides Co-operative Law, Audit, Accounts and Book-keeping. Lectures and demonstrations by selected officers of other nation-building departments like Agriculture, Veterinary, Education, Industries and Public Health were also arranged. Training in First-Aid, bandaging and riding was also given. They were also given a course of practical training in the work of rehabilitation enquiry in the societies under a number of Central Banks and Unions for a period of about 2½ months.

A short course of special training for rehabilitation enquiry was also arranged at the Institute for 25 departmental inspectors towards the close of March, 1938. A number of lectures were delivered by the Registrar, Co-operative Societies, and the Banking Expert and subsequently the inspectors were taken to Laheriasarai for practical training in the work of rehabilitation enquiry. After necessary training they were deputed to field work in connection with the rehabilitation enquiries started towards the end of March, 1938. The institute also organized a short course of training for the additional Special Officers, Organisers and Supervisors of Cane-growers' Co-operative Societies, appointed under the revised scheme for the co-operative organisation of cane-growers.

Rehabilitation Enquiry.—An enquiry into the assets, liabilities and the repaying capacity of members of co-operative societies was taken up in April, 1938. Government also appointed a Co-operative Rehabilitation Committee in August, 1938, consisting of ten members to advise Government on all matters connected with rehabilitation.

The Committee approved of the scheme of rehabilitation prepared in the department subject to certain modifications. The period of recovery was extended to 20 years as against 15 years provided in the departmental scheme; and the maximum lending rate to members, as provided in the departmental scheme was 6¼ per cent. The Committee prescribed a maximum limit of 7 per cent in the case of old debts and of 7½ per cent in the case of new loans. The object of the extension of the period of the scheme to 20 years was to retain a larger number of members. While agreeing with the department that with the existing low level of prices of agricultural commodities it was difficult for agriculturists to pay interest at more than 6¼ per cent, the Committee felt that it would be difficult for the central co-operative banks to obtain sufficient funds at less than 4½ per cent and to lend it to societies at less than 6½ per cent. The Committee appointed a Sub-committee to examine the proposals for legislation and general recommendations for future rules of business prepared by the department and adopted these proposals with certain modifications.

Plan of the enquiry.—The enquiry, before reconstruction, is made in the following stages: (i) Enquiry into the assets, liabilities and repaying capacity of members, (ii) Enquiry at the registration offices for ascertaining previous encumbrances, if any, for 12 years, (iii) Further local enquiry for ascertaining as to whether the encumbrances, detected during verification, had been subsequently redeemed, (iv) Enquiries into liquidated societies, (v) Enquiries into lands held by—(a) Societies, (b) Central Banks, and (vi) Enquiries into the present market value of other assets namely investment inside or outside the movement, certain properties like bank buildings, furniture from stock in hand, etc.

The valuation of different classes of lands is made according to a schedule prepared by the Reconstruction Officer in consultation with the bank authorities and approved by the Revenue Officers of the district. Income from different classes of land is also calculated according to a schedule of yield similarly prepared and approved by the Revenue officers. The money value of the average yield of different crops is calculated on the basis of the average price during a period of 8 or 9 years since 1930 when the depression set in. Besides the income from lands, miscellaneous income from service, casual labour, trade, etc. is also taken into account for calculating the total income of a member. Cost of maintenance is calculated according to the number of persons in the family.

Repaying capacity.—Financing in the past appears to have been based mainly on the consideration of assets and liabilities. The importance of fixing the amount of loans according to the repaying capacity is now being realised everywhere. It is not enough to know the net assets of a member in order to assess the repaying capacity. Income from sources other than land should also be taken into account. The importance of income from sources other than land would be apparent from the fact that in some districts like Shahabad and Saran, many families would show a deficit budget, if the earnings by several adult male members of the family, working in other districts and provinces in various capacities be not taken into account. It is, therefore, absolutely essential to consider certain forms of income other than those derived from land and certain minimum expenses before one can estimate the amount, which a member can be expected to pay year in and year out. Even in comparatively good banks, where the investment is backed by sufficient assets, the loans have become frozen owing to the inability of the borrowing members to pay according to the existing kists. This is due to the fact that the amount fixed as the annual instalment is far beyond their capacity to pay. In such cases, a satisfactory percentage of realisation can only be attained if the outstanding dues are spread out in annual instalments within their paying capacity. The theory of co-operative financing, based merely on a consideration of the assets, is universally regarded as obsolete.

On a tentative basis 10 per cent has been allowed for non-collection from retained members of reconstructed societies. It is being considered whether with a view to ensure greater safety more than 10 per cent should not be allowed for non-collection. As the incidence of loss in investments in liquidated societies, in eliminated members and in assets like lands is likely to be appreciably greater than those in retained members of reconstructed societies, 25 per cent of the gross estimated recovery has been deducted for estimating the net realisation.

Estimate of net loss.—On the basis of the record of reconstruction, the total of the estimated net realisation from retained members, eliminated members, lands and other assets, has been determined. On the liability side, the items include dues of the Central Banks, dues of the Co-operative Federation, dues of outside depositors, dues of member-depositors, etc. The difference between the total liability and the total amount estimated to be recoverable shows the gross loss. From this gross loss, certain owned resources of the society are deducted, for determining the net loss of the society. From this net loss, the arrear interest due, if any, is first deducted and the balance distributed on a pro-rata basis over the claims of all the creditors of the society. The proportionate loss of the Central Bank is then determined. In every Central Bank there will, in all probability, be a number of societies, which are in a position to meet all the outside liabilities, with or without, partly or wholly setting off their owned resources and most of these will be surplus societies. The

remaining societies, which are unable to meet the dues of the outside creditors even after the whole of their owned resources have been wiped off, will be deficit societies. The total of the net losses of the Central Bank in these deficit societies represents the loss of the Central Bank in its investments in the societies.

Non-Interest Bearing Assets.—The assets of reconstructed societies and banks are of two kinds, which should be clearly distinguished from each other in any scheme of reconstruction. The scaled down dues of retained members form the most important part of interest-bearing assets of a reconstructed society, the non-interest bearing assets being lands, dues from eliminated members, etc. In a reconstructed bank, the interest-bearing assets consist of the interest-bearing part of its investments in reconstructed societies, investments in the Provincial Co-operative Bank and in Government securities while assets in liquidated societies, eliminated members and lands belonging to the bank are essentially non-interest bearing pending recovery. In a province like Bihar, where a large number of the banks have been living partly on borrowed capital from year to year, the non-interest bearing assets have assumed abnormal proportions. Roughly speaking, it is estimated that only about 33 per cent of the assets of the banks is interest bearing. While the non-interest-bearing assets shown in the balance sheet are believed to be realisable, it is important to remember that during the period of recovery little or no interest will accrue from such assets even though an appreciable amount will have to be spent for their collection.

Provision for Crop Loans.—One of the main causes which has contributed to poor recovery has been inability of the societies to provide the minimum seasonal credit needs of their members. It is well-known that a far-sighted Mahajan always advances small loans to his selected agriculturist-debtors even when they default, to enable them to carry on their agricultural operations, in-as-much-as unless an agriculturist is in a position to cultivate his land and grow his crops, he cannot possibly make any payment. As the scheme provides for compulsory mortgage of immoveable property of a member, it will not be open to the member to obtain credit from private mahajans. The difficulty in obtaining private credit has been made all the greater owing to the enforcement of the Bihar Money-lenders' Act. It is, therefore, essential that due provisions should be made for giving small crop loans to the retained members pending the recovery of the scaled down dues according to the scheme. Two limits for crop loans based on due consideration of the cultivable area and other relevant matters have been provided. A member will get crop loan according to the minimum scale as long as he does not fully repay his old debts. As soon as he is free from debts, he will be entitled to a short-term loan on a larger scale, the object being to encourage him to pay off his previous debts as soon as possible. Enquiries have been completed in 1,860 societies containing 31,870 members without any additional staff provided for the purpose. In view of the nature and extent of financial commitments involved in the scheme and the technical nature of the matter, Government have considered it necessary to consult several experts and have not yet reached any final decision about rehabilitation.

Conclusion.—I regret that there has been undue delay in the preparation of the annual reports for the last two years. The department has been handicapped in this respect by the delayed submission of annual figures and reports by societies and banks. Apart from a certain amount of slackness on the part of the management of the banks, the delay has been caused by several reasons some of which are mentioned below :—

(i) There has been drastic retrenchment in the strength of the staff in most of the banks and societies with the result that the existing staff are not in a position to cope with the work; (ii) The salary of the existing staff has, in most cases, been reduced and their increments have been stopped with the result that they have now little or no interest in their work. The staff are not being paid regularly even their reduced salary, and (iii) The cumulative deterioration of the movement taken with the delay in adopting effective steps for its speedy rehabilitation are scaring away most of the good non-official workers from the movement and the few that still remain as office-bearers do not consider it worth their while to take any active interest in the management of banks and societies.

The department would like to place on record that if matters are allowed to drift, as at present, it will be very difficult, if not impossible, to compile an adequate annual report in future.

MYSORE

Extracts from the Report of the Registrar of Co-operative Societies, Mr. M. Abdul Hukh, for the year ending 30th June 1938.

Trend of the Movement.—The seasonal conditions during the year were not as satisfactory as during the previous year and there was no abatement in the economic depression. The Movement had therefore to pass through another anxious year. In spite of these adverse factors, the result of the year's working of the Movement discloses an encouraging improvement in the larger transactions and increases in paid-up share capital, deposits and working capital. The following is a comparative statement of the working of the Movement during the years 1936-37 and 1937-38 :—

Particulars.	1936-37	1937-38
Number of societies	1,862	1,893
Do. members	1,46,163	1,39,609
	Rs.	Rs.
Paid-up share capital	53,46,163	53,81,565
Deposits from individuals	1,06,26,696	1,20,67,089
Do. societies	7,12,712	7,29,378
Loans from Central Institutions (Outstanding)	26,56,611	28,71,478
Loans from Government (Outstanding)	2,92,084	3,55,733
Reserve Fund	32,35,061	33,81,910
Other Funds	11,39,134	10,60,378
Total Working Capital	2,40,29,317	2,58,47,531
Loans issued during the year	1,04,91,208	83,61,071
Loans recovered during the year	1,04,79,004	76,23,238
Total Turnover	8,07,75,389	10,34,09,145
Net Profits	3,72,307	4,12,545

Central Societies.—There has been no change in the number of Central Societies which stood at thirteen, the same as at the beginning of the year. Of these,

eleven are financing Banks, and two institutions for Co-operative Propaganda and Education. Of the eleven Banking Institutions, five are District Banks, three Federal Banking Unions and one Central Urban Bank and the other two are the Apex and the Central Co-operative Land Mortgage Banks which have been organised for issuing short and long-term loans respectively, to the ordinary primary societies and Land Mortgage Societies respectively. Action is being taken for closing down the District Banks by arranging for the winding up of the societies indebted to them. The working of the Financing Banks on the whole showed all round progress during the year as indicated below :—

Particulars.	As on 30th June 1937.	As on 30th June 1938.
1. Membership ..	2,992	3,088
	Rs.	Rs.
2. Share Capital ..	6,58,453	6,72,877
3. Deposits ..	54,52,645	55,17,539
4. Reserve Fund ..	4,28,779	4,36,705
5. Total Working Capital ..	68,42,188	69,44,407
6. Net Profits ..	40,460	26,599

The decrease in the profits is due to the non-realisation of interest from the borrowers in the case of Central Co-operative Bank, Bangalore and the Apex Bank.

The Mysore Provincial Co-operative Apex Bank, Ltd.—This Bank is the pivot of Co-operative Finance and is the sole agency for the grant of short-term and intermediate credit to the primary societies. The membership of the Apex Bank in respect of individuals decreased during the year from 246 to 240 and in respect of societies, increased from 985 to 1,001. The policy of eliminating individual share-holders and strengthening society membership is steadily being pursued to achieve the Bank's ideal of a federation of societies. The following figures indicate this process :—

	Individuals.	Societies.
June 1918	356	308
June 1926	295	563
June 1931	256	922
June 1935	504	976
June 1937	246	985
June 1938	240	1,001

The paid-up share capital which was Rs. 2,54,393 at the beginning of the year increased to Rs. 2,56,732 at the end of the year. The deposits and reserve fund stood at Rs. 29,24,066 and Rs. 1,73,851 respectively, at the end of June 1938 as against Rs. 31,97,748 and Rs. 1,73,862 in the year previous. The amount of loans issued to societies during the year was Rs. 1,76,142 as against Rs. 1,80,943 last year. During the year the Bank sanctioned loans aggregating to Rs. 89,286 to eight House-building Societies and actually disbursed Rs. 72,985. The loan of Rs. 1½ lakhs sanctioned to the Bank by the Government for financing House-building Societies was not drawn upon but kept as a reserve to be drawn when necessity therefor arises. The recoveries both under principal and interest have fallen from Rs. 2,49,046 and Rs. 1,43,179 of last year to Rs. 1,71,373 and Rs. 1,26,253 respectively during the year. The unfavourable seasonal conditions and the

continued economic depression are chiefly responsible for this. The percentage of overdues under all heads to the total outstandings was 77.96 as against 74.6 on 30th June 1937.

The net profits of the Bank for the year fell to Rs. 54. This is due not only to the failure of many of the indebted societies to pay the interest due but also to the Bank having adopted for the past two years the correct method of taking into account only the interest realised and omitting altogether the inclusion of unrecovered accrued interest in the profit and loss account.

The Bank had offered certain concessions to the indebted societies in the matter of the reduction of further interest and remission of penal interest under certain conditions. So far out of about 400 societies indebted to the Apex Bank only 167 societies were able to obtain the concessions allowed, by complying with those conditions. The Bank proposes to continue the concession during the current year also, realising as it does that it should speed up recoveries by offering sufficient inducements to the defaulting members instead of making them desperate.

The work relating to the revaluation of the securities for the loans outstanding against the individual borrowers of the societies indebted to the Bank and the preliminary examination has been completed in more than half the number of indebted societies and the work is being speeded up. Side by side with the process of revaluation, steps should be taken to place the good loans on a long term basis to enable the borrowers to repay the debts in easy instalments.

With a view to place the working of the Bank on a satisfactory basis, Government have been pleased to sanction the appointment of an Assistant Commissioner, who had four years' practical experience in the Co-operative Department, as its Secretary. Half his salary inclusive of the pensionary and leave allowances contribution is being met by Government. The constitution of the Bank has been recently changed in accordance with Rule 32 of the Rules under the Mysore Co-operative Societies' Act. Mr. C. S. Kuppuswami Iyengar, retired Deputy Commissioner, has been elected as its President and he is taking special interest in improving its affairs.

The Bangalore Central Co-operative Bank.—The Central Co-operative Bank had a membership of 22 societies and 1,222 individuals as against 33 societies and 1,117 individuals at the close of the previous year. Its share capital and reserve funds increased from Rs. 3,01,899 and Rs. 2,27,737 to Rs. 3,07,502 and Rs. 2,34,367 respectively. The deposits held rose from Rs. 16,37,592 to Rs. 17,44,829. The Bank issued loans during the year to the extent of Rs. 3,37,121 and recovered Rs. 3,01,070 towards its dues. The outstandings amounted to Rs. 14,97,010 as against Rs. 14,60,965 in the previous year. The demand, collection and balance of loans due from individuals during the year were Rs. 10,53,880; Rs. 2,98,612 and Rs. 7,79,714 respectively. The collections include a sum of Rs. 24,446 received in advance. As regards loans from societies outstanding against 49 of them, a sum of Rs. 2,458 towards principal was recovered during the year against a demand of Rs. 1,57,090 and the entire balance of Rs. 1,54,632 was overdue.

Primary Societies—Agricultural.—The number of societies under this class increased from 1,417 to 1,445 consequent on the policy of cautious expansion pursued during the year, side by side with the weeding out of hopeless societies. The membership showed an increase from 62,229 to 62,307. The share and working capitals of these societies increased from Rs. 11,35,220 and Rs. 55,00,845 to Rs. 11,87,225 and Rs. 58,77,661 respectively. Out of the 1,445 societies, 1365 were Credit Institutions

21 Agricultural Supply Societies, 34 Grain Banks, four Marketing Societies and the rest miscellaneous institutions.

The Agricultural Credit Societies had a membership of 80,313, a paid up share capital of Rs. 11,65,778, a deposit of Rs. 5,61,866 and a total working capital of Rs. 57,68,346. They issued loans to the extent of Rs. 9,98,144 and recovered Rs. 8,69,185 as against Rs. 8,05,661 and Rs. 8,30,821 respectively last year. The percentage of overdues to demand has decreased from 75.9 to 73.2 due not so much to increased recoveries but to grant of extension of time in desirable cases.

The Agricultural Supply Societies had a membership of 689, a paid-up share capital of Rs. 13,013, a deposit of Rs. 1,328 and a total working capital of Rs. 75,252. Their purchases and sales amounted to Rs. 3,503 and Rs. 3,504 respectively. These societies showed no signs of improvement during the year. They are functioning more as credit institutions than as supply societies. A few credit institutions that undertook the supply of agricultural requisites as adjuncts to their ordinary business purchased and sold implements to the extent of Rs. 3,514. Many societies have purchased ploughs, cultivators, sugar-cane mills and pans and have been hiring them out to their members.

Marketing Societies.—There were four sale societies, two for the sale of areca and two for cardamom. Of the two Areca Sale Societies, the Hakre Sale Society has been doing only credit work from a long time. Arrangements for amalgamating this society with the local credit society are in progress. The Sringeri Areca Sale Society continues to be dormant as before. Steps have been taken to adjust its accounts. Preliminary investigations have been completed for organising primary areca sale societies on somewhat different lines calculated to work better, with a Central Warehouse and sales agency at Shimoga. Questionnaire re areca cultivation, debts, facilities for marketing, etc. had been issued and the replies are being compiled and further action for organising the societies and attempting to solve the problem of the sale of areca on co-operative lines has been taken on hand.

The two societies at Mudgere and Achanahalli for the marketing of cardamoms have a membership of 317, a share capital of Rs. 12,895 and a working capital of Rs. 1,40,331. These institutions have been financed by the Apex Bank the balance outstanding on 30th June 1938 being Rs. 1,20,507, which is mostly overdue. They sold 271 maunds of cardamom and the realisations amounted to Rs. 23,436. Their reserve funds amounted to Rs. 3,423 and their net profits for the year to Rs. 2,344.

Grain Banks.—There were 36 Grain Banks at the beginning of the year. One Bank converted itself into a credit society and one was newly registered. The registration of two was cancelled. Thus there were 34 Grain Banks at the end of the year. They had a membership of 1,067, a share capital of Rs. 4,251 a total working capital of Rs. 14,894 worth of grain and a reserve fund of Rs. 4,752. For want of proper facilities for stocking grain and lack of enthusiasm on the part of the members, these Banks have not been a success. Very few of them have granaries of their own.

Non-Agricultural Societies.—There were 435 societies of this class at the end of the year with a membership of 74,214 as against 432 societies and 80,942 members last year. The paid-up share capital decreased from Rs. 35,73,346 to Rs. 35,21,413, while the deposits held by them, their reserve fund and total working capital increased from Rs. 54,39,024, Rs. 15,82,579 and Rs. 116,86,284 to Rs. 67,14,348 Rs. 16,90,113 and Rs. 130,25,463 respectively. Their profits decreased from Rs. 3,74,523 to Rs. 3,42,434. The percentage of overdues to demand increased from 23.0 to 27.7.

Of these societies, 292 are credit institutions, 72 Consumers' (Purchase and Purchase and Sale) Societies, 67 Industrial Societies and 4 other types of societies.

Urban Credit Societies.—There were 292 societies as against 287 in last year. Their membership decreased from 59,610 to 55,595. In other directions they show an improvement over the last year's figures. Their share capital, deposits, reserve fund and working capital increased from Rs. 28,76,635, Rs. 42,26,057, Rs. 12,90,585 and 92,00,242 to Rs. 29,27,661, Rs. 54,93,541 Rs. 13,77,056 and Rs. 1,05,41,771 respectively. They issued loans to the extent of Rs. 56,39,185 and recovered Rs. 51,20,487. Their net profits amounted to Rs. 2,80,774.

Consumers' Societies.—There were 72 societies at the end of the year as against 73 in the previous year. They had a membership of 16,507 and a working capital of Rs. 22,98,352. They earned a net profit of Rs. 92,879, having effected purchases and sales to the extent of Rs. 12,90,956 and Rs. 13,80,935. The majority of these societies which are combined banking and stores institutions, are situated in the Cities of Mysore and Bangalore where they are transacting business on a large scale, while those in other places have fewer transactions. The more important of these are the Bangalore City Co-operative Society, the Malleswaram Co-operative Society, the Basavangudi Co-operative Society, the Mysore Mills Co-operative Society, the Mysore Co-operative Society, the Chamarajpuram Co-operative Stores and the Bhadravathi Co-operative Society. For many years, the Bangalore City Co-operative Society had held its premier position as a Consumers' Society but the Malleswaram Society has been coming to the forefront with larger sales. Attempts made by the Department to reduce credit sales and increase cash sales have not been fruitful owing to the long-established practice of permitting members to purchase their requirements on credit.

Weavers' Societies.—There were 62 societies as against 61 in the previous year. Of these 16 are exclusively for the depressed classes in Mandya and Maddur Taluks. A good many of these societies are in a languishing condition and have departed largely from their primary object of the supply of raw materials and the sale of finished cloth. Many of the societies have been working only as credit institutions. They had a membership of 1,992, a share capital of Rs. 57,401, a deposit of Rs. 19,390, a reserve fund of Rs. 49,036 and a working capital of Rs. 1,61,670. The loans due by them to the Central Financing Banks and Government amounted to Rs. 31,461 and Rs. 4,382 respectively. They transacted business to the extent of Rs. 5,98,389 and earned a net profit of Rs. 2,503 as against Rs. 4,319 in the previous year. They purchased raw materials and finished products of the total value of Rs. 92,710 and Rs. 39,630, respectively, and effected sales to the extent of Rs. 92,905 and Rs. 31,750. The gross profit from trade amounted to Rs. 4,108. The efforts made by the Department to place their working on a sound footing so far have been futile.

Sericultural Societies.—There were 17 Sericultural Societies at the end of the year, 7 in the Mysore District, 4 in Kolar District and 6 in Bangalore District. Out of 17, 9 are not doing any work and they will have to be closed after adjusting their accounts. The 17 societies had a membership of 423, a share capital of Rs. 2,520, a reserve fund of Rs. 1,275 and a total working capital of Rs. 8,293. They owed Rs. 722 to Government. During the year they have prepared and supplied 5,87,119 disease-free layings and earned a grainage bonus of Rs. 2,502 from Government. Their net profits amounted to Rs. 1,329.

House Building Societies.—There were 25 House Building Societies at the end of the year. Three of them had not started work. These societies had a membership

of 3,818, a paid-up share capital of Rs. 1,33,721, deposits of Rs. 2,80,243, a reserve fund of Rs. 47,155 and a total working capital of Rs. 9,61,993. Their total transactions amounted to Rs. 18,83,370 which resulted in a net profit of Rs. 9,764. The societies have so far rendered financial assistance for the construction of 1,460 houses.

Co-operation in Malnad.—There were 340 societies in the Malnad at the end of the year including the 11 Land Mortgage Societies that were working in the area. The membership of these societies rose from 20,783 to 21,215 while the share capital fell from Rs. 6,12,213 to Rs. 6,11,085. The deposits however increased from Rs. 4,36,419 to Rs. 4,67,232 as well as the working capital from Rs. 23,14,631 to Rs. 23,57,161. The average working capital per society in the area was Rs. 6,933 as against Rs. 6,888 in the previous year. The deposits held by these societies work out at Rs. 22 per member. The savings of members by way of shares and deposits amounted to Rs. 10,78,317 or Rs. 50.8 per head of membership as against 50.0 in the previous year. The reserve fund built up by these societies amounted to Rs. 4,91,847 and the total transactions to Rs. 55,02,803. The net profit for the year amounted to Rs. 38,988 as against Rs. 44,261 in the previous year.

The Mysore Central Co-operative Land Mortgage Bank.—The membership and paid-up share capital of the Bank as on 30th June 1938 were 212 and Rs. 72,600 respectively as against 213 and Rs. 66,000 at the close of the previous year. The working capital of the Bank increased during the year to Rs. 8,99,468 from Rs. 6,36,043. The reserve fund at the close of the year stood at Rs. 8,792 as against Rs. 7,467 last year. The working of the Bank during the year resulted in a net profit of Rs. 12,012. Towards the fourth series of debentures carrying interest at 3½ per cent, subscriptions to the extent of Rs. 2,40,200 were received and accepted during the year. The total borrowings of the Bank under the four series of debentures so far issued amounted to Rs. 8,00,800 at the end of the year. The debentures of the Bank have been very popular and are finding a ready sale in the market and are selling at a premium.

The Bank had to deal with 353 loan applications during the year for an aggregate sum of Rs. 5,26,384 inclusive of the 61 applications that were pending at the beginning of the year for a sum of Rs. 79,030. In 171 cases loans amounting to Rs. 2,10,475 were sanctioned and 88 applications for a total loan of Rs. 1,86,022 were rejected. The total amount of loans sanctioned by the Bank from its inception till the end of the year of report amounted to Rs. 8,78,385 out of which a sum of Rs. 7,97,735 has been disbursed.

The demand and collection during the year under loans were Rs. 66,906 and Rs. 57,605, respectively, leaving a balance of Rs. 9,300 unrecovered at the end of the year. The percentage of overdues to demand was 13.91 as against 20.58 last year. This is the lowest on record so far. The collections were very satisfactory and the Bank hopes to keep up this improvement in the coming years. The improvement in the collections is mainly due to the pressure put on the borrowers for prompt payment of their instalments by the Special Staff of Inspectors sanctioned by the Government for Land Mortgage work. The issue of crop attachment orders under Section 66 of the Act had a salutary effect on the debtors and helped a great deal in the recovery of sums due to the Bank. During the year such orders were passed in 92 cases (6 of the Bank and 86 of primary societies). Ten applications under Section 60 were also filed aggregating a claim of Rs. 28,119. The total loans outstanding and due to the Bank at the end of the year amounted to Rs. 7,39,940.

The services of the Official Secretary who is an Amildar were continued during the year. To enable the Bank to reduce its lending rate and also to meet its establishment charges and other working expenses, Government were pleased to grant a subvention of Rs. 7,000 to the Bank during the year. The successful working of the Bank during the year is mainly due to the indefatigable zeal, energy and keen personal interest evinced by its President *Rajasabhabhushana Diwan Bahadur* Mr. K. R. Srinivasa Iyengar, M.A., retired Member of Council.

Primary Land Mortgage Societies.—There were 25 Land Mortgage Societies working at the beginning of the year and seven more were organised during the year. They had a membership of 3,711, a share capital of Rs. 84,925 and a reserve fund of Rs. 3,117 as against Rs. 2,784, Rs. 69,585 and Rs. 2,631 respectively last year. The amount of loans due by the societies to the Bank was Rs. 6,69,196. The loans outstanding against the borrowers of the societies aggregated Rs. 6,69,535. The total working capital and transactions were Rs. 7,61,926 and Rs. 6,33,665, respectively. The working of the societies resulted in a net profit of Rs. 6,159 as against a loss of Rs. 877 last year. Information regarding the number of cases in which loans were sanctioned, the amount sanctioned and disbursed by the Bank has already been stated. The average number and amount of loans disbursed during the year works out at 6.5 and Rs. 7,886 per society which cannot be considered to be adequate. The average number of applications sanctioned per society works to seven and the amount to Rs. 8,419. The poor average is due to the fact that many of the societies have not developed and some have just started work. In order that the benefits of the scheme may be taken advantage of by more persons, it is necessary that each society should deal with at least 60 applications in a year, lending at least half a lakh of rupees.

From the experience gained in the working of the scheme, it has been found that the delays in the disposal of the loan applications are mostly due to the non-furnishing by the applicants of all the required information. In order to guide the societies in the matter of investigation of loan applications and speed up their disposal, Government sanctioned during the year the appointment of six Inspectors to be placed in exclusive charge of the Primary Land Mortgage Societies. With this facility, a larger number of applications was dealt with by the societies promptly and the usefulness of these societies has greatly been enhanced and the scheme made to serve the people better. The Government continued the grant of Rs. 1,500 toward the working expenses of the Land Mortgage Societies. Many of the societies have not yet been able to earn a net profit and distribute dividends owing to their poor loan transactions. To meet the demand voiced by the public and as recommended by the Committee on Co-operation, the minimum of loan issuable by the Bank has been reduced to Rs. 300 and this has enabled the Bank to bring a large number of the indebted agriculturists under the benefits of the scheme.

The Mysore Co-operative Institute held, as usual a Co-operative Training Class at Bangalore for the benefit of Office-bearers, and employees of Co-operative Societies and others. The Mysore Co-operative Institute was intended to be the main centre for Co-operative Propaganda work in the State but it is handicapped in its objective on account of lack of finance. The failure of many societies is mainly due to the lack of education of their members in the principles and practice of Co-operation. The Institute should therefore devise ways and means for improving its finances. There is no lack of public spirit among the people but it should be aroused by proper means to the best advantage of the Institute and the Movement which it is intended to galvanise into activity. The Institute has to chalk out an active

State-wide programme of work to be carried on throughout the year so that it may take its rightful place in furthering the cause of Co-operation.

General.—It is observed that while the urban Movement has been steadily advancing, the position with regard to the Central Financing Banks, with the exception of the Land Mortgage Bank, and the agricultural Societies (with the exception of the Primary Land Mortgage Societies) is certainly not encouraging. No doubt, the number of Agricultural Societies has risen, and their membership and working capital have increased but the recoveries have diminished and fresh transactions show a heavy fall. In fact, the position has worsened and most of the debts due to societies and banks have become frozen and doubtful of realisation.

To my mind the only way of rehabilitating the rural Co-operative movement is by a thorough examination of the debts due by the members of societies with reference to the security available at present and the repaying capacity judged on the present level of prices of agricultural produce. Debts for which adequate securities are not forthcoming and which cannot be repaid by the borrowers with their present income, should be scaled down and brought within their repaying capacity. Each case will have to be decided on its own merits and no hard and fast rule for all societies and for all classes of members can be arbitrarily fixed. Persons who have adequate securities to offer and who are living within the lending area of operations of the Land Mortgage Bank should be advised—nay compelled—to apply to the said Bank for loans to discharge their dues to the societies. Bad irrecoverable debts should be written off against the reserve funds and if they exceed the reserve fund and other funds available in the society, the paid up share capital may also be used for the purpose proportionately. By this cleansing process, the societies should be revitalised and the debts liquefied and further credit for productive purposes only made available under proper safeguards. The system of controlled credit should be introduced and the societies remodelled, if necessary on the limited liability basis, so that there may not be any fear of risk to solvent persons of the locality by enrolling themselves as its members. Such remodelled societies may be persuaded to undertake agricultural supply work (i.e., supply of seeds, implements and fertilisers) and sale of the produce grown by the members. The existing bye-laws of a large majority of the rural societies provide for such work being undertaken by them. In this process of writing down the assets, the Apex Bank will have to lend a helping hand to the indebted societies and show tangible concessions and scale down its outstandings against societies in a true co-operative spirit.

REHABILITATION OF THE CO-OPERATIVE MOVEMENT IN BERAR

Press Communiqué dated 26th March 1940 of the Government of C. P. and Berar.

On the 9th September 1939, the Provincial Government published a communiqué summarising its conclusions on the recommendations of the Berar Co-operative Enquiry Committee and its proposals for dealing with the problem of the co-operative movement in Berar. The scheme outlined in this communiqué had been drawn up after a full consideration of all the relevant factors and in the light of the circumstances then prevailing. Unfortunately however the proposals set out in the communiqué did not commend themselves to the interests primarily concerned. The Provincial Government is of the opinion that much of the adverse criticism levelled against the scheme was based on an imperfect appreciation of the principles and considerations underlying it; the Government thinks further that the scheme, conceived as it was in the best interests of the creditors of the co-operative movement and the general taxpayer, was in essential the most suitable that could be devised in the circumstances.

After the publication of the communiqué, some further suggestions for dealing with the problem were received by Government from important quarters, and in order that no possible solution of a very complex problem might remain unexplored, these suggestions also were critically examined, but were found for one reason or another to be impracticable.

In the meantime due to the outbreak of war the problem itself had to some extent changed its shape. Largely as a result of the outbreak of hostilities in Europe, the price level of cotton, the chief money crop in Berar, rose sharply. With this increase in the price of Berar's staple crop there was evidence of an increasing demand for land with consequent rise in land values. In these circumstances, it was pointed out by the creditors—not without some justification—that this was not an opportune time for determining the paying capacity of members of societies, or the extent of conciliation that might be ultimately necessary. It was further urged that the improvement in the general economic condition of the whole tract would render it unnecessary to spread repayments over the long period contemplated in the communiqué. This argument found support in the request of some of the banks concerned for a moratorium on the ground that the altered conditions would enable them to pay off their liabilities without any considerable extraneous financial assistance.

The radical change in the situation brought about by the war rendered it necessary to re-examine the whole question afresh. The rise in prices occasioned by the outbreak of war might obviously very well provide an opportunity for co-operative institutions to pay off their old debts and thereby rehabilitate themselves, provided of course that the new level of prices continued to obtain for a sufficient period and provided that prudent advantage was taken of the new conditions and that the mistakes of the past, which led to so much distress during the last depression, were avoided. It is, however, impossible to forecast the future course of prices at the present time with any real precision. Conditions are too unsettled, and analogies drawn from the experience of the last war cannot be relied upon as an infallible guide.

During the course of this further examination of the question, the Provincial Government not relying solely on its own resources has consulted not only representative creditors, Central Banks and office bearers of the Provincial Bank, but it obtained the advice of eminent authorities on co-operation and co-operative banking. After a full examination of the position, the Provincial Government considers that the principles enunciated in the communique, dated 9th September 1939, with some modifications rendered necessary by the altered circumstances, are still applicable and adequate.

The first requirement of the situation as it has developed is that both the societies and the Central Banks should be given time to take advantage of the altered circumstances and that a final decision regarding the extent of conciliation of liabilities of co-operative institutions should be postponed until the future can be estimated with some certainty. The Provincial Government feels that indiscriminate liquidation of Central Banks and societies at this stage would neither be in the interests of the institutions nor of their creditors. But the Government is not convinced that the grant of a moratorium, as demanded by some Central Banks, is the proper method of achieving this end. It would not on the one hand be in the interests of the co-operative movement itself if the creditors' right of demanding liquidation in the event of a society being unable to meet its liabilities were abruptly taken away. Government feels that such a drastic interference with the rights of creditors is neither necessary nor desirable at this stage. On the other hand, it would be conducive to the interests of the movement as well as of the creditors if such respite as may be needed by Central Banks were granted to them with the support of the creditors or of a majority of them after placing them in full possession of the facts and thus enabling them to make an informed decision. Government considers that this object can be achieved by enacting, with such modifications as the altered circumstances require, the relevant clauses of Bill No. 89 of 1939, which was proposed to be introduced in the August 1939 Session of the Central Provinces Legislative Assembly.

The next desideratum is that the banks and societies should put their house in order and draw up a reasonable scheme of rehabilitation. It is, however, important that this step should not be unduly delayed and that a definite time limit should be fixed.

While any possible scheme of rehabilitation is being drawn up and during its continuance, it is necessary to give adequate assurance to creditors that the affairs of the banks will be properly managed and that their assets will be properly conserved. Probably the most satisfactory method of securing this object would be to arrange for the due representation of all the interests concerned in the management of Central Banks and to do away with the undue preponderance of borrowers, which prevails at present.

It is also necessary that adequate arrangements should be made for the future financing of such societies as may be found to be worthy or capable of being saved.

Finally the Provincial Government attaches very great importance to the principle that whatever scheme of rehabilitation is accepted should not place the creditors in a more disadvantageous position than they would have had to face if the banks had been liquidated. It would be obviously unfair that a rehabilitation of the Central Banks should involve a sacrifice on the part of depositors out of proportion to what they would have had to undergo by liquidation.

The Governor of the Central Provinces and Berar has accordingly decided to enact legislation amending the Co-operative Societies Act. The amending Act is

being published separately. This Act, excepting the changes rendered necessary by the new circumstances, follows closely the relevant clause in Bill No. 89 which was proposed to be introduced in the Central Provinces Legislative Assembly in the August 1939 session. The important departures from the provisions of Bill No. 89 are the following: (i) the Registrar, Co-operative Societies, has also been given power to propose a compromise or arrangement between a society and its creditors; (ii) it has been provided that the agreement of not less than three-fourths in value of the creditors present either in person or by proxy at a meeting of the creditors should on confirmation by the Registrar be sufficient for a valid compromise or arrangement, provided that the assenting creditors represent not less than 51 per cent in value of all the creditors affected by the compromise or arrangement; and (iii) in order to meet the convenience of creditors, the statutory period of notice of a meeting has been enlarged to 30 days. It may be stated here that the principle of compromise between a society and its creditors embodied in this legislation is no innovation in the co-operative field. Acts of certain other Indian provinces contain somewhat similar provisions. The legislative measure now adopted will ensure that respite to rehabilitate itself will be granted to a society or bank not on the sole order of the Registrar, nor even on that of Government, but with the concurrence and approval of the creditors representing the greater portion of the debts of the society concerned, after the latter have been satisfied that there is a reasonable chance of saving the institution without an undue sacrifice of the interests of creditors. From the point of view of the creditors, this is an important safeguard.

The Registrar, Co-operative Societies, will as soon as practicable call meetings under the new Act of the creditors of such Central Banks as find themselves in difficulties and will put before them proposals for a compromise or arrangement. The exact details of the arrangement or compromise that may be ultimately made will obviously vary according to the circumstances of each bank. But speaking generally it is expected that the arrangement would include payment *pro rata* of as much as is practicable and legally permissible out of the cash and liquid resources of banks, including their reserve fund and the reserve fund of societies affiliated to them. Creditors will thus secure to themselves the benefit of existing liquid resources. As for the balance, the Registrar will undertake to examine the affairs of each bank with a view to ascertaining whether any reasonable scheme of rectification or rehabilitation can be devised. Such examination will be made as expeditiously as the circumstances permit, and in any case within a period of three years. It is further considered that in this scheme of rehabilitation repayments by members should be spread over as short a period as possible, with due regard to the interests of the creditors and that such period should not in any case exceed 20 years. Restriction of the duration of payments is in the interests both of the creditors and of the members of societies in the present circumstances. It will be conceded that it is to the advantage of all concerned that the present chapter in the history of the co-operative movement in Berar should be closed as early as may be practicable. It is also necessary to assume that any boom period created by the present war will inevitably be followed by a period of depression. The rise in prices due to war conditions is artificial and must terminate when such conditions no longer exist. In an earlier part of this communique a reference has been made to the importance of taking advantage of the war conditions wisely and with restraint if distress in the post-war period is to be avoided. It is desirable in fact that recoveries should, if possible, be effected while, to use a common expression, the going is good. For the same reason it may be found desirable to insist that members should surrender their lands and take them back on a hire purchase system. This will have a reassuring effect on creditors as showing the *bona fides* of mem-

bers, and will also provide an incentive to members to repay their dues and get back their lands by the earliest date possible.

The question of the glut of land in possession of banks and societies which is one of the prime causes leading to the present deterioration in the position of banks may next be considered. Manifestly no hard and fast direction can be given regarding the disposal or method of management of these lands. The problem facing the banks will however be solved to a large extent if these frozen assets can be liquefied or made to yield an adequate return. It would be to the advantage of none if the discretion of the future management of banks is tied down to *a priori* conditions. It will therefore be left open to the future managements to pursue whatever course appears to be most suitable for the realisation of the capital invested in land to secure an adequate return upon them. None of the possible alternatives, e.g., sale, lease for such term as may be suitable, or hire purchase is therefore ruled out. Management of large landed property is partly a technical matter, and in order to assist banks in this respect the Provincial Government is prepared, if required, to make available the services of an experienced revenue officer for the purpose.

And here the much debated question of direct financial assistance by the Provincial Government to the co-operative movement comes directly in issue. In this matter the Provincial Government adheres to the position set forth in the communique dated the 9th September 1939. The Government wishes to make it entirely clear that no moral or legal obligation for the present crisis or for the financial losses of co-operative institutions rests upon it. In this statement of the factual position Government is fortified by the opinion of the eminent authorities who have been consulted by it and no one of the arguments to the contrary to which the attention of the Provincial Government has been drawn has shaken its belief in the essential correctness of this position. Further the Provincial Government is convinced that in the best interests of the co-operative movement itself indirect assistance is preferable to direct financial aid. Nevertheless the Provincial Government adheres to the undertaking implicit in the communique issued on 9th September 1939. In the general interests of the co-operative movement as a whole and out of its desire to promote the welfare of the agricultural classes from which the Province primarily maintains its strength, and as a proof of its faith in and desire to promote the co-operative movement, the Provincial Government will therefore be prepared, purely, as an *ex gratia* measure, to guarantee interest at 3 per cent or at the stipulated rate whichever is lower on debts of Central Banks reduced by compromise or conciliation to the extent of debtors' capacity to repay in the maximum of 20 years from the date such proposals are accepted. The reasons for limiting the period of repayments and therefore of the Government guarantee to 20 years have been explained already. As stated in the earlier communique, payments made by Government under the guarantee will of course be a charge on and recoverable out of the future profits of the Central Bank concerned. Further the Provincial Government is prepared to grant an annual subsidy not exceeding one lakh of rupees for not more than three years in the first instance to meet the deficit if any in the working expenses of the Central Banks, after all measures of economy and retrenchment considered necessary by the Registrar have been carried out. The subsidy promised in the earlier communique was limited to Rs. 50,000 a year, but in its desire to help out the co-operative movement in its present difficulties Government is prepared to enhance this figure to rupees one lakh. The Provincial Government will also be prepared to examine sympathetically proposals for the entertainment of such extra staff as may be required for improvement of control and supervision over societies and banks and for proceedings under the new legis-

lation. The Provincial Government trusts that its own position will now be completely clear, and that the general public will realise that its interest in the welfare of the co-operative movement remains unabated.

As for the future management of banks the Provincial Government recognises that the desire of the creditors for an assurance that in future the banks will be managed on sound lines, that their assets will be properly conserved and realised, is only natural. Possibly the most suitable method of achieving this object would be to secure due representation on the management of Central Banks of all the interests concerned, viz., the creditors, the Provincial Bank, affiliated societies and shareholders. The Registrar or a suitable nominee on his behalf not below a certain rank can also perhaps with advantage be given a place on the management. Thus reconstituted, the management should command the confidence of the investing public as well as of the members of societies and ensure businesslike and efficient management.

A word is also necessary regarding the future financing of good societies or of societies which it may be possible to reorganise. Several methods have been suggested to Government, including the organisation with the assistance of Government, and of the Provincial Bank, of a separate bank for Berar to work in conjunction with and as a subsidiary to the Provincial Bank; or in the alternative the opening of a separate branch of the Provincial Bank for Berar. All such schemes need further examination in consultation with the Provincial Bank. This examination will be taken in hand without delay. It may, however, be stated here that provided that the Provincial Bank is prepared to co-operate the Provincial Government is prepared to give assistance upto one lakh of rupees in a form to be settled between it and the bank.

The above suggestions are to be taken for the present as merely tentative. The Provincial Government is not wedded to any particular scheme, and is prepared to consider any suitable variations that may be suggested at the meetings with creditors provided that the general principles enunciated above are observed and that no financial burden—beyond that already stated—on Government is involved. It may further be made clear that it is not contemplated that creditors should give their assent in advance to any scheme or rehabilitation which may be advanced without full knowledge of its details. If creditors so desire further opportunity will be given to them to consider any proposed scheme after detailed examination of the affairs of each bank.

In drawing up any scheme for the solution of the problem of co-operative banks in Berar, Government has to take into account not only the interests of creditors and of the co-operative institutions but of the general taxpayer as well and in order to harmonise these divergent interests as much as possible the Provincial Government considers that the scheme outlined above meets as far as possible the best interests of all the various parties concerned. So far as co-operative institutions and members of the co-operative societies are concerned it gives them an opportunity to take advantage of the improved economic conditions, to free themselves from old debts and to rehabilitate their economic position. There should, the Provincial Government feels, be no hesitation on their part to produce a proper confidence in their creditors by displaying their own *bona fides*. If some scheme acceptable to creditors representing a majority in value of the debts cannot be devised, there is no possible alternative but to liquidate the institution in question. This will involve inevitable distress to the members. The advantages to creditors of a solution on the lines described above are also obvious. In the event

of liquidation, future interest will stop. In the scheme contemplated however future interest at a reasonable rate on the conciliated amount is guaranteed. Further, if liquidation is ordered, all available assets will have to be realised as expeditiously as possible, and there is obvious risk of creditors being deprived of the advantage of any further rise in prices or of land values that may accrue. Experience shows that after liquidation, recoveries become very difficult; fresh financing has necessarily to be stopped and, human nature being what it is members are reluctant to make payments. The costs of liquidation have also to be deducted from the realised assets before distribution can be made. All these points constitute serious disadvantages and a solution on the lines indicated earlier in this communique contains promise of obviating these disadvantages. To the co-operative movement also, the wholesale liquidation of a large number of Central Banks and societies might be gravely damaging. The Provincial Government is firmly convinced that the interests of all the parties concerned will be best served by a solution on the lines suggested above. Finally, the Provincial Government wishes to reiterate its faith in the co-operative movement. In the present circumstances, with the shrinkage of rural credit, there is much scope for co-operative institutions managed on sound lines. The Provincial Government trusts that the policy indicated in this communique will have the support of all right thinking persons. The policy has been arrived at after prolonged deliberation and the Provincial Government hopes that it will commend itself to all those persons in the Province who appreciate the principles of true co-operation and who realise the full implications of the very complex problem of rural credit in India.

DRAFT INDIAN BANK BILL

(Proposed by the Reserve Bank of India)

PART I—GENERAL.

1. **Short title, commencement, and extent.**—(1) This Act may be called the Indian Bank Act 19—

(2) It shall come into force on the day of ; and

(3) It extends to the whole of British India including British Baluchistan and the Santhal Parganas.

2. **Definitions.**—In this Act, unless there is anything repugnant in the subject or context :

(a) "banking" means the accepting of deposits on current account or otherwise subject to withdrawal by cheque :

(b) "banking company" means a company as defined by the Indian Companies Act including a foreign company which does the business of banking in British India.

(c) "scheduled bank" means a scheduled bank as defined in sub-clause (e) of section 2 of the Reserve Bank of India Act (II of 1934).

(d) The Reserve Bank means the Reserve Bank of India as constituted by the Reserve Bank of India Act (II of 1934).

(e) The Court means the court having jurisdiction under the Indian Companies Act (VII of 1913).

(f) The Registrar has the same meaning as in the Indian Companies Act (VII of 1913).

(g) "approved securities" means securities in which a trustee can invest under clauses (a) to (d) inclusive of section 20 of the Indian Trusts Act (Act II of 1882).

3. **Exemption of Co-operative Banks.**—Nothing in this Act shall apply to a co-operative bank registered under the Co-operative Societies Act 1912 (II of 1912) or any other law for the time being in force in British India relating to Co-operative Societies.

PART II—BUSINESS OF BANKING COMPANIES

4. **Extent of business.**—A banking company may engage in any one or more of the following forms of business and no other, namely:

(1) the borrowing, raising or taking up of money ; the lending or advancing of money either upon or without security ; the drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hoondees, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scripts and other instruments, and securities whether transferable or negotiable or not ; the granting and issuing of letters of credit, travellers' cheques and circular notes ; the buying, selling and dealing in bullion and specie ;

- the buying and selling of foreign exchange including foreign bank notes; the acquiring, holding, issuing on commission, underwriting and dealing in stock, funds, shares, debentures, debenture stock bonds, obligations, securities and investments of all kinds; the purchasing and selling of bonds scripts or other forms of securities on behalf of constituents or others; the negotiating of loans and advances; the receiving of all kinds of bonds, scripts or valuables on deposit, or for safe custody or otherwise; the collecting and transmitting of money and securities;
- (2) acting as agents for Governments or local authorities or for any other person or persons; the carrying on of agency business of any description other than the business of a managing agent of a company not being a banking company including the power to act as attorneys and to give discharges and receipts;
 - (3) contracting for public and private loans and negotiating and issuing the same;
 - (4) the promoting, effecting, insuring, guaranteeing, underwriting, participating in managing and carrying out of any issue, public or private, of State, Municipal or other loans or of shares, stock, debentures, or debenture stock of any company, corporation or association and the lending of money for the purpose of any such issue;
 - (5) carrying on and transacting every kind of guarantee and indemnity business;
 - (6) promoting or financing or assisting in promoting or financing any business undertaking or industry, either existing or new, and developing or forming the same either through the instrumentality of syndicates or otherwise;
 - (7) acquisition by purchase, lease, exchange, hire or otherwise of any property immovable or movable and any rights or privileges which the company may think necessary or convenient to acquire or the acquisition of which in the opinion of the company is likely to facilitate the realisation of any securities held by the company or to prevent or diminish any apprehended loss or liability;
 - (8) managing, selling and realising all property movable and immovable which may come into the possession of the company in satisfaction or part satisfaction of any of its claims;
 - (9) acquiring and holding and generally dealing with any property or any right, title or interest in any property movable or immovable which may form part of the security for any loans or advance or which may be connected with any such security;
 - (10) undertaking and executing trusts;
 - (11) undertaking the administration of estates as executor, trustees or otherwise;
 - (12) taking or otherwise acquiring and holding shares in any other company having objects similar to those of the company;
 - (13) establishing and supporting or aiding in the establishment and support of associations, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the company or the depen-

- dents or connections of such persons; granting pensions and allowances and making payments towards insurance; subscribing to or guaranteeing moneys for charitable or benevolent objects or for any exhibition or for any public, general or useful object;
- (14) the acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purposes of the company;
 - (15) selling, improving, managing, developing, exchanging, leasing, mortgaging; disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the company;
 - (16) acquiring and undertaking the whole or any part of the business of any person or company, when such business is of a nature enumerated or described in this section;
 - (17) doing all such other things as are incidental or conducive to the promotion or advancement of the business of the company;
 - (18) any other business which the Central Government may by notification in the *Gazette of India* specify in addition as a form of business which it may be lawful under this section for a banking company to engage in.

5. **Limitation of activities of banking company.**—After the expiry of two years from the commencement of this Act a company which does banking business shall include as part of the name under which it carries on business the word 'bank,' 'banker,' or 'banking,' and no company which does not do banking business shall use the word 'bank,' 'banker' or 'banking' as part of its name.

6. **Banking company not to employ Managing Agent.**—No banking company shall employ or be managed by a managing agent other than a banking company for the management of the company.

7. **Restriction on commencement of business by a banking company.**—Notwithstanding anything contained in section 103 of the Indian Companies Act, no company shall do banking business unless:

- (1) it has a paid up capital and reserve of at least one lakh of rupees, or, if it does banking business at any of the places hereinafter mentioned, an amount in respect of each such place of not less than (a) five lakhs of rupees at Bombay and Calcutta, (b) two lakhs of rupees at other places with a population of over one lakh to be included in a list to be notified by the Reserve Bank of India, and (c) twenty lakhs if it operates outside the state or the province in which it has its principal office of business; provided that no banking company shall be required to have a minimum paid-up capital of more than twenty lakhs of rupees;
- (2) its subscribed capital is not less than half of its authorised capital and its paid-up capital is not less than half its subscribed capital.
- (3) In the case of a banking company in existence on the 1st January 1940 this section shall come into force after the expiry of two years from the commencement of this Act.

8. **Prohibition of charge on unpaid capital.**—No banking company shall create any charge upon any unpaid capital of the company, and any such charge shall be invalid. (Sec. 277 J).

9. Reserve Fund.—Every banking company shall maintain a reserve fund and shall, out of the declared profits of each year and before any dividend is declared, transfer a sum equivalent to not less than twenty per cent. of such profits to the reserve fund until the amount of the said fund is equal to the paid-up capital.

10. Cash Reserve.—(1) Every banking company shall maintain by way of cash reserve in cash a sum equivalent to at least one and a half per cent. of the time liabilities and five per cent. of the demand liabilities of such company and shall file with the Registrar before the tenth day of every month three copies of a statement of the amount so held on the Friday of each week of the preceding month with particulars of the time and demand liabilities of each such day.

(2) For the purposes of sub-section (1) 'demand liabilities' means liabilities which must be met on demand, and 'time liabilities' means liabilities which are not demand liabilities.

(3) Nothing in this section or in section 9 shall apply to a scheduled bank.

11. Maintenance of a percentage of assets.—Every banking company shall within two years after commencement of this Act maintain in cash or unencumbered approved securities valued at a price not exceeding the market price an amount which shall not at the close of business on any day be less than thirty per cent. of the total of its time and demand liabilities in India and Burma as shown in a return to be sent weekly to the Reserve Bank of India in the manner prescribed by section 42 of the Reserve Bank of India Act (II of 1934) and subject to the explanation to sub-section (1) of that section;

Provided that a balance maintained by a scheduled bank with the Reserve Bank of India under the provisions of section 43 of the Reserve Bank of India Act shall be deemed to be cash for the purposes of this section.

12. Holding of a percentage of assets in British India.—(1) Every banking company shall before the 1st February in each year submit to the Reserve Bank of India a return of the amounts of its time and demand liabilities and its assets in British India as on the last working day of the previous December and on that date the said assets shall not be less than twenty-five per cent. of the said liabilities.

(2) For the purposes of this section assets in British India shall be deemed to include such promissory notes, bills of exchange, or securities as the Reserve Bank of India is empowered by its Act to purchase, discount or advance against and export Bills drawn in India and expressed in such currencies as may be approved from time to time by the Reserve Bank of India.

13. Restriction on nature of subsidiary companies.—(1) A banking company shall not form any subsidiary company except a subsidiary company of its own formed for the purpose of undertaking and executing trusts, undertaking the administration of estates as executor, trustee or otherwise and such other purposes set forth in section 4 as are incidental to the business of accepting deposits of money on current account or otherwise.

(2) Save as provided in sub-section (1) a banking company shall not hold shares in any company whether as a pledgee, mortgagee or absolute owner of an amount exceeding 40 per cent of the issued share capital of that company. Provided that nothing in this sub-section shall apply to shares held by a banking company before the commencement of the Indian Companies Amendment Act, 1936.

14. Defaults under section 10 and 11 to be penalised.—(1) If default is made in complying with the requirements of this part of the Act every director or other officer of the company who is knowingly and wilfully a party to the default shall be liable to a fine not exceeding five hundred rupees for every day during which the default continues.

(2) In addition to the penalties prescribed in sub-clause (1) if any banking company fails to comply with the requirements of sections 11 and 12 of this Act, the Reserve Bank shall also make a demand to the company to comply with the said requirements within a period of one calendar month from the date of such demand, and, if the company fails to do so the Reserve Bank of India shall apply to the court for the compulsory liquidation of the said company and such application shall be deemed to be equivalent to a petition by the Registrar for the winding up of the said company under sub-section (a) of section 166 of the Indian Companies Act on the ground that the company is unable to pay its debts and a copy of such application shall be sent by the Reserve Bank of India to the Registrar.

PART III.—SUSPENSION OF BUSINESS AND WINDING UP OF BANKING COMPANIES

15. Suspension of business.—(1) The court may on the application of a banking company which is temporarily unable to meet its obligations make an order staying the commencement or continuance of all actions and proceedings against the company for a fixed period of time on such terms and conditions as it shall think fit and proper and may from time to time extend the period, up to a total period not exceeding two months.

(2) No such application shall be maintainable unless accompanied by a report of the Registrar indicating that in his opinion the banking company will be able to pay its debts if the application is granted.

Provided, however, the court may, for sufficient reasons, grant interim relief, even if the application is not accompanied by such report.

(3) The Registrar shall for the purposes of his report be entitled at the cost of the company to investigate the financial condition of the company and for such purposes to have the books and documents of the company examined by an accountant holding a certificate issued under Section 144 of the Indian Companies Act, 1913.

16. Circumstances in which Banking Company shall be wound up by the Court.—Notwithstanding anything contained in Section 162 or 271 of the Indian Companies Act, 1936, a banking company shall be wound up by the court if it is unable to pay its debts.

17. Banking Company when deemed unable to pay its debts.—For the purpose of this Act, notwithstanding anything contained in Section 163 of the Indian Companies Act, 1936, a banking company shall be deemed to be unable to pay its debts if it has refused to meet any lawful demand for payment made at any of its offices or branches within one working day if such demand is made at a place where there is an office, branch or agency of the Reserve Bank of India, or two working days elsewhere.

18. Winding up and liquidation proceeding not to be stayed, unless Court is satisfied as to payments to depositors.—Notwithstanding anything contained in Section 173 of the Indian Companies Act, 1936, no order for winding up a banking

company shall be stayed or its liquidation proceedings delayed unless the court is satisfied that an arrangement has been reached whereby the depositors of the bank can be paid in full as their claims accrue.

19. **Preliminary distribution to depositors.**—Notwithstanding anything contained in Section 177B of the Indian Companies Act, 1936, in the case where a winding up order has been made for a banking company the official liquidator shall submit a preliminary report to the court within two months of the date of the order setting out the information required by that section so far as is available to him to enable the Court to order the payment of a preliminary dividend if sufficient assets are available.

20. **Power to dispense with meetings of creditors.**—Notwithstanding anything contained in Section 178A and 183 of the Indian Companies Act in the liquidation proceedings of a banking company the court may dispense with any meetings of the creditors or contributories or the creation of a committee of inspection if it considers that no object will be secured thereby sufficient to justify the delay and expense.

21. Notwithstanding anything contained in Section 191 of the Indian Companies Act, 1936, the court shall deem that the amounts shown in the books of a banking company as standing to the credit of a depositor are proved without the necessity of further proof unless the official liquidator shows cause to doubt any particular entry.

22. **No banking company to be voluntarily wound up unless solvent in respect of depositors.**—Notwithstanding anything contained in Section 203 of the Indian Companies Act, no banking company may be voluntarily wound up unless the registrar reports to the court that it is able to pay all its dues to its depositors in full immediately as they accrue, and notwithstanding anything contained in Section 220 of that Act a voluntary winding up shall be converted into an order for winding up by the court if at any time during the winding up proceedings the company is not able to meet such debts as they accrue.

PART IV—POWER TO SUSPEND OPERATIONS OF THE ACT

23. **Suspension of Act.**—On a representation of the Reserve Bank in this behalf the Central Government may by notification suspend the operation of any of the sections of this Act, either generally or with reference to a particular bank or banks, for a period not exceeding two months at a time.

24. **Power of Central Government to make regulations.**—The Central Government may make regulations consistent with this Act to provide for all matters for which provision is necessary or convenient for the purpose of giving effect to the provisions of this Act.

- (i) In particular, and without prejudice to the generality of the foregoing considerations, such regulations may provide for the details to be included in the returns prescribed by this Act and the manner in which they shall be submitted.
- (ii) Such regulations shall be published in the *Gazette of India* and shall come into force six months after the date of such publication after consideration of any comments received on them.

25. **Repeals.**—Section 277 F, G, H, I, J, K, L, M and N of the Indian Companies Act (VII of 1913) are hereby repealed.

THE INDIAN CO-OPERATIVE MISSIONARY SOCIETY

The following is a scheme drafted by Mr. K. Velayudan Pillai of Travancore in accordance with a resolution passed at the last meeting of the Standing Committees of the Indian Provincial Co-operative Banks' Association and the All-India Co-operative Institutes' Association, held at Madras in October 1939, regarding the organisation of a band of life-workers to serve the Co-operative Movement in India. The scheme has been circulated to all the members of the two Associations and will be discussed at the next meeting of the Standing Committees.

M. Bashir Ahmad Khan.

Draft Rules framed by Mr. K. Velayudan Pillai

1. **The Name of the Society.**—The name of the Society shall be "The Indian Co-operative Missionary Society."

2. **Area of operation.**—The area of operation of the Society shall extend to the whole of India, i.e., the British Provinces, the Indian States and the Territories under foreign rule.

3. **Objects of the Society.**—To organise and maintain a Band of Life-Workers wholly devoted to the cause of Co-operation in India.

4. **The duties of the Members.**—The following will be their duties:—

(a) To do intensive propaganda in the country to develop the co-operative movement on right lines. To serve this purpose Conferences and Conventions may be arranged as often as possible in different Provinces and States, lecturing tours may be organised, a higher course of Training for workers may be instituted, pamphlets, bulletins, magazines and books may be published and all other things that will contribute to the progress of the movement may be done.

(b) To encourage and help the organisation of special types of Societies and Rural Reconstruction Centres and to make arrangements for their proper management.

(c) To specialise in different branches of the co-operative movement and tender advice to the Departments and Institutions of the Provinces and the States.

(d) To organise and maintain a Library where all possible literature on Co-operation and Rural Reconstruction as practised in different parts of the World will be made available to the co-operators and also facilities will be afforded to them to do research work on co-operation.

(e) To constitute and conduct committees of enquiries to review the working of the movement once in three years in every Province and State and also to suggest plans for its working for the next three years. (Note:—For the development of the movement it is highly necessary to review its working at short intervals and suggest measures to rectify the mistakes committed and also to prepare plans for a specified period for its progress in future in all the Provinces and States. The present practice of appointing committees of enquiry by Governments once in a way and often consisting of members who are not keenly interested in the movement does not serve the purpose although it entails great expenditure. Hence it is that the responsibility of constituting the committees of enquiry is vested in this Society of Life Workers. The periodical enquiry, once in three years, will help the

movement very much and assist the Governments concerned to find out the flaws in its working without much cost. Moreover the committees working under the auspices of the same body will be able to introduce uniformity in the working of the movement throughout India).

(f) To bring home to the co-operators of different Provinces and States and professing different religions that the division of India into separate units for administrative purposes and the division of Society into separate religions do not stand in their way of forming a Brother-hood and as citizens of the same country their interest for the economic progress and social amelioration is the same.

(g) To work as the Executive Body of the Indian Provincial Co-operative Banks' Association and the All-India Co-operative Institutes' Association.

5. **Membership.**—The members of the Society will consist of two classes A and B.

A class members will be full time workers. They should work according to the instructions issued to them from time to time by the Executive Committee formed as mentioned hereafter. For their expenses a living salary will be given to them every month as per sanction of the General Body of the Society constituted as mentioned hereafter. While on tour they will also be given daily and travelling allowances as per rates fixed by the General Body.

B class members will be part-time honorary workers. They will also abide by the instructions of the Executive Committee. While on duty outside their headquarters they will be paid daily and travelling allowances as per rates fixed by the General Body.

A class members will be permitted to become B class members and B class members will be permitted to become A class members with the sanction of the General Body.

The members of the Society should be in active service for a period of fifteen years. After that they may be allowed by the General Body to become Honorary members of the Society. One who has served as A class member for 15 years will be given half of his original salary as living allowance for life. The honorary members should attach themselves with one or more Co-operative Societies as office bearers or Advisors and try to work them as Model Societies. Honorary members can exercise equal rights as Active members in the General Body meetings of the Society.

6. **Admission of Life-Members.**—The first batch of members of the Society will be admitted by a meeting of the Joint Session of the Standing Committee of the Indian Provincial Banks' Association and the All-India Co-operative Institutes' Association. Subsequent admissions will be made by the General Body of the Society.

7. **Qualification for Membership.**—Only persons who have worked in the Co-operative movement for a period of not less than 10 years are eligible for admission to membership of the Society. Preference should be given to those who have had long experience of organising and working Primary Societies, Supervising Unions, Urban or Taluk Banks, District or Central Banks, Land Mortgage Banks, Non-credit Societies, Rural Re-construction Societies, Institutes or Provincial Unions, and Provincial Banks or Apex Banks. Those who have worked all or a major number of above types of Societies as Secretaries or Presidents for more than 10 years would be possessed of experience which would be of inestimable value to the Movement and as such their services are worthy of being retained at any cost. Persons who

have worked as Editors of the Co-operative and Economic Journals for a period of ten years should also be eligible for admission to the membership of the Society.

8. **Funds.**—The Funds of the Society shall be derived as follows:—

(a) By raising at the rate of Rs. 5 for every lakh of working capital of the Co-operative Movement in the Provinces, the States and the other administrative Units in India, the contributions being made payable at the end of every co-operative year by the Apex Banks working in the administrative areas.

(b) By raising subsidies from Governments interested in the growth of the Co-operative Movement in their jurisdiction.

(c) From donations subscribed by Societies and sympathisers.

(d) By the sale proceeds of the publications of the Society.

(e) From funds raised in any other manner by the Executive Committee.

9. The funds of the Society shall only be utilised for promoting the objects for which the Society is organised.

10. **Constitution.**—The Management of the Society shall vest in a General Body and an Executive Committee.

11. **General Body.**—The General Body shall consist of (a) the Life-members as admitted under bye-law No. 6 of the Society, and

(b) the ex-officio members as mentioned below:—

(i) The President, the Vice-Presidents and the Secretary of the Indian Provincial Banks' Association.

(ii) The President, Vice-Presidents and the Secretary of the All-India Co-operative Institutes' Association.

12. **Executive Committee.**—The Executive Committee shall consist of a President, a Vice-President, a Secretary and four other members. The President of the Indian Provincial Co-operative Banks' Association shall be the ex-officio President of the Society. The President of the All-India Co-operative Institutes' Association shall be the ex-officio Vice-President of the Society. The Secretary of the Society shall be elected from among the Life-members of the General Body. The four other members of the Society shall be elected by the General Body from among themselves.

13. One-third of the number of the members of the Society shall form the quorum for the meeting of the General Body. The quorum for the Executive Committee shall be four.

14. The President when present will preside over all the meetings of the General Body and the Executive Committee. In his absence the Vice-President will preside over the meeting.

15. There must be at least one meeting of the General Body held every year. The place and time of the meeting will be decided by the Executive Committee.

16. All questions shall be decided by a majority of votes and every member present shall have only one vote each. In the case of equality of votes the President shall have a casting vote.

17. The entire administration of the Society shall vest in the General Body. It will particularly exercise the following functions:—

- (a) To consider and adopt the Annual Reports and Accounts presented by the Executive Committee.
- (b) To pass the Annual Budget.
- (c) To alter or add to the bye-laws of the Society.
- (d) To admit or remove the Life-members of the Society (*Note:—In the case of the removal of a member the resolution should be passed at two consecutive meetings of the General Body*).
- (e) To consider and decide upon complaints made against the members of the Society. (At such occasions the members against whom the complaints are brought will not be allowed to attend the meeting).
- (f) To define or alter the General policy in the working of the Society.
- (g) To consider any other matter that the Executive Committee desires to be submitted to the decision of the General Body.

18. Subject to the control of the General Body, the Executive Committee will administer the affairs of the Society. The General Body will decide from time to time what powers should be exercised by the Executive Committee. But the day today administration such as allotting work to the members, scrutinising the reports submitted by the members and passing orders thereon, appointing committees of enquiries and communicating their reports to the Governments and the Institutions concerned, tendering advice to Governments and Institutions when sought for, managing Institutions working under the Society, and carrying out the instructions of the Standing Committees of the Indian Provincial Co-operative Banks' Association and of the All-India Co-operative Institutes' Association etc., may be attended to by the Executive Committee.

19. The Secretary will be the Executive Officer of the Society. But he will work under the control and guidance of the President.

20. The Head-quarters of the Society may be selected by the General Body from time to time.

21. The Society will have a common Seal and it will be affixed to all its important documents.

CO-OPERATIVE NEWS AND NOTES

It is understood that the Surat District Co-operative Purchase and Sale Union of the Bombay Presidency, with financial backing of the Surat District Co-operative Central Bank, has drawn up a scheme for the opening of 'cheap grain shops.' It is proposed to open 26 shops in different parts of the district to be run by the Union with the aid of funds provided by the Bank at the special rate of 4 per cent. The Local Government have been approached to bear the loss on the shops to the extent of Rs. 10,000 during the first six months of their working; and they have agreed to guarantee only half the amount of the loss, subject to a maximum of Rs. 2,000 for all the shops concerned for a period of six months from the date of opening of the first shop. For a shop to come under the guarantee it is necessary that the District Collector should certify its necessity. The Union is at liberty to open additional shops at its own risk.

It is understood that the Government of Bombay have decided to withdraw the draft rule, which they desired to promulgate under the Co-operative Societies Act empowering Government to prescribe the composition of the board of management of a central financing agency. The draft rule was subjected to severe criticism from various quarters, and representations were made by all concerned, including the Bombay Co-operative Banks' Association on behalf of the central financing agencies; and in deference thereto, the Government seem to have announced their intention of withdrawing the draft rule.

The Government of Bombay have appointed the Commissioners of Divisions to be members of the Provincial Development Board. For reasons of administrative convenience, the Commissioners of Divisions have been empowered to modify or set aside the orders and resolutions of the District Rural Development Boards, whether passed by them or their committees or persons to whom the Boards have delegated their authority. The general supervision of the District Rural Development Boards will, however, remain with the Registrar of Co-operative Societies and Director of Rural Development.

Three co-operative medical aid and public health societies have been organised in Montgomery District of the Punjab. These societies, which represent an entirely new type of co-operative activity, have started medical dispensaries. One half of the running expenses of these dispensaries are borne by the members of the respective societies and the other half by Government. Government have sanctioned Rs. 600 for each of the three dispensaries, that is Rs. 1,800 in all. The local District Board has also contributed some share towards the furtherance of this venture.

It is understood that the Government of the Punjab are examining the draft of a Bill which is intended to improve the working of co-operative credit societies in the province. The Bill has been scrutinised by a Committee of Deputy Registrars, specially appointed for the purpose, and by a special committee of the Punjab Co-operative Union.

The Government of Madras, it is understood, propose to start a colonization scheme on co-operative basis. An area of about 600 acres of fertile land available in the Tanjore District will be utilised for the purpose, and the extent of each holding will be about two to three acres.

The Government of Madras have sanctioned a scheme for the formation of milk recording societies, half the cost of the scheme being borne by the Imperial Council of Agricultural Research. The work will first be started in the Nellore District in the breeding area of the Ongole cattle. The records will be utilised for the selection of animals for breeding purposes and thus help the development of good milk-yielding breeds of cattle among the important Indian breeds.

The Madras Government intend to introduce a bill entitled, The Madras Livestock Improvement Bill, to provide for the improvement of livestock in the province. Licenses will have to be obtained for bulls used for breeding and temple bulls will be exempt from this provision. The provisions of the bill will be put into operation in places where a sufficient number of good stud-bulls are available for breeding purposes within easy reach of cattle-owners.

The Government of Mysore have made two rules under the Mysore Co-operative Societies Regulation—one disqualifying defaulter-members of societies from holding any office or being elected to the committee of management of such institution and the other disqualifying such defaulter-members from exercising their votes at general elections.

The Imperial Council of Agricultural Research has, it is understood, under consideration proposals for constituting a standing Central Economic Committee. The work of the Committee will be to find markets for agricultural produce and to lower the cost of production.

The Committee on Co-operation in Madras, set up by the Government of Madras, have concluded their labours and submitted their report to Government. The Committee have made many important recommendations for the re-orientation of the Movement in the province, and we await with interest the publication of the report and the orders of the Government thereon.

In accordance with the promise made by the Finance member of the Government of India in the Central Legislature, during the course of the discussions on the Income-tax (Amendment) Bill to enquire into and give, if found necessary, relief to co-operative societies, provision is made in the Finance Bill for 1940 that in respect of co-operative societies the rate of supertax for the year 1940-41 will be one anna in the rupee on the total income, above Rs. 25,000. Hitherto co-operative banks were paying supertax ranging up to seven annas in the rupee.

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ACKNOWLEDGMENTS

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